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The *Bulletin*, which is prepared by the Research and Planning Division of the Secretariat of the Economic Commission for Asia and the Far East, is published entirely on the responsibility of the Secretariat, and its contents, which are intended for the use both of governments and the general public, have not been submitted to the member Governments of the Commission before publication.

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SCOPE FOR MULTILATERAL COMPENSATION PAYMENTS OF ECAFE COUNTRIES

Introduction: Statement of the Problem

Countries in the ECAFE region have had to face two problems of payments after the Second World War. One is the general shortage of foreign exchange resources for which the solution lies in measures such as the development of exports, economy in the use of exchange resources, measures for the stimulation of foreign investment, external assistance, etc. Nearly all the ECAFE countries have faced the overall problem of shortage of foreign exchange in postwar years and measures mentioned above have contributed in varying degree to its solution. Some countries which gained from trade during the Korean War and accumulated foreign exchange assets, had their overall inadequacy of foreign exchange alleviated to a certain extent by those gains from trade. However, nearly all the ECAFE countries are short of foreign exchange resources in relation to their developmental needs; the difference between one country and another is a matter of degree.

The second problem of payments arises from the inconvertibility of certain currencies, which limits their general acceptance, so that credit with one country cannot be used to offset debit with another country and *vice versa*. There will be no problem of multilateral compensation (1) if there is a common international currency which is recognized and acceptable to all countries and (2) if there is no shortage to any country of such a currency, so that this currency can be used as a medium of exchange for international transfers just as any national currencies are used in domestic trade. Dollars and sterling have long been used as the major currencies for international payments but since the second world war shortage of dollars has confronted many countries including the sterling countries which find that they will, in the absence of control, import more from the dollar countries than they export to them. Many of the currencies, including sterling, are therefore not freely convertible and transferable. Thus the two problems of payments, the overall problem of exchange shortage and the problem of multilateral payments, are interrelated, but the present paper concerns itself mainly with the problem of multilateral payments.

Inconvertibility of currencies

The problem of inconvertibility of currencies has two aspects: (1) how far are the currencies of ECAFE countries inconvertible, and how such inconvertibility retards their trade both among themselves and with the rest of the world and (2) how far are the currencies in which ECAFE countries conduct their trade and payments transactions, e.g. sterling, inconvertible and how such inconvertibility retards their international trade. All the ECAFE currencies (with the possible exception of the Philippines) are inconvertible and their inconvertibility affects the trade between them and countries with convertible currencies. The dollar area will surely find the inconvertibility of ECAFE currencies an obstacle to free multilateral trade. But the inconvertibility of ECAFE currencies is essentially derived from the inconvertibility of the leading currencies external to the ECAFE region, with which they have close links. China, Japan, Korea, and Thailand are the only ECAFE countries which are not members of any wider monetary area, though their currencies are also inconvertible because their overall exchange position or currency pattern of payments (or both) is not sufficiently strong to support convertibility and also because their convertibility is partly linked with or dependent upon that of leading international currencies.

The second aspect of inconvertibility is thus real and substantial, and nearly all ECAFE countries are affected by it, although it is difficult to assess in quantitative terms how far it retards their international trade. Sterling is not freely convertible, and Sterling Area countries in common have not only accepte d certain limitations on sterling convertibility, but also arrangements for the central pooling of their convertible currency reserve (including current earnings of such currencies) and for the limitation of their expenditures of such currencies. On the other hand, there is fairly free convertibility of currencies among the Sterling Area countries. This applies to the Franc Area as well.

Stated in these terms, the effects of inconvertibility, as far as ECAFE countries are concerned, will depend on the adequacy or inadequacy of resources of convertible currencies available to them. A country may have a

relatively comfortable overall payments position, but may be short of convertible currencies. ' Another country may have a surplus in convertible currencies to meet its requirements of these currencies, but its overall payments position may be weak. A third country may be handicapped by a lack both of overall exchange resources and convertible currencies. All these different situations are represented by different ECAFE countries at varying points of time. Japan, for instance, until about two years ago, was experiencing a shortage of convertible currencies and an excess of sterling resources within a weak overall payments position, but since the last two years its reserves of convertible currencies have gone up while its sterling assets have steeply declined. The Philippines has an overall exchange shortage, but has no problem of convertibility as such. Burma has a comfortable overall and sterling position, but with a mild shortage of convertible currencies. Malaya has a fairly balanced overall payments position, but with a large surplus in dollars, which it transfers to the central reserves of the Sterling Area. Ceylon, which had a comfortable overall and dollar position until about three years ago, is currently experiencing an overall payments deficit but with a surplus in earnings of convertible currencies, which it transfers to the Sterling Area central reserves. Thailand had a strong overall payments position and dollar surplus until recently, but lately both positions have weakened. India has generally experienced a shortage of exchange resources and of convertible currencies, and has drawn upon the Sterling Area reserves for the latter. Indonesia had an overall as well as dollar surplus in 1950 and 1951, but in subsequent years its overall and dollar position had deteriorated and currently it is having deficits on both accounts. Pakistan has since the last three years experienced overall deficits as well as dollar deficits. The Associated States of Indochina experience not only an overall exchange shortage, but also a shortage of convertible currencies and sterling.

A broad general judgment that most ECAFE countries are faced with a shortage of convertible currencies is hardly open to question. In fact they are trying. in cooperation with countries outside the ECAFE region, to overcome the problem partially at least. Special arrangements are provided for payments between countries within the Sterling Area and Franc Area, and between these areas and those outside them. All of these arrangements have an impact on ECAFE countries which participate in them directly or indirectly. In addition, the interrelations of these different arrangements provide multilateral payments facilities. However, none of these measures provides facilities to all ECAFE countries and a few of them do not share the benefit of these arrangements. On the other hand, the participation of ECAFE countries in payments arrangements which include countries outside the region implies the recognition that the problem of inconvertibility of some currencies is a global problem and is not special to the countries of the ECAFE region.

Trade of ECAFE countries by currency areas

A comprehensive study of payments problems requires complete statistics not only on trade, but also on invisible receipts and payments and capital movements. However, for many ECAFE countries, statistics on balance of payments by currency or by geographical area are not available. Even in the case of merchandise trade, although breakdown by countries of origin or destination is available, there is not further breakdown by currency of payment. Since merchandise trade is the largest item in international payments and the currencies used for merchandise transactions usually depend on the currencies used by the trading partners, an analysis of the direction of merchandise trade may give a rough idea of the nature of the payments problems.

Total imports and exports of ECAFE countries, excluding Afghanistan, British Borneo, mainland China and Nepal, averaged $15,600 million per annum during the period 1950-53, of which a little more than one-third was intra-regional trade. India and Japan had the largest share, accounting for 37 per cent of the total trade of ECAFE countries and 28 per cent of the intra-regional trade. Hong Kong and Malaya, handling large amounts of entrepot trade, accounted for 23 per cent of total trade and 33 per cent of intra-regional trade. Thus the four countries together accounted for about 60 per cent of both total and intra-regional trade. The trade of the Sterling Area countries accounted for more than 50 per cent of the total trade of ECAFE countries and the intra-regional trade, although the percentage in 1953 was slightly lower.

Table 1 shows the direction of trade of ECAFE countries in 1953 by currency areas. Of the total turnover of intra-regional trade of $4,784 million, 4 per cent or $211 million was with the dollar country (the Philippines). Twenty-three per cent or $1,088 million was between sterling area countries where there is no payments problem. Forty-six per cent or $2.213 million was between sterling countries and other countries. Thus about 70 per cent of the intra-regional trade could be and was generally settled in sterling.

TABLE 1

TRADE OF ECAFE COUNTRIES BY CURRENCY AREAS, 1953[a]

(in million dollars)

Exports to or imports from	ECAFE Sterling Countries				Philippines				Other ECAFE Countries				All countries	
	Exps	Imps.	Total	Balance	Exps.	Imps.	Total	Balance	Exps.	Imps.	Total	Balance	Total	Balance
1. Intra-regional trade														
ECAFE Sterling Countries	515	573	1,088	— 58	2	18	20	— 16	605	607	1,212	— 2	2,320	— 76
Philippines	28	2	30	+ 26	—	—	—	—	35	50	85	— 15	115	+ 11
Other ECAFE Countries	566	435	1,001	+131	48	28	76	+ 20	536	736	1,272	—200	2,342	— 49
Total ECAFE Countries	1,109	1,010	2,119	+ 99	50	46	96	+ 4	1,176	1,393	2,569	—217	4,784	—121
2 Total trade														
All Sterling Countries	1,427	1,789	3,216	—362	8	23	31	— 15	782	1,005	1,787	—223	5,034	—600
All Dollar Countries	543	370	913	+173	278	333	611	— 55	919	1,725	2,644	—806	4,168	—688
All EPU Countries	471	530	1,001	— 59	46	17	63	+ 29	461	786	1,247	—325	2,311	—355
Other Countries	1,136	1,090	2,226	+ 46	58	43	101	+ 15	661	816	1,377	—255	3,704	—194
TOTAL	3,577	3,779	7,356	—202	390	416	806	— 26	2,723	4,332	7,055	—1,609	15,217	—1,837

a From all the tables, trade of Afghanistan, British Borneo, mainland China and Nepal is excluded Tables 1, 2 and 8 include, however, trade with mainland China Inclusion of trade with Afghanistan and British Borneo is not possible because breakdown of data is not available

Of the total exports and imports of ECAFE countries with the world amounting to $15,217 million, 29 per cent ($4,363 million)[1] was between or with dollar area countries, 21 per cent ($3,216 million) among Sterling Area countries, 33 per cent ($5,014 million)[2] between Sterling Area countries and non-sterling, non-dollar countries, and 8 per cent ($1,247 million) represented trade of non-sterling—non-dollar countries with EPU countries. Trade with the above areas accounted for 91 per cent of the trade of ECAFE countries in 1953. The value of trade with at least one of the trading partners being a sterling country accounted for about 60 per cent of the total trade turnover.

Payments arrangements of the Sterling Area

In view of the predominance of the trade of and with sterling countries, a brief description of the payments arrangements of the Sterling Area and of its multilateral payments facilities would be useful in this paper.

Under the United Kingdom exchange control system, methods of making payments to and receiving payments from countries outside the Sterling Area have been prescribed. These methods which are followed or applied by members of the Sterling Area provide the machanism for payments between the Sterling Area territories on the one hand, and the rest of the world on the other.

With effect from 22 March, 1954, certain significant modifications were made in the Sterling Area payments arrangements. The following paragraphs describe the essential features of the Sterling Area arrangements as applied before 22 March and the modifications since then and their significance.

Before 22 March, 1954[3]

Payments to and receipts from the American Account area and Canada could be made either in sterling or in the currency of the paying/receiving country or monetary area. The same method was also applicable to countries or monetary areas with which the United Kingdom had negotiated monetary arrangements, viz., Belgian Monetary Area, Denmark, French Franc Area, Netherlands' Monetary Area, Norway, Portuguese Monetary Area, Sweden and Switzerland.

Payments to and from all other countries were predominantly effected in sterling, mostly in conformity with agreements negotiated by the United Kingdom, under the terms of which the non-resident recipient was enabled to obtain his own local currency. These arrangements were facilitated and controlled by designating all non-resident sterling accounts geographically, according to the residence of the account holder, and by publishing general regulations indicating those transfers permitted between the various sterling accounts without reference to the exchange control authorities.

The sterling accounts of non-residents, i.e., those resident outside the Sterling Area, were available for payments in the Sterling Area and for transfers to residents in the same country or monetary area as that

1. Total of 4,168 and 806, less 611.
2. Total of 1,001, 2,226 and 1,787.

3. This section is partly based on International Monetary Fund, *Annual Report on Exchange Restrictions, 1953*, pp. 287-289.

of the account holder. The extent of transferability of these accounts to other non-residents varied according to the four groups described below. However, considerable "administrative" transferability was achieved by granting licences to effect payments outside the prescribed arrangements.

1. American Accounts and Canadian Accounts: Payments from these accounts could be freely made to any account related to countries in this group, the Transferable Account Area, and the Residual Group. Balances on American Accounts and Canadian Accounts could be freely converted into Canadian or U.S. dollars.

2. Transferable Accounts: Payments from Transferable Accounts (mostly held by banks) could be made freely to any account related to the Transferable Account Area or Residual Group in respect of direct current transactions. In addition to Transferable Accounts, there were also other accounts related to countries in this area. Payments from these other accounts of residents in the Transferable Account Area could be freely made to any account, including a Transferable Account, related to the same country or monetary area as the account holder.

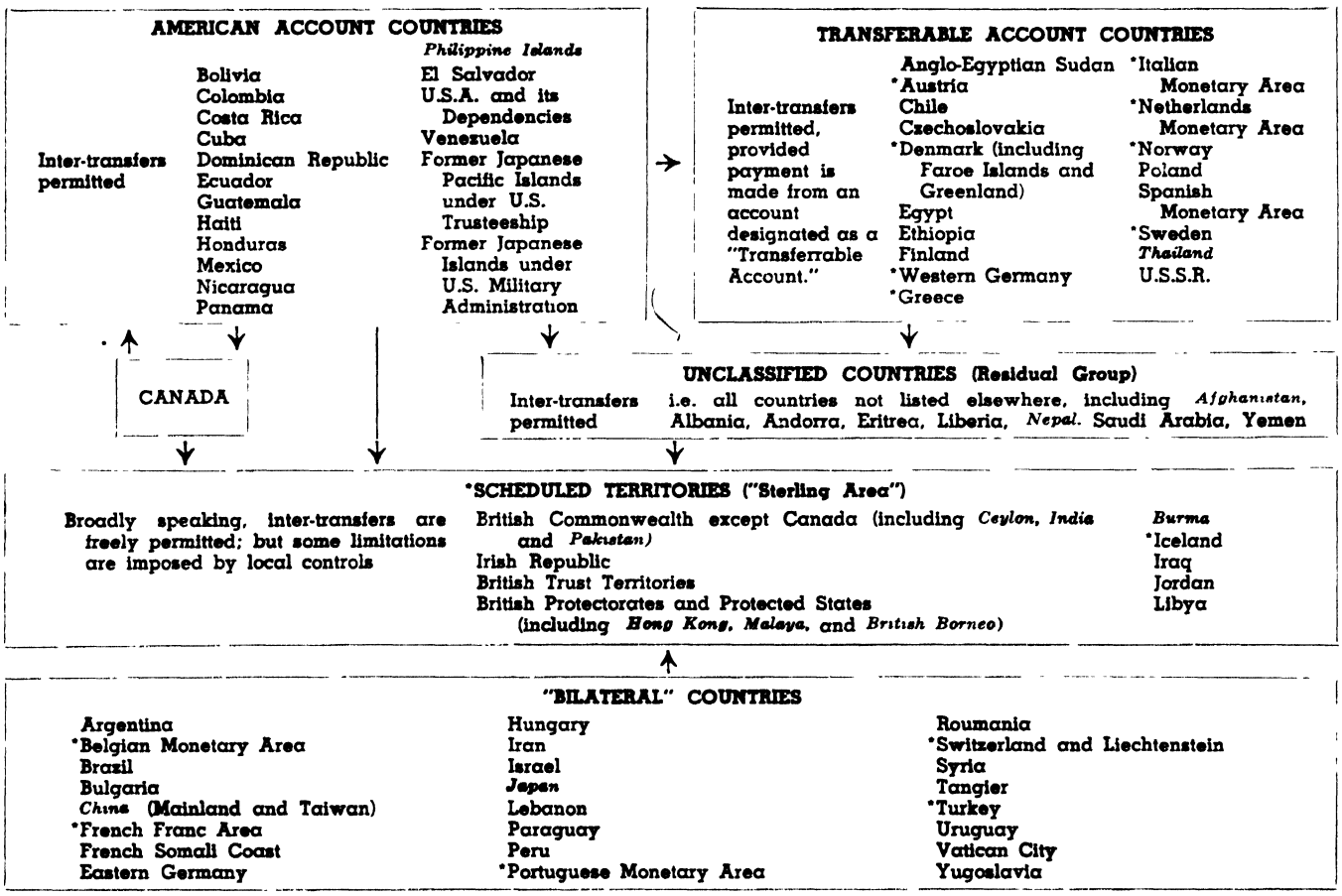
3. Bilateral Accounts: Payments from these accounts (excluding China: Mainland and Taiwan, and Iran, to which certain restrictions were applicable) could be freely made to any account related to the same country or monetary area as the account holder.

4. Residual Group (unclassified countries not in the above groups): Payments from these accounts could be freely made to any country in this group.

Transfers from all the four types of accounts to the Sterling Area were permitted.

Sterling Transfer Arrangements Before 22 March, 1594

The arrow indicates direction of transfers, permitted without the necessity of individual approval by the United Kingdom Exchange Control, between different categories of sterling accounts. All other transfers required separate approval.



Countries marked with * are members of the European Payments Union. Iceland is a member in its own right though also included in the Scheduled Territories. (This diagram was published in the *Midland Bank Review*, February 1949).

The above chart indicates the direction of transfers permitted between the different categories of sterling accounts without the necessity of individual appproval by the United Kingdom exchange control. The territories in the different categories of sterling accounts are also indicated in the diagram.

As regards intra-Sterling Area transactions, there is a distinction between the United Kingdom policy on the one hand and the policy of other members of the Sterling Area on the other. Under the United Kingdom exchange control, no restriction is imposed on transactions with other parts of the Sterling Area. The only exception is sterling payments to Hong Kong which are screened to ensure that residents in other parts of the Sterling Area do not have access to the Hong Kong free market.

So far as members of the Sterling Area other than the United Kingdom are concerned, the local exchange controls in Burma, Ceylon, India, Malaya and Pakistan apply some restrictions to transactions with other members of the Sterling Area, including the United Kingdom. The degree of restriction varies from one country to another; as a rule transfers to other territories of the Sterling Area are reasonably free, within the framework of local exchange and import controls.

Changes in March 1954

With effect from 22 March, 1954, a significant step in the Sterling Area arrangements was taken. All non-resident sterling accounts other than that on American and Canadian Accounts have been unified. A new account known as the "Registered Account" has been set up to apply to gold transactions only. Transferable Account Area has been extended to include all countries outside the Sterling Area (except Canada, American Account Area Countries, Hungary, U.S.S.R. and Turkey). At the same time the restrictions on the number of Transferable Accounts have been withdrawn and the purposes for which they could be used have been extended to cover both current and capital transactions. The result of this move has been that all non-resident sterling accounts, with the above-mentioned exceptions, have been unified under one category of Transferable Accounts, and the designation of Transferable Accounts by countries is no longer necessary. Also such accounts can be held in the name not only of banks as heretofore but also of individuals. Thus there remain now only three types of accounts: 1) Sterling Area Accounts, 2) American Area Accounts, and 3) Transferable Area Accounts. The 'Bilateral Account' countries, and the "Residual Group' countries (with the exceptions mentioned above) have been brought under the 'Transferable Account' countries (see diagram above). Transactions between different countries in the Transferable Account Area which are to be settled in sterling no longer require the prior consent of the Bank of England. This is the new multilateral element introduced by virtue of the change.

Payments into the Transferable Accounts may be made by residents of the Sterling Area for which authorized sterling transfer forms are held or not required; payments from other Transferable Accounts or from American, Canadian and Registered Accounts may also be made into a Transferable Account: for such payments no sterling transfer forms are required. All other payments to a Transferable Account can only be made with the specific authority of the Bank of England. Similarly, Transferable Accounts may be debited with payments to residents of the Sterling Area and payments to other Transferable Accounts. All other payments require the specified sanction of the Bank of England.

In regard to exports from the United Kingdom to countries in the Transferable Account Area, payment must be received in sterling—from a Transferable Account or from American, Canadian or Registered Accounts or in the currency of the country or monetary area to which the export is destined. Similarly, authorized transfers by residents of the Sterling Area to residents of the Transferable Account Area may be made in sterling to be credited to a Transferable Account or in the specified local currency.

A new type of account known as 'Registered Account' has been instituted to facilitate settlement of transactions in gold, in connection with the reopened London gold market, and the conditions of its operation have been specified. The Registered Accounts can only be maintained in the names of residents outside the Sterling Area, and of the American Account Area and Canada. The Registered Accounts may only be used for specified debit and credit transactions regarding gold.

The effect of the unification of the Sterling Transferable Accounts is to widen the area of multilateral payments of sterling. Even though the distinction between the dollar area and the rest of the world (to which sterling can be freely transferred) still remains, the consolidation of the various sterling accounts and their extension to capital transactions constitute a significant step forward in the direction of convertibility. In consequence sterling will be used in a much greater measure in international transactions, not only amongst Sterling Area countries and European countries, but over a much larger combined area embracing practically all the non-dollar world. The change also brings about a simplification of the exchange formalities for trade and payments transactions with the Sterling Area.

ECAFE countries and the Sterling Accounts

Of the countries of the ECAFE region, Burma, Ceylon, Hong Kong, India, Malaya and British Borneo and Pakistan are members of the Sterling Area.

Of the ECAFE non-sterling countries, Indonesia and Thailand came under Sterling Transferable Accounts, the Philippines came under American Accounts, and the Associated States of Cambodia, Laos and Viet-Nam, Japan, China (Mainland and Taiwan) came under Bilateral Accounts, before 22 March, 1954. Afghanistan and Nepal were in the Residual Group. The payments of the ECAFE non-sterling countries with the Sterling Area were governed by the regulations relating to the different accounts explained above. With effect from 22 March, 1954, all the ECAFE non-sterling countries have come under Sterling Transferable Accounts.

Exchange and Payments Practice in ECAFE Countries

Sterling Area Countries of ECAFE Region

As indicated above, the payments arrangements of the United Kingdom provide the mechanism for payments between the Sterling Area on the one hand and the rest of the world on the other. ECAFE Sterling Area countries, namely, Burma, Ceylon, Hong Kong, India, Malaya and Pakistan participate in the above arrangements. However, there are some differences between Hong Kong and other Sterling Area countries, owing to the former's special position as an entrepot centre. These differences in Hong Kong's position derive from the existence side by side of official and free exchange markets and multiple currency rates and from certain regulations regarding the sale and purchase of dollar and non-dollar currencies according to the origin of imports and exports.

In respect of payments between a Sterling Area country and a country outside that Area, payments may be made either in the currency of the non-sterling country concerned or by the transfer of sterling or any Sterling Area currency to or from the appropriate accounts. In other words, payment from Burma, or Ceylon, or India, or Pakistan or Malaya, to a country outside the Sterling Area may be made in the currency of the non-sterling country, in sterling, or in Burmese kyats, Ceylonese or Indian or Pakistani rupees, or Malayan dollars respectively. In certain cases, the transfer of only sterling or the Sterling Area currency concerned is permitted. The non-resident accounts in these countries are similar to those of the United Kingdom outlined above.

So far as transactions among the Sterling Area countries themselves are concerned, the principle of multilateral payments applies: payment may be made in the currency of either the Sterling Area country involved or in the currency of any other country or territory in the Sterling Area. There are, however, some exceptions. Payments between India and Pakistan are effected in Indian and Pakistani rupees by special agreement between the two countries. Pakistan's payments with Afghanistan (which is not a member of the Sterling Area) are transacted in Pakistani rupees.

Although the use of sterling or any other appropriate Sterling Area currency is permissible for intra-Sterling Area transactions, in practice a great volume of transactions is financed in local currencies. For example, 90 per cent of Ceylon's transactions with India and Pakistan are done in Indian and Pakistani rupees. Indo-Pakistan transactions are effected in Indian or Pakistani rupees. In the case of Malaya and Hong Kong, however, sterling transactions account for the great proportion. Ceylon's transactions with Burma are also predominantly in sterling; so are Burma's payments with India and Malaya.

India and Pakistan have entered into a large number of bilateral trade agreements with Western and Eastern European countries and also with some Middle Eastern and Far Eastern countries. Ceylon's bilateral trade agreement programme has been more modest. The payments arrangements under most of these agreements are largely in sterling or in Indian or Pakistani or Ceylonese rupees. The outstanding balances are invariably settled in sterling, though payments may be made in the local currency.

Three interesting examples of such payments arrangements of these countries may be given. Firstly, the trade agreement between Pakistan and France provides for financing of part of the trade in French francs and Pakistani rupees. France will set up a special franc account to which the proceeds of Pakistan's cotton exports would be credited, and Pakistan would establish a rupee account to which proceeds of some of France's exports to Pakistan would be credited. Payment for the rest of the trade will be made in sterling and, at the termination of the agreement, the balance in the account will be settled in sterling. A second example is provided by the five year trade agreement of India with the USSR, under which all payments between the two countries will be in Indian rupees, the rupee balances being convertible on demand or at the termination of the agreement, into sterling. The State Bank of the USSR will open one or more accounts with one or more commercial banks in India and, if necessary, with the Reserve

ank of India. Commercial transactions will be financed rough the commercial bank accounts and the account ith the Reserve Bank will be used only for replenishing e balances with the commercial banks as and when ecessary. Payments from India to the USSR and *vice ersa* will be credited or debited respectively to these counts. The USSR can purchase the necessary rupee nds in India against the sale of sterling. These prosions are significant in that they permit the State ank of the USSR to operate any number of rupee counts with commercial banks in India, and that all e transactions are to be done in the Indian currency.

A third illustration is provided by the payments rangement between Ceylon and mainland China in spect of their trade agreement. Prices of goods traded a government-to-government basis (rubber and rice) e fixed in sterling and payments are made in the uivalent of Ceylonese rupees by either party into counts opened by the other at the Bank of China, king, or at the Bank of Ceylon, Colombo, respectively. t the end of three-month periods, the balance outanding is either carried forward or settled in sterling in such manner as may be mutually agreed upon.

on-Sterling ECAFE countries

China: Mainland China conducts most of its trade der bilateral trade agreements. With the U.S.S.R., s trade is conducted in roubles and the balance, if y, is settled in the same currency. Its trade agreeents with Eastern European countries mostly aim at lanced trade. Under the recent Sterling Area changes, ainland China comes in the category of Transferable ccounts. This gives mainland China scope to use erling over a wide area of multilateral payments.

Under the exchange control system in *Taiwan* there a restrictive import licensing policy and all payments r imports, invisibles, and capital transfers are subject licensing. Export proceeds must be surrendered to e Bank of Taiwan. Export receipts must be obtained U.S. dollars, Hong Kong dollars, sterling convertible to U.S. dollars, or, in a few cases, Straits dollars. here are no legal obligations prescribing the method channel of payment to persons abroad, except for pan and the Ryukyus, trade with both of which is nducted through special accounts. Payments must be ade in U.S. dollars or sterling according to the currency ea involved, and generally hard currency is not ovided for payments in soft currency countries where e Bank of Taiwan has balances in their currencies.

The greater part of Taiwan's trade is with Japan and is conducted on an open account on the basis of annual trade plans, and the balances are settled in U.S. dollars. The exchange control system does not differentiate between resident and non-resident accounts.

Indochina: The Associated States of Cambodia, Laos, and Viet-Nam constitute part of the French Franc Area, and participate in its monetary arrangements. The foreign exchange reserves of the Area are centrally managed and the Associated States obtain their allocations of foreign exchange from a central exchange pool. The French Franc Area was a member of Sterling Bilateral Accounts until 22 March, 1944, when it came under Transferable Accounts. The Associated States participate in the EPU through the French account. In relation to Japan, payments of the Associated States of Indochina are transacted on open account in dollars, as an integral part of the arrangements of the French Union as a whole. Since the bulk of the trade and payments of the Associated States is with France or the French Union, most transactions are conducted and settled in French francs.

Indonesia: The Netherlands plays a highly important part in the trade and payments of Indonesia, and a bilateral monetary agreement between the two countries is in force, with provision for a swing. Under this agreement, the Bank Indonesia has an account with the Netherlands Bank, which in turn has an account with the former. All the payments between Indonesia and the Netherlands for current transactions are financed out of this account. Under this arrangement, Indonesia gets reimbursement of foreign exchange for Indonesian goods exported to other countries via the Netherlands. In addition, payments between Indonesia and other countries are also cleared through this account.

Within limits agreed upon by both parties, Indonesia can buy and sell foreign currencies from the Netherlands against Dutch guilders. Before sovereignty was transferred, Indonesia was a joint signatory to the trade agreements of the Netherlands with several European and non-European countries. After the transfer of sovereignty at the end of 1949, Indonesia has signed several bilateral trade agreements separately. But the payments under many of them continue to be cleared through its account with the Netherlands Bank.

Indonesia's payments to and from the OEEC countries are settled through Indonesia's account with the Netherlands Bank. Usually Indonesia has an active balance of trade with the OEEC countries. Indonesia thus participates in the transferability arrangements of the EPU. With some of the Eastern European countries,

Indonesia has entered into bilateral monetary agreements; payments are made in sterling and there is provision for a swing. Payments to and from many Latin American countries are transacted through Indonesia's account with the Netherlands Bank. Payments with some Latin American countries are channelled through that account under tripartite monetary agreements to which the Netherlands, Indonesia and the Latin American country concerned are parties.

The Netherlands Monetary Area has always been in the category of Sterling Transferable Accounts, and Indonesia has thus participated in the advantages of the system. Indonesia thus has had access to the multilateral use of sterling over a very wide area. With the Middle East countries also, Indonesia's transactions are done mostly in sterling. Thus by participating in the monetary arrangements of the Netherlands and through it in the EPU, and the Sterling Transferable Accounts, Indonesia is transacting most of its payments and receipts in guilders so far as the OEEC and Latin American countries are concerned, and in sterling with other territories.

With Japan, Indonesia's transactions are done and settled on open account in dollars, with a swing.

Transactions with the United States, Canada, and other dollar countries are done in U.S. dollars.

Under a payments arrangement with Malaya, Indonesia is obtaining reimbursement in U.S. dollars for the value of Indonesian goods exported via Malaya to the dollar areas less the value of dollar area goods imported into Indonesia via Malaya. Trade between Indonesia and Malaya is financed mainly in Straits dollars.

Under Indonesian exchange control there are two types of non-resident accounts: (1) accounts of foreign banks and (2) all other non-resident accounts. The accounts of foreign banks are freely convertible into currency of the country of the operating bank, and the balances may be freely transferred to accounts of non-resident banks of the same monetary area. All other non-resident accounts are subject to control by the Foreign Exchange Institute except for certain routine payments.

Japan: Payments and receipts both on trade and invisibles are effected by Japan in sterling, U.S. dollars or accounting dollars (open account), according to the territory concerned.

All transactions with the Sterling Area are effected in sterling in terms of the Overall Sterling Area payments arrangement with the United Kingdom. Transfers of sterling between the Sterling Area on the one hand and Japan on the other are therefore free. With regard to transfers of sterling between Japan and the territories outside the Sterling Area, before 22 March, 1954 such transfers were permitted on an administrative basis for settlement of current transactions from Japan to any country in the "Transferable Account" or in the "Residual Group", provided there was no objection on the part of the authorities in the receiving country to settlement in sterling. Effective 22 March, 1954, Japan is a member of the "Transferable Accounts" and can transfer its sterling to any country in that group without previous approval of the United Kingdom exchange control.

On open account transactions are conducted in accounting dollars with the following countries: Argentine, Brazil, Federal Republic of Germany, Finland, French Monetary Area, Indochina, Indonesia, Korea, Netherlands, Philippines, Sweden, Republic of China, and Thailand.

With all other areas, payments are effected in U.S. dollars: these countries include the United States, Canada, Afghanistan, Columbia, Cuba, Denmark, Greece, Iran, Italy, Liberia, Mexico, Norway, Panama, Peru, Rynkyu, Spain, Switzerland, Uruguay and Venezuela.

In the payments arrangements entered into by Japan swing limits have been fixed as below:

(in million U.S. dollars)

Italy	1.0	Germany, Western	12.0
Argentine	20.0	Republic of Korea	2.0
Brazil	10.0	Netherlands	2.0
China: Taiwan	10.0	Philippines	2.5
Finland	1.0	Sweden	4.0
French Union	3.0	Thailand	5.0

Under some bilateral agreements, Japan and its trading partner arrange a certain limited number of "switch" transactions. This means that a country owing a balance to Japan settles part of that in goods by purchasing the goods needed by Japan from a third country and transferring them to Japan.

Non-resident yen deposit accounts are allowed to be maintained, designated according to the residence of the account holder. Payments out of these accounts may be made for the personal needs of the account holder or for payments in yen without compensation to a resident, or non-resident of the same country as the account holder. Conversion of these sums into foreign exchange requires licence. Specified residents and non-residents are authorized to keep accounts with banks in U.S. dollars or sterling.

Philippines: The Philippine peso is based on the U.S. dollar. On the receipts side, all proceeds of exports are obtained in U.S. dollars. On the payments side, no currency is prescribed, but generally transactions are conducted in U.S. dollars. With Japan, trade and payments are transacted on open account with a swing and settled in U.S. dollars.

Thailand: Thailand is a member of the Sterling Transferable Accounts. Its transactions with Sterling Area countries are conducted mostly in sterling; so are most of its transactions with European countries. With the dollar countries payments and receipts are in U.S. dollars. Receipts from and payments to Japan are conducted on open account on the basis of a rate of exchange announced every fortnight by the Bank of Thailand, based on the average free market rate for U.S. dollars in the previous period.

In practice, no distinction is drawn between the resident and non-resident accounts. There are no restrictions on non-residents regarding the maintenance of the accounts in baht or the use of such funds locally. The use of non-resident accounts for making international payments or the conversion of such amount into any other currency is subject to the exchange control on capital transfers introduced in March 1952.

Multiple exchange rate prevails for both exchange receipts and payments. The official rates apply ony to government transactions, to certain educational and health expenses, and on the receipts side to specified percentages of the proceeds of rubber and tin exports and to private rice exports. A special rate of exchange, slightly below the market rate applies to three import items—milk, drugs, and fuel oil. Until recently it applied to cotton goods also. All other transactions are carried out in the free market in which the rate of exchange fluctuates.

Participation of ECAFE countries in the European Payments Union

All the ECAFE sterling area countries—Burma, Ceylon, Malaya, Hong Kong, India, and Pakistan—participate in the European Payments Union through the United Kingdom account. Sterling is used by them for multilateral payments with the OEEC countries. Since the establishment of the EPU the import restrictions in ECAFE Sterling Area countries on goods from the OEEC countries have been considerably relaxed, and European currencies such as those of West Germany, Switzerland, and Sweden, which were heretofore treated as hard currencies, have been treated as soft currencies.

The Associated States of Cambodia, Laos and Viet-Nam participate in the monetary arrangements of the French Franc Area; they participate in the European Payments Union through the French account.

Indonesia's payments to and from the OEEC countries can be and are settled through Indonesia's account with the Netherlands Bank. Thus Indonesia participates in the multilateral payments facility of the EPU.

Among other ECAFE countries which do not participate in the EPU Japan effects settlements with some European countries, namely, Denmark, Greece, Italy, Norway, Spain, and Switzerland, on open account (accounting dollars) and with certain other European countries, namely, Finland, France, Germany, Netherlands, and Sweden, in U.S. dollars. In many instances there is a provision for swing, and trade and payments are balanced bilaterally and settlements are effected on a bilateral basis in U.S. dollars. Japan thus does not have access to the multilateral payments facilities of the EPU.

Thailand is a member of Sterling transferable accounts area and its transactions with most European countries are largely settled in sterling. The Philippines conducts and settles its payments transactions with the OEEC countries in U.S. dollars. In China, export receipts of Taiwan must be obtained in U.S. dollars, Hong Kong dollars, sterling convertible into dollars, or, in a few cases, Straits dollars. Payments are made in U.S. dollars or sterling according to the currency area involved. Taiwan's trade with the OEEC countries is very limited and therefore no special payments problems would appear to arise.

Mainland China's trade with the OEEC countries is limited. With the United Kingdom, its trade is conducted and settled in sterling.

Scope for Multilateral Compensation

Theoretically, taking the international accounts of a country with the rest of the world as a whole, only its global net balance cannot be compensated. Otherwise, all its international accounts (excluding only its net balance) can be compensated either bilaterally or multilaterally. Likewise, if a country's accounts with only a particular region are considered, even then its net balance will be non-compensable within the region; but it might be possible to compensate that country's deficit or surplus with that region against the surplus or deficit of that country with other regions.

If an international clearing union embracing the whole world (as was visualized by Lord Keynes) were in existence, clearing could be effected on a global basis, on the widest basis of multilateralism. A regional clearing arrangement would provide multilateral transfer facilities only within the region.

TABLE 2.

NATURE OF INTRA-REGIONAL TRADE OF ECAFE COUNTRIES, 1953[a]

(Amount in million dollars)

	Total turnover		Bilaterally balanced		Multilaterally compensable		Net surplus or deficit	
	Amount	%	Amount	%	Amount	%	Amount	%
Burma	280	100	176	63	0	—	+104	37
Ceylon	200	100	110	55	14	7	— 76	38
Hong Kong	724	100	496	68	214	30	— 14	2
India	371	100	244	66	78	21	+ 49	13
Malaya	816	100	458	56	70	9	—288	35
Pakistan	196	100	80	41	14	7	+102	52
Total sterling countries	2,587	100	1,564	60	390	15	633	25
China (Taiwan only)	148	100	120	81	10	7	+ 18	12
Indochina	78	100	36	46	32	41	+ 10	13
Indonesia	560	100	160	29	400	71	—	—
Japan	1,178	100	674	58	440	37	— 64	5
Korea (South)	287	100	68	24	0	—	+219	76
Philippines	98	100	44	45	48	49	+ 6	6
Thailand	403	100	268	67	12	3	+123	30
Total non-sterling countries	2,752	100	1,370	50	942	34	440	16
Grand total	5,339	100	2,934	55	1,332	25	1,073	20

a. See note to Table 1.

TABLE 3.

PERCENTAGES OF TURNOVER OF TRADE OF ECAFE COUNTRIES BILATERALLY BALANCED AND MULTILATERALLY COMPENSABLE, 1937 AND 1948-53[a]

	Intra-regional trade							Total trade of ECAFE countries	
	1937[b]	1948[b]	1949	1950-1951	1952	1953	1953[c]	1953[d]	1953[e]
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Bilaterally balanced	70	58	60	64	63	55	71	51	73
Multilaterally compensable	9	17	16	14	15	25	16	33	13
Net deficit or surplus	21	25	24	22	22	20	13	15	14
	100	100	100	100	100	100	100	100	100

a. See note to Table 1. China is not included in this table for 1949, 1950-51 and 1952; mainland China is not included for 1953.

b. Figures for 1937 and 1948 are taken from the International Monetary Fund, *Intra-regional Trade of the Far East in 1949 as compared with 1937 and 1948.*

c. Sterling countries are considered as a single trading partner.

d. Each country is considered as a separate trading partner.

e. Sterling countries in the ECAFE region, countries outside of the ECAFE region belonging to EPU, sterling area and dollar area are considered as four single trading partners.

For carrying out the compensation of a country's accounts except its net balance, cash payment may not be required. All that needs to be done is to offset its credits against its debits. Such compensation can be effected either bilaterally or multilaterally. If capital movements and service items are left out of consideration, the amount of a country's trade turnover which can be bilaterally offset is measured by its export or import with each country, whichever is smaller, multiplied by two. The amount of a country's trade turnover which can be multilaterally compensated is measured by the sum of its credit or debit balances with all its trading partners, whichever is smaller, multiplied by two.[1]

These two quantities indicate the maximum limits of compensation which can be carried out by the offsetting of credits against debits. If the net balances are also to be settled, such compensation would involve movement of gold or payment of foreign exchange or capital movement. The debtor country will have to pay gold or foreign exchange or borrow from abroad, to settle its debits, and the creditor country will have to lend abroad, or receive gold or foreign exchange.

In the following paragraphs, the magnitudes of the international indebtedness on trade accounts which can be multilaterally compensated are analyzed, based on the statistics of trade of ECAFE countries.

Table 2 gives the amount and percentage of intra-regional trade that are bilaterally offset and multilaterally compensable in 1953, and table 3 summarizes the position for 1937 and 1948-53.

In 1937, 70 per cent of the intra-regional trade was bilaterally balanced, 9 per cent multilaterally compensable, and 21 per cent represented either net surpluses or deficits which were not compensable on trade accounts within the region in the same year. After the war, the percentage of trade bilaterally balanced was considerably reduced while that for the other two categories increased. The percentages in 1953 for these three categories were 55, 25 and 20 respectively. The scope for multilateral compensation payments on intra-regional trade amounted to $1,332 million in 1953, while the portion of trade which was non-compensable within the region amounted to $1,073 million.

However, there is a clearing system within the sterling area countries. To assess the scope for additional multilateral compensation payments, it may, therefore, be more appropriate to lump together all sterling countries into a single group. If this is done, 71 per cent of the trade turnover in 1953 becomes bilaterally balanced, 16 per cent multilaterally compensable and 13 per cent non-compensable within the region. The scope for additional multilateral compensation is thus smaller, being only of the order of $664 million.

It is a well-known fact that other things being equal, the larger the group of countries considered, the larger is the scope for multilateral compensation. The last two columns of Table 3 (8 and 9) show the position of the trade of ECAFE countries with the world. Column 8 gives the proportions without grouping the countries into any currency areas. The percentage of trade multilaterally compensable in the trade of ECAFE countries with the world is bigger than that for intra-regional trade, as given in column 6. However, since each of the groups of EPU and sterling countries has its own clearing system and there is no limit to multilateral payments among the dollar countries, EPU countries, dollar countries and sterling countries outside the ECAPE area can also be grouped into three payments units, besides the group of sterling countries in the ECAFE region. Column 9 shows the results. Because of the broad groupings, the percentage bilaterally balanced is greatly increased.

Arrangements for multilateral payments such as described for the Sterling Area and the Franc Area are possible because of the political and economic links among the countries concerned and the important position of the United Kingdom and France in those arrangements. For a group of countries which are not traditionally linked together either politically or commercially in similar manner, the European Payments Union furnishes a good example of cooperation.[2] A working capital fund is established, and credit and debit balances of the countries with each other are taken over by the Union. All the debits and credits between countries are then cleared with the Union.

The primary requisite of the Payments Union is a working capital fund, for there is a possibility that creditor countries may demand settlements before the debtor countries are able or willing to pay. Taking the union as a whole there may also be difference in the overall credit and debit position with countries outside the Union. In the second case, contribution to the working capital fund by some of the creditor countries outside the Union is especially useful. Without such a working capital fund, it is theoretically still possible to effect multilateral compensation, but there are serious practical difficulties.

1. Trade turnover=Export+Import=Bilateral offset+Multilateral compensation+Net balance.

2. See European Payments Union, *Annual Reports of the Managing Board;* also *Annual Reports* of the Bank for International Settlements.

TABLE 4.

NETWORK OF INTRA-REGIONAL TRADE, 1953[a]

(in million dollars)

Import to \ Export from	Indochina	Thailand	ECAFE Sterling Countries	Philippines	Japan	Indonesia	China (Taiwan only)	Korea (South)	Total Imports
Indochina		0	21	0	8	11	0	0	40
Thailand	3		76	0	52	7	1	0	139
ECAFE Sterling countries	22	150		2	192	218	12	9	605
Philippines	0	0	28		28	7	0	0	63
Japan	14	80	267	48		37	58	26	530
Indonesia	5	20	182	0	105		0	0	312
China (Taiwan only)	0	0	20	0	61	0		0	81
Korea (South)	0	46	13	2	175	0	18		254
Total exports	44	296	607	52	621	280	89	35	2,024 2,024

a. For convenience, export statistics valued at f.o.b. prices are used throughout, thus the figures are not comparable with those in Tables 1 and 2.

TABLE 5.

SURPLUSES AND DEFICITS OF INTRA-REGIONAL TRADE, 1953

(in million dollars)

Deficit countries \ Surplus countries	Indochina	Thailand	ECAFE Sterling	Philippines	Japan	Indonesia	China (Taiwan only)	Korea (South)	Total
Indochina		−3	− 1	0	− 6	6	0	0	
Thailand	3		−74	0	−28	−13	1	−46	
ECAFE Sterling	1	74		−26	−75	38	−8	− 4	
Philippines	0	0	26		−20	7	0	− 2	
Japan	6	28	75	20		−68	−3	−149	
Indonesia	−6	13	−36	−7	68		0	0	
China (Taiwan only)	0	−1	8	0	3	0		−18	
Korea (South)	0	46	4	2	149	0	18		
Gross surpluses	10	161	113	22	220	49	19	0	594
and deficits (−)	−6	−4	−111	−33	−129	−81	−11	−219	−594
Net Surpluses (+) or Deficits (−)	+4	+157	+ 2	−11	+ 91	−32	+ 8	−219	0

Much has already been accomplished by the European Payments Union on multilateral compensation with the establishment of a payments fund. In the following sections, examples of multilateral compensation without a working capital fund and the problems involved are examined.

Scope for and problems of circular clearance

Part of the amount multilaterally compensable can usually be cleared by transferring credits and debits through a complete circle, offsetting an equal amount of the trade balance of all countries in the circle without a net transfer of credits or debits between the countries. The method may be illustrated as follows:

Table 4 shows the network of the intra-regional trade of ECAFE countries in 1953, taking sterling countries as a group. The figures are given as exports from countries whose names appear at the top of the table to the countries whose names appear at the left-hand side of the table. With a total of exports and imports, or turnover of trade, of $4,048 million, $2,860 million are bilaterally balanced, which figure can be obtained by comparing the exports and imports between pairs of countries. Table 5 shows the surplus and deficit position of these countries after offsetting bilateral balances, arranged in the same order as Table 4. Total surplus or deficit both equals $594 million, with an aggregate of $1,188 million. Table 5 shows that Indonesia had a deficit on trade account of $68 million with Japan, Japan had a deficit of $20 million with the Philippines and the Philippines had a deficit of $7 million with Indonesia. Thus, the smallest of these figures, which is $7 million in this case, can be offset among the credit and debit relations between these three countries. In other words, each of the credit and debit relations between the three countries can be reduced by $7 million. The position after this clearance is that Indonesia still owes $61 million to Japan, Japan still owes $13 million to the Philippines, while the debt of the Philippines to Indonesia is now cancelled. Gross surpluses and gross deficits for the whole table are therefore each reduced by 3 × $7 million, with a total reduction of 2 × $21 mililon, or $42 million. The following summarizes the possible maximum circular clearances for Table 5.

Amount affected in each circular clearance (mn $)	No of countries involved	Total amount cleared (mn. $)			Countries between which surpluses and deficits are reduced
		Surplus account	Deficit account	Grand Total	
7	3	21	21	42	Indonesia-Japan-Philippines-Indonesia
1	5	5	5	10	China-Japan-Philippines-Sterling countries-Thailand-China
3	6	18	18	36	Indonesia-Japan-Philippines-Sterling countries-Thailand-Indochina-Indonesia
1	5	5	5	10	Indonesia-Japan-Philippines-Sterling countries-Indochina-Indonesia
2	3	6	6	12	Indonesia-Japan-Indochina-Indonesia
8	4	32	32	64	Indonesia-Japan-Philippines-Sterling countries-Indonesia
28	3	84	84	168	Indonesia-Japan-Sterling countries-Indonesia
Total		171	171	342	

The total amount which can be cleared circularly is $342 million. Adding this to the $2,860 million which is bilaterally balanced, total turnover which can be cleared is $3,202 million, leaving $846 million uncleared.

Circular clearance can be carried out either before or after offsetting bilateral balances. In the above case, it was done after bilateral offset. If circular clearance is effected before bilateral offsetting, the amount cleared will be either equal to or larger than the amount cleared after bilateral offset, and, in no event, smaller. Thus if circular clearance before bilateral balancing is done directly from Table 4 instead of from Table 5, an additional amount of $324 can also be cleared, besides the clearance of $342 million in Table 5. The results of this additional circular clearance are shown below:—

Amount affected in each circular clearance (mn. $)	No. of countries involved	Total amount cleared (mn. $)			Countries between which surpluses and deficits are reduced
		Surplus account	Deficit account	Grand Total	
2	4	8	8	16	Korea-China-Japan-Sterling countries-Korea
7	4	28	28	56	Indonesia-Japan-Sterling countries-Thailand-Indonesia
4	3	12	12	24	Indonesia-Japan-Indochina-Indonesia
31	3	93	93	186	Japan-Sterling countries-Thailand-Japan
7	3	21	21	42	Korea-China-Sterling countries-Korea
Total		162	162	324	

The above additional circular clearance of $324 million involves, however, a reduction of $204 million in the bilateral offsetting opportunities.

Amount of bilateral balance affected	Number of countries affected	Total reduction of bilateral balance		Countries between which bilateral settlements are reduced
		Each country	All countries	
9	2	18	36	Korea-Sterling countries-Korea
7	2	14	28	Indonesia-Thailand-Indonesia
4	2	8	16	Indonesia-Indochina-Indonesia
31	2	62	124	Japan-Thailand-Japan
		102	204	

The net increase of clearance, including both bilateral and circular, is therefore $324-$204 = $120 million as compared with the first method when circular clearance is done after bilateral clearance. The amount left uncleared by the second method is $726 million as compared with $846 million by the first method.

Problems of circular clearance

In certain cases it may be possible to arrive at the same maximum total circular clearance by different combinations of the various circular clearances affecting individual countries differently.[1] As a matter of fact there is no reason why the maximum amount of circular clearance should always be aimed at, particularly when the difference in the total amount of circular clearance obtained by the different combinations is not very large. Other criteria, such as clearances involving the maximum number of countries, may also be considered. It will therefore be a problem to find an objective criterion, if the system is put into practice, for the choice of one combination of circular clearance favouring one group of countries instead of another combination favouring another group of countries.

Circular clearance does not involve net transfer of credit or debit from one country to another. However, the possibility cannot be overlooked that a country which holds a credit balance with a hard currency country may not be willing to offset it against a debit balance with a soft currency country. But to the extent that countries are willing to offset their gross credits and debits with different countries, such a circular clearance can be effected.[2] Another condition, which is necessary for all multilateral compensation payments, is, of course, that countries must accept the same cross rates of exchange of the various currencies involved.

1. In the following example only one circular clearance in both credit and debit directions can be effected. But there are two alternatives of doing this, D-C-A-D or D-B-A-D, both clearing up $100 million three times in each of the credit and debit direction, with a total of $600 million, leaving $400 million uncleared. But one system affects D-C, C-A and A-D while the other system affects D-B, B-A, and A-D.

Debtor countries	*A*	*B*	*C*	*D*	*Total*
		Creditor countries			
A		−100	−100	+100	
B	+100		0	−100	
C	+100	0		−100	
D	−100	+100	+100		
Cross credits (+)	+200	+100	+100	+100	+500
or debits (−)	−100	−100	−100	−200	−500
Net credits (+) or debits (−)	−100	0	0	−100	0

2. In other words, if country A has a credit balance of $100 million with country B, but is willing only to use $50 million of this credit for offsetting its debit balance with countries C,D,E, etc., only $50 million of the credit should be placed in Table 5 for circular clearance

Non-circular multilateral compensation payments and problems involved

Part of the amount left uncleared by bilateral and circular clearance can still be multilaterally compensated by net transfers of credit and debit between countries. Section A of Table 6 shows the residual position after the figures in Table 5 have been cleared circularly. From the table we can see that China had a gross surplus of $18 million, all with Korea, and a gross deficit of $10 million, of which $8 million was owed to sterling countries and $2 million to Japan. Thus, $10 million of both the gross surplus and the gross deficit can be settled multilaterally. China's deficit of $8 million with the sterling countries and of $9 million with Japan can both be transferred to Korea for offsetting China's surplus with Korea. China will then have an uncleared surplus of $8 million with Korea and no deficit with the sterling countries and Japan. On the other hand, Korea's deficit with China is reduced by $10 million and its deficit with the sterling countries increased by $8 million and with Japan increased by $2 million. Total deficit of Korea remains unchanged but China's debits and credits are both reduced by $10 million. Similar compensation as listed in Table 6a can be made between other countries. A total of $322 million in addition to bilateral and circular clearance can be settled this way, leaving at the end only $524 million which cannot be cleared within the region and which represents the total of the overall net surplus and deficit in intra-regional trade of all countries.

Problems in non-circular multilateral compensation payments

While the total amount which can be multilaterally compensated is definite, there are always alternative schemes of compensation, affecting different countries in different ways, but building up the same aggregate. Sections C and D of Table 6 represent the results after

TABLE 6.

ALTERNATIVE METHODS OF NON-CIRCULAR MULTILATERAL SETTLEMENT OF INTRA-REGIONAL TRADE BALANCES

A. Surpluses and deficits after circular clearance from Table 5.

Deficit countries \ Surplus countries	Indochina	Thailand	ECAFE Sterling	Philippines	Japan	Indonesia	China (Taiwan only)	Korea (South)	Total
Indochina		0	0	0	— 4	0	0	0	
Thailand	0		—70	0	—28	—13	0	—46	
ECAFE Sterling	0	70		—13	—47	0	—8	—4	
Philippines	0	0	13		0	0	0	—2	
Japan	4	28	47	0		—19	—2	—149	
Indonesia	0	13	0	0	19		0	0	
China (Taiwan only)	0	0	8	0	2	0		—18	
Korea (South)	0	46	4	2	149	0	18		
Gross surpluses	4	157	72	2	170	0	18	0	423
and deficits (—)	0	0	—70	—13	—79	—32	—10	—219	—423
Net surpluses (+) or deficits (—)	+4	+157	+ 2	—11	+91	—32	+ 8	—219	0

B. Net surpluses and deficits after multilateral settlement, Method I

Deficit countries \ Surplus countries	Indochina	Thailand	ECAFE Sterling	Philippines	Japan	Indonesia	China (Taiwan only)	Korea (South)	Total
Indochina		0	0	0	0	0	0	−4	
Thailand	0		0	−11	0	−13	0	−133	
ECAFE Sterling	0	0		0	0	0	0	−2	
Philippines	0	11	0		0	0	0	0	
Japan	0	0	0	0		−19	0	−79	
Indonesia	0	13	0	0	19		0	0	
China (Taiwan only)	0	0	0	0	0	0		1	
Korea (South)	4	133	2	0	72	0	8		
Net surpluses (+) or deficits (−)	+4	+157	+2	−11	+91	−32	+8	−219	0

C. Net surpluses and deficits after multilateral settlement, Method II

Deficit countries \ Surplus countries	Indochina	Thailand	ECAFE Sterling	Philippines	Japan	Indonesia	China (Taiwan only)	Korea (South)	Total
Indochina		0	0	0	0	0	0	−4	
Thailand	0		0	−11	0	−32	0	−114	
ECAFE Sterling	0	0		0	0	0	0	−2	
Philippines	0	11	0		0	0	0	0	
Japan	0	0	0	0		0	0	−98	
Indonesia	0	32	0	0	0		0	0	
China (Taiwan only)	0	0	0	0	0	0		−1	
Korea (South)	4	114	2	0	91	0	8		
Net surpluses (+) or deficits (−)	+4	+157	+2	−11	+91	−32	+8	−219	0

TABLE 6A.

TRANSACTIONS OF NON-CIRCULAR MULTILATERAL SETTLEMENTS, METHOD I

Deductions from the table						Additions to the table				Net Settlement
Amount	Number of countries affected	Total deductions: Surplus account	Total deductions: Deficit account	Total deductions: Grand total	Countries between which surplus and deficits are reduced	Surplus account	Deficit account	Total	Countries between which surplus and deficits are reduced	
2	2	4	4	8	Korea-China-Japan	2	2	4	Korea-Japan	4
8	2	16	16	32	Korea-China-Sterling countries	8	8	16	Korea-Sterling countries	16
47	2	94	94	188	Korea-Japan-Sterling countries	47	47	94	Korea-Sterling countries	94
28	2	56	56	112	Korea-Japan-Thailand	28	28	56	Korea-Thailand	56
4	2	8	8	16	Korea-Japan-Indochina	4	4	8	Korea-Indochina	8
2	2	4	4	8	Korea-Philippines-Sterling countriees	2	2	4	Korea-Sterling countries	4
4	2	8	8	16	Korea-Sterling countries-Thailand	4	4	8	Korea-Thailand	8
11	2	22	22	44	Philippines-Sterling countries-Thailand	11	11	22	Philippines-Thailand	22
55	2	110	110	220	Korea-Sterling countries-Thailand	55	55	110	Korea-Thailand	110
Total		322	322	644		161	161	322		322

such multilateral compensation settlements based on two of the many alternative arrangements for multilateral compensation payments. The overall net credit or debit of each country is not altered but the credit and debit relations between pairs of countries are not always the same. The range of indeterminateness is even greater if such multilateral settlements are effected prior to circular clearance. Certain criteria, on the basis of which a particular way of settlement can be selected, have, therefore, to be devised.

Besides the indeterminateness, there is the problem of net transfer of credit and debit from one country to another. For example, section A of Table 6 shows that Thailand holds a credit $70 million with sterling countries, $28 million with Japan, $13 million with Indonesia and $46 million with Korea, the total credit adding up to $157 million. In section B of Table 6, which shows the result of one of the alternative arrangements of multilateral settlements, although Thailand's total credits with all countries continue to be $157 million, its credit to individual countries changes, leaving it with a credit of $11 million with the Philippines, $13 million with Indonesia and $133 million with Korea. There is no reason why Thailand must agree to change its credit relations from those recorded in Section A of Table 6 to those in section B. The same difficulty would arise if this kind of multilateral settlement were done before circular clearance.

Multilateral settlement of intra-regional balance of payments making use of credit or debit relations with the rest of the world

It has been mentioned that the intra-regional trade of the ECAFE countries accounts for only a little more than one-third of their total trade, and that *ceteris paribus* the larger the number of countries or groups of countries considered, the larger is the scope for multilateral compensation. The amount which can be circularly cleared or multilaterally settled in the world trade is larger, not only absolutely but also relatively, than that which can be settled within the intra-regional trade alone. Accordingly, a larger share of intra-regional balance of payments could be multilaterally compensated if outstanding balances of all countries in the world were to be settled simultaneously.

Table 7 presents a network of trade in which EPU countries, dollar countries, ECAFE sterling countries and other sterling countries are integrated into four major groups,[1] and Table 8 shows the gross surpluses and deficits within this network after offsetting bilateral balances. They are constructed on the lines of Tables 4 and 5. Table 9 summarizes the results derived from the various hypotheses.

Section (a) of Table 9 shows the results of the various ways of settling intra-regional payments, without taking into consideration the payments relations with the rest of the world. Section (b) gives the results of the settlement on a world-wide basis of payments on trade account with countries grouped according to Tables 7 and 8. Section (c) gives that part of the results from (b) which affects intra-regional trade of ECAFE countries as compared with (a). Lines (7) and (8) indicate the results of circular clearance after bilateral settlement. By settling world payments as a whole, the amount of intra-regional indebtedness which is non-compensable is reduced from 13 per cent to 11 per cent of the turnover. Lines (9) and 10) show the similar comparison when circular clearance is done before bilateral settlement. Settlement through the world reduces the proportion of intra-regional trade turnover which is non-compensable from 13 per cent to 10 per cent.

The maximization of the amounts compensated in international payments, taking the world as a whole, was the guiding principle followed in this illustration. If this criterion were dispensed with, the whole amount of intra-regional payments can be cleared, but at the expense of increasing the credit and debit balances of ECAFE countries with the rest of the world.

1. The separation of sterling countries in the ECAFE region from those outside the region and the exclusion of the Philippines and Indochina from dollar areas and EPU countries respectively are made merely to facilitate comparison of the results with those derived from intra-regional payments only.

TABLE 7.

NETWORK OF TRADE OF ECAFE COUNTRIES AND PRINCIPAL CURRENCY AREAS, 1953

(in million dollars)

Import to \ Export from	Non-ECAFE dollar countries	Non-ECAFE Sterling countries	Indonesia	Philippines	EPU countries	Indochina	Thailand	ECAFE Sterling countries	Japan	(Taiwan only) China	Korea (South)	Total Imports
Non-ECAFE dollar countries		1,666	170	278	2,652	16	87	515	303	5	25	5,717
Non-ECAFE Sterling countries	2,472		44	6	2,862	0	2	912	113	10	1	6,422
Indonesia	136	83		0	208	5	20	182	105	0	0	739
Philippines	333	5	7		17	0	0	28	28	0	0	418
EPU countries	2,956	3,632	276	46		20	7	471	105	7	0	7,520
Indochina	18	0	11	0	309		0	21	8	0	0	367
Thailand	60	47	7	0	65	3		76	52	1	0	311
ECAFE Sterling countries	368	1,216	218	2	530	22	150	0	192	12	9	2,719
Japan	1,025	257	37	48	169	14	80	267		58	26	1,981
China (Taiwan only)	20	5	0	0	8	0	0	20	61		0	114
Korea (South)	83	1	0	2	10	0	46	13	175	18		348
Total Exports	7,471	6,912	770	382	6,830	80	392	2,505	1,142	111	61	26,658 / 26,656

TABLE 8.

SURPLUSES AND DEFICITS ON TRADE ACCOUNTS OF ECAFE COUNTRIES AND PRINCIPAL CURRENCY AREAS, 1953

(in million dollars)

Surplus countries / Deficit countries	Non-ECAFE dollar countries	Non-ECAFE Sterling countries	Indonesia	Philippines	EPU countries	Indochina	Thailand	ECAFE Sterling countries	Japan	China (Taiwan only)	Korea (South)	Total
Non-ECAFE dollar countries		—806	34	—55	304	—2	27	147	—722	—15	—58	
Non-ECAFE Sterling countries	806		—39	1	770	0	—45	—304	—144	5	0	
Indonesia	—34	39		—7	68	—6	13	—36	68	0	0	
Philippines	55	—1	7		29	0	0	26	—20	0	—2	
EPU countries	304	770	68	29		—289	—58	+59	—64	—1	—10	
Indochina	2	0	6	0	289		—3	—1	—6	0	0	
Thailand	—27	45	—13	0	58	3		—74	—28	1	—46	
ECAFE Sterling countries	—147	304	36	—26	59	1	74		—75	—8	—4	
Japan	722	144	—68	20	64	6	28	75		—3	—149	
China (Taiwan only)	15	—5	0	0	1	0	—1	8	3		—18	
Korea (South)	58	0	0	2	10	0	46	4	149	18		
Gross surpluses and	1,962	1,302	151	52	481	10	188	260	220	24	0	4,650
deficits (—)	—208	—812	—120	—88	—1,171	—297	—107	—474	—1,059	—27	—287	—4,650
Net surpluses (+) or deficits (—)	+1,754	+490	+31	—36	—690	—287	+81	—214	—839	—3	—287	0

TABLE 9.

SCOPE FOR MULTILATERAL COMPENSATION PAYMENTS, 1953

(in million dollars)

(a) Intra-regional trade of ECAFE area

	Total turnover (a)	Bilateral settlement (b)	Circular clearance (c)	Multilaterally compensable (d)	Non-compensable (e)	Percentages of turnover (b)	(c)	(d)	(e)
(1) Omitting circular clearance	4,048	2,860		664	524	71		16	13
(2) Circular clearance after bilateral settlement	4,048	2,860	342	322	524	71	8	8	13
(3) Circular clearance before bilateral settlement	4,048	2,656	666	202	524	66	16	5	13
(b) Trade of ECAFE countries and principal currency areas, based on Tables 7 and 8									
(4) Omitting circular clearance	53,312	44,012		4,588	4,712	83		9	9
(5) Circular clearance after bilateral settlement	53,312	44,012	2,254	2,334	4,712	83	4	4	9
(6) Circular clearance before bilateral settlement	53,312	41,348	6,420	832	4,712	78	12	2	9
(c) Comparison between clearance among ECAFE countries only (a) and clearance of ECAFE accounts by making use of credit and debit relations with other countries (b)									
Circular clearance after bilateral settlement:									
(7) Clearance among ECAFE countries only	4,048	2,860	342	322	524	71	8	8	13
(8) Clearance through other countries	4,048	2,860	566	184	438	71	14	5	11
Circular clearance before bilateral settlement:									
(9) Clearance among ECAFE countries only	4,048	2,656	666	202	524	66	16	5	13
(10) Clearance through other countries	4,048	2,804	760	88	398	69	19	2	10

Multilateral compensation through a payments fund

It has been arithmetically illustrated how multilateral compensation can be effected. However, without the establishment of a payments fund, there are practical obstacles to such schemes, the solution of which is difficult. Non-circular compensation requires net transfer of credit and debit from one country to another and it is unrealistic to believe that all countries concerned with agree to such transfers. Although circular clearance does not require any real transfer of credit, there is still a possibility that some countries may not be willing to cancel debit in one currency with credit in another currency. In addition, the scope for circular clearance is considerably smaller than possible full multilateral compensation.

One possible means to overcome these difficulties which has been tried with success is the establishment of a common payments fund, similar to the European Payments Union. A common unit of account is recognized and fixed exchange rates with various currencies are established. Each member country contributes a part of the working capital. Part of the capital may also be contributed by outside countries. Periodically, credit and debit of member countries are transferred to the common fund, so that in the end each country will be automatically cleared. The amount cleared will be equal to the maximum possible amount multilaterally compensable. There is no margin of indeterminateness. If the member countries consider that credit balance with the "fund" (which "fund" is supported by all members) is no worse than credit balance with any of the individual countries, the unwillingness of net transfer of credit between countries would also be eliminated.

However, there may still be objection to the establishment of the payments fund, especially by those countries which usually have net credit balances with hard currency countries; for these countries may not see any advantage in transferring these credit balances to the fund. Certain inducements may therefore be necessary if all countries are to be interested. One of the possible inducements may be contributions to the common fund by creditor countries outside the region. Such contributions would also help to solve part of the overall problem of payments arising from the temporary shortage of exchange resources. It is needless to say that there must be regulations restricting the use of credit from the fund.

Conclusion

The desirability of establishing a payments union would depend upon the present network of international trade of ECAFE countries and the adequacy of existing payments arrangements. Facts relating to both point to the limitations of a regional approach and the importance of global factors.

Of the intra-regional trade only 27 per cent was not related either to dollar or to sterling countries, while the remaining 73 per cent was conducted either in dollar or in sterling. Of the trade of ECAFE countries with the world, 83 per cent was connected with either dollar or sterling countries and 8 per cent with EPU countries. Some of the trade between non-sterling non-dollar countries was also conducted either in dollar or in sterling.

The trade of ECAFE countries with the different areas and the currency pattern of that trade thus reflect the predominance of sterling and dollar transactions. Since dollar has always remained a fully convertible currency, the problem reduces itself to the full multilateral convertibility of sterling. The multilateral facilities accessible to ECAFE countries in and through the Sterling Area arrangements were always considerable, though not adequate. Since 22 March, 1954, a substantial additional measure of multilateralism has been introduced in sterling transactions. These arrangements provide a wider and larger degree of multilateralism than a purely regional arrangement in the ECAFE area could. The statistical and non-statistical data in this paper adequately support this conclusion. From the thoretical and technical point of view, the ECAFE countries would find that the solution to their payments problem arising from the inconvertibility of currencies would lie less in a regional than in a global multilateral approach, and that the progress of sterling towards free convertibility would in time provide the solution.

GAINS FROM TRADE IN ECAFE COUNTRIES, JULY 1950 TO JUNE 1953[1]

The concept

During the Korean war boom, the increase in demand for certain commodities raised their prices in relation to those of other products. In ECAFE countries which export rubber, tin, cotton, jute, rice and certain manufactured goods, the export prices of these commodities rose more than the prices of import goods. As a result, each physical unit of exports could exchange for a large quantity of imports, or the terms of trade became more favourable as compared with the period before the Korean war. It will be interesting and informative to measure the gains which these countries derived from the change in the terms of trade during the three years after the outbreak of the Korean war. In the present note, the 12-month period immediately before the outbreak of the Korean war, i.e. July 1949-June 1950, is, wherever possible, chosen as the basis of comparison.

Terms of trade can be expressed as the ratio of the unit value index of exports (Px) to the unit value index of imports (Pm), or Px/Pm. This, together with the quantity of exports, determines the capacity to import as derived from the export of merchandise. The increase (or decrease) due to these factors, arising from the export of merchandise in the capacity to import in the year n, as compared with the base year o, valued at the base period price of import goods, may be computed by either of the following formulae:

$$G = Qx\ Xo\ \left(\frac{Px}{Pm} - 1\right)$$

or

$$G = \frac{Xn}{Px}\left(\frac{Px}{Pm} - 1\right) = \frac{Xn}{Pm} - \frac{Xn}{Px}$$

where G is the change in the capacity to import, Xo and Xn are respectively the value of exports of the base year and that of the given year, and Qx is the quantum index of exports. $\left(\frac{Px}{Pn} - 1\right)$ indicates the gain per unit value of exports at base year price, QxXo and Xn/Px show the two alternative methods of estimating given year exports valued at the base year price, and Xo $\left(\frac{Px}{Pm} - 1\right)$ may be considered as the change in the capacity to import arising from the change in the terms of trade alone, assuming no change in the quantity of exports. Xn/Pm measures the total capacity to import in the given year valued at the base year price of import goods. The results of the two formulae will be identical if, for the unit value and quantum indexes, one is computed by the Laspeyre formula and the other by the Paasche formula so that one is derived from the other through the total value of trade.[2] To facilitate comparison, the final figures are converted into U.S. dollars at the exchange rate of the base year. If the export proceeds of the given year be completely utilized in payment for the given year imports, the increase in the capacity to import (G) will equal the gains from the change in the terms of trade.

If, however, in a given year, exports are greater than imports and the surplus is not used for the purchase of goods in the same year, the actual gain will be different from the increase in the capacity to import. Whether the actual gain is greater or smaller than the capacity to import depends on whether the increase in the cost of services[3] and other obligations paid by the country is smaller or greater than the change in the import price of merchandise and whether some of the export surplus is used to finance imports of other years with prices lower or higher than in the given year. The reverse may be said in the case of import surplus. As costs on items other than merchandise, and freight and insurance on import goods, are generally not available, actual gains cannot be estimated. But so far as annual imports and exports of merchandise do not differ very much, and import and export prices do not change rapidly from year to year, the gains for the three-year period under review will not diverge materially from the improvement in the capacity to import.

As a matter of fact, prices of certain articles had fluctuated widely in the three years, and part of the increase in the capacity to import, especially in 1950 and 1951, was not utilized in the same year, for although

1. The study includes only Burma, Ceylon, China (Taiwan only), India, the States of Indochina, Indonesia, Japan, Malaya (Federation and Singapore only), Pakistan, the Philippines, and Thailand for which statistics are available.

2. It should be noted that, since a number of countries in the ECAFE region do not follow this practice, the two formulae are not identical for these countries.

3. For countries which value imports at c.i.f., cost of transport and insurance is included in the price of import goods as recorded in trade returns. For the Philippines which values both imports and exports at f.o.b., the cost of these services is not included.

exports were increased, imports were not increased simultaneously, partly because of the time lag in increasing the import demand following the increase in export income, and partly because of the shortage of supply during the Korean war. Thus, in many countries, export surplus in earlier years since the outbreak of the Korean war was used to pay for import surplus of later years when import prices had either increased or decreased. The actual gains would, therefore, be respectively smaller or larger than the increase in the capacity to import.

The increase (or decrease) in the capacity to import can therefore be broken up into two portions: the portion realized in a given year from merchandise imports and the balance of trade. The portion realized in a given year can be calculated easily by applying the standard formula to the value of exports or imports whichever is smaller. But there is no way of finding which year's export surplus had been used to pay for the import surplus of a particular year. For, taking the country as a whole, accumulated export surplus should be considered as a pool from which import surplus of different years might be paid. To avoid the complication of matching the export surplus with the import surplus of particular years, single figures for export and import unit value indexes for the three years as a whole[1] are computed for the present purpose from which the terms of trade are calculated. The portion of the gain from merchandise trade which is realized during the whole period can be derived from the terms of trade and the value of total exports or total imports, whichever is smaller.

In most ECAFE countries, prices of only a limited number of export commodities rose relative to import prices; such rise accounted for the major portion of the gains in the terms of trade. The unit value of these export commodities can, therefore, also be compared with the general import unit value index for the calculation of the gains derived from the export of these commodities.

Cumulative balance of trade

In matching exports with imports for the three years as a whole, there is a net positive or negative balance of trade of various size for the ECAFE countries. For this part of trade, the gains cannot be calculated without more daring assumptions, although all export surplus has been included in the calculation of the change in the capacity to import. However, we can consider the export surplus accumulated up to a given date since the outbreak of the Korean war as the unused capacity to import, acquired during the period concerned, if it was not used for other purposes. To eliminate the change in price and to indicate the physical volume so as to achieve comparability with the gains, the cumulative export surplus is deflated by the unit-value index of imports and the cumulative import surplus is deflated by the unit-value index of exports at the end of each period. Separate figures are calculated by deflating the cumulative export surplus at the end of the three year period by the import unit-value index for the second half year of 1953. This would be the amount of goods valued at the base year price which could be further imported if import prices do not change very much afterwards. On the other hand, cumulative import surplus might be regarded as a deduction from the general exchange holdings at the beginning of the period. If this amount were not met by current factor income or donations from abroad, it would have to be replenished mainly by merchandise exports in later periods. Thus, deflating the cumulative import surplus by the unit-value index of exports in the second half of 1953 would give a measure of the required volume of exports by valuing at the base-year price. If export prices do not change much as compared with those at the second half year of 1953, this would be the amount of exports necessary to repay the import surplus. Since export surplus and import surplus are deflated differently, they give different meanings and should be considered as entirely separate series.

Alternative formulae and implications of the unit-value index

The unit-value indexes of trade compiled by governments, whenever available, are used in this note for the calculation of the changes in the capacity to import and of the realized gains from the change in the terms of trade. India, Malaya and the Philippines compiled unit-value indexes by the Paasche formula; Indochina,[2] Japan and Pakistan by the Laspeyre formula; and Ceylon by the Laspeyre formula for the export index and by the Paasche formula for the import index. The Laspeyre formula, weighted by the base-year quantities, measures the average change in price of a bundle of goods with the same commodity composition as that for the base-year. The Paasche formula, weighted by the quantities of the current year, measures the average change in the price of a bundle of goods with the same commodity composition as that for the given year. In comparing

1. For aggregate formulae, this can be obtained from the ratio between the total trade value in the three years at current prices and the total trade value at base prices. For other methods of matching, see footnote to p. 24.

2. The term Indochina is used in this note to represent the customs union comprising Cambodia, Laos and Viet-Nam.

year-to-year price changes, the Laspeyre formula has the advantage of isolating the price change from the change in the commodity composition of trade. But to compare the current price with the base-year price only, the Paasche formula has the advantage of dealing with the actual commodity composition in the current year. The results of the two formulae will be close only when the commodity composition of trade does not change much between the base year and the given year. This usually happens when the base year is not too far away, and when the commodity composition of trade does not change rapidly. In practice, countries using the Laspeyre formula also use the period between 1948 and 1950 as the base period for weighting. However, there had been significant changes in the commodity composition of trade during the three years since the outbreak of the Korean war. Thus the implications of these formulae should be kept in mind in interpreting the change in the capacity to import and the gains from change in the terms of trade calculated therefrom.

Nature of unit value indexes used for the present calculation

China, Indonesia, Pakistan and Thailand do not have unit-value indexes for post-war years, and Burma's indexes, compiled by the Laspeyre formula with pre-war base, are found erratic. For the computation of the gains from the change in the terms of trade, we have to resort to available material to compile indexes for these countries. The formula and the weight base for these indexes and for indexes of other countries compiled by the governments which are used in the present calculation, are summarized below:

	Formula	Weight base	Compiler
Burma	Paasche		ECAFE
Ceylon	Exports: Laspeyre Imports: Paasche	1948	Government Government
China (Taiwan only)	Paasche		ECAFE
India	Paasche		Government
Indochina	Before 1951, moving current weights, chained Since 1951, Laspeyre	1950	Government Government
Indonesia	Paasche		ECAFE
Japan	Laspeyre with 1950 as base chained to Fisher's index for 1950	1950	Government
Malaya	Paasche		Government
Pakistan	Exports: Laspeyre Imports: Laspeyre	1948/49 April 1949/March 1950	Government ECAFE
Philippines	Paasche		Government
Thailand	Exports: Paasche Imports: Paasche		ECAFE ECAFE

The following is a brief description of the five indexes compiled by the ECAFE Secretariat. Because of the limitation of available material, the coverage for some of the import indexes is extremely small, and in one case market prices of import goods, instead of unit values, have to be used. Percentage coverage refers to the average during the whole three-year period.

(1) *Burma:* The unit-value index for exports is computed from 11 items covering about 94 per cent of the total value of exports. The unit-value index for imports is computed from 18 items covering about 60 per cent of the value of imports. Paasche formula is used for both indexes, with the fiscal year October 1949 to September 1950 as the base. Because of the lack of more detailed breakdown for the 18 items, the reliability of the import index is low, although it covers 60 per cent of the trade value.

(2) *China* (Taiwan only): The unit-value index for exports is computed from 23 items covering about 99 per cent of the value of exports. For imports, it is computed from 54 items covering about 65 per cent of the total value. The Paasche formula is used for both indexes. Because of incomplete statistics for 1949 and the lack of monthly data for 1950, the year 1950 is used as the base. To avoid the complication of multiple exchange rates, these indexes are compiled in terms of dollars.

(3) *Indonesia:* The unit-value index for exports is computed from 18 items covering about 95 per cent of the value of exports. For imports, it is computed from 31 items covering about 70 per cent of the value. The Paasche formula is used, with July 1949 to June 1950 as the base.

(4) *Pakistan:* Because of the limitation of the available statistics, only two items, namely, sea-borne imports of cotton piece-goods and cotton twist and yarn, covering about 25 per cent of imports, are included in the computation of the unit-value index of imports. Needless to say, they cannot represent the change in the price of import goods.[1] To achieve comparability with the export index compiled by the government. the Laspeyre formula is used. The fiscal year April 1949 to March 1950 is taken as the base.

(5) *Thailand:* A unit-value index of exports of the Paasche type is computed on the basis of four commodities: rubber, tin, rice and teak, covering 89 per cent of the value of exports. For the import index, because of the unavailability of unit value, wholesale prices collected by the Department of Commercial Intelligence, Ministry of Economic Affairs, are weighted by the value of imports in the given year. This index comprises 4 items covering about 20 per cent of the imports. The first half year of 1950 is used as the base. The reliability of this index is low not only because of its small coverage but the use of wholesale prices include in the index the effect of any revision of import duties and any change in profit margin especially arising from shortage of supply caused by import control. Both indexes are compiled in terms of dollars.

The statistics

Table 1 shows for 11 countries in the ECAFE region the export and import unit-value indexes in terms of national currencies[2] and the terms of trade. In nine countries, not including Burma and Thailand,[3] the terms of trade were more favourable in 1951, as compared with the year before the Korean war; but because of the falling price of export goods and of the rising price of import goods, it was favourable only in five countries (including Burma and Thailand) in 1952, as compared with the year before the Korean war. However, in the first half-year of 1953, again seven countries had favourable terms as compared with that in the base year.

Gains would be larger if, during the period with the most favourable terms of trade, volume of trade was also large. Table 2 shows the value of exports and imports and the balance of trade in different years, also in national currencies,[4] which can be compared with the changes in the export and import prices and the terms of trade.

Table 3 shows the increase in the capacity to import, the realized gains and the cumulative balance of trade. all in dollars at the base-year price. For the three-year period, nine countries, including Burma, Ceylon, China (Taiwan only), India, Indochina, Indonesia, Japan. Malaya and Thailand had a net increase, while Pakistan and the Philippines had a small net decrease, in the capacity to import. Taking all 11 countries together. the total increase in the capacity to import amounted to $2,700 million. For most countries, the largest capacity was reached in the second half of 1950 and the year 1951 (see section A).

When exports of each year are matched with imports of the same year, calculated on the basis of exports or imports whichever is smaller, all countries, except Ceylon, Pakistan and the Philippines show realized gains. They are considerably smaller than the increase in the capacity to import. Total realized gains for all countries calculated this way amounted to slightly less than $2,000 million (see lines 6-10, section B).

When exports and imports are matched for the three-year period as a whole, all countries, except Ceylon and the Philippines, show realized gains which totalled slightly over $2,100 million[5] (see line 11, section B).

1. For cases like Pakistan and Thailand, an alternative to estimating the import unit-value index is to use the export unit-value of their trading partners. But detailed export statistics by commodities and destination from these countries are not available, and estimates based on the general unit-value indexes of the exporting countries are not reliable.
2. Except China, Japan and Thailand where US dollars are used.
3. The reliability of the import unit-value index for both Burma and Thailand is relatively low.
4. Except China, Japan and Thailand where US dollars are used.
5. To match exports and imports for the three-year period as a whole takes into consideration larger amounts of exports and imports, but the realized gain is not always larger than matching annual exports and imports because different ways of matching gives different results, depending on the amount of export or import surplus of different years and the relative level of the export and import prices in those years.

   For academic interest, two of the many other possible methods of matching exports and imports of different years have been tried out. Under the first method, exports and imports of the same year are first matched, and the surplus or deficit is then matched with the deficit or surplus of the nearest neighbouring years within the three-year period. It is, therefore, the gain as calculated by matching exports and imports of the same years (line 10, Table 3) plus the gain (or minus the loss) in matching the surplus or deficit of different years. The two will be the same for countries with export surplus or import surplus throughout, for there is no matching between different years.

   Under the second method, the "first in and first out" method is applied in matching exports and imports of different years within the three-year period. For example, export surplus of the previous year is first used to pay for imports of the current year, and only the difference between the current imports and the accumulated export surplus of the previous year is met by exports of the current year. For countries with persistent import or export surplus financed by invisibles or donations, this method is inconsistent to facts. The following table shows the divergent results indicating that it is fruitless to assume more definite matching of exports and imports of different years.

Country	*Method I*	*Method II*
Burma	20	2
Ceylon	-9	6
China (Taiwan only)	8	7
India	112	37
Indochina	29	70
Indonesia	474	408
Japan	254	76
Malaya	1,013	1,410
Pakistan	-25	128
Philippines	-23	-11
Thailand	70	68
Total 11 countries	1,923	2,201

At the end of the three-year period, seven countries (Burma, Ceylon, China: Taiwan, Indonesia, Malaya, Pakistan and Thailand) had accumulated $2,100 million of export surplus, valued at the purchasing power over import goods in the base year[1] (line 16). If the accumulated export surplus was not yet spent for non-merchandise trade, it would be available for imports after this period. In current value of import goods, it amounts to $2,200 million. On the other hand, India, Indochina, Japan and the Philippines had net import surplus. Since imports of some of these countries were financed from grants, donations, and expenditures of foreign army, the import surplus does not imply that such an amount represented the burden of these countries. Taking all eleven countries together, the accumulated export surplus was the biggest at the end of 1951 (see sections C and D).

1. Deflated by import unit-value index in the second half year of 1953.

TABLE 1.

INDEX NUMBERS OF UNIT VALUE AND TERMS OF TRADE

(in terms of national currencies)[a]

	Burma	Ceylon	China (Taiwan only)	India	Indo-china[b]	Indonesia	Japan	Malaya	Pakistan	Philip-pines	Thailand
Base period[c]	1949/50	1949/50	1950	1949/50	1949	1949/50	1949/50	1949/50	1949/50	1949/50	Jan-June 1950
A. Unit Value Index of Exports											
1950 2nd half . . .	100	130		105	132	169	101	193	97[d]	114	123
1951	112	145	146	152	139	209	157	226	129[e]	116	128
1952	140	112	133	124	124	451	139	165	92	91	129
1953 1st half . . .	145	116	99	105	131[f]	385	122	144	66	107	129
B. Unit Value Index of Imports											
1950 2nd half . . .	101	104		106	98	106	102	129	86[d]	92	106
1951	120	126	117	128	115	135	143	144	117[e]	111	130
1952	137	140	142	130	129	391	124	129	98	105	123
1953 1st half . . .	98	127	105	119	127[f]	378	108	124	90	110	98
C. Terms of Trade											
1950 2nd half . . .	99	125		99	134	159	99	150	114[d]	123	115
1951	93	115	125	119	121	155	110	157	111[e]	104	99
1952	102	80	94	95	96	115	112	128	94	87	105
1953 1st half . . .	148	92	94	89	103[f]	102	112	116	73	98	131

a. For China, Japan and Thailand, in terms of U.S. dollars.
b. The term Indochina is used to represent the Custom Union of Cambodia, Laos and Viet-Nam.
c. 1949/50 relates to July 1949 to June 1950 except for Burma and Pakistan where fiscal years are used.
d. April 1950—March 1951.
e. April 1951—December 1951.
f. First quarter.

Table 4 shows the increase in the capacity to import responsible by specific commodities. Ceylon, Indochina, Indonesia, Malaya and Thailand all derived the largest gains from the export of rubber, amounting to a total for these five countries of $1,600 million. Among these countries, Indonesia and Malaya had the largest share, amounting to $600 million and $700 million respectively.[1] Other important items which account for the gains are raw cotton from Pakistan, jute yarns and manufactures from India, tin from Indonesia and Malaya, rice from Burma and Indochina, cotton fabrics and iron and steel goods from Japan and sugar from China.

It is interesting to note that, taking the three years as a whole, the terms of trade, in exchange for general imports for the export of metals and ores from Burma, of tea from Ceylon and India, of oilseeds and products from Ceylon, Indonesia and the Philippines, of sugar from China and the Philippines, of petroleum from Indonesia, of rice from Thailand, and of raw jute from Pakistan, were less favourable as compared with the year immediately before the Korean war, and losses instead of gains from terms of trade were derived from these commodities.

1. Net export of rubber from Malaya is used for this purpose. Since the increase in the price of rubber is also included in the import unit-value index of Malaya, which is a centre for entrepot trade, the gain from the export of rubber as estimated here is lower than what it should be, if compared with imports for domestic consumption only.

TABLE 2.

VALUE OF EXPORTS AND IMPORTS AND BALANCE OF TRADE

(in millions of national currencies)[a]

A. Exports

	Burma	Ceylon	China (Taiwan only)	India	Indochina	Indonesia	Japan	Malaya	Pakistan	Philippines	Thailand
1950 2nd half . . .	392	920		3,084	908	2,008	498	2,789	2,292[b]	384	171
1951	993	1,911	98	7,837	2,779	4,780	1,355	6,074	1,578[c]	820	373
1952	1,256	1,502	116	6,192	2,408	10,447	1,273	3,916	1,762	703	333
1953 1st half . . .	595	777	48	2,498	502[d]	4,371	604	1,596	810	387	168

B. Imports

1950 2nd half . . .	336	601		3,044	2,612	1,081	489	1,796	1,502[b]	333	121
1951	655	1,560	85	8,541	6,279	3,198	2,044	4,756	1,314[c]	962	297
1952	914	1,709	113	8,016	9,241	10,533	2,028	3,869	2,018	842	305
1953 1st half . . .	379	810	47	2,943	2,143[d]	4,079	1,161	1,628	529	434	191

C. Balance of Trade

1950 2nd half . . .	56	319		40	—1,704	927	9	993	790[b]	51	50
1951	338	351	13	—704	—3,500	1,582	—689	1,318	264[c]	—142	76
1952	342	—207	2	—1,824	—6,833	—86	—755	47	—256	—139	28
1953 1st half . . .	216	— 33	1	—445	—1,641[d]	292	—557	—32	281	—47	—23

a. For China, Japan and Thailand, in millions of dollars.
b. April 1950—March 1951.
c. April 1951—December 1951.
d. First quarter.

TABLE 3.

CHANGES IN CAPACITY TO IMPORT, REALIZED GAINS AND CUMULATIVE BALANCE OF TRADE

(in million dollars at base year value)

	Burma	Ceylon	China (Taiwan only)	India	Indo-china	Indo-nesia	Japan	Malaya	Pakistan	Philip-pines	Thailand	Total 11 countries
Base period[a]	1949/50	1949/50	1950	1949/50	1949	1949/50	1949/50	1949/50	1949/50	1949/50	Jan-June 1950	
A. Increase in Capacity to Import												
(1) 1950 2nd half	—1	42		—4	12	213	—5	341	68[c]	39	22	727
(2) 1951	—1	46	17	229	20	377	85	769	61[d]	15	—3	1,615
(3) 1952	4	—61	—6	—48	—4	107	113	315	—35	—51	13	347
(4) 1953 1st half	41	—13	—3	—63	1[b]	6	64	64	—99	—16	40	22
(5) Total	43	14	8	114	29	703	257	1,489	—5	—13	72	2,711
B. Realized Gains												
Matching annual data												
(6) 1950 2nd half	—1	27		—4	12	114	—5	190	45[c]	34	15	427
(7) 1951	—8	38	15	229	20	253	85	490	46[d]	15	—2	1,181
(8) 1952	3	—61	—5	—48	—4	107	113	269	—35	—51	12	300
(9) 1953 1st half	26	—13	—3	—63	1[b]	6	64	64	—65	—16	40	41
(10) Total	20	—9	7	114	29	480	257	1,013	—9	—18	65	1,949
(11) **Matching whole period**	22	—1	8	59	29	333	263	1,240	12	—9	174	2,130
C. Cumultive Balance (end of period)												
Deflated by unit value indexes of the period indicated												
(12) 1950 2nd half	12	64		8	—63	235[c]	9	251	278[d]	28	47	+932	—63
(13) 1951	69	112	11	— 91	—182	556	—433	524	272[e]	—40	97	+1,641	—746
(14) 1952	113	69	11	—421	—472	482	—1,032	597	246	—126	125	+1,643	—2,051
(15) 1953 1st half	204	71	15	—491	—507	604	—1,633	613	382	—129	134	+2,003	—2,760
(16) **Deflated by unit value indexes of second half of 1953**	213	73		—487	—443	627	—1,544	655		—125	151	+2,096[f]	—2,599
D. Cumulative Balance in Millions of Current Dollars (end of period)												
(17) 1950 2nd half	12	67		8	—83	214	9	324	239	26	50	+949	—83
(18) 1951	83	141	13	—139	—253	639	—680	755	318	—46	126	+2,075	—1,118
(19) 1952	155	97	15	—522	—585	626	—1,435	770	241	—115	154	+2,058	—2,657
(20) 1953 1st half	200	90	16	—516	—664	652	—1,992	760	326	—138	131	+2,175	—3,310

a. 1949/50 relates to July 1949 to June 1950 except for Burma and Pakistan where fiscal years are used.
b. First quarter.
c. To avoid the effect of the change in exchange rate, cumulative balances in dollars deflated by unit-value index of imports in terms of dollars.
d. July 1950—March 1951.
e. March 1951—December 1951.
f. Figures on line (15) are used for China and Pakistan.

TABLE 4.

INCREASE IN CAPACITY TO IMPORT FROM EXPORTS OF SELECTED COMMODITIES

(in million dollars at base year value)

	BURMA			CEYLON				CHINA (Taiwan only)		INDIA[b]				
Base period[a]	1949/1950			1949/1950				1950		1949/1950				
Commodity	Total	Rice & products	Metals & ores	Total	Rubber	Coconut & products	Tea	Total	Sugar	Total	Jute yarn & manufactures	Spices	Cotton piece goods	Tea
1950 2nd half	—1	—2	—	41	35	5	1			17	31	11	—7	—20
1951	—1	—17	—1	50	64	—	—26	7	8	—6	214	10	7	—
1952	4	7	—6	—61	23	—32	—54	—4	—7	—3	18	—7	—8	—16
1953 1st half	41	40	—4	—13	12	—6	—16	5	—7					
Total	43	28	—11	17	134	—33	—95	8	—6	8	263	14	—8	—36

	INDOCHINA			INDONESIA					JAPAN			MALAYA		
Base period	1948			1949/1950					1949/1950			1949/1950		
Commodity	Total	Rubber	Rice	Total	Rubber	Tin	Palm oil	Petroleum	Total	Cotton fabrics	Iron & Steel products	Total	Rubber	Tin
1950 2nd half	12	16	1	212	178	—3	1	9				341	206	—
1951	20	29	2	377	312	13	4	—1	82	23	5	722	373	35
1952	—4	6	6	107	111	9	—8	—15	114	3	16	310	126	36
1953 1st half	1	1	2	6	39	7	—2	—20	63	—3	14	84	23	14
Total	29	52	11	702	640	26	—5	—27	259	23	35	1,457	728	85

	PAKISTAN			PHILIPPPINES				THAILAND				
Base period	1949/1950			1949/1950				Jan — Jun 1950				
Commodity	Total	Raw cotton	Raw jute	Total	Sugar	Coconut products	Abaca	Total	Rice	Rubber	Tin	Teak
1950 2nd half	91[b]	191[b]	—11[b]					22	—7	24	3	—
1951	38[c]	31[c]	—3[c]	22	—1	—12	4	—3	—41	37	2	—1
1952	—35	57	—52	—52	—1	—53	—13	13	2	6	3	1
1953 1st half	—88	—14	—120	—4	—1	—1	—10	40	28	4	3	1
Total	—5	265	—186	—34	—3	—66	—19	72	—18	71	11	1

a. 1949/50 relates to July 1949 to June 1950 except for Burma and Pakistan where fiscal years are used.

b. Fiscal year beginning April of years stated.

c. 9 months from April to December.

SOME COMMERCIAL AND ECONOMIC ASPECTS OF PUBLIC ENTERPRISES IN CERTAIN ASIAN COUNTRIES[1]

Public ownership of industries in post-war Asia[2] has been motivated by the pressing need for development by governments. It applies not only to industries where requirements of large capital and unattractive returns may not induce private capital, but also to those normally operated by private capital in other countries. Owing to the absence of an indigenous entrepreneurial class some governments have ventured to establish even medium-sized manufacturing industries. The preference of private capital to invest in real estate, banking and commerce, the lack of tradition and experience in modern industry, and the heavy costs of establishing new industries in the absence of common facilities and trained personnel have compelled the State to extend its activity over a large part of the industrial sector.

Because of their desire to develop a mixed economy, many Asian countries have not found it necessary to widen the public sector in industry on a purely doctrinaire basis. Instead, the public sector attempts to integrate itself with the private sector, with a view to avoiding duplication or overlapping. The State supplements by filling the gaps in the structure of industry, or by providing the basis for later development. It sets up new enterprises which are vitally needed by the economy. On the other hand, where there is substantial capital in private hands, as in India, government finance would be relieved if private capital ventured into industries according to the priorities demanded by development[3]

The development of parallel ownership has given rise to a number of questions. These centre round the monopolistic or competitive position of public industrial enterprises, and the conditions under which those enterprises operate; the justifiability of tax exemptions, concessions or subsidies offered to these enterprises in the light of public service, welfare, or other considerations; the measures to assure optimum efficiency in public enterprises; and pricing and marketing policies of public enterprises in relation to private enterprises.

This article attempts to focus attention on these subjects in the light of experience of several Asian countries in post-war years.[4]

I

The question whether public enterprises enjoy monopoly or are in competition with comparable private enterprises is not easy to answer. A study of the trends in the development of public enterprises in several Asian countries shows that the very nature of some of these public undertakings can leave little room for competition. The development of specific areas like the Damodar Valley in India has meant the establishment of giant monopolies. The continuing activities of high priority in many countries have been concentrated on offering common facilities for economic development where duplication would be wasteful, e.g. transport and power.

Even when Asian countries have ventured to establish small and medium-sized factories, where competition can be expected, indigenous conditions have sheltered them. The wide range of industries that were promoted in Ceylon during the war and in Burma in early post-war years have been mainly designed to overcome the acute shortage of manufactured goods. In Thailand the government has engaged in manufacturing owing to the almost entire lack of private initiative. Even though imports could have provided competition to local production, as in India, in the case of fertilizer imports which were significant, the inadequacy of total supply to meet national needs prevented this. By and large, public enterprises in Asian countries have been

1. Prepared by the Industry and Trade Development Division, on the basis of ECAFE papers presented to and discussions arising from the Seminar on Organization and Administration of Public Enterprises in the Industrial Field, jointly organized by ECAFE, the United Nations Technical Assistance Administration, the International Institute of Administrative Sciences and the Government of the Union of Burma, and held in Rangoon in March 1954. The present article does not cover mainland China where public enterprises by the very nature of the economy are being rapidly extended to many fields of activity, but deals with developments in certain Asian countries in South and South East Asia for which data are available.
2. The article on "Industrial organization in the public sector in ECAFE countries" published in vol. II, No. 3 of this *Bulletin* traces the historical growth in most Asian countries individually.
3. The official opinion was well expressed by the Prime Minister, Pandit Nehru, in an interview on 21 August 1949. Referring to the undertakings under private control, he said: "As long as these industries are kept going and are employing many people, we would rather use our resources for developing new projects and employing more people. If these industries are well managed privately, we see no need for nationalization at any time."
4. It has been found difficult to obtain detailed data on a wide range of questions concerning many of the State enterprises. Very little factual information is being furnished in the form of periodical returns and accounts. This state of affairs has drawn adverse comment in India, where the Parliament discussed the subject pointedly, and the Auditor-General complained about it in his annual report in 1953. This criticism resulted in the Finance Minister of the Government of India giving an assurance that a separate annual budget of public enterprises would be placed before the Parliament.

so far of such a nature that there cannot be that degree of competition from which one can really raise the intricate question of how best to guarantee "fair competition"

This is not to suggest that there has been no competition whatsoever. Nationalized transport in India furnishes interesting examples. The Bombay State Road Transport Corporation, with vehicles received from Canada under the Colombo Plan, has been of late engaging itself in competition with private enterprises in goods transport. After having decided to nationalize certain urban routes, the Bihar State Government has advocated that private operators ply in rural areas. The erstwhile practice of allowing private enterprises to transport goods by road all over India has been steadily restricted, as many State governments have been acting without central direction towards nationalization. The Central Government was contemplating in June 1953 to limit the carrying distance of private enterprises to seventy-five miles. Private operators have claimed that this widening of the area of monopoly held by railways, if effected, would be prejudicial to their position.

The need for a basic though flexible plan in relation to public enterprise is felt in the countries of Asia. It will be useful to demarcate the sectors of economic life which are to be developed entirely by government and maintained under public control, those to be left to private enterprise entirely, and those to be developed initially by public enterprise for eventual transfer to private interests. Proposals to transfer public enterprise either completely to private ownership or to partnership with private enterprise require to be carefully considered. Resistance to these plans may be encountered as private capital does not view sympathetically government investment in social welfare expenditure which is sometimes found in public enterprise. Such heavy expenditure may limit the possibilities of high dividends which attract private capital.

II

An attempt to assess tax exemptions, concessions or subsidies given to State enterprise borders on the realm of controversy. The crux of the argument lies in the suggestion that government corporations, being non-profit-making, should not be expected to assist government finance, for to tax the consumer of a particular product in order to boost the government revenue is, in most circumstances, held to be unsound, and is considered permissible only under sufficient safeguards whereby the surplus so obtained is used for some special purpose likely to increase the efficiency of the concern itself or in the case of special monopolies for economic purpose, e.g. tobacco or opium. So long as the development needs are satisfied by the supply of sufficient funds, it appears immaterial whether the public enterprise pays taxation or contributes a share of its profits to the treasury, or is exempted from any contribution to the central exchequer.[1]

The general principle is that public enterprises, occupying a competitive position vis-a-vis private enterprises, should not be given any exemption, special protection or preferences.

In India the recent trend of promoting some State commercial enterprises as private limited companies brings them within the limits of taxability as laid down in the Income Tax Act. The enterprises which are run as part of a department, as in Ceylon, are not subject to taxation. Although uniformity on the subject does not exist in Asian countries, the question does not loom large as the State enterprises in the majority of cases have not made large profits as a result of their policy not to place heavy burdens on the consumers. It must also be remembered that a large number of State enterprises have encountered losses when venturing into fresh fields or entering into an activity which inevitably results in losses although the greater welfare arising from it must be taken into account.

Generally when an enterprise is developed by the government, it has certain basic advantages over private enterprise, e.g., land is often cheaply or freely available and facilities at the site, such as roads, rail or other means of transport, supply of water and power, and housing for workers and staff, are similarly easy to procure at times more cheaply than in the case of private enterprises. These concessions become important when the capital cost of the project has to be ascertained. This matter is of particular importance when a government unit is to compete with a private unit, to ensure that the competition with private enterprise is on an equitable basis.

Provision of subsidy in one form or another to State enterprises is common in Asian countries. In Ceylon and the Philippines, many State enterprises, after an initial period of success, have been faced with continuous losses. There has been a tendency for the government to make up the losses by borrowing from the commercial banks or from government institutions such as the treasury, the central bank, development banks and re-

1. The example of the United Kingdom where the Treasury exercises the right to impose income tax on public corporations and the case of even a corporation without independant source of revenue like the B.B.C. being subject to income tax may, however, be noted.

construction finance corporations. Although the annual accounts submitted to the minister or parliament reveal such losses, a close scrutiny of the reasons for the losses may take considerable time. As a result, these enterprises are continued without the government having an opportunity to review and decide on their liquidation or reorganization with a view to avoiding further losses.[1]

If an investigation reveals that the loss is inherent in the nature of the enterprise and that the enterprise is nevertheless worthy of continuance in the interest of the national economy, it should be possible to satisfy the government and convince the public. The community would then know the extent of, and the reasons for, the sacrifice which it was being called upon to make in the national interest. For example, in India, in view of the importance of the shipbuilding industry as a national asset, the government decided to pay as a subsidy the difference between the sale price and the actual cost of construction to the Visakhapatnam Shipyard.[2]

III

The question of ensuring optimum economic efficiency and devising suitable measures, particularly in the case of monopolies, receives added importance because freedom from competition provides a climate in which any State monopoly may abuse its favoured position. The efficiency of these enterprises will be increased by greater accountability to the government and the public. This is all the more important because otherwise some of these enterprises may not pay scrupulous regard to costs. The element of profit which in private enterprises serves, though inadequately, as a yardstick loses here its prominent place. Financial surplus can still be considered as contributing to efficiency if it does not result in exploitation of workers or consumers. The other equally important considerations which make up efficiency are growth in productivity and presence of industrial morale and goodwill. The State enterprises, in serving the nation, should make available their products on the widest basis compatible with public interest. These enterprises, to be efficient, require, besides honest and good administration, also speed, enterprise, high quality management and receptivity to changing conditions.

Many State enterprises which are monopolies have been open to criticism in the absence of machinery for the protection of consumers and it has been increasingly felt that the consumers as a group must by closer co-operation help to improve the efficiency of these enterprises. In Asian countries consumers' councils have not so far been developed to any large extent. Some experience has been gained by India in the appointment of consumers' committees in areas where food grains have been rationed. In respect of railways, railway rates tribunals were developed a long time ago whose duties consisted in examining all rates charged and receiving representation from the users. For iron and steel, the Indian Tariff Board has recently investigated and examined what should be considered a fair price to the consumers, and on its recommendations, the government has fixed prices for such commodities. In other cases, e.g. the consumer goods industry, the sovereignty of consumers is considered to be so cardinal that in their present stage of development, it is deemed desirable to retain the competitive element by allowing both private and public sectors to operate in the same industry so that one may act as a check on the other.

It has been growingly felt in some countries that parliamentary scrutiny and increased accountability of these enterprises to the government and the public are highly necessary to economic efficiency. The exercise of this control has meant in practice public discussion of day-to-day work, which has hampered the development of these enterprises. This has in turn led to the devising of different ways to overcome the difficulty.

In India, for instance, it is considered that a private limited company may be a more suitable medium for business enterprises than statutory corporation. The difference between the two lies in the fact that the scope and form of parliamentary control is prescribed beforehand by the Act itself in the case of a statutory corporation, while in the case of a private limited company, the matters are determined by the executive whose discretion is limited only by the general provisions of the Companies Act. The advantage claimed for such private companies is attainment of efficiency through flexibility and decentralized powers rather than restraint imposed on the executive by the need to secure approval beforehand in many important matters. This change, however, has not been totally welcome in many quarters in India, for it has meant a narrowing down of parliamentary supervision. To that extent, the accountability of these companies to the Parliament and the scope for ensuring their efficiency have been limited.

1 The Ceylon Government postponed the winding up of some of these unprofitable concerns just because they were incurring losses. Such a step, it was felt, would have been "retrograde as it would have meant the loss of large number of workers who had been trained in industries and the throwing away of valuable results which would have been useful for the setting up of new industries".

2. The total subsidy paid till the end of the first quarter of 1958 amounted to Rs. 8 million, for ten large ocean-going cargo ships and one small passenger ship constructed at this shipyard under Lloyd's supervision and rated 100-A 1, the highest classification. This payment of direct subsidy to the shipbuilding industry is said to be worthwhile as it will help to develop greater self-reliance and technical skill.

In the Philippines, the Government Corporate Charter gives the public a right to question the legality or fidelity of any proposed or accomplished transaction by any government corporation on matters involving more than P100,000. The Committee on Reorganization of Government-Owned and Controlled Corporations, in its report considered this "a very salutary provision and most necessary, especially if the government is going to use the corporate form with huge capital in the economic development of the country". It is true that all statutory corporations can be sued; however, filing a suit for questioning the legality or fidelity of any transaction by a government corporation is somewhat different from filing a suit on matters of contract or financial consultation; it acts as a restraint over possible excesses by a State undertaking and tends to lead to efficiency.

The State in Asian countries has kept a careful watch over production by public enterprises. In Ceylon the Commission on Government Commercial Undertakings has gone into the question with thoroughness. Its report, submitted on 29 December 1952, shows how sufficient care had not been taken to maintain the quality of production in the steel-rolling, ceramics, glass and carpentry undertakings of the State. This, it said, had resulted in considerable sales resistance being encountered. Of the total sales of all State enterprises in 1949/50 less than 40 per cent had been sold to the public. Even this had been possible only through invoking the aid of the Industrial Products Act and determining quotas of the indigenous products which importers were compelled to buy before they could import. The Commission stresses that State enterprises should not push their products without leaving a choice to the consumers in quality and price. This report addresses itself mainly to the subject of reorganizing the State undertakings and removing the bottlenecks in finance, procurement of materials, production methods and sales channels. The implementation of its recommendations will go a long way to improve efficiency in production of many of these undertakings.

In India, the State enterprises have been consistently stimulated by attempts to attain more ambitious targets. The Chittaranjan Locomotive Works, which manufactured locomotives since 1950, produced 33 locomotives in 1951, 45 in 1952, 66 in 1953 and is expected to reach a target of 90 in 1954 and achieve full production of 120 locomotives and 50 spare boilers by 1956. At present, roughly 70 per cent of the components are manufactured in the workshop, which is claimed to compare favourably with locomotive factories in other countries. The Sindri Fertilizer Factory, the largest plant of its kind in Asia, after overcoming the imbalance in production facilities in early months, has made an effective start in commercial production since 1 February, 1952. Production of sulphate ammonia during the year ending 31 March, 1953 averaged 563 tons per day, which represents an over-all average for the period of 58.7 per cent of the rated capacity, and 86 per cent of the rated capacity in the first quarter of 1953. Production has since been stepped up nearly to full capacity. The increase in productive efficiency of the shipbuilding yard at Visakhapatnam is also notable. The average period per ship for the construction of the last six ships was about 12 months, which does not compare unfavourably with the period of 10 to 11 months taken to build similar ships in British shipyards.[1] Enthusiasm and eagerness to better previous production targets are evident in the State undertakings in India. These increases in production have been partly due to gradually increasing utilization of existing capacity. It will be interesting to study unit costs of production and see whether, even if welfare wage is paid, bettter results are obtained. The fact that prices of products of many of the State enterprises are controlled or are monopolistic will give a different picture from that obtained under competitive conditions.

The promotion of staff morale and goodwill contributes to the efficiency of State enterprises. It is this awareness that has made the government of India invest Rs.65 million in a township for the workers in the Chittaranjan Locomotive Works established at a total cost of Rs.145 million including the workshops and offices.

IV

It is interesting to recount and closely study the policies that have been developed in the pricing and marketing of products of public enterprises and compare them with policies adopted by private enterprises.

The pricing of products of a large number of government-owned enterprises in the countries of Asia, which is to some extent influenced by their atttempt to provide the workers with a secure and adequate livelihood and reasonable conditions of work, has resulted in higher costs of production. It is also observed that demands for uneconomic and unduly high wages are more often made and less often resisted in a public than in a private enterprise. For one thing, the loss is not personal; for another, the consequences of stoppage resulting from strikes may be such that the management may hesitate to resist the demands. Furthermore, since

1. Government of India's *Report of the Ministry of Production, 1952-53*, p. 18.

the funds come from government, no question of the enterprise being driven into bankruptcy arises. It has also been found difficult to enforce in a government-owned enterprise a wage scale which differs from that in government service as a whole. There has also been a tendency to keep a large number of persons employed, although the level of production does not fully justify it, particularly in Indonesia and Ceylon, in order to avoid labour or political trouble. It is recognized by responsible authorities that there could be better economy of labour in running the various enterprises and consequently lower costs of production and lower prices. Antonomous public enterprises, like private enterprises, are able to deal with these problems more effectively.

On the other hand, a large number of government-owned enterprises have endeavoured to break even without a high margin of profit. To that extent it has meant lower prices than those that may be demanded by private enterprises. The policy has also been to charge, for different services, the relative costs except when larger interests are involved and different prices charged. It is not only that much lower prices are charged in some enterprises but in some cases higher prices have been enforced if revenue considerations enter into the picture. This is true of Thailand where the export trade of rice, which is a government monopoly, has been highly productive of a large income.

The pricing policy of the Sindri Fertilizers and Chemicals Limited, India, is interesting to recount. There has been a concentrated progressive attempt to reduce the cost of production and price. Even in the second quarter of 1952, the initial period of production, the price charged for ammonium sulphate was Rs.350.00 per ton. This made it possible to contribute about Rs.4.8 million to the Fertilizer Pool, which enabled it to extend consumption to imported ammonium sulphate at a price lower than would have been otherwise possible. Sindri reduced the price by Rs.65.00 per ton, a reduction of nearly 20 per cent, early in 1953, in response to the nation-wide campaign to popularize the greater use of fertilizers as an important step to attain the goal of self-sufficiency in food grains, "thus fulfilling the role assigned to it in the development of the national economy".[1] The recent agreement of the Sindri company with the Associated Cement Co., Ltd. for the sale of the calcium carbonate sludge, a by-product of ammonium sulphate production, will increase the receipts substantially, help to bring down the costs of production still further and lower the sale price. Sindri Fertilizers and Chemicals Limited has consistently refrained from exporting its products at a much higher price, even though a large number of offers have been made, as "such a policy would have run counter to the national policy and Sindri has accepted the sacrifice for the long-term national programme of self-sufficiency in food grains."[2]

When public enterprises cover costs, such costs should include all running costs and, among these, the depreciation allowances should find place. Such depreciation, if calculated on the actual replacement basis instead of the historical costs, will greatly relieve government appropriation funds when relatively continuous inflation prevails. If replacement costs are not taken into account, the prices which the public enterprises charge may be low and an unsatisfactory situation may thereby be created. This principle of charging depreciation on the basis of replacement costs has to be applied with discrimination, depending on the different kinds of assets, properties, plants, machinery, etc.

When public enterprises carry out non-commercial activities the method of covering costs varies. Generally, non-commercial activities may be related to the enterprise. If the services given are for defence purposes, it is perhaps reasonable to expect the cost to be met by a vote of the Defence Department instead of letting the costs fall on the public enterprise itself. It will be difficult in principle to cover the costs of general social activities undertaken by public enterprises.

A problem which is increasing in importance relates to co-oordination of prices of goods and services charged by different public enterprises, for example, by the fuel and power industries and the road and rail transport undertakings, when the price of nationalized coal enters into the cost of railway transport which uses this coal. A central agency with authority to impose co-ordination and devise a standard of co-ordination appears necessary, as the problem is indeed intricate and difficult to resolve.

Marketing of the products has not been so smooth for public as for private enterprises. The problem of incentives has appeared to be formidable. In Ceylon, for the year 1949/50, actual sales of the products of public enterprises reached Rs.12.9 million, while sales amounting to Rs.26.1 million had been anticipated, owing to defective salesmanship.[3]

1. From the chairman's address which was read out in the First Annual General Meeting of the Company held on 16 June 1953.

2. Ibid.

3. The report of the Commission on Government Commercial Undertakings thus observed, "As regards salesmanship we have no evidence that up-to-date methods were used but we found that there were only four canvassers attached to the Commercial Division of the Industry Department for the promotion of sales of factory products and that the inducement offered to them was, apart from the commission on business canvassed, a travelling and expense allowance of Rs. 100.- per mensum for the City of Colombo, while if they adventured beyond they were eligible for mileage at a rate of 25 cents per mile, together with subsistence at Rs. 3.- per diem and lodging at Rs. 1.- all of which was nicely balanced by a cut of Rs. 1.- from the metropolitan expense allowance of Rs. 100.- for every day spent out of Colombo."

The Committee on the Reorganization of Government-owned and Controlled Corporations in the Philippines has suggested the establishment of a profit-sharing system in all government corporations to give all directors, officers, employees and labourers of those corporations a direct interest in its success. One method of securing such direct interest is to give directors a nominal share in the capital of government-owned corporations. However, it is held in some countries that the profit motive is not paramount and that to allow a share of the capital to be held by a private individual or to allow profits to be shared is contrary to the very principle of public ownership of enterprise. It is stressed that the possibility of personal enrichment, or of earning the kind of salary which big business executives are sometimes said to receive should not exist in government enterprises. This is replaced, it is said, by far greater opportunities than may be possible in private enterprise for advancement to a new range of responsible posts with a prestige and satisfaction which only a public service can confer. It may be optimistic to expect that this motive will weigh in future with the ordinary men and women in the managerial class of industry.

It has been generally observed that the marketing organizations of State-owned enterprises in countries of Asia can be improved to a great extent. Thus, it is not sufficiently realized that production independent of sales is not to be encouraged. Advertisements or attempts to popularize the products have not been powerful enough in the majority of cases. Producing concerns do not establish enough contacts with ultimate consumers. The overhead costs in government-owned, as compared with private, enterprises are immense and go to widen the margin between the cost of production and the final sale price to the consumers. Elimination of unnecessary middleman's costs is only one aspect of this problem. The accumulation of stocks at every stage has also been experienced. These problems require to be looked into with the utmost care and speed.

The Sindri Fertilizers and Chemicals Limited, India, which has done well in bettering production records and lowering costs of production, has been persistently confronted with problems of marketing. It is only recently that a vigorous publicity drive, with the help of the Food and Agriculture Ministry, has been undertaken to popularize the use of fertilizers for intensive cultivation. Brochures explaining the use of fertilizers in all Indian languages have recently been distributed. The approach to the consumers through a long line of intermediaries, including State governments, has not only meant a wide margin between Sindri's retention price and the retail selling price, which is not difficult to explain, but also an unhealthy, wasteful and unnecessary accumulation of stocks piling up at every stage. The authorities have been fully alive to these problems. The task of speedy sales promotion has been given high priority.

Similar problems have been experienced in Ceylon. It is indeed difficult to find a country in Asia where these problems have been satisfactorily solved. Concentrated efforts are required to keep the sales channels smooth and marketing organizations efficient.

Should a public enterprise be directed to make a contribution to public revenue? The answer will depend on the category of public enterprise. If the public enterprise operates in a competitive market, the attempt must be to make profits in an ordinary commercial manner. The enterprise should neither be in a worse, nor in a better, position than its competitors. Public enterprise which are classed under public utilities have to provide adequate, efficient and economic services for the benefit of a community as a whole and they, therefore, operate on the basis of "breaking even" over a period of years after meeting all costs properly chargeable to the account. When public enterprises are financial monopolies they may be used to provide revenue in the form of indirect taxation which is in other countries provided by excise duties. There may be also a social objective in putting up the price to restrict consumption.

The related questions of whether the surpluses of public enterprises should be credited to the central treasury, ploughed back into capital-formation or used for reducing the prices of their products or services have to be examined in the context of conditions prevailing in Asian countries. There seems to be fairly general agreement that the lack of capital makes it supremely important to use existing surpluses for capital-formation, and not for reducing prices of products and services. There is some difference of opinion as to whether such surpluses should be credited to a central agency or ploughed back by the enterprise which made them. The morale of individual enterprises would be strengthened if they were allowed to retain their surpluses. This might mean, however, a lack of new capital for new enterprises: that is why the view that some surpluses should first be collected by a central agency—for example, the treasury—and then invested according to the priorities of development set by governments, has been gaining ground. The reduction of prices in an early stage of industrial development might promote an increase in demand and so make existing facilities insufficient; this would mean either an additional investment or controlled distribution.

V

In conclusion, it may be stated that Asian countries attempt to appraise the commercial policies of State-owned enterprises from a point of view which is more than commercial in the ordinarily accepted sense of the term. The wider national and social angle has come into greater focus. The development programmes in Asian countries emphasize the social purpose which has motivated many of the economic activities of the State, such as, for example, development of electric power, irrigation, mineral resources or new industrial fields. As a result, these plans have visualized higher social overheads and service costs as compared to those of private enterprises.

It is, therefore, necessary that in appraising these enterprises, consideration should be given, in addition to the principles of cost accounting, to the principles of social accounting, whose application in the West and adaptation to Asian countries are worthy of study.

In Asia, however, the countries would need expert guidance and assistance in adapting the tools for appraising their public enterprises. Two types of report might perhaps be presented: (1) the normal business-like annual account similar to the profit and loss account submitted to the shareholders' meetings, and (2) annual reports of the enterprises which include an appraisal of the extent to which they serve national and social needs and whether in serving such needs additional burdens are carried, additional funds needed or different personnel and sales policies required. The first type of report would suggest that the best commercial methods should be adopted so as to indicate how far the public enterprises can be judged on the same footing as the private enterprises. The second type of report will be presented from the national and social viewpoint, and will present the advantages accruing to the nation in respect of saving of foreign exchange, provision of services to the public, of common facilities which keep the wheels of industry moving, of training and employment opportunities, or such other broader advantages which would otherwise not exist. In the light of these criteria it will be possible and indeed desirable for governments to test, at regular intervals, the productivity and efficiency of industrial enterprises in the public sector.

TRADE AGREEMENTS NEGOTIATED AND/OR FINALIZED DURING THE FIRST QUARTER 1954

I. ECAFE INTRA-REGIONAL TRADE AGREEMENTS

Contracting parties	Period valid	Value of trade and principal exports	Methods of trade and payment	Remarks
Burma—China (Mainland)	22 April 1954—21 April 1957	Total: not specified. Burma: rice and rice products, food beans and pulses, oil cakes (sesame and ground-nut cakes), mineral ores, timber, rubber and raw cotton. China: coal, silk and silk textiles, cotton textiles, paper, agricultural implements, light industrial products, handicraft products, enamelware, porcelain, canned goods (provisions), pharmaceutical and medical substances, tea and cigarettes.	Payment in pound sterling.	Trade will be conducted through national trading organizations or their agencies on either side. Signed on 22 April 1954.
Burma—India	Through 1954	Total: not specified. Burma: 900,000 long tons rice which may be shipped during 1954 or spread over a period of three years at prices ranging from £50 (1954), £48 (1955), and £46 (1956). India: usual commodities enumerated in 1951 agreement, (See *Bulletin* Vol. II, No. 3 and Vol. IV, No. 3).	Part of the payment, which is in pound sterling, is to be applied to the settlement of Burma's debt to India.	Signed in March 1954. Shipments will begin in April. This agreement, supplementary to that signed in 1951, amplifies on the sales of rice.
Burma—Ryukyu Islands (Okinawa)	1954—1957	Total: not specified. Burma: 40,000 long tons during 1954, and 80,000 tons annually for three successive years. Prices were fixed at the same level as in Ceylon and Japan agreements.	Payment in dollars	Signed in early February 1954.
China (Mainland)—Indonesia	30 Nov. 1953—31 Dec. 1954	Total: not specified China: machinery, industrial chemicals, paper, textiles, knitted goods, fuel (coal and charcoal), minerals, tobacco, animal products, sea foods, fruits, medicinal herbs, spices and oils, seeds, vegetables and vegetable products, etc. Indonesia: hides and skins, shells, tapioca, sugar, coffee, tea, nutmeg, pepper, betalnuts, tobacco leaves, copra, copra products, palm oil and kernels, essential oils, rubber, quinine, fibre, kapok, gums and resins, rattan, tin, bauxite, timber, batiks and other textile products, bamboo hats, salt, mangrove bark, art and handicraft products, etc.	Barter and balance between import and export	Signed on 30 November 1953 and to become immediately effective. (See *Bulletin* Vol. IV, No. 4).
China (Taiwan)—Japan	1 April 1954—31 Mar. 1955	Total: $149 million, being $74.5 million each way China: Sugar ($2 million), rice ($15 million), banana ($4.5 million), salt ($2 million), etc Japan: machinery and rolling stocks ($12 million), fertilizers ($1 million), textiles ($8 million), iron and steel products ($5.5 million), etc.	Trade is conducted through an "Open account" system based on dollars	Signed on 2 April 1954. During the period 1 April 1953 to 28 February 1954 China imported $51 million and exported $53 million.
Japan—Philippines	1 Feb.—20 May 1954	Total: $100 million, being $50 million each way Japan: textiles, chemicals, iron and steel products (including construction steel), mining equipment, sugar refining machinery and parts, ocean-going vessels and fishing boats Philippines: iron ore and other mineral ores, copra, hemp, hides and skins, molasses, lauan logs, and other raw materials.	Trade is conducted through an "Open account" system based on dollars.	These are the seventh and the eighth extensions of the agreement signed in Tokyo on 18 May 1950. The seventh extension covers 1 February to 17 March 1954. The eighth extension covers 18 March to 20 May 1954. (See *Bulletin*, Vol. I, No 2 and Vol. IV, No. 3)

II. ECAFE COUNTRIES—EXTRA-REGIONAL COUNTRIES

China (Mainland)—Bulgaria	Through 1954	Total: not specified. China: non-ferrous metals, cotton, tea, asbestos, etc. Bulgaria: machinery, chemicals, fertilizer, medicine, daily necessities, etc.	Information not available.	A protocol on mutually-agreed terms for delivery of goods in 1954 and a protocol for the clearance of the 1952 agreement on the exchange of, and payment for goods were signed in Sofia on 25 March 1954. (See *Bulletin* Vol. IV, No. 2).
China (Mainland)—Germany (East)	Through 1954	Total: not specified. China: mineral products, wool, silk fabrics, casings, furs, fruits and other commodities. Germany: lathes, cranes, excavators, trucks, bicycles, ball-bearings, testing apparatus, X-ray equipment, optical instruments, chemicals, fertilizers, photographic equipment and musical instruments.	Information not available.	Signed in Berlin on 30 March 1954. This is the second agreement signed (See *Bulletin* Vol. IV, No. 2).

TRADE AGREEMENTS NEGOTIATED AND/OR FINALIZED DURING THE FIRST QUARTER 1954

II. ECAFE COUNTRIES—EXTRA-REGIONAL COUNTRIES—(Continued)

Contracting parties	Period valid	Value of trade and principal exports	Methods of trade and payment	Remarks
China (Mainland)—U.S.S.R.	Through 1954	Total: not specified China: non-ferrous metals, soya beans, rice, peanuts, vegetable oils, meat, tea, tobacco, fruit, wool, raw silk, silk piecegoods, hides and others. U.S.S.R.: metallurgical equipment, mining equipment, power generating equipment, motor vehicles, tractors, agricultural machinery, building machinery, structural steel, non-ferrous metal products, petrol products and chemicals.	China receives goods from the Soviet Union on the basis of the Agreement on Granting of Credit to the People's Republic of China of 14 February 1950.	Signed on 23 January 1954. The contracting parties reconfirmed their intentions to substantially increase the volume of trade over the figures achieved in the 1952/53 agreement. (See *Bulletin* Vol. III, Nos. 1 and 2).
India—Austria	1 Dec. 1953—30 June 1954	Total: not specified India: handloom products, coir and coir products, carpets and rugs, sandalwood oil, lemongrass oil, Indian attars, tea, tobacco, spices, shellac, hemp, vegetable oils, hydrogenated oils, iron ore, manganese ore, tanned hides and skins, lining leather, sports goods, ivory, mother of pearl and tortoise shells, timber, exposed films, rubber threads, chemicals, textile machines and Indian arts goods. Austria: building and engineering materials, wool and wollen goods, newsprint, high-grade steel and alloy steel, hardware tools, instruments and apparatus, and machinery.	Information not available.	A revision of the trade agreement concluded in July 1952 for a period of two years ending 30 June 1954
India—Norway	Through 1954	Total: not specified India: tobacco, spices, jute goods, tea, coffee, shellacc, coir and products, vegetable and essential oils, filsh oils, cotton waste, drugs, medicines, chemicals, fibres, maganese ore, textiles, carpets, rubber goods, sugar, hides and skins, wool, iron ore, bones, linoleum, cigarettes and spirits. Norway: newsprint, calcium carbide, wood pulp, welding equipment, machinery and machine tools, chemicals for tannery and textile industries, resin, chemicals and other miscellaneous items	Payment in pound sterling.	An extension for one year of the previous agreement signed in New Delhi on 18 September 1952. (See *Bulletin* Vol 3, No. 3). The two countries will continue to accord each other same treatment as is accorded by them to other countries of the same currency group.
India—Poland	1 January—31 December 1954	Total: Not specified. India: Iron ore, manganese ore, mica, shellac, myrobalan and its extracts, tea, spices, tobacco. cashew nuts, raw goat and sheep skins, tanned hides and skins, coir and coir products, sports goods, raw cotton, raw coffee, waste wool, handicraft and cottage industry products, and Indian films (exposed). Poland: Sugar machinery and parts, refrigerators, cement machinery and parts, fire fighting engines, metal and wood working machinery, small tools and workshop equipments, flour mill rollers, agricultural machinery, tractors and implements, chemicals, coal tar, dyes, serums, vaccines, pharmaceuticals, laboratory chemicals, essential oils and cosmetics, carbon electrodes, Polish films (exposed), handicraft and cottage industry products, surgical instruments, optical instruments, cameras and appliances, microscopes, etc.	Issuance of licences. Payment in pound sterling.	India will continue to treat Poland as one of the countries within the sterling area. (See *Bulletin*, Vol. IV, No. 2).
India—Rumania	23 March—31 Dec. 1954	Total: not specified. No quantitive restrictions India: jute manufactures, tea, coffees, spices, wool. hides and skins, textiles, handicraft and cottage industry products and iron ore. Rumania: wheat and rye, petroleum products, timber, chemicals, industrial plant and agricultural machinery and railway equipment.	Payment in rupees or in pound sterling as may be mutually agreed.	This is the first agreement signed between these two countries which shall be renewable for another year by mutual consent.
Indonesia—Australia	Through 1954	Total: £4.9 million each way.	Payment in Australian pound.	Signed in Canberra in October 1953 but not ratified until February 1954.
Indonesia—Denmark	Through 1954	Total: Indonesia Rp. 117.9 million. Denmark 33.0 milion kroners. Indonesia: copra, tobacco, coffee, pepper, rubber and tin. Denmark: machinery, motors, cement, pharmaceutical goods, milk and milk products, and electrical equipment.	Information is not available as to whether payment will be made in the same manner as specified by the 1952/53 agreement, viz within the framework of the Denmark-Netherlands Payment Agreement of January 1946.	Signed in Djakarta on 27 January 1954.

TRADE AGREEMENTS NEGOTIATED AND/OR FINALIZED DURING THE FIRST QUARTER 1954

II. ECAFE COUNTRIES—EXTRA-REGIONAL COUNTRIES—(Continued)

Contracting parties	Period valid	Value of trade and principal exports	Methods of trade and payment	Remarks
Japan—Argentine	1 March—31 Dec. 1954	Total: $180 million, of $90 million each way which represents an increase of $10 million over the previous agreement. Japan: iron and steel products (including tractors and agricultural machinery, drilling equipment and motors in general) and other metals, chemicals, electrical appliances, textiles (including rayon, silk, cotton and wollen fabrics), tea, spices, etc. Argentine: agricultural products (including corn, barley, wheat, beans, bran, glucose, tapioca. vegetable oils, cotton), animal products (including frozen and preserved meat, hides and skins, leather goods, bristles and hairs, gelatin, wool and tallow), bones, agricultural fertilisers, etc.	Trade is conducted under "open accounts" based on dollar, in accordance with the modified terms and provisions of the 1949 agreement.	Notes of renewal were exchanged on 24 February 1954. Trade transaction may be carried out through official or private agencies of both countries.
Pakistan—Federal Republic of Germany	1 January—31 December 1954	Total: not specified. No quantitative restrictions on exports from Pakistan to Germany. Pakistan: No less than 20,000 tons of raw cotton and 80,000 tons of jute besides other usual commodities. (See *Bulletin*, Vol. I, No. 8 and Vol. III, Nos. 1 & 2). Germany: Iron and steel products, machinery, non-ferrous metals, optical and precision instruments, chemicals, pharmaceuticals and other essential and consumer goods.	Issuance of licences to balance the export and import. All payments including incidental costs etc. will be effected through accounts kept in accordance with the existing Anglo-German Monetary Agreement consistent with the obligations of Pakistan as a member of the Sterling Area.	Signed in March 1954 and retroactive from 1 January 1954. Germany will extend facilities for technical education and practical training to Pakistani nationals in German institutions and factories. Technical experts will also be furnished upon request to assist in the development programme of Pakistan.
Thailand—United Kingdom	Through 1954	Thailand exports from 276,000 to 400,000 tons of rice to British territories during the current year. The new contract prices per metric ton for selected grades of rice are given below in pound sterling and U.S. dollars: No. 1 quality 100% £62.0.0 ($173.60) 5 per cent broken £54.5.0 ($154.70) 15 per cent broken £49.17.0 ($137.44) 25 per cent broken £47.4.0 ($132.18) Two new grades are being offered to the British territories as follows:— Bangkok white rice No. 1 £42.13.6 $(119.49) Bangkok white rice No. 2 £41.4.6 ($115.48) A1 Supper £33.10.0 ($93.80) A1 Special £32.2.0 ($89.88)	Payment in pound sterling.	Signed in Bangkok on 28 January 1954. The contract provides for a quarterly review of prices at the request of the buyer or seller. Thailand assures United Kingdom of an equivalent reduction if during 1954 it should sell any grade of rice to other buyers at prices lower than the present contract rates
Thailand—Yugoslavia	Through 1954	Total: not specified Thailand: tin, rubber, teak, hides, sticklac and jute. Yugoslavia: machinery, clothing and other essential goods	Payment in pound sterling.	Signed in Bangkok on 9 January 1954.

ASIAN ECONOMIC STATISTICS

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UNITS AND SYMBOLS EMPLOYED

Unless otherwise stated "tons" relate to metric tons, and "dollars" relate to United States dollars.

The following symbols have been used throughout:

* = average of six to eleven months.
¶ = average of end-of-quarter figures.
‡ = 12 months beginning April of the year stated.
† = 12 months ending September of the year stated.
ø = 12 months ending June of the year stated.
I, II, III, and IV for quarters of years.
§ = end of period.
Mn = million.
. . = not available.
— = nil or negligible.
r = revised figures from this issue.
Figures in italics are provisional.

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

H. = Hwan (Republic of Korea, one Hwan is equivalent to 100 Won)
HK$ = Hong Kong dollar
K. = Kyat (Burma)
M$ = Malayan dollar (Federation of Malaya, Singapore, North Borneo, Brunei and Sarawak)
NT$ = New Taiwan yuan or dollar
P. = Peso (the Philippines)
Pr. = Piastre (Cambodia, Laos and Viet-Nam)
Rp. = Rupiah (Indonesia)
Rs. = Rupees (Ceylon, India and Pakistan)
Y. = Yen (Japan)

The term Malaya includes the Federation of Malaya and Singapore.

SOURCES

To ensure comparability, data compiled or published by the United Nations Statistical Office have been incorporated wherever possible; material supplied by governments, publications of governments, of the United Nations and its specialized agencies and of international commodity study groups have been used as additional sources.

PRODUCTION

1. INDEX NUMBERS OF PRODUCTION

1948 = 100[a]

	Weight	1949	1950	1951	1952	1953	1952	1953						
							IV	I	II	III	IV	Oct	Nov	Dec
CHINA (Taiwan only)[b]														
Industrial production	100.0	157	175	184	238	323	.	257	269	278	303	311	299	299
Public utilities	8.6	124	168	192	202	214	..	207	209	211	228	219	227	238
Electricity	3.8	101	123	152	168	186	..	179	179	181	202	189	202	215
Mining and Quarrying	3.7	87	86	106	138	121	.	135	117	104	128	128	108	148
Coal	1.8	98	85	100	139	145	..	145	153	132	150	154	144	153
Manufacturing	87.7	166	182	189	248	348	.	273	289	300	327	338	324	319
Food	29.1	221	215	147	198	336		202	257	260	229	250	195	242
Textiles	14.6	194	276	422	660	920		825	889	889	1,075	1,127	1,099	999
Chemicals	8.1	104	130	216	238	263	..	211	231	298	332	284	394	318
INDIA[c]														
Manufacturing and mining	100.0	98	97	108	119	125	123	122	125	124	127	123	124	133
Mining (coal)	12.0	106	107	115	122	120	121	126	126	113	117	116	109	125
Chemicals and allied trades	4.9	114	129	145	204	260	257	258	238	267	274	262	269	282
Metal manufactures (other than machinery)	9.3	108	114	119	121	114	164	120	101	100	135	128	141	137
Engineering and electrical goods	5.6	121	146	189	170	190	164	164	189	202	204	175	209	227
Textiles	61.4	90	82	90	100	102	102	101	104	103	100	100	96	105
Cotton textiles	43.5	91	84	93	104	110	110	109	112	112	108	109	101	113
Jute	16.5	85	77	80	87	80	83	81	81	80	78	72	77	84
Paper	1.5	105	111	135	140	141	143	139	136	156	134	148	134	119
Manufacture of non-metallic mining products (other than coal and petroleum)	1.7	107	149	171	173	229	203	247	204	193	271	257	272	283
Manufactures of wood (plywood)	0.2	89	93	132	168	114	149	139	111	98	106	98	104	115
Food (sugar)	3.5	93	91	104	139	120	111	112	334	4	96	28	152	109
INDONESIA (1938 = 100)														
Export products														
General[d]		69	89	105	106	*108*		.						
Estate	.	46	49	63	71	*75*								
Peasantry	..	103	194	228	184	*156*								
Mining	.	85	93	103	116	*132*								
Estate products of 7 items	.	63	69	86	100	..	103	104	103	102	.	..		
JAPAN														
Industrial production	100.0	124	142	193	213	251	221	225	250	253	276	274	270	285
Public utilities	4.3	113	122	134	146	159	149	151	156	159	170	165	164	182
Manufacturing & mining	95.7	130	153	210	232	273	240	244	272	276	301	298	295	310
Mining	12.9	115	121	138	142	152	108	167	156	138	148	143	142	158
Manufactures	82.8	131	156	219	244	291	261	254	289	297	325	323	319	333
Non-durable	47.8	134	190	254	298	366	325	320	363	373	406	399	399	420
Textiles	17.1	128	186	261	298	344	310	292	330	368	385	378	384	391
Chemicals	16.7	140	203	277	332	425	371	374	435	411	481	472	467	505
Durable	35.0	134	147	220	230	263	239	229	260	268	295	298	288	299
Metals	12.9	176	242	360	386	457	400	395	458	472	504	514	492	506
Machinery & transport equipment	14.6	124	117	184	191	216	197	184	208	221	252	253	247	258
PHILIPPINES (1952 = 100)														
Manufactures					100	113	99	108	112	112	118		.	
Non-durable manufactures					100	111	100	105	110	109	118			
Tobacco products	.				100	114	99	103	117	110	127			
Textiles					100	96	100	96	92	84	111		.	
Footwear and wearing apparel					100	116	102	112	111	120	122	.		
Chemicals					100	111	95	100	111	114	120			.
Durable manufactures					100	118	98	116	118	119	119	.		
Stone, clay and glass products (including cement)					100	108	95	97	96	119	123	.	..	
Metal products					100	152	103	159	148	157	143	.	..	
Electrical appliances					100	96	100	97	95	91	100	..	..	

a Original base: *China*, 1950, *India*, 1946; *Japan*, 1934-36.

b. Sugar production is excluded from the monthly and quarterly index but included in the annual index. Weights relate to annual index.

c Group indexes compiled by the ECAFE Secretariat on basis of the Interim Index of Production published by Ministry of Commerce & Industry For details, see footnote *b* to table 1 in the Section on Asian Economic Statics, *Economic Bulletin for Asia and the Far East*, Vol IV, No. 3 or 4

d. Relate to 18 products, including forest products (junglewood and rattan).

2. PRODUCTION OF SELECTED COMMODITIES

Monthly averages or calendar months

Thousand tons

	1938[f]	1948	1951	1952	1953	1952	1953						
						IV	I	II	III	IV	Oct	Nov	Dec
COAL													
China (Taiwan only)	183	138	138	191	199	210	200	210	181	207	212	198	210
India	2,400[g]	2,551	2,915	3,067	3,035	3,077	3,132	3,167	2,869	2,973	2,984	2,720	3,214
Indonesia	121	45	72	81	75	77	78	73	74	74	77	69	74
Japan	3,484	2,822[r]	3,610	3,613	3,877	2,436	4,436	4,026	3,365	3,682	3,501	3,558	3,986
Korea (South)	19	67	14	46	72	68	62	70	76	82	88	79	79
Malaya[a]	40	32	32	27	24	24	26	27	24	20	20	21	20
Pakistan[b]		20	43	51	49	55	63	48	33	51	41	48	66
Viet-Nam	195	30	53	71	70	86	61	65	59	93	82	91	106
ELECTRICITY (Mn kwh)													
Cambodia	1	1	1	2		2	.	.		.	.	..	..
Ceylon	3	5	9	11	12	11	11	12	12	13	12	13	13
China (Taiwan only)	.	70	107	118	130	125	126	126	128	142	133	142	151
Hong Kong	.	13	29	33	36	33	33	36	38	38	39	37	37
India	211[gh]	381	489	517	560	543	524	547	584	583	583	563	604
Japan[r]	2,276	2,965	3,977	4,304	4,641	4,366	4,165	4,685	4,822	4,892	4,855	4,725	5,095
Korea (South)		41	28	53	61	62	56	62	66	61	62	61	60
Malaya	36	.	76	80	88	82	78	87	88	91	92	89	92
Pakistan	..	11	19	25	34	31	29	34	35	36	35	34	38
Philippines (Manila)	12	30	41	46	52	50	49	51	54	56	56	54	58
Thailand[c] (Bangkok)	3‡	4	5	5	7	5	6	6	7	8	8	7	7
Viet-Nam	8	8	16	19	.	20	23	24	26		26	26	..
PETROLEUM, CRUDE													
Brunei	59	224	415	423	407	416	402	396	414	415		.	.
Indonesia	616	361	620	710	852	790	790	854	875	890	932	802	935
Japan	30	14	28	26	25	26	25	24	27	26	27	26	27
Pakistan		5	13	15	16	16	16	16	15	18	17	18	19
Sarawak	17	4	4	4	4	4	4	4	4	4	..	..	.
IRON ORE[d]													
Hong Kong	—	—	14	11	10	12	14	10	12	6	4	6	7
India	232	193	310	288	301	.	333	309	274	290	339	250	281
Japan[r]	51[i]	47	97	116	128	..	100	117	150	153	158	150	150
Malaya	137	—	72	89	90	91	57	119	124	61	81	63	39
Philippines	77	1	75	97	101	87	95	108	114	89	98	88	80
TIN CONCENTRATES (tons)													
Burma	419	97	138	*80*	*80*	*80*	*80*	*80*	*80*	*80*	*80*	*80*	*80*
China	906	406	*400*	*450*	*525*	*450*	*525*	*525*	*525*	*525*	*525*	*525*	*525*
Indonesia	2,517	2,588	2,623	2,964	2,858	3,163	2,389	2,905	3,091	3,045	3,125	2,814	3,186
Japan	..	10	37	54	62	63	59	63	66	60	68	48	66
Laos & Viet-Nam	135	3	8	*13*	*10*	*13*	*10*	*10*	*10*	*10*	*10*	*10*	*10*
Malaya	3,673	3,795	4,840	4,812	5,284	4,926	4,758	4,567	4,701	5,026	4,953	4,842	5,284
Thailand	1,255	359	805	802	885	931	900	853	779	1,007	930	910	1,180
TIN METAL (tons)													
Malaya	5,456	4,209	5,581	5,320	5,284	5,240	5,836	4,706	5,481	5,114	5,965	4,379	4,998
NATURAL RUBBER[e]													
Cambodia	1.4	1.4	1.3	1.5	1.9	2.2	1.2	1.7	2.0	2.6	2.2	2.5	3.1
Ceylon	4.3	8.0	8.9	8.2	8.2	10.3	7.1	7.5	8.3	10.0	7.6	8.1	14.2
India	1.3	1.3	1.5	1.7	1.8	2.3	1.2	1.8	1.7	2.4	2.2	2.6	2.6
Indonesia	27.0	36.6	68.2	63.1	69.5	69.3	56.5	58.7	62.0	57.2	54.7	51.7	65.3
Malaya	30.4	59.1	51.3	49.5	48.6	52.8	48.0	45.1	50.6	50.9	50.2	49.2	53.4
Sarawak	1.5	3.4	3.6	2.7	2.0	2.6	2.1	2.2	2.2	1.6	1.6	1.3	2.0
Viet-Nam	3.6	2.3	3.1	3.4	4.2	4.8	2.8	3.4	4.5	6.1	5.2	5.8	7.2
COTTON YARN													
China (Taiwan only)	—	—	0.6	1.1	1.6	1.4	1.4	1.7	1.6	1.9	1.9	1.9	1.9
Hong Kong	..	.	2.4	2.5	2.7	2.4	2.3	2.6	2.8	3.2	3.1	3.1	3.3
India	48.3‡[g]	55.0	49.0	54.7	58.6	58.0	55.2	56.1	58.4	58.1	58.7	54.4	61.2
Japan	54.5	10.4	28.1	29.4	34.5	30.6	28.3	32.1	37.4	40.4	39.5	40.2	41.5
Korea (South)	..	0.5	0.5	0.8	1.1	1.0	0.9	1.3	1.2	1.1	1.0	1.1	1.1
COTTON FABRICS (Mn metres)													
Ceylon (Mn sq. metres)	0.6	0.5	0.6	0.7	0.6	0.7	0.7	0.7	0.5	0.5	0.6	0.5	0.5
China (Taiwan only)	..	1.0	4.7	7.1	10.9	7.5	10.0	9.7	10.6	13.3	14.7	13.9	11.4
India	325‡[g]	337	319	350	373	370	364	382	380	365	372	337	385
Japan (Mn sq. metres)	243.6	64.4	151.9	156.0	195.8	153.2	167.0	202.2	201.8	211.8	205.9	213.1	218.3
Korea (South)	..	2.1	2.3	3.3	4.6	4.3	4.0	5.1	4.8	4.6	4.2	4.8	4.7
Pakistan	.	6.7	9.7	13.3	18.1	14.7	12.4	17.3	19.1	23.7	22.4	23.3	25.5
Philippines	..	0.6	0.8	0.5	0.9	0.4	0.6	0.4	1.3	1.2	1.3	1.1	1.1
CEMENT													
Ceylon	..	..	5.3	5.1	5.2	3.5	2.5	5.7	7.3	5.9	4.3	6.4	6.9
China (Taiwan only)	0.2	19.6	32.4	37.1	43.3	40.8	41.9	43.4	43.7	44.2	49.2	33.8	49.5
Hong Kong	..	4.4	6.0	5.8	5.3	4.6	4.8	4.7	5.5	6.3	5.0	6.2	7.8
India	119.0[g]	131.0	271.0	299.5	320.0	311.0	290.1	313.9	325.0	351.3	334.6	343.3	376.0
Japan	473.6	154.9	545.6	593.1	730.7	640.2	551.6	768.9	776.9	825.5	896.3	773.5	806.6
Korea (South)	..	1.9	0.6	3.0	3.5	3.8	1.0	5.6	4.1	3.2	0.3	6.2	3.1
Pakistan	..	27.4	42.2	44.9	50.3	48.1	52.5	54.5	45.4	52.6	52.0	48.8	56.9
Philippines	13.9	10.0	26.3	26.4	26.5	23.7	26.5	26.3	28.0	25.4	23.2	28.8	24.2
Thailand	7.7‡	8.9	19.1	20.6	24.0	20.8	22.9	22.1	22.1	28.9	26.2	28.1	32.4
Viet-Nam	22.2	8.1	17.7	18.5	24.2	21.0	24.2	21.9	24.8	26.0	25.2	22.7	30.0

a. Lignite.
b. Including lignite.
c. Relates only to the consumption of electricity generated by the Bangkok Electric Works.
d. Approximate metal content of ores as follows: *Hong Kong*, 45%; *India*, 65%; *Japan*, 55%; *Malaya*, 60% and the *Philippines*, 55%.
e. Including latex.
f. 1936 for Japan, unless otherwise indicated.
g. Former British provinces and Indian States.
h. 1939.
i. 1937.

TRANSPORT

3. VOLUME OF TRAFFIC: RAILWAYS, SEA-BORNE SHIPPING AND CIVIL AVIATION

Monthly averages or calendar months

	1938[i]	1948	1951	1952	1953	1952	1953						
						IV	I	II	III	IV	Oct	Nov	Dec
RAILWAYS[a]													
Passenger-kilometres (Mn)													
Burma	59	40†	29†	34†	47†	40	46	56	48	53	57	53	49
China (Taiwan only)	69	166	166	146	157	153	152	151	157	166	172	164	163
Cambodia & Viet-Nam	74	8	9	10	13	8	10	12	15	14	14	14	15
India‡	2,385	4,925	5,078	4,601	.	4,306	4,625	5,141	4,568				.
Japan‡	2,185	6,595	6,421	6,707	6,963	6,693	6,436	7,053	6,936	6,923	7,443	6,824	6,501
Korea (South)‡		236	125	219	..	223	171	228	280	286	317	274	268
Pakistan‡	..	656	827	790	..	766	737	724	735	720	708	695	756
Philippinesø	40	24	32	31	32	29	34	43	29		26	27	
Thailand	24‡	109	152	188	194	171	222	207	166	179	178	175	185
Freight ton-kilometres (Mn)													
Burma	95‡	52†	17†	24†	36†	28	36	41	39	41	39	41	42
China[b] (Taiwan only)	71	52	78	96	108	93	98	112	110	113	113	108	119
Cambodia & Viet-Nam	28	7	16	18	19	15	19	20	17	21	19	19	23
India‡	2,968	3,040	3,820	3,879		3,743	4,137	3,781	3,841				.
Japan‡	1,305	2,109	3,073	3,227	3,343	3,337	3,106	3,290	3,143	3,624	3,727	3,360	3,784
Korea (South)‡		87	229	256	252	260	267	272	250	220	229	230	202
Malaya	22	26	33	31	31	31	32	31	31	31	31	31	32
Pakistan‡		319	418	447		500	550	514	422	531	482	507	603
Philippinesø	14	10	12	11	11	10	14	12	11	.	10	10	
Thailand	38‡	25	45	46	54	50	59	53	53	52	53	51	52
INTERNATIONAL SEA-BORNE SHIPPING													
Freight Loaded (L) and Unloaded (U) in External Trade (1000 tons)													
Ceylon (Colombo) L	54	63	60	67	73	68	73	65	79	76	85	67	76
U	109	141	178	174	182	156	206	197	183	142	145	148	135
China (Taiwan only) L	..	13	48	78	121	72	123	135	106	118	104	77	173
U		22	79	117	109	119	93	121	107	115	113	97	134
Hong Kong L	..	104	162	128	126	132	137	130	110	127	124	124	132
U		236	312	284	289	299	300	261	276	278	317	260	257
Indonesia[c] L	916	432	749	821	1,016	1,028	775	1,076	1,098	1,117	1,321	885	1,145
U	167	160	212	367	347	603	279	371	420	354	353	347	361
Japan[d] L	1,092	165	303	414	420	402	369	468	430	414	375	343	525
U	2,771	563	1,728	1,978	2,607	2,007	2,308	2,587	2,579	2,956	3,055	2,533	3,280
Malaya[e] (Singapore) L	..	121	217	198		211	395	409	432		462	459	
U	.	163	410	401		409	640	656	743		801	731	
Pakistan‡[f] L	..		152	137	.	175	160	137	133	156	145	145	177
U	.	.	292	335		394	295	243	303	346	340	333	364
Philippines L	257	50[k]	260	368	.	343	352	397	324		304	..	
U	194	193[k]	220	215	.	208	221	377	274		216	.	
Viet-Nam (Saigon) L	..		39	23	17	15	11	10	22	33	29	23	46
U	.	..	74	100	106	94	107	125	89	103	106	117	86
Thailand L	..	.	165	149	142	129	129	151	136	151	148	120	187
U	..	.	75	94	107	108	102	106	104	114	110	113	119
Entrances (E) and Clearances (C) of Vessels with Cargo in External Trade (1000 net registered tons)													
Burma[g] E	311	118	106	98	106	118	88	88	123	124	97	123	152
C	361	157	138	132	140	153	148	150	134	130	102	132	156
India E	760	646*	777	773	750	630	726	804	724	744	840	696	697
C	793	567*	649	739	884	878	836	904	870	924	944	859	969
CIVIL AVIATION[h]													
Passenger-kilometres (Mn)													
Burma	.	..	4.15	3.26	3.64	3.02	4.00	3.90	2.89	3.78	3.81	3.64	3.89
Ceylon	—	0.36	2.76	2.47	2 19	2.38	3.15	3.94	0 85	0.82	0.87	0.63	0 98
China (Taiwan only)	.		1.61	2.49		3.88	3.07	3.49	3.80		4.22	7.99	.
India	0.11[j]	23.65	34.49	32.46	32.15	36.43	34.58	30.20	28.68	35.14	36.15	34 07	35.20
Indonesia	..	8.49	13.30	13.28	14 03	13.17	13.57	14 57	14.43	13.57	14.19	12.21	14.30
Pakistan	..	..	5.41	5.81	3.46	4.80	4.41	3.04	2.92	3.48	3.61	3.27	3.55
Philippines	0.21	14.57	17.47	17.78	18.97	17.60	16.03	21.54	20.09	18.21	18.87	17.00	18.75
Thailand	—	0.93	2.01	2.26	2 60	1.98	2.11	2.64	2.45	3.21	2.65	3.03	3.95
Freight ton-kilometres (1000)													
Burma		..	132	118	148	133	184	136	123	150	146	142	162
Ceylon	—	2	196	159	89	172	158	163	19	17	17	17	17
China (Taiwan only)			217	260	.	339	263	321	570	..	286	319	.
India	34[j]	475	2,204	2,180	.	2,550	2,386	2,078	2,060	.	.	..	.
Indonesia	.	389	595	595	620	611	603	617	621	640	632	622	666
Pakistan	.	..	98	167	152	238	154	142	173	139	139	138	139
Philippines	..	540	793	809	778	960	844	683	734	850	890	798	861
Thailand	1[j]	17	59	85	140	112	139	131	128	162	172	147	167

a. Railway traffic coverage: *India* and *Pakistan*, class I railways; *Indonesia*, postwar data relate to Federal area only; *Japan*, State Railways only; *Philippines*, Manila Railroad Company.

b. Including service traffic.

c. Postwar data relate to Federal area only.

d. Cargo carried by steel vessels only; excluding military goods.

e. Including coastwise traffic of Malaya.

f. Including coastwise traffic of Karachi.

g. Total number of entrances and clearances made during each voyage but excluding sailing vessels. Annual figures relate to 12 months ending September of postwar year stated.

h. Scheduled domestic and international routes.

i. Pre-war data relate to 1936 for Japan, 1939 for Malaya, and April 1938 to March 1939 for Burma and Thailand; pre-war figures for India include former British provinces and Indian states for both railway traffic and sea-borne shipping.

j. Including non-revenue traffic.

k. Manila only.

4. VALUE OF IMPORTS AND EXPORTS AND BALANCE OF TRADE

Monthly averages or calendar months

Millions

	1938	1948	1951	1952	1953	1952	1953						
						IV	I	II	III	IV	Oct	Nov	Dec
BURMA (K.)													
Imports	18‡	49†	54	76	*73*	88	59	68	80	*84*	*103*	*83*	*68*
Exports	41‡	63†	82	105	*86*	116	51	147	99	*47*	*41*	*61*	*88*
Balance	+ 23	+ 14	+ 28	+ 29	+ *13*	+ 28	− 8	+ 79	+ 19	− *37*	− *62*	− *22*	− *20*
CAMBODIA—LAOS—VIET-NAM (Pr.)													
Imports	16	197	523	770	929	707	714	885	1,118	999	713	978	1,305
Exports	24	98	232	201	231	165	167	175	267	313	180	256	502
Balance	+ 8	− 99	−291	−569	−698	−542	−547	−710	−851	−686	−533	−722	−803
CEYLON (Rs.)													
Imports	20	83	130	142	134	141	123	147	131	137	143	129	139
Exports	24	84	159	125	131	107	133	126	128	135	134	148	123
Balance	+ 4	+ 1	+ 29	− 17	− 3	− 34	+ 10	− 21	− 3	− 2	− 9	+ 19	− 16
CHINA (Taiwan only, NT$)													
Imports[a]			99	147	138	158	124	123	143	162	169	149	169
Exports			90	122	165	93	132	114	224	191	143	178	251
Balance			− 9	− 25	+ 27	− 65	+ 8	− 9	+ 81	+ 29	− 26	+ 29	+ 82
(in dollars)													
Imports			7.1	9.4	8.8	10.1	7.9	7.8	9.1	10.4	10.8	9.5	10.8
Exports			8.2	9.7	10.6	7.7	8.5	7.3	14.4	12.3	9.2	11.5	16.1
Balance			+ 1.1	+ 0.3	+ 1.8	− 2.4	+ 0.6	− 0.5	+ 5.3	+ 1.9	− 1.6	+ 2.0	+ 5.3
HONG KONG (HK$)													
Imports	52	173	408	316	323	333	363	346	292	291	296	270	306
Exports	51	134	372	243	228	272	259	259	189	207	213	201	207
Balance	− 1	− 39	− 36	− 73	− 95	− 61	−104	− 87	−103	− 84	− 83	− 69	− 99
INDIA‡[b] (Rs.)													
Imports	130	523	795	550	471	459	435	546	494	413	455	389	395
Exports	142	378	619	482	440	468	442	400	435	496	480	486	521
Balance	+ 12	−145	−176	− 68	− 31	+ 9	+ 7	−146	− 59	+ 83	+ 25	+ 97	+126
INDONESIA[c] (Rp.)													
Imports	41	94	266	878	715	945	617	742	811	691	759	660	655
Exports	57	87	398	871	779	917	716	741	839	804	877	720	814
Balance	+ 16	− 7	+132	− 7	+ 64	− 28	+ 99	− 1	+ 28	+113	+118	+ 60	+159
JAPAN[d] ($)													
Imports	87	57	170	169	201	179	182	205	197	219	210	183	264
Exports	84	22	113	106	106	100	93	107	105	118	108	107	140
Balance	− 3	− 35	− 57	− 63	− 95	− 79	− 89	− 98	− 92	−101	−102	− 76	−124
KOREA (South, H.)													
Imports		7	10	587	1,859	970	1,003	2,483	2,102	1,865	1,558	1,296	2,740
Exports		6	41	167	327	211	228	342	396	356	166	351	550
Balance		− 1	− 61	−420	−1,532	−759	−775	−2,141	−1,706	−1,509	−1,392	−945	−2,190
MALAYA (M$)													
Imports	46	149	396	323	270	315	275	268	272	262	279	229	276
Exports	50	147	506	326	252	306	276	256	241	232	244	221	232
Balance	+ 4	− 2	+110	+ 3	− 18	− 9	+ 1	− 12	− 31	− 30	− 35	− 8	− 44
NORTH BORNEO (M$)													
Imports	0.5	2.1	5.9	5.9	5.5	6.1	5.5	6.3	5.4	4.9	5.3	4.5	4.9
Exports	0.8	2.5	9.6	5.4	4.7	5.4	4.5	4.4	4.6	5.3	5.2	5.6	4.9
Balance	+ 0.3	+ 0.4	+ 3.7	− 0.5	− 0.8	− 0.7	− 1.0	− 1.9	− 0.8	+ 0.4	− 0.1	+ 1.1	—
PAKISTAN‡ (Rs.)													
Imports		124	161	143	92	116	108	68	100	110	105	92	132
Exports		86	192	128	109	150	166	104	110	105	92	100	121
Balance		− 38	+ 31	− 15	+ 17	+ 34	+ 58	+ 36	+ 10	− 5	− 13	+ 8	− 11
PHILIPPINES (P.)													
Imports[e]	22.1	97.6	80.2	70.1	69.3	58.6	67.7	76.9	63.4	69.0	58.9	73.4	74.8
Exports	19.4	53.0	68.3	58.7	65.1	57.0	62.6	66.5	70.4	60.8	59.8	60.2	62.5
Balance	− 2.7	−44.6	−11.9	−11.4	− 4.2	− 1.6	− 5.1	−10.4	+ 7.0	− 8.2	+ 0.9	−13.2	−12.3
THAILAND (Baht)													
Imports	11‡	146	308	473	.	507	599	..	..	..		.	..
Exports	17‡	174	373	312	.	254	461	..	..	.		..	..
Balance	+ 6	+ 28	+ 64	−161	.	−253	−138	..	..	..	..	..	..
(in dollars)													
Imports	4.8‡	12.0	22.7	25.5	30.2	30.1	35.4	28.3	27.5	28.5	35.4	27.5	25.6
Exports	7.5‡	18.6	30.6	27.4	26.8	24.5	27.1	25.6	27.7	23.6	16.7	26.1	28.0
Balance	+ 2.7	+ 6.6	+ 7.9	+ 1.9	− 3.4	− 5.6	− 8.3	− 2.7	+ 0.2	− 5.9	−18.7	− 1.4	+ 2.4

GENERAL NOTE: Trade Statistics of Cambodia-Laos-Viet-Nam, China and Indonesia are based on "Special" trade system while all other countries compile their statistics on basis of "General" trade system. Multiple rates of exchange apply in China and Thailand; figures in national currencies are based on exchange rates appropriate for individual transaction. Following are the external trade figures for Brunei and Sarawak in Mn M$ (monthly average of 1953):

Brunei: imports 10.3; exports 23.5.
Sarawak: imports 32.9; exports 35.4.

a. Imports exclude M.S.A./E.C.A./F.O.A. imports.

b. For 1938, former British provinces and Indian States.

c. From 18 Feb. 1950 to 31 Dec. 1951, excluding value of exchange certificates. For 1 Jan—3 Feb 1952, import and export values are based on 3 times of official exchange rate and from 4 Feb 1952 onwards they are based on official exchange rate of the Bank of Indonesia.

d. Figures under column for 1938 relate to 1936; they have been adjusted to include trade with Korea and Taiwan. Postwar imports include aid imports.

e. Imports valued f.o.b.

5. DIRECTION OF

Quarterly averages

TRADE WITH	Year and Quarter	BURMA		CAMBODIA-LAOS-VIET-NAM		CEYLON		CHINA (Taiwan only)		HONG KONG		INDIA[a]	
		Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
All countries	1948	57.2	45.0	23.0	47.0	76.4	75.1			99 7	130.8	342.8	507.4
	1950	39.4	28.6	19 8	52.6	82.0	61.4	18.1	22 9	162 5	165 7	293.0	294 2
	1951	51.6	34.4	33 7	76.2	100.0	82.0	24.6	21.4	193.9	213 1	411.4	453.6
	1952	66 0	48.0	29.2	112.2	78.8[r]	89.6[r]	29 1	28.2	127 4[r]	165 7[r]	324.9[r]	419.2[r]
	1953			23.3	97.2	78 0	84 4	31.9	26.5	120.8	170 6	277.3	297.3
	1952 II	69.9	50.2	32.4	114.9	78.1	92.4	40.9	27.5	115.8	149 4	308.4	466.5
	III	59.5	49 1	24.1	108.8	69.5	81 4	23 1	33.3	135.6	162 1	337.2	350.9
	IV	73.4	55.7	24.0	103.1	83.1[r]	89 9[r]	23.2	30.3	145.0[r]	176.1[r]	283.1[r]	293.2[r]
	1953 I	32.2	36.9	24.3	104.1	79.4	77 4	25.5	23.7	135.9	190.6	272.3	273.8
	II	92 7	42 6	21 3	108.7	75.8	92 5	22.0	23.5	135.9	181 7	249.8	343.9
	III	62.3	50 7	22.9	95.9	76.5	81 5	43.3	27.4	99.1	153 6	275 9	311.1
	IV			24 8	80.3	80.2	86 2	36.8	31.2	112 5	156 4	311.3	260 3
ECAFE Region (including Japan)	1948	50.0	14 4	7.8	5.5	4 6	26.3			60 7	53 8	95.2	121 5
	1950	33.2	17.5	4.6	4.2	4.5	28.8	11.6	12.9	116.9	88.0	68.3	47 7
	1951	42.4	20 0	4 9	5.2	7 6	31.2	19.9	14.4	149.2	103.6	78.7	110.6
	1952	51 6	28.7	11.0	8 7	11.9[r]	31 7[r]	24.6	17.5	100.2	90.2	82.6[r]	67.6[r]
	1953			11.2	8.4	15.6	34.4	20.7	15.2	90.0	93.4	52.8	40.3
	1952 II	52.2	30 9	9.3	7.3	4.2	27.8	34.0	18.3	93.1	84.0	86.3	62.4
	III	48.3	28.4	9.3	8.4	5 3	26.3	16 7	19.5	111.5	93.2	100 2	73.0
	IV	55.5	37 1	16.2	10.3	33 1[r]	34.7[r]	19.5	19.2	115.2	94.3	63 8[r]	53.3[r]
	1953 I	19.0	19 5	12.7	8 1	2.2	30.9	19.4	13.0	103.8	99.5	54.6	29 9
	II	76.9	22.0	11.4	7 5	26.4	35 3	13.6	12.7	105.8	101 4	56.3	55.6
	III	46.9	27.7	9.8	8 4	16 1	34.2	19.0	15.9	73.2	89.6	51 2	45.3
	IV			10 7	9.4	17.5	37.1	30.9	19 4	77.4	83 1	49.3	30.4
Japan	1948	—	0.3	0.6	0.2	0 1	1.0	.		3.1	5.0	3.4	4.8
	1950	5.1	3.0	0.2	0.6	—	1.6	6.6	7.2	5.3	10 0	3 9	3 9
	1951	7.2	5.9	0.6	2.4	0.4	4 2	12.3	10.6	8.4	17.2	9.6	11.6
	1952	8.2	7.2	0.9	2 7	0.5	5.4	15.9	12.6	5.4	21.1	13.4[r]	10.2
	1953			3.6	2 1	0.5	3.9	14.5	11 7	9.7	16.8	14 1	6.5
	1952 II	7.7	8.0	1 0	2.2	0.5	3.5	16.8	12.5	3.5	21 4	8.3	8 2
	III	4.1	5.9	1.6	2.0	0.7	4.4	7.7	14.3	7 5	22.3	25.4	11 8
	IV	15.3	10.8	1.0	3.5	0.5	6 7	16.1	14.7	6.1	20 6	13.0[r]	7 7[r]
	1953 I	3.1	6 4	0.5	2.3	0 4	3 4	13.2	9.9	10.2	13 9	17.6	5.5
	II	9.5	6.0	1.1	1.4	0.3	4.0	5.0	9.9	13 7	18.0	18.5	8.9
	III	12.6	7.0	5.1	2 2	0.6	4 4	14.8	13.3	7 2	19 4	8 0	5 6
	IV			7.5	2.6	0 6	2 8	25.1	13.9	7 6	15 9	12.3	6.1
Western Europe	1948	5.8	23.9	10.2	32.9	30 7	16 4			8 5	32 5	106.8	159.5
	1950	2.5	8 0	9.4	42 4	32.1	15 6	1 6	1.5	14.9	31.0	95.4	90 2
	1951	5.4	11.2	17.0	61.8	50 4	25.5	0.7	1.6	16.6	70.0	147.8	129.9
	1952	8.4	14.6	8 9	88.2	32 4[r]	27 2[r]	1 3	2.6	9.8	50.6[r]	98.9[r]	126.2[r]
	1953			5.2	77.1	28.9	25.9	3 8	3.1	10.5	50.9	102 2	126 4
	1952 II	10.2	13.5	6.3	91.6	34 3	26 8	2.8	2.1	7.5	41 7	81.6	118 2
	III	5.9	16.1	7.2	83.8	25 1	24.6	1 6	4.1	9 4	44.1	98 0	121.6
	IV	9.9	15.1	9.1	81.0	32.1[r]	29 4[r]	0 4	2.3	12.4	57.9[r]	102.8[r]	117.6
	1953 I	6.9	13 2	7.7	83.3	29 7	22 1	0.2	3.5	14.0	66.0	98.0	114.2
	II	6.3	17 4	3.9	85.3	31 1	28.0	3 9	2.2	11.0	53 4	75.1	127 6
	III	9.0	19.8	4.3	76.0	24 7	25.8	10 3	2.9	7 7	40.4	103.1	131.3
	IV			4.8	63.9	30.0	27 6	0.1	3.9	9 2	43.8	132.5	132.5
United Kingdom	1948	5.1	21.1	—	1.2	22 9	13.2			4 7	19 0	74 2	115 5
	1950	1.4	6 7	0.2	0.4	19 3	12.2	0.2	0.8	7 4	17 7	64 4	61 7
	1951	3.3	8.4	1.3	0.5	30.8	18 1	0.5	0.8	9 4	27.1	103 9	75.0
	1952	6.2	10.8	—	—	21.9[r]	20.2[r]	1.1	0.9	3.6	20 6	66.4[r]	78 4[r]
	1953			—	—	20.2	18.8	2.1	1.2	5.2	20.8	78.0	73.8
	1952 II	7.5	10.3	—	—	25.2	22.6	2.7	1.1	2.4	17.7	49 7	76.5
	III	5 2	11.0	—	—	19.3	17 7	1.3	1.0	3 4	19.6	62 6	74.7
	IV	9.0	10.6	—	—	19.8[r]	18.0[r]	0.1	0.8	3 2	21 8	71.2[r]	65.6[r]
	1953 I	5.7	10.1	—	—	20.2	16.6	0 1	0 8	5.1	23.7	72.1	73 1
	II	3.5	11.2	—	—	23.1	22.2	2.2	1.0	5.8	22.2	55.1	71 3
	III	6.3	13.8	—	—	17 0	18 0	6.1	1.4	4.7	18.2	80.9	76.0
	IV			—	—	20.4	18.6	—	1.6	5.2	18.9	104.1	74.6
Eastern Europe	1948	—	0.1	—	0.1	0 5	0.2	..	..	0.9	0.1	6.4	5.3
	1950	—	—	—	0.2	0.1	0.4	—	—	—	0.9	1.5	3.0
	1951	—	0.1	—	—	0.4	0.9	—	—	—	1.5	5.0	3.9
	1952	0.1	0.1	—	—	0.8	0.6	—	—	—	0.4	2.0	2.7
	1953		.	—	—	—	—	—	—	—	1 0	1.7	2 0
	1952 II	0.4	0.1	—	—	—	—	—	—	—	—	1.8	1 9
	III	—	0.1	—	—	—	—	—	—	—	—	1.0	2.2
	IV	—	0.1	—	—	3.0	2.5	—	—	—	0.2	0 7	1.9
	1953 I	—	0.1	—	—	—	—	—	—	—	1.3	1.3	2 2
	II	—	0.2	—	—	—	—	—	—	—	0.6	2.1	1.9
	III	—	0.2	—	—	—	—	—	—	—	1 1	1.5	2.1
	IV	..	..	—	—	—	—	—	—	—	0.8	2.0	1.9

NTERNATIONAL TRADE

EXTERNAL TRADE

r *quarters*

Million dollars

INDONESIA		JAPAN		MALAYA		PAKISTAN[a]		PHILIPPINES		Year and Quarter		TRADE WITH
Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports[b]			
98.7	116.2	64.6	170.6	203.2	210.4	79.0	89.4	79.4	146.5		1948	All countries
180.4	100.4	205.0	242.5	328.0	238.1	100.4	87.8	84.3	85.6		1950	
307.7	201.5	338.6	498.8	496.3	388.4	190.9	133.7	102.4	120.1		1951	
227.8	231.0[r]	318.2	507.0	320.0	316.3	133.1	152.4	88.0	105.2		1952	
204.9	188.2	318.7	602 4	246.6	263.6	109.7	87.5	97.6	103.9		1953	
220.5	212.2	326.8	524.3	303.1	317.1	102.7	173.4	97.9	101.8	II	1952	
218.1	252.6	289.0	497 7	311.1	285.5	75.6	143.4	76.7	108.5	III		
239.4	258.6[r]	300.7	537.7	297.6	308.9	135.7	105.3	86.0	90.4	IV		
188.3	161.8	275.5	547.5	263.9	269 5	150.4	98.1	93.8	101.5	I	1953	
195.2	196 0	328.6	613 9	257.3	262.4	94 3	61.6	99.8	115.2	II		
221.1	213.4	316.3	590.4	236.4	266.4	99.5	91.1	99.7	89.7	III		
215.0	181.7	354.4	657.8	229.0	256.0	94.6	99.3	97.2	109.1	IV		
25 0	33.7	26.4	23.0	49.8	96.9	24.0	44.6	7.2	14.9		1948	ECAFE Region (including Japan)
73.4	39.0	88 1	73.2	83.9	153.7	25.4	33.7	7.3	9.6		1950	
121.4	83.6	131.2	122.2	118.0	242.0	85.0	49.5	9.0	19.3		1951	
74.0	91.6[r]	142.4	129.0	91.3	181.6	61.0	57.7	10.8	14.7		1952	
70.2	77.3	140.4	160.3	77.1	153.0	36.9	11.9	13.4	11.7		1953	
60.8	73.6	141.9	124.8	88.5	176.8	54.6[r]	73.0[r]	10.7	12.1	II	1952	
74.7	101.4	136.3	118.3	93.8	175 4	48.3	48.9	14.6	21.0	III		
87.3	109.8[r]	129.9	137.5	88.3	181.0	50.6	25.4	8.8	12.3	IV		
56.4	62.1	107.3	148.5	76.8	152.6	41.6	15.2	9.7	11.4	I	1953	
66.7	92.1	141.8	172.8	87.3	148.5	38.2	7.8	13.9	13.1	II		
79.7	85.5	147.4	160.6	72.6	158.9	39.1	10.6	15.3	8.7	III		
78 2	69.5	165.0	159.3	71.9	152.0	28.8	14.0	14.8	13.7	IV		
2.4	18.0	—	—	2.3	1.6	0.9	0.7	3.9	0.5		1948	Japan
2 5	10.5	—	—	9.4	7.6	11.0	13.1	5.5	3.6		1950	
10.0	37.7	—	—	12.8	19.9	19.2	19.5	7.5	8.2		1951	
6.1	31.7[r]	—	—	12.6	20.4	22.0	27.9	9.6[r]	4.6		1952	
9.3	31.7	—	—	12.8	10.5	21.4	4.5	12.0	5 1		1953	
4.2	23.1	—	—	12.1	26.3	7.4	37.8	9.5	5.4	II	1952	
8.2	31.4	—	—	12.7	14.9	7.1	22.1	13.5	4.4	III		
9.9	35.2[r]	—	—	12.0	13.0	25.3	11.4	8.0[r]	3.9[r]	IV		
10.6	16.3	—	—	13.0	8.7	30.9	7.6	8.8	5.5	I	1953	
9.0	29 4	—	—	11.0	12.1	21.1	2.3	12.4	5 6	II		
8.6	45.7	—	—	12.9	10.5	20.5	2.8	14.0	2 7	III		
8.9	35.5	—	—	14.3	10.7	13.1	5.3	13.0	6.6	IV		
43.6	41.7	6.8	4.9	58.6	49.6	33.4	26.6	13.2	4.8		1948	Western Europe
60.6	36.0	23.6	9.2	103.2	56.7	50.3	34.8	11.0	4.9		1950	
110.0	66.8	35.4	40 1	185.6	100.1	77.3	47.4	22.1	7.0		1951	
72 2	80.8[r]	44.1	34.4	120.7	90 7	49.2	52.5	13.1	5.9		1952	
71.4	64.0	28.9	50.8	81.7	72.9	53.6	25.4	13.8	5 8		1953	
68.5	69.3	56.0	40.3	105.9	91.9	27.4	64.9	8.0	5.7	II	1952	
72.5	89.9	29.0	28.5	126.8	76.3	16.8	53.0	12.3	6.5	III		
71.2	97.5	31.2	36.6	108.2	85.9	58.5	32.7	15.8	4.6	IV		
67.9	58.2	39.5	30.3	94.2	78.1	73.7	32.9	11.3	5.4	I	1953	
59.1	57.8	25.0	56.1	78.3	78.8	41.2	13.5	8.6	5.4	II		
75.8	75.9	30.1	59.3	78.3	66.9	49.1	23.9	16.4	4.1	III		
82.7	64.0	21.1	57.7	75.9	67.7	50.2	31.4	18.9	8.3	IV		
2.0	10.8	4.2	1.3	28.2	40.5	13 4	20.4	0.8	1.3		1948	United Kingdom
6.5	7.4	6.5	1.6	44.6	41.3	17.2	23.1	1.3	1.3		1950	
19.5	13.0	13.5	8.0	99.3	64.4	23.9	27.6	3.2	1.6		1951	
6.1	16.5[r]	18.3	9.2	66.6	66.9	17.0	30.9	1.4	1.2		1952	
4.2	13.2	8.3	12.2	39.6	53.5	21.1	14.4	1.3	1.1		1953	
6.8	13.3	31.6	10.1	62.1	68.8	6.9	40.1	1.2	1.1	II	1952	
3.8	18.2	11.8	6.1	70.8	54.7	7.3	33.9	0.8	1.2	III		
4.2	22.0[r]	8.0	10.0	54.0	63.4	14.9	19.7	1.2	0.8	IV		
3.6	13.2	14.3	8.5	51.0	59.4	29.4	21.0	1.8	0.9	I	1953	
4.5	11.3	6.9	11.0	41.3	57.9	16.9	7.1	1.3	1.2	II		
4.5	16.1	9.5	14.1	36.7	48.2	16.4	12.2	1.0	0.9	III		
4.3	12.4	2.4	15.4	29.3	48.5	21.6	17.1	1.0	1.5	IV		
0.4	1.1	1.1	0.6	14.5	1.6	6.2	1.1	2.0	0.1		1948	Eastern Europe
0.2	0.7	0.4	0.9	14.0	1.0	7.3	2.0	0.1	0.1		1950	
0.6	1.5	0.5	0.5	17.2	1.5	8.1	2.2	—	—		1951	
2.4	1.6	0.6	0.7	8.3	0.9	9.0	1.8	—	—		1952	
1.1	1.4	0.7	1.0	4.2	1.6	3.2	0.4	—	—		1953	
0.1	1.8	0.5	0.3	12.5	0.6	7.1	2.0	—	0.1	II	1952	
1.8	1.3	0.4	0.1	5.2	0.7	0.3	1.4	—	—	III		
7.1	1.2	0.5	0.6	4.5	1.1	12.8	1.2	—	0.1	IV		
1.1	1.1	0.7	1.2	4.7	2.1	8.4	0.7	—	0.1	I	1953	
1.0	1.4	0.5	0.4	5.4	1.3	1.3	0.3	—	—	II		
1.4	1.9	1.5	2.2	4.2	1.6	1.6	0.1	—	—	III		
0.9	1.3	1.4	2.0	2.7	1.3	1.5	0.4	—	0.1	IV		

EXTERNAL TRADE

DIRECTION OF

Quarterly averages

TRADE WITH	Year and Quarter	BURMA		CAMBODIA-LAOS-VIET-NAM		CEYLON		CHINA (Taiwan only)		HONG KONG		INDIA[a]	
		Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
North America	1948	0.6	1.7	0.5	6 0	16.0	6.4			10 0	26.7	60.9	89.4
	1950	0.9	0.8	3.7	3.0	23.1	2.9	0.9	4 9	14 0	30.8	61.8	58.6
	1951	0 2	0.9	3.6	4 1	14 7	5.3	1 2	3.8	7.8	20.2	85.9	118.1
	1952	0.6	2.6	3.1	5.6	12.2r	9.9	0 9	6 8	5.8	13.1	70.9r	159.5r
	1953			4.0	4.4	10.6	3 6	1 4	4.9	4 3	12.5	57 9	56.9
	1952 II	0 7	3 4	1 6	5.2	10 5	12 7	1.2	5 7	5.3	14.4	67 3	228.1
	III	0.6	2 2	4.1	5 8	12.0	8.6	1.0	7 8	3.3	10.0	70 7	96.8
	IV	0.5	1 7	4.2	4.3	11.5	11.1	1 0	7.2	3.5	12 0	58.6r	54 8
	1953 I	1.3	1 6	2.7	4.5	14.5	3.4	1 7	5.8	4.6	11.5	63.8	64 2
	II	1 3	2 0	1.7	5.3	8.9	6.3	1 4	4 8	4.0	14 1	54 2	67.7
	III	1 7	2 0	4 9	3.7	9 5	2.4	1 3	4 4	3.9	12 4	56.2	53 6
	IV	.		6.8	4 0	9.5	2 3	0.1	4.6	4 8	11 9	57 3	42 2
United States of America	1948	0.6	1.6	0.5	6.0	12 6	5 7		.	9.6	24 4	54 3	82.2
	1950	0.1	0.8	3.7	3.0	17.6	1.8	0 9	4 3	13.5	28 6	54 8	52.9
	1951	0.2	0.8	3.6	4.1	10 5	4.3	1.2	3.4	7.1	16 3	75.1	105.9
	1952	0.6	2.5	3.1	5.6	8.3r	7.8	0.9	6.3	5.0	9.6	63 3r	143.8r
	1953			4.0	4.4	6.2	2 7	1.3	4.5	3.3	9 9	50.5	47.0
	1952 II	0 7	3.3	1 6	5.2	7.1	9.7	1 2	5 4	4.6	10 4	59.9	207.7
	III	0.6	2 1	4 1	5.8	8.2	6.9	1 0	7 4	2.2	7.8	63.1	72 1
	IV	0 5	1 7	4.2	4 3	7 4r	9.4	1 0	6.5	2.6	8.8	53 6r	49.6r
	1953 I	1.3	1.6	2.7	4 5	8.7	3.1	1.7	4 9	3.4	8.6	55 4	52 4
	II	1.3	2 0	1.7	5.3	5 7	3.9	1.3	4.5	3.0	11 3	48.0	61.8
	III	1.7	2.0	4.9	3.7	5 9	1.9	1.3	4.2	3 1	10.8	47 7	40 0
	IV			6.8	4.0	4.5	2 0	0.1	4 3	3 8	9.0	51.0	33 8
Latin American Republics	1948	0 2	—	—	0.2	1 0	1.1			0.1	—	24.0	12.6
	1950	—	—	—	0 3	1.1	0.6	0 4	—	—	—	12 4	1 3
	1951	—	—	—	—	1.1	—	0.4	—	- -	—	24.5	2 8
	1952	—	—	- -	—	0 7r	0 1	—	—	—	—	14 2	0 7
	1953			—	—	0 2	—	0 4	—	—	—	16 1	0 4
	1952 II	—	-	—	—	0.3	—	—	—	—	—	9 3	0 8
	III	—	—	—	—	0 4	—	—	—	—	—	15 7	0 1
	IV	—	—	—	—	1.6r	0.2	—	—	—	- -	18 9	0 6
	1953 I	—	—	—	—	0 1	—	—	- -	—	—	9 4	1.2
	II	—	—	—	—	0.2	—	—	—	—	—	12 4	0 2
	III	—	—	- -	—	0.2	—	1.6	—	—	0 5	22.0	0 2
	IV			—	—	0.3	—	—		—	—	20 7	—
Oceania	1948	—	1.4	0.5	0.6	8.3	10.8			1 7	4.2	18.0	20.9
	1950	—	0 6	0 1	0.1	8 0	4 2	—	1.2	1 9	3 5	16.9	23.7
	1951	—	0 8	—	—	9.0	6 5	0 2	0.5	3 5	4.0	28.8	10 6
	1952	—	0.9	—	—	5.8	6.5	0.1	0 3	0 9	2.4	14 4	8 7
	1953			—	—	8.6	9.2	—	1.2	2 1	2.5	10.2	14 6
	1952 II	—	1.3	—	—	6.4	7 3	0.1	0.1	0 7	2.3	19.3	11 8
	III	—	0.6	—	—	6.8	8 2	—	0 3	0.9	2 6	9 7	5 3
	IV	—	0 7	—	—	5.1r	5.3	—	0 6	0 8	2.9	5.5	5.6
	1953 I	—	1.3	—	—	6 9	8.2	—	1.6	1 5	2.6	8.6	6 3
	II	—	0.6	—	—	9.9	11.8	—	0.8	2 1	2.2	12.6	24 0
	III	—	0.9	—	—	9.6	9.2	—	1 3	2 3	2.1	9 1	21.3
	IV			—	—	8 1	7.5	—	1.0	2 6	3.2	10.3	6.7
Sterling Area	1948	49 5	36.5	5.8	2.8	41.0	53.8			26 2	36.3	191 6	264.2
	1950	24 0	21.0	4.1	1.3	36.9	43 6	4.7	7.2	44 3	49 7	164.6	141.6
	1951	32.9	22.4	8.8	1.4	51.2	57 3	7.8	4 9	61.0	67.9	218 0	190.1
	1952	43.0	32.2	6.5	0.8	38 1r	57.0r	7 1	5.9	32.0	44.8	168.4r	154 1r
	1953			5.8	1.6	36 1	53.2	7 9	5 1	32.2	45 4	146.0	144.5
	1952 II	46 4	32.6	7.4	0.6	39.3	59 3	18.6	6.6	28.6	37.8	163 4	151.2
	III	42.5	34.6	5.7	0.3	35.0	54.4	3.6	6.2	30.4	44.6	170.8	146.6
	IV	42.9	35 5	4.3	0 4	39.7r	51.9r	1.5	5.9	27.8	47.4	142.3r	135.4r
	1953 I	21 4	24 4	7.3	3.3	33 6	49.1	6.1	4.3	33.1	49.6	134.2	125.7
	II	53.5	27 8	8.5	1.6	38.7	59 3	10.4	4.2	31.5	47.4	122 7	168.4
	III	38.2	33.5	4.2	0.8	36 0	50.5	10.3	4.6	29.8	39.8	150.1	159.1
	IV			3.0	0.8	36 0	53.9	4 6	7.4	33.3	44 7	177.2	124 8
ECAFE Sterling Countries	1948	43.9	13 6	5 8	1.0	4.4	24 2			17.0	10.5	81.6	110.2
	1950	22.3	13.6	3.9	0.7	4.3	23 5	4 4	5 3	32 5	25.9	58.6	38.3
	1951	28.5	13.0	3.6	0.7	5.1	25.2	7.1	3.6	44.5	32 3	57.4	83.0
	1952	33.8	20.2	6 5	0.7	4.8r	22.9r	6.0	4 6	24 8	18.0	61.0	43 4r
	1953			5.6	0.8	2 4	19.2	5.5	3.3	20 1	18.5	32.0	32.4
	1952 II	35.9	20 7	7.3	0.5	3.7	23.0	15.8	5 4	22.9	14 7	70.1	40.7
	III	35.1	22.7	5.8	0 3	4.6	21 4	2.2	4 9	23.2	16.8	67.8	40.9
	IV	28.7	24.2	4.3	0.4	6 0r	21.6r	1.5	4 4	20 9	18.9	43 7r	33.9r
	1953 I	15.4	12.7	6.6	0.2	1 8	17.0	6.0	2.9	23.2	20.0	30.7	23.4
	II	46.5	15.8	8.5	1.5	1.3	19.3	8 2	2.6	19.7	19.9	31.1	44 7
	III	29.0	18.8	4.2	0.8	4.6	18.0	3.5	2.4	18.5	16.8	36.4	38.4
	IV	..	..	3.0	0.8	1.9	77 0	4.5	5.1	19.0	17.4	29.9	23.1

GENERAL NOTES.

1. Countries included in the total for ECAFE region are the following:
   i) Sterling countries—Burma, Ceylon, Hong Kong, India, Malaya and British Borneo and Pakistan.
   ii) Non-sterling countries — Cambodia-Laos-Viet-Nam, China Indonesia, Japan, Philippines, Thailand and Korea. Data are not available for Korea and Nepal.
2. Annual data are based on calendar years except for 1948 figures in the case of Burma, India and Pakistan, which are based on the twelve months ending September 1948 in the case of Burma, and ending March 1949 in the case of India and Pakistan.
3. Having regard to the considerable volume of trade of Cambodia-Laos-Viet-Nam and Indonesia with France and the Netherlands respectively, these figures are shown separately below:—

or quarters

Million dollars

INDONESIA		JAPAN		MALAYA		PAKISTAN[a]		PHILIPPINES		Year and Quarter		TRADE WITH
Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports[b]			
17 8	28.4	16.9	112.4	60 0	27.4	12.4	6.6	53.8	120.2		1948	North America
29.5	21.5	50.3	114.8	94.9	8.8	11.4	8.8	62.7	66.1		1950	
51.9	41.6	52.0	217 7	113 0	20.9	8.3	8.0	65.8	88.8		1951	
58.7	41.2r	63.8	237.4	60.1	18.0	5.6	10.1	60.4	80.3		1952	
42.7	34.1	65.2	242.4	45.1	12.7	7 4	4.2	66.4	83.4		1953	
65.6	42.1	52.0	270.5	56.9	19 5	5.9	10.3	72.0	77.8	II	1952	
48.9	43.8	73.6	234 4	45.5	12.6	4.3	9 7	49.7	78 3	III		
55.9	39.0r	78.3	242 1	57.9	14.6	7.3	6.7	59.4	71 6	IV		
45.5	34 9	61.6	233 1	55.5	13 1	12 4	6.1	69.7	82.9	I	1953	
50.5	34.8	73.3	213.0	42.9	12.6	6.7	3.4	73.2	94.7	II		
42.9	34 4	66.5	216.3	44 3	12.5	3.8	4 0	62.5	72 5	III		
31.9	32.3	59 6	307 0	37.6	12 5	6.9	3.5	60.4	83 4	IV		
17.2	26 9	16.4	110.4	53 8	24.6	12.0	6.6	52 4	117.7		1948	United States of America
29.4	20.8	45.7	106 8	85.6	7.2	11.0	8.8	61.6	63 9		1950	
51.6	40 2	47.4	171.8	97.5	17 8	7.9	7 5	64.6	85 4		1951	
58 3	39.6r	58.6	192.1	53 6	14 9	5.6	9 1	59.5	76.6		1952	
42.3	33.8	58 5	189 4	39.2	11 4	7.2	4.1	65.9	80.6		1953	
64.9	38 9	47.3	239 3	50.3	15.9	5 8	9.1	71.3	75.9	II	1952	
48.7	43.0	68.6	183.5	39.9	10.2	4.3	9.3	48.6	73.2	III		
55 6	38 4r	72 8	166.0	51.2	12.8	7 3	6.2	58.3	68.4	IV		
45.2	34 5	57.0	181 4	48 5	11.7	12 3	5 9	69.5	80 4	I	1953	
50.1	34 3	66 9	177.2	37.6	11.4	6 5	3.2	73.1	91.5	II		
42 4	34 2	59 4	175.1	37.6	11 4	3.6	4.0	61 2	70.6	III		
31 5	32.0	50 6	223 8	32.9	11 3	6 6	3 4	59 7	79 7	IV		
0 1	0 7	0 4	20 9	0.8	1.0	1.8	0.2	1.3	3 0		1948	Latin American Republics
0.4	—	10.4	16.8	5 4	0 4	1 8	0 6	1.9	0.2		1950	
1.2	0 4	22.3	64 8	16.2	0.3	—	—	2 0	1.1		1951	
1.1	7.1	12.5	42.0	4.7	0.3	—	—	1.6	0.4		1952	
0 4	0 2	26.1	66.2	4.7	0.2	0 5	—	2.8	0.2		1953	
3 2	16 7	12.7	18.4	5 7	0.1	—	—	2.2	—	II	1952	
0.6	7.6	10 2	50.2	2 9	0.3	—	—	0 8	0 4	III		
0.4	0.2	11.5	76 4	1.8	0 4	—	—	1.2	0.5	IV		
0 1	—	14.8	49.8	5.0	0.2	0.2	—	1.9	0.3	I	1953	
0 4	0.4	21 7	64.6	4 2	0 1	0 5	—	3.3	0.3	II		
0.5	0 3	25 3	65.8	4.2	0.4	0 7	—	3 8	—	III		
0 5	0 1	42.6	84 5	5 5	0 2	0 7	—	2.2	0 2	IV		
1 2	8 5	1.1	2.1	14.1	22.4	0.5	0.3	0 2	1 8		1948	Oceania
4.0	0.7	6 4	20 3	14.2	9 4	1.8	0.2	0.1	0.5		1950	
8 6	2 6	25 4	36.7	28.2	12 0	2.2	0.3	1.4	0.2		1951	
7 1	3.3r	9.7	37 9	15 7	13 6	1.0	0.6	0.2	0.4		1952	
6.0	4.4	3 6	50 2	16 4	13 2	1.4	0.5	0.1	0 3		1953	
6 6	4 3	12 7	32.2	15.1	13 6	1.3	0.8	0.1	0.3	II	1952	
8 0	3.2	5 0	34 0	18.4	11.4	0 9	0 4	0.3	0.5	III		
7.2	3 6r	4 5	45.5	16.5	14 7	1 2	0.3	0 1	0 3	IV		
6 4	1 6	1 6	57.3	10.8	14 5	1.2	0.1	0.1	0.2	I	1953	
5 0	3.7	2 5	66.9	21.9	12.5	1.0	0.1	0 1	0 3	II		
6.9	7.4	3.6	43.0	15.6	11 9	1.6	0.3	0.2	0.2	III		
5 8	4 8	6 6	33 7	17 2	14.0	1.8	1.5	0.3	0.5	IV		
24 4	29 7	17 4	15 3	61.0	89.4	34 8	60.5	2.4	5 4		1948	Sterling Area
79.2	34 9	74.2	55 4	100 4	98 4	32.1	41.2	2.6	7.6		1950	
137.2	57.3	153.1	11.6	182 6	139 1	81.8	54.9	5.2	7.6		1951	
77 4	66.9r	134.8	125 1	116.0	131.2	36.8	61.7	2.8	7.5		1952	
65 7	61.9	79.0	150.6	91 9	110 6	37 0	23.4	2 3	6.0		1953	
68.8	55.4	157.6	120.2	107 7	127 4	15.2	76.1	2.6	5.4	II	1952	
71.3	77.6	108.2	116.3	126.2	120.6	20.2	61.2	1.5	13.1	III		
81.9	93.8r	91.7	134.3	103.5	132.6	41.9	35.5	2 2	5.4	IV		
50.8	50.9	73.3	166.8	95.8	119 3	41.7	30.1	2.6	5.7	I	1953	
61.7	77.0	74.1	174 3	102 3	115.2	31.9	13.9	2.2	6.7	II		
75.7	64.5	81.6	143 1	86 8	104.7	37.8	21.6	2.2	5.2	III		
74.6	55.2	87.1	118.3	82.6	103.4	36.3	27.9	2.1	6.4	IV		
20.9	9.5	8.8	10.9	15.5	20.8	20.6	38.7	1.4	2.2		1948	ECAFE Sterling Countries
67 4	25.4	42.7	29 6	35.1	45 6	12 4	16.0	0.8	4.7		1950	
106.9	37.4	83.6	63 4	45.6	58.4	54.4	25.8	0.8	4.8		1951	
63.0	43.2r	82.3	67.6	28.6	46.0	18 0	29.2	0.6	5.8		1952	
54.6	38.8	47.8	82.1	30.8	38.1	13.2	6.6	0.6	4.5		1953	
54.5	35.3	88.3	70.1	25.9	39.8	6.3r	34.9r	0.5	4.3	II	1952	
58.6	52.5	74.6	57.9	32.3	49.0	11.8	26.5	0.4	10.6	III		
69.7	61.8r	60.3	70.9	28.2	51.8	25.3	13.5	0.5	4.5	IV		
40.5	33.5	42.6	91.6	28.8	39.0	9.5	7.3	0.5	4.6	I	1953	
51.2	57.2	48.0	90.0	33.7	38.7	13.1	4.7	0 6	5.2	II		
63.4	35.7	48.7	79 7	28.9	37.8	18.3	7.0	0.8	3.9	III		
63.5	29.0	51.8	67.0	31.6	36.9	11.8	7.3	0.7	4.2	IV		

		Combodia-Laos-Viet-Nam with France		*Indonesia with Netherlands*	
		Exp.	Imp.	Exp.	Imp.
1952		8.9	88.2	48.8	29.8
1958		5.2	77.1	45.2	22.1
1953	I	7.7	88.3	47.8	19.2
	II	8.9	85.3	39.3	21.2
	III	4.3	76.0	43.6	24.7
	IV	4.8	68.9	50.2	28.2

a. For 1948, year beginning 1 April.

b. Imports valued f.o.b.

EXTERNAL TRADE

6. VALUE OF IMPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS

Monthly averages or calendar months — *Millions*

	1938[g]	1948	1951	1952	1953	1952	1953						
						IV	I	II	III	IV	Oct	Nov	Dec
BURMA (K.)													
Cotton yarn and fabrics (incl. thread)	3.4‡	9.2†	13.3	14.1	..	14.5	16.0	16.0	18.6	..	*23.8*	*15.0*	..
Base metals and manufactures thereof	2.1‡	5.9†	3.1	6.0		5.6	5.5	7.4	7.7	..	*6.7*	*7.9*	..
Machinery and transport equipment	1.8‡	9.3†	3.9	6.7	.	5.8	8.6	6.8	9.9	..	*7.0*	*7.4*	..
CAMBODIA—LAOS—VIET-NAM (Pr.)													
Live animals and food	1.0	15.6	83.4	83.5	133.0	96.4	75.1	110.6	168.6	119.1	85.8	127.0	144.6
Textiles and apparel, incl. yarn and thread	4.4	42.5	167.9	176.3	240.8	155.5	162.3	186.4	253.6	306.5	235.2	292.6	391.9
Machinery and vehicles (incl. electric machinery and fittings) and base metals and manufactures thereof	3.3	56.8	128.0	171.5	237.3	148.6	163.4	198.6	308.2	227.7	150.0	217.1	315.9
CEYLON (Rs.)													
Food and drink	8.7	42.5	57.0	64.5	65.1	68.1	56.9	71.0	62.8	69.7	73.7	60.0	75.4
Raw materials and articles mainly unmanufactured	2.8	8.8	13.5	14.3	13.6	13.7	15.8	15.2	13.9	10.9	11.1	13.7	7.9
Articles wholly or mainly manufactured	7.8	29.9	58.2	61.7	53.9	57.8	48.8	59.3	53.2	54.5	56.6	53.1	53.8
Cotton yarn and manufactures	1.4	10.3	11.8	10.4	9.1	8.7	8.8	9.6	8.1	9.9	9.5	11.4	8.8
Machinery and vehicles	1.0	5.2	11.0	14.1	12.7	12.3	11.2	18.0	12.5	10.9	13.5	9.0	10.0
Base metals and manufactures thereof	0.9	2.6	6.1	6.2	5.5	5.2	5.3	6.2	5.3	5.6	5.5	4.9	6.4
Electrical goods and apparatus	0.3	0.9	2.3	1.8	2.0	2.2	1.4	2.0	2.2	2.5	3.2	1.9	2.2
CHINA (Taiwan only, $)													
Beans and peas	..		0.6	0.7	0.3	0.7	0.3	0.3	0.3	0.2	0.3	0.2	0.3
Wheat flour	..		0.1	0.7	0.4	0.8	0.4	0.3	0.9	0.1	—	0.1	0.1
Cotton fabrics	..		0.4	0.4	0.1	0.2	0.3	—	—	—	0.1	—	—
Chemical Fertilisers			0.4	1.1	0.4	0.4	0.6	—	0.2	0.8	0.5	0.5	1.5
Medicines and drugs	..	.	0.5	0.6	0.5	0.4	0.4	0.5	0.6	0.5	0.5	0.5	0.6
Iron and steel manufactures	.	.	0.8	1.0	0.5	0.9	0.3	0.6	0.6	0.5	0.7	0.2	0.7
Machinery and vehicles	..	.	1.0	1.3	1.0	1.5	1.0	0.9	0.9	1.0	0.8	1.0	1.3
INDIA[a] (Rs.)													
Food and drink	14.9	73.7	175.8	188.1	90.7	65.8	85.9	144.3	86.0	46.6	74.9	34.2	30.6
Raw materials and articles mainly unmanufactured	30.5	88.3	186.9	186.1	132.4	148.5	109.4	159.1	149.7	110.2	121.6	95.1	113.8
Cotton, raw and waste	9.2	38.8	94.3	95.8	41.5	45.0	35.6	64.2	46.3	20.1	33.2	11.4	15.6
Mineral oils	13.6[h]	26.7	53.2	65.0	65.7	81.2	53.1	71.8	72.1	65.8	59.3	63.7	74.3
Articles wholly or mainly manufactured	78.0	224.5	270.7	247.1	227.5	205.1	223.2	228.1	225.1	233.6	234.7	238.9	227.2
Machinery and vehicles	22.1	89.4	104.1	104.5	91.9	86.0	98.8	90.8	87.4	91.1	86.2	84.3	92.8
Implements and instruments	4.9[i]	7.7	10.5	8.5	8.3	6.3	8.3	8.1	8.2	8.7	10.5	8.1	7.6
Electrical goods and apparatus	2.8	8.0	7.6	10.8	11.9	11.0	13.5	13.3	12.1	8.2	8.0	8.5	8.1
Base metals and manufactures thereof	8.9	26.4	33.2	37.4	32.3	30.9	33.0	29.7	34.6	32.0	31.5	33.3	31.2
INDONESIA (Rp.)													
Food	7.3	9.5	27.0	162.3	118.5	126.1	136.5	143.5	106.1	88.4	83.4	78.5	103.3
Textiles	10.3	23.5[m]	89.0	217.8	212.9	240.2	152.1	230.1	262.1	207.5	240.0	198.5	184.1
Base metals (incl. ores) and manufactures thereof	4.9	4.2	12.1	89.9	67.9	115.8	58.6	58.6	90.9	63.7	76.6	57.7	56.8
Machinery and appliances (incl. electrical material)	5.1	6.8	8.6	36.4	50.7	36.1	48.9	44.4	60.6	49.4	56.6	49.8	41.8
Transport equipment	3.0	3.7	6.6	19.7	62.5	19.8	64.9	49.6	59.7	78.7	85.1	76.8	77.2

6. VALUE OF IMPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS (*Cont'd*)

Monthly averages or calendar months — *Millions*

	1938[g]	1948	1951[n]	1952	1953	1952	1953						
						IV	I	II	III	IV	Oct	Nov	Dec
JAPAN ($)													
Food	19.5[j]	26.7[j]	41.5	49.6	50 4	50.9	45.1	56.0	42.7	57.6	50.6	39.6	82.6
Cereal and cereal preparations	..	..	31.3	36.1	36.1	36.4	31.4	39.8	28.8	44.2	36.2	29.2	67.0
Sugar and sugar preparations	..	..	8.0	9.8	10.5	9.8	10.3	12.5	10.5	8.7	9.3	6.3	10.6
Crude materials (inedible) other than fuels		.	87.2	80.6	96.2	88 4	87.9	96.7	99.9	100.3	99.7	87.6	113.6
Oil-seeds, oil nuts & oil kernels	..	..	5.1	3.2	6.7	5.1	8 5	7.5	6.0	4.7	3.5	3.4	7.1
Crude rubber, including synthetic and reclaimed	.	.	4 5	4.1	4.2	4.2	4 4	3.9	4.3	4.2	4.9	4 3	3.6
Textile fibers, raw	..	..	48 7	49.7	55.5	53.3	51.2	54.8	58.8	57.1	55.9	48.6	67.0
Metalliferous ores and metal scrap	..	..	10.7	12.1	14.4	14.1	11.8	15.3	14 1	16.5	17.8	14.7	17.1
Mineral fuels, lubricants and related materials	.	..	16.4	19.5	24.1	15.9	25.6	22.8	22.7	25.4	27.2	22.0	27.1
Chemicals	4.2	3.9	3.8	3.7	5.8	4.2	4.9	6.2	6.2	5.8	6.1	5.5	5.7
Machinery and transport equipment	3.5	0.1	7.0	7.6	13.4	10.1	9.0	12.1	14.0	18.6	14.7	17.9	23.1
Other manufactured goods	..	..	7.0	4.9	7.5	5.7	5.8	7.3	8 4	8.6	8.5	7.8	9.6
MALAYA (M$)													
Food	11.9	48.2	82.0	84.2	79.4	86.9	77 1	71.2	91.3	77.9	95.9	67.7	70.0
Cotton yarn and manufactures	2.2	17.9	30.0	18.2	17.8	21.6	16.6	19.8	17.6	17.3	18.8	16.6	16.5
Machinery and vehicles	3.1	9.9	22.9	27.9	18.2	23.6	21 P	19 1	14.3	14.2	14.6	13.9	14.0
Base metals and manufactures thereof	1.6	4.7	15.0	14.8	12.6	16.7	15.0	15.3	10.4	9 7	9.0	9.8	10.4
Electrical goods and apparatus	0.5	2 4	5.2	5.6	5.4	4.8	6.8	6.0	4.4	4.4	4.8	4.2	4.3
PAKISTAN (Rs.)													
Mineral oils	..	2.3‡	6.1	8.5	8.3	7.7	5.2	7.4	11.8	8 8	9.6	3.1	13.9
Cotton piecegoods		22 4‡	27.5	23.0	1.2	6.2	4 4	0.3	—	—	—	—	—
Cotton twist and yarn	..	9.4‡	18.0	16.3	4.0	4.5	1.0	2.3	5 3	6.5	5.2	8.3	6.0
Machinery and vehicles	..	8.6‡	17.2	21.6	12.0	14.7	15.9	8.5	11 1	12.6	11.8	10.5	15.5
Iron and steel manufactures	.	..	7.2	14.0	4.9	4.7	6.0	3.3	2.7	7.7	7.7	4.2	11.2
PHILIPPINES[b] (P.)													
Grains and preparations[c]	1.3[k]	7.0	7.5	6 1	3.3	5.1	2.8	3.3	3.9	3.0	2 7	3.4	3.1
Cotton and manufactures[d]	3.6	11.4	12.2	9.2	12.3	8.0	16 1	14.6	7.4	9.8	7.4	11.4	10.7
Rayon and other synthetic textiles[d]	0.4	8.8	2.3	3.9		3.7							
Mineral oils (petroleum products)[e]	0.9	5.7	6.0	6.6	5.8	3.2	3.3	5.6	6.9	7.2	4.3	9.0	8.4
Machinery and vehicles (incl. spare parts)	2.7	8.9	7.0	9.7	9.7	7.7	8.8	10.1	7.9	11.4	11.9	11.6	10.8
Iron and steel manufactures[f]	1.8	4.7	6.0	4.0	7.6	4.3	8.5	8.6	6.1	7.2	..	..	..

a. Former British provinces and Indian States
b. Imports valued f.o.b.
c, d, e, f. From 1953 onwards, changed respectively into cereals and preparations; textile yarn, fabrics and made up articles, mineral fuels, lubricants and related materials, and base metals and manufactures
g. 1936 for Japan, 1939 for Indonesia.
h. Including vegetable and animal oils.
i. Including cutlery and hardware
j Including drink.
k. 1937.
m. Comprise cotton yarn and cotton piecegoods.
n. Average of Jul-Dec for Japan.

EXTERNAL TRADE

7. VALUE OF EXPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS

Monthly averages or calendar months — *Millions*

	1938[c]	1948	1951[e]	1952	1953	1952	1953					
						IV	I	II	III	IV	Oct	Nov	Dec
BURMA (K.)													
Rice and products	18.2‡	48.7†	60.3	82.6		100.3	24.9	120.6	73 7	..	*28 7*	*42 2*	.
Raw rubber	0.5‡	0.5†	2.4	2 2	..	1.6	4 2	3.0	0 3	.	*0 2*	*0 2*	..
Teak	2.5‡	4 6†	4 0	3.0		1.7	2.5	2 2	2.4		*2 4*	*1.5*	..
Metal and ores	4.8‡	1.8†	3.5	5.0		3 8	1.4	3 9	4.8		*0 1*	*0 4*	..
CAMBODIA—LAOS—VIET-NAM (Pr.)													
Food	13.4	52.2	110 0	77.1	99.6	23 1	67.5	73.8	110.7	138.0	76 1	100 9	236.9
Rice	8.2	37 7	73 9	66 3	86.8	8 4	63 5	64 4	101.8	115.3	65.8	75.2	204.9
Rubber	4.2	25.8	102.7	71 8	88.6	74 5	68.5	55 4	106.2	124.3	74.0	98.8	200.1
Mineral products	1 2	2.6	6 1	6 8	13.1	10.8	3 8	6 0	21 1	21.3	16 3	34.3	13.2
CEYLON (Rs.)													
Tea	14.4	49 2	66.7	60.3	68.8	50.7	66.4	72.6	69.1	66.9	58.4	71.8	70.3
Coconut and products	2.3	12.8	26.9	19.5	20.5	17 7	18 8	17.9	21.1	24.4	31 4	19.8	22 0
Rubber	3.8	12.0	48.5	31 1	28 1	26.3	35 0	23 7	25.6	29.0	30 5	41.7	14 7
CHINA (Taiwan only, $)													
Rice	.	.	1.3	1.9	1 1	3.6	1.9	—	0.4	2.2	—	4.1	2.5
Fruits, fresh, canned or preserved	.		0.5	0.7	0.5	0.5	0.4	0.5	0.4	0.5	0.6	0 4	0 5
Tea	..	.	0.6	0 5	0.6	0.5	0 4	0 6	0.6	0 6	0.8	0.6	0 4
Sugar	.		4.2	5.8	6.2	3 1	2.4	5.2	11.9	7.7	6 2	5.4	11.7
Essential oils	..	.	0.3	0.2	0.2	0 2	0 3	0.1	0 1	0.2	0.2	0.3	0 2
INDIA[a] (Rs.)													
Food and drink	30.6	58.9	119 6	109 1	117.2	120.2	111.2	73.4	123.9	161.2	155 1	163.4	165.0
Tea	19.6	46 5	78 7	66 7	85.5	81.5	73 9	40.5	97.4	131.6	123.1	137.9	133.7
Spices	0.7	4.0	24.9	19.0	13 8	14 4	21.3	14.6	8.1	11 1	10.5	10.9	11.9
Raw materials and articles mainly unmanufactured	59.5	90.3	127.7	116.4	97.4	116.9	117.8	100.3	73.9	91.2	84.5	88.1	101.0
Cotton raw and waste	19.9	18.6	21.4	20 3	16.7	17.8	21.1	21 4	9.2	15.1	13.0	13.5	18.7
Hides and skin raw or undressed	3 0	5.0	8.3	4.9	4.9	5.0	4.9	5 2	4.8	4.7	5.3	4.0	4.9
Vegetable oil other than aromatic	0 7	10.9	25 4	20.0	7.8	16.2	16.4	10.5	2.7	1 7	1.7	1.9	1.6
Articles wholly or mainly manufactured	40.2	192.3	347.6	244.6	201.5	204.1	181.7	195.2	210.0	218.3	216.7	213 3	225 0
Cotton yarns and manufactures	6.3	30.8	78.4	60.4	52.8	54.2	41.7	57.3	53.6	58.4	57.0	55.8	62.4
Jute yarns and manufactures	21 8	126.3	200.3	135.6	92.1	90.7	79.6	82.2	103.9	102.7	104.8	102.5	100.7
Hides and skins tanned or dressed and leather	4.4	9.9	27.8	14.6	21 1	19.2	25.0	21.6	17 7	20.2	16.8	19.3	24.6
INDONESIA (Rp.)													
Tea	4.7	1.8	11.6	20.9	22.3	19.8	21.3	23.8	20.4	23.4	22.4	20.7	27.1
Copra	3.2	13.1	40.7	43.2	54.1	38 7	44.7	39.3	59.9	72.2	80.1	68.8	67.8
Rubber	13.0	21.3	206 9	344.7	256.6	343 5	266.5	284.0	272.2	204.1	222.1	182 7	207.5
Tin (and tin ore)	2.8	12.3	25 7	78.0	77 2	88.2	68 4	66.8	87 5	86.1	77.2	85.2	95.8
Petroleum and products	13.5	21.7	52.8	162.1	191.0	195.9	150.3	195.9	218.0	200.0	254.7	152.6	192.7
JAPAN ($)													
Food	7.3[d]	0.9[d]	5.6	8.0	10.4	9.1	9.6	10.8	10.9	8.0	10.7	9.6	3.8
Fish and fish preparations	.	.	3.6	3.8	5.1	3.9	4.2	5.1	5 8	5.2	6.2	4.3	5.0
Crude materials, inedible, other than fuels	.		7.9	7.0	5.9	8.3	4 9	5 5	6.5	5.2	7.4	5.9	2.2
Textiles fibers	.		5.4	4.1	3 9	5.4	3.6	3.7	4.5	4.0	4.5	3.7	3.9
Chemicals	3.6	0.9	3.4	3.3	5.2	2 4	5.6	6.5	2.6	4.3	5.2	4.5	3.1
Fertilizers, manufactured	..	.	0.5	1.3	2.7	0.9	3.0	4.0	0.6	3.4	3.2	2.0	4.9
Textile yarn fabrics, made-up articles and related products	.	.	41.3	30.5	31.3	23.4	22.6	28.6	34.1	39.9	36.9	35.2	47.6
Base metals and manufactures of metals	7.5	1.0	27.7	28.4	15.6	24.4	17.4	15.7	13.2	16.0	15.5	12.9	19.6
Machinery & transport equipment	6.2	1.3	8.4	9.7	16.2	10.8	15.1	18.3	14 4	15.5	9.1	18.0	19.4
Other manufactured goods	..		18.1	17.1	19.2	19.5	15.0	19.6	20.3	21 7	21.5	18.9	24.7
MALAYA (M$)													
Food	4.7	11.2	28.4	27.9	21.0	27.0	19.5	17.9	24.8	21.8	24.7	17.7	23.0
Rubber	23.2	73.2	330.1	157.6	103.2	129.8	120.8	98.9	88.8	91.6	90.4	87.9	96.4
Tin (block, ingots, bars or slabs)	8.0	17.9	48.2	43.0	32.6	40.6	42.8	34.6	28.1	25.0	27.8	26.3	21.0
PAKISTAN (Rs.)													
Raw jute		59.3‡	96.9	58.0	47.6	68.7	64.5	34.1	48.5	43.3	35.2	43.5	51.2
Raw cotton	.	31.6‡	80.2	72.0	52.7	60.6	75.8	52.5	42.0	39.7	36.0	37.6	45.6
Raw wool	.	2.8‡	4.9	4.1	4.3	6.1	3.8	4.5	3.9	4.9	7.7	3.7	3.2
Hides and skins	..	3.1‡	4.9	2.8	3.3	2.9	4.1	3.2	3.1	2.8	2.4	3.0	3.0
Tea	..	3.1‡	5.0	2.7	2.9	4.2	1.2	1.7	4.5	4.3	4.6	4.9	3.3
PHILIPPINES (P.)													
Abaca (unmanufactured)	1.7	5.0	11.2	6.8	6.5	5.5	7.9	6.9	5.8	5.3	5.5	5.4	5.1
Coconut products	4.9	34.6	32.8	20.2	25.5	23.9	21.9	20.5	29.4	30.4	33.6	28.4	29.2
Sugar centrifugal	7.7	3.5	11.4	15.0	15.6	11.1	18.6	19.1	14.5	10.4	6.4	9.4	15.6
THAILAND[b] ($)													
Rice	3.6‡	10.6	16.5	18.0	17.8	17.8	16.4	21.8	19.0	14.0	6.7	16.8	18.5
Tin ore and concentrates	1.1‡	1.2	1.9	1.9	1.7	2.1	2.3	1.5	1.2	1.9	1.8	2.0	1.7
Rubber	0.9‡	2.8	8.1	4.2	3.1	3.9	4.5	2.6	3.0	2.5	2.4	2.3	2.6
Teak	0.2‡	0.4	0.6	0.4	0.6	0.5	0.5	0.4	0.7	0.8	0.8	0.8	0.7

a. Former British provinces and Indian States.
b. Value in dollars is supplied by the Bank of Thailand. Figures under column for fourth quarter 1952 relate to Jul-Dec.
c. 1936 for Japan.
d. Including drink.
e. Average of Jul-Dec for Japan.

8. QUANTITY OF EXPORTS OF SELECTED COMMODITIES

Monthly averages or calendar months — *Thousand tons*

	1938	1948	1951	1952	1953	1952	1953						
						IV	I	II	III	IV	Oct	Nov	Dec
RICE													
Burma	273.3‡	105.9†	110.2	110.3	*87.1*	117.2	28.0	133.6	89.6	*53 0*	*35 1*	*75 9*	*48 0*
Cambodia—Laos—Viet-Nam	76 4	19 4	29.7	20 4	17.3	7.8	17.9	14.9	16.1	20.4	12.2	14.0	35.0
China (Taiwan only)	.	.	7.1	8.8	4.9	11.3	7.8	—	1.7	10.3	—	18.8	12.0
Thailand	125.8	67.7	131.4	118.8	111.7	97.1	101.8	138.2	118.7	88.1	44.6	104.4	115.4
SUGAR													
China (Taiwan only)			23.6	38.3	66.8	19.2	31.8	56.8	130.5	48.3	56.1	49.0	39.9
Indonesia	89.3	5 3	0.5	0.1	7 8	0 1	0 1	0 1	9.5	21.4	25.3	26 7	12.0
Philippines	68.2	18 1	47.2	66 1	63 8	47.2	80 2	76.0	56.9	42.6	25.9	37.9	64.0
TEA													
Ceylon	8.9	11.2	11.5	11.9	12.8	10.1	11.5	13.5	13.2	12.9	13.2	11.4	14.0
India	13 4[c]	13 2	17.0	15.5	18 8	18.5	17.9	9.0	20 7	27.8	26.2	29.5	27.8
Indonesia	6 0	0.7	3.3	2 7	2.4	2.4	2.5	2.5	2.1	2.5	2.4	2.2	2.9
Japan	1 4[d]	0.3	0 7	0.8	1 1	0.7	0.6	0.8	1.3	1.6	1.6	1.5	1.8
Pakistan		1 2	1.8	0 9	1 0	1.5	0.3	0.6	1.5	1 4	1.5	1.6	1.1
COPRA AND COCONUT OIL[a]													
Ceylon	8.7	9.2	10 3	11.1	9.0	9.2	9.9	7 4	8 1	10 7	13.5	8.3	10.2
Indonesia (copra)	25.8[e]	12 1[g]	23 1	17.1	15.3	14.5	12 4	10.3	18 1	20 2	22.5	19.1	19.0
Malaya	13.4	7.1	10.4	8.7	8 7	12.2	6.3	7.4	8 5	12.6	13 3	11.4	13.1
N Borneo	0.4	0.3	0.9	0.6	0.7	0.6	0.5	0.6	0 7	0.8	1.0	0.7	0.7
Philippines	28.9[e]	35 3	45.0	40 3	36.0	39.7	27.0	25.8	48.6	42 7	50.2	39.2	38.6
PALM KERNELS AND OIL[a]													
Indonesia (palm oil)	14.2	13.3	8 1	10.1	11.0	12.9	9.8	6.7	11.1	16 4	15.8	13.7	19.6
Malaya	3 1	4 4	4.5	4.3	4.6	4.9	4.3	4.5	5.4	4.9	7.1	4.5	3.3
GROUND NUTS AND OIL[a]													
Hong Kong	1.2	0 4	0 7	0.8	0.5	1.7	1 1	0.4	0.1	0.2	0 1	0.2	0.3
India	22.0[c]	5.5	5.8	5.6	1.7	4.3	5.7	1 0	—	—	—	—	—
NATURAL RUBBER													
Brunei	0 1	0 2	0.2	0 2	0 1	0 1	0 1	0.1	0 1	0.1	0.1	0.1	0.1
Burma	0.6	0 8	0 8	1 2	0 9	1 2	1 3	0 7	0 4	1.0	0.3	1.2	1 6
Cambodia—Laos—Viet-Nam	5.0	3 5	4 4	5 1	5 0	6 7	5 8	3 4	6 6	7.9	5 1	7.8	10 9
Ceylon	4.2	7.8	8.8	7.6	8 2	8.1	9 4	6 6	7.9	8 8	7 7	7.1	11.5
Indonesia	25 5	36.6	67.2	61.8	57.1	74 7	52 4	59.9	63.0	54 1	55.1	49.3	57.7
Malaya (net export)	31 4	57.5	51.5	48 4	48 2	47 3	49.9	44.6	45.9	52 5	51.8	53.7	52 1
N. Borneo	0 8	1 7	1 8	1.6	1 4	1 7	1.4	1 5	1 4	1 4	1 4	1.5	1.4
Sarawak	1 5	3.4	3.6	2.7	2.0	2.2	2.1	2.4	2.2	1 4	1.3	1.2	1.7
Thailand	3.5	8 1	9 2	8 3	8.1	8.2	10.0	6.4	8.1	7.8	7.8	7.9	7.9
COTTON, RAW													
India	38.6[c]	8 0	2.3	4 4	3 8	3.2	6.5	5 5	0.9	2.3	1.1	2.0	3.7
Pakistan		13.6	18.3	20.4	23 6	21 9	33 5	23 4	19.6	17.9	16.3	17.3	19.9
COTTON YARN (metric tons)													
Hong Kong			1,732	1,300	1,190	922	973	1,448	833	1,505	1,581	1,408	1,525
Japan	2,084[d]	458	1,025	1,117	801	312	334	579	1,195	1,098	1,387	789	1,118
Malaya	197	22	167	119	113	122	88	130	92	143	228	102	97
COTTON PIECE GOODS (Mn metres)[b]													
Hong Kong			12.2	10.1	9.3	11.8	5.4	15 5	6.4	10.0	6.5	14.3	9.1
India	14.6[c]	23.5	59.1	45.7	50.0	48.7	40.0	52.0	49.4	58.5	54.6	58.4	62.3
Japan (Mn sq. metres)	200.2[d]	28.2	75.3	52.0	63.7	39.5	51.8	57 1	67.9	77.8	70.4	72.5	90.6
Malaya	2 0	7.5	14.5	9.6	8.0	10.9	7.8	14.7	5.7	4.0	5 1	4.2	2.8
JUTE													
Pakistan (raw)	...	28.1‡	88.7	70.0	81.7	115.1	104.9	62.4	83.5	75.9	57.9	77.6	92.2
India (bag and cloth)	78.9[f]	78.4	67.1	60.0	60.3	49.4	49.8	55.2	67.7	68.6	75.2	64.1	66.5
HEMP RAW													
Philippines	11 8	6.2	10.3	9 1	9.7	8.1	11.6	10.8	8.7	7 9	8.2	7.9	7.5
TIN CONCENTRATES (tons)													
Burma	171	155	125	118	*81*	149	*81*	*81*	*81*	*81*	*81*	*81*	*81*
Indonesia	1,160	2,753	2,604	2,929	2,771	3,135	2,402	2,385	3,155	3,143	2,855	3,125	3,450
Thailand	1,145	479	746	825	850	980	944	707	664	1,081	1,111	1,142	1,000
TIN METAL (tons)													
Malaya	5,180	3,998	5,500	5,429	5,228	5,126	5,927	4,695	5,326	4,966	5,466	5,385	4,046
PETROLEUM AND PRODUCTS													
Indonesia	506	321	506	618	800	793	592	877	877	855	1,042	620	902
Malaya	84	82	163	204	225	229	200	215	222	262	259	265	262

a Expressed in terms of oil equivalent, figures under column for 1938 relate to averages for the period 1934—1938.

b Unit for cotton piecegoods changed from metres to square metres beginning 1950 for Malaya and beginning 1952 for Hong Kong.

c Former British provinces and Indian States.

d. 1936.

e 1935—1939.

f Converted at 2.25 lbs. per bag and 0.50 lb. per yard of cloth.

g. Excluding exports to Singapore from Indonesia.

EXTERNAL TRADE

9. INDEX NUMBERS OF UNIT VALUE, QUANTUM AND TERMS OF TRADE

1948 = 100[a]

	1938	1950	1951	1952	1953	1952	1953						
						IV	I	II	III	IV	Oct	Nov	Dec
A. Unit Value													
BURMA (Oct 1947—Sep 1948=100)													
Imports	23‡	114	84	73	..	63	67	58	54	..	*49*	*63*	..
Exports	17‡	104	131	159	..	175	182	175	166	..	*155*	*127*	..
CAMBODIA—LAOS—VIET-NAM[b]													
Imports	8	122	140	129	..	127	127	..	205	207	211	208	201
Exports	11	147	182	113	..	108	115	..	157	143	145	138	145
CEYLON													
Imports: General	23	98	116	125	114	128	122	122	120	121	121	120	121
Food, drink & tobacco	..	.	116	133	124	131	126	131	130	129	131	129	127
Raw materials & semi-manufactures	..	..	126	140	109	143	125	120	102	117	101	121	128
Manufactures	.	.	114	116	105	122	114	109	109	108	108	105	112
Exports: General	32	144	175	136	139	134	140	141	135	138	138	142	134
Tea	37	127	132	116	124	125	127	125	120	125	123	125	127
Rubber	56	222	367	255	223	208	226	226	217	206	222	229	168
All coconut products	14	144	169	105	126	106	122	131	125	125	124	131	136
INDIA[c] (Apr 1948—Mar 1949=100)													
Imports: General	28‡	104	128	130	115	126	120	118	110	112	114	111	112
Food, drink & tobacco	.	104	118	139	118	140	116	127	110	117	113	117	122
Raw materials & semi-manufactures	..	113	154	139	130	140	137	124	125	134	127	140	137
Manufactures		97	118	121	107	116	114	110	103	104	108	102	102
Exports: General	24‡	110	160	131	111	116	110	112	112	112	110	112	113
Food, drink & tobacco	..	127	149	141	141	135	134	151	140	137	138	134	138
Raw materials & semi-manufactures	..	114	151	138	141	136	128	137	145	155	153	158	153
Manufactures		103	169	124	91	98	91	92	92	89	88	89	90
INDONESIA[d]													
Exports: General	31	177	265	537	*424*	482	*474*	*435*	*392*	*362*	*354*	*355*	*378*
Estate produce	38	185	273	615	*498*	560	*553*	*507*	*469*	*438*	*432*	*429*	*451*
Peasant produce	27	171	219	487	*374*	430	*422*	*388*	*337*	*307*	*295*	*301*	*324*
Forest produce	12	99	148	356	*378*	386	*386*	*366*	*378*	*382*	*386*	*355*	*407*
JAPAN[e] (1934-36=100)													
Imports: General	..	303	432	382	331	355	345	326	326	326	328	332	319
Food	..	302	353	371	347		366	347	343	333	337	346	317
Crude materials, inedible	.	343	538	418	349	376	355	340	346	351	352	355	346
Textile fibers	.	297	478	367	310	336	313	300	308	318	318	322	314
Metalliferous ore	..	218	420	441	341	415	375	343	329	326	320	327	330
Mineral fuels	..	254	352	433	345	404	411	355	341	350	359	356	335
Chemicals	..	220	368	364	325	353	317	291	274	292	281	277	319
Machinery & transport equipment	..	297	279	299	283	367	272	291	305	317	320	341	291
Exports: General	.	295	459	431	384	405	367	385	397	398	396	395	405
Food	..	341	342	360	366	377	360	364	379	388	386	389	391
Chemicals	.	345	413	409	398	471	443	410	448	467	433	476	492
Manufactured goods	.	296	474	425	360	373	351	364	370	374	371	370	380
Textiles	..	324	475	404	330	341	321	332	341	365	347	345	404
Base metals	..	231	471	450	380	395	361	387	384	390	382	378	410
Machinery & transport equipment	..	303	392	372	375	413	354	401	396	368	384	366	355
MALAYA													
Imports	36	115	144	129	120	126	127	121	119	115	..	..	..
Exports	43	173	258	188	150	169	171	156	141	132	..	..	..
PAKISTAN[f] (Apr 1948—Mar 1949=100)													
Exports	..	89	119	88	62	67	64	60	62	61	62	60	61
PHILIPPPINES (1948-1949=100)													
Imports[g]	..	95	108	106	101	102	103	104	99	99	97	100	100
Exports	30	93	99	78	95	85	98	99	90	93	91	91	96

9. INDEX NUMBERS OF UNIT VALUE, QUANTUM AND TERMS OF TRADE (*Cont'd*)

1948 = 100[a]

	1938	1950	1951	1952	1953	1952	1953						
						IV	I	II	III	IV	Oct	Nov	Dec
B. Quantum													
BURMA (Oct 1947—Sep 1948 = 100)													
Imports	163‡	95	87	140	.	133	142	152	171	..	*213*	*153*	..
Exports	263‡	42	96	95		93	78	130	87	..	*68*	*75*	..
CAMBODIA—LAOS—VIET-NAM[b]													
Imports	85	151	189	166	..	157	163	..	159	142	103	139	185
Exports	259	88	132	126	.	124	134	.	129	186	98	148	312
CEYLON													
Imports: General	89	121	135	138	144	149	135	159	144	153	153	152	153
Food, drink & tobacco	.	..	115	114	124	124	111	134	117	133	130	123	146
Raw materials & semi-manufactures	..	..	133	114	152	161	230	219	218	176	196	212	121
Manufactures		..	163	177	172	183	154	187	170	177	178	184	169
Exports: General	80	110	112	117	120	101	116	117	123	123	126	128	114
Tea	80	101	103	106	113	83	107	119	118	109	97	117	113
Rubber	56	127	110	100	103	102	124	86	92	111	112	153	69
All coconut products	132	131	149	172	158	160	140	137	171	183	245	151	153
INDIA[c] (Apr 1948—Mar 1949 = 100)													
Imports: General	106‡	88	108	105	84	72	75	97	90	75	82	72	72
Food, drink & tobacco		73	146	137	75	47	72	111	77	40	65	29	26
Raw materials & semi-manufactures	..	123	112	124	94	98	73	117	110	75	86	62	76
Manufactures		79	92	84	84	71	77	83	87	90	87	94	89
Exports: General	172‡	115	114	106	108	110	108	99	106	121	119	119	124
Food, drink & tobacco		109	122	117	123	129	118	79	130	167	159	173	169
Raw materials & semi-manufactures		103	114	101	82	101	110	90	62	69	65	65	76
Manufactures		122	111	103	113	106	103	109	117	126	128	122	127
JAPAN[e] (1934-36 = 100)													
Imports: General		33	48	54	74	62	65	77	74	82	78	68	101
Food		48	66	76	82	81	70	91	70	99	85	65	148
Crude materials, inedible		33	47	48	69	58	62	71	72	74	79	62	82
Textile fibers		40	51	53	70	62	64	72	75	71	69	59	84
Metalliferous ore		25	65	95	147	118	109	155	149	176	193	156	181
Mineral fuels	.	32	69	82	127	72	114	117	121	133	138	113	148
Chemicals	.	35	28	34	59	40	51	70	75	65	72	66	59
Machinery & transport equipment	..	5	47	70	131	79	93	116	130	164	127	145	219
Exports. General		30	31	31	35	32	32	36	34	38	35	34	44
Food		20	26	36	45	39	42	47	46	42	44	39	43
Chemicals		12	24	27	43	20	42	53	20	43	40	31	58
Manufactured goods		36	40	38	37	36	33	36	36	42	40	37	50
Textiles	..	28	31	25	31	22	23	28	33	38	35	33	45
Base metals		128	123	157	95	146	118	97	79	89	90	76	102
Machinery & transport equipment	.	43	51	58	93	50	85	102	71	94	52	109	121
MALAYA													
Imports	81	137	181	161	139	159	137	137	144	139	.	..	..
Exports	73	127	134	114	105	116	103	103	107	106	..	..	.
PHILIPPINES (1948-1949 = 100)													
Imports[g]	..	61	76	69	70	60	66	76	66	69	59	72	77
Exports	157	134	151	169	150	149	141	149	164	146	146	147	144
C. Terms of Trade													
Percentage of unit value index of exports to unit value index of imports.													
BURMA	74‡	91	157	219		278	273	301	306	..	*319*	*201*	..
CAMBODIA—LAOS—VIET-NAM	138	117	123	87		85	91	..	77	69	69	66	72
CEYLON	139	147	151	109	122	104	115	116	112	114	114	118	111
INDIA	86‡	106	125	100	97	92	93	94	101	100	97	101	101
JAPAN	.	97	106	113	116	114	106	118	122	122	121	119	127
MALAYA	120	151	179	146	124	134	135	129	119	114	..	..	.
PHILIPPINES	.	97	92	73	94	84	95	95	91	93	93	91	96

a. Original base: *Burma*, 1936-41; *Cambodia-Laos-Viet-Nam*, 1938 for quantum index and Jan-Jun 1939 for unit value index prior to 1952; *Ceylon*, 1934-38 for period prior to 1950 and 1948 since 1950; *Indonesia*, 1938; Malaya, 1938 for period prior to 1953 and 1952 since 1953; *Philippines*, 1937.
b. Beginning from 1952, new series with 1950 as 100.
c. Overland trade excluded.
d. Weighted index numbers of 18 export products at f.o.b. prices. Figures from April 1950 to February 1952 exclude the value of exchange certificates. The rise beginning February 1952 is principally due to the change in the conversion rate of the rupiah from 3.80 (excluding the value of exchange certificates) to 11.40 per dollar.
e. The commodity groups are abridged titles of selected SITC sections and divisions. Unit value index based on prices in terms of dollars.
f. Index of f.o.b. export prices.
g. Based on f.o.b. import prices.

10. EMPLOYMENT AND WAGES

Base for index Numbers, 1948[a]

	1948	1950	1951	1952	1953	1952	1953						
						IV	I	II	III	IV	Oct	Nov	Dec
CEYLON													
Index of wages													
Tea and rubber estate workers[b]	100	119	147[r]	149[r]	151	149[r]	151[r]	149[r]	152[r]	152	154	152	149
Government workers (Colombo)[c]	100	106	115	115	116	115	116	116	116	116	116	116	116
Index of real wages													
Tea and rubber estate workers[b]	100	112	132[r]	134[r]	133	133[r]	134[r]	134[r]	131[r]	134	134	136	133
Government workers (Colombo)[c]	100	102	106	106	98	106	100	99	96	98	97	99	99
INDIA													
Employment[d] (1,000)													
Factories under Factory Act	2,360	2,504	2,537	2,443									
Cotton mills		677	714	741	744	753	732	743	753	748	750	748	746
Coal mines[e]	308	350	339	342	338	330	354	341	328	328	342	317	325
Central government[f]													
Office workers		184	198	209	213	209	211	214	214	213	212	212	213
Manual workers		394	393	406	403	406	406	403	404	403	404	403	403
Wages or earnings (Rs)													
Cotton mills[g] (Bombay)		83 56	87.28	89 26	95.96	91.58	91.90	95.63	99.04	97.28	98.44	97.69	95.70
Coal mines[h] (Jharia)	2 41[q]	2 40[q]	12.67	13 03	13.18	13 99	13 11	13 77	12.25	13 59	13.25	13 79	13 73
JAPAN													
Employment[i] (Mn)													
All industries	34.60	35.72	36.22	37 28	39 25	38.86	37 31	39 83	39 75	40.28	41.22	40.23	38.80
Agriculture, forestry & hunting	16.37	17 41	16 17	16 37	17 13	16 97	14.31	18 23	18 21	17 76	19.58	18 12	15.57
Other industries	18.22	18 31	20.05	20.92	22 12	21 89	23.00	21 60	21 54	22 32	21 64	22 10	23.22
Mining	0 60	0 49	0 51	0 61	0 62	0 55	0 61	0 62	0 66	0 59	0.62	0 57	0.57
Manufacturing	6 32	6 23	6 29	6 53	6 74	6 67	7 16	6 64	6 47	6 68	6.38	6.56	7 09
Index of earnings[j]													
Mining	100	166	212	263	299	236	295	281	302	319	276	272	409
Manufacturing	100	208	267	315	357	360	313	333	361	420	327	338	596
Index of real earning[j]													
Mining	100	135	148	175	187	157	191	180	186	192	165	164	246
Manufacturing	100	170	187	210	222	240	202	212	223	252	195	203	359
Daily money wages of agricultural labour, male (Y.)	185	201	209	230	257	244	233	258	263	276	270	289	270
KOREA													
Index of earnings[k] (Pusan)													
All industries	100	489	2,691	7,157	12,097	9,155	10,051	11,273	12,565	14 498	13,630	14,783	15,082
MALAYA (Federation)													
Employment[m] (1,000)	461	462	499	505	497								
PHILIPPINES													
Index of employment[n] (1949 = 100)													
Mining		120	143	150	138	150	146	142	144	121	122	120	120
Manufacturing		98	99	99	109	104	112	108	106	109	107	108	112
Index of wages[p] (Manila)													
Skilled	100	102	96	97	99	98	99	99	99	99	99	99	100
Unskilled	100	91	99	105	108	106	108	108	108	109	109	109	108
Index of real wage (Manila)													
Skilled	100	110	97	102	111	103	108	112	111	111	111	111	112
Unskilled	100	99	101	112	122	112	120	123	123	123	123	123	122
THAILAND													
Employment—Mining[d] (1,000)	10 42	13 46	14.37	14 94	16 07	15 14	13 59	16 66	15 77	14 94	14.85	15.04	14 91
VIET-NAM													
Daily wages§ (Saigon-Cholon, Pr)													
Skilled		29.10[q]	36.30	41 20	54 45	41.20		47.80		54 45			54.45
Unskilled (male)		14.40[q]	20.50	22.80	31 75	22 80		25 50		31 75			31.75

a Original base for wage or earnings index *Ceylon*, 1939, *Japan*, 1947, *Korea*, 1936 *Philippines*, 1941

b Daily rates of minimum wages (basic wage plus special allowance).

c Monthly rates of wages for unskilled manual workers in government employment

d Daily averages

e Average daily employment in all coal mines governed by the Indian Mines Act Monthly figures are slightly short of total coverage.

f Employment in Central Government establishments excluding railways Office workers comprise administrative, executive and clerical staffs, manual workers comprise skilled, semi-skilled and unskilled workers. Figures relate to end of period.

g. Monthly minimum wages (basic wage plus dearness allowances)

h Average weekly earnings (basic wage plus dearness allowances and other payments) of underground miners and loaders in coal mines

i Before August 1950, average for calender week beginning first Sunday of each month From August 1950, average for the week ending on the last day of the month, except for December when the week prior to holiday seasons was chosen.

j Average monthly cash earnings per permanent worker.

k Daily average of wages and allowances including payment in kind

m Number employed by government departments, estates, mines, factories and some miscellaneous establishments. Figures for 1950-53 relate to end of June

n Comprises all full and part-time employees of 734 cooperating establishments in the Philippines who were on the payroll, i.e., who worked during, or received pay for, the pay period ending nearest the 15th of the month. Excluding proprietors, self-employed persons, domestic servants and unpaid workers.

p Daily average wage rates of all classes of workers.

q Average daily earnings in December

11. INDEX NUMBERS OF WHOLESALE PRICES

1948 = 100[a]

	1949	1950	1951	1952	1953	1952	1953						
						IV	I	II	III	IV	Oct	Nov	Dec
BURMA													
All agricultural produce	123	115	133	114	111	111	101	104	117	122	126	124	115
Cereals	96	98	104	99	93	99	86	91	97	98	104	103	88
Non-food agricultural produce	161	196	205	155	144	126	125	128	158	163	161	163	165
CHINA[b] (Taipei, Jan-Jun 1950 = 100)													
General index	58	111	183	225	245	221	232	240	251	257	257	256	258
Food	58	104	140	173	222	178	197	216	236	242	240	238	249
Clothing	78	124	330	392	364	372	374	358	350	374	379	376	366
Fuel & light	51	118	156	190	214	193	203	214	218	220	221	222	219
Metals & electrical materials	49	115	218	270	259	256	260	261	254	261	262	261	260
Building materials	52	105	154	234	249	226	230	235	275	257	263	255	255
INDIA													
General index	104	109	120	105	107	104	104	108	111	107	107	106	106
Food articles	104	110	110	96	102	95	97	102	108	101	103	101	98
Industrial raw materials	108	117	141	105	107	101	102	109	112	104	104	103	107
Semi-manufactured articles	104	108	119	109	113	110	110	113	115	112	112	112	113
Manufactured goods	101	102	116	111	108	110	108	108	108	107	107	107	107
INDONESIA (Djakarta)													
General index (imported goods)	123	253	349	331	352	326	348	359	355	347	351	345	344
Provisions	90	180	295	368	438	366	410	433	453	458	457	458	458
Textile goods	194	351	319	260	292	270	305	303	290	272	282	268	266
Chemicals	88	221	373	341	377	344	365	391	380	369	372	369	367
Metals	95	220	381	388	370	385	380	381	367	351	354	353	347
JAPAN													
General index	163	193	268	273	277	269	274	274	278	282	281	282	282
Edible farm products	178	207	258	286	307	278	302	307	310	310	311	309	310
Other foodstuffs & tobacco products	164	159	175	180	178	181	179	174	176	183	182	184	184
Textiles	215	262	364	290	280	272	274	276	285	285	285	284	286
Chemicals	138	180	250	269	249	256	257	255	242	241	241	242	239
Metal & products	143	214	426	415	391	398	394	394	389	388	388	388	387
Building materials	141	165	243	266	323	284	291	306	339	357	353	359	359
Fuels	150	170	203	257	262	267	270	261	256	263	262	262	264
Producers' goods	155	200	308	317	316	312	313	314	317	321	320	321	321
Consumers' goods	172	185	225	227	235	223	232	232	236	240	240	240	241
KOREA (Pusan, 1947 = 100)													
General index			2,194*	4,751	5,951	5,409	5,906	5,858	6,070	5,970	5,610	5,664	6,635
Food grains			2,064*	7,305	7,567	7,863	8,128	8,034	8,292	5,812	6,259	5,502	5,676
Textile raw materials			1,795*	2,478	3,741	2,986	3,682	3,311	3,641	4,328	3,999	4,312	4,674
Textiles			1,763*	2,052	3,048	2,280	2,656	2,432	2,855	4,248	4,278	4,302	4,165
Building materials			2,616*	3,923	7,683	4,917	6,049	7,499	7,363	9,819	8,300	9,295	11,863
Fertilizers			6,136*	7,987	8,449	8,449	8,449	8,449	8,449	8,449	8,449	8,449	8,449
PHILIPPPINES (Manila, 1949 = 100)													
General index	100	97	109	100	99	101	101	98	97	99	98	99	99
Food	100	89	98	95	90	93	91	88	90	90	90	90	90
Crude materials	100	108	113	90	112	104	119	110	104	112	109	113	114
Mineral fuels	100	100	107	113	108	113	112	109	107	106	106	106	106
Chemicals	100	101	130	111	108	109	112	110	105	104	104	104	104
Manufactured goods	100	119	156	125	114	122	117	115	113	113	113	113	113
Domestic products	100	93	101	93	93	95	96	92	92	94	93	95	95
Exported products	100	110	113	90	110	103	120	110	101	110	107	110	111
Imported products	100	122	153	136	129	134	131	130	127	127	127	127	127
THAILAND[c] (Bangkok)													
General index	94	96	104	109	102	111	104	103	104	100	99	100	102
Agricultural produce	92	112	131	117	97	112	107	102	102	91	86	92	94
Foodstuff	93	88	88	106	108	115	107	108	109	106	107	105	107
Clothes	92	87	102	93	71	85	74	70	70	70	70	70	70
Fuel	90	96	103	105	104	104	103	103	105	106	106	106	106
Metal	139	122	143	137	102	126	102	101	101	104	101	104	105
Construction material	111	121	138	149	153	150	151	151	152	156	156	156	156
VIET-NAM (Saigon-Cholon, 1949 = 100)													
General index	100	98	117	132	152	137	131	142	168	168	169	167	167
Rice & paddy	100	84	90	141	157	171	148	149	167	163	172	163	155
Other food products	100	101	112	127	166	130	136	149	188	190	189	188	194
Fuel & mineral products	100	113	117	118	144	118	116	129	161	168	167	168	168
Raw materials	100	141	201	152	168	144	147	159	186	178	175	179	181
Semi-finished products	100	95	117	125	145	126	117	128	165	171	168	168	178
Manufactured products	100	84	113	99	116	93	91	108	130	133	130	134	136
Local products	100	101	119	142	160	152	144	150	174	171	174	171	169
Imported products	100	93	113	112	138	109	107	126	158	160	158	159	163

a. Original base: *Burma*, 1938-40; *India*, Sep 1938-Aug 1939; *Indonesia*, 1938; *Japan*, 1934-36; *Thailand*, Apr 1938-Mar 1939.
b. New Taiwan dollar has been introduced since 15 June 1949. Index for 1949 relates to average of July to December.
c Agricultural produce includes paddy, rice meal, copra, rubber, etc.; foodstuff includes milled rice, pork, banana, etc.

12. INDEX NUMBERS OF COST OF LIVING

1948 = 100[a]

	1949	1950	1951	1952	1953	1952	1953						
						IV	I	II	III	IV	Oct	Nov	Dec
BURMA (Rangoon)													
All items	135	114	112	107	104	101	101	105	107	102	108	100	98
Food	142	120	120	115	111	106	107	112	116	111	117	108	107
CAMBODIA (Phnom-Penh)													
All items	138	155	163	182	..	189	.			.	..	..	..
Food	133	150	154	181	..	193	..			..	.	..	..
CEYLON (Colombo)													
All items	99	105	109	108	110	109	108	109	113	110	111	109	109
Food	104	112	112	110	117	115	112	115	122	118	120	116	117
CHINA (Taipei, Jan-Jun 1950 = 100)													
All items		106	139	179	211	180	198	207	223	219	220	219	219
Food		100	146	139	176	142	154	180	192	183	183	181	184
HONG KONG													
All items	112	117	128	129	130	127	125	127	135	135	135	134	134
Food	119	127	136	136	143	135	134	136	152	152	154	151	151
INDIA													
All-India (Interim index)													
All items	103	103	107	105	108	106	105	109	113	107	110	107	105
Food	104	105	108	107	111	109	105	113	119	111	114	112	108
Bombay													
All items	101	103	109	111	120	114	116	120	123	119	121	119	118
Food	105	109	115	118	130	124	126	132	135	129	132	128	127
Delhi													
All items	100	100	108	108	106	108	103	105	109	108	109	109	106
Food	101	101	112	111	110	112	105	108	114	113	115	114	110
INDONESIA (Djakarta)													
Food	97	113	189	199	211	194	205	212	214	215	206	214	224
JAPAN (Urban)													
All items	132	123	143	150	160	151	155	157	162	167	168	166	166
Food	125	112	130	134	142	133	137	139	145	149	152	148	147
KOREA (Pusan)													
All items	123	281	1,397	3,446	4,871	3,839	4,630	4,436	5,117	5,303	5,332	4,997	5,578
Food	131	302	1,519	4,489	5,777	4,881	5,593	5,463	6,438	5,615	6,118	5,107	5,620
LAOS (Vientiane, Dec 1948 = 100)													
All items	106	107*	113	140	187	154	155	171	208	214	215	214	212
Food	103	100*	103	138	200	158	159	183	233	227	228	228	225
MALAYA (Federation)													
Chinese													
All items	94	101	133	138	133	135	134	134	133	133	134	132	132
Rice & rice equivalents	90	84	89	95	100	98	99	100	100	100	102	100	98
Indian													
All items	94	99	132	136	131	133	133	132	131	128	131	128	126
Rice & rice equivalents	95	90	98	105	112	107	110	112	113	114	115	114	112
Malay (Jan 1949 = 100)													
All items	98	108	136	138	134	135	134	134	134	134	136	133	132
Rice & rice equivalents	98	97	104	110	118	114	116	118	120	120	121	121	119
PAKISTAN													
(Apr 1948—Mar 1949 = 100)													
Karachi													
All items	98‡	95	99	101	112	104	111	112	112	112	113	112	111
Food	..	93	99	103	111	105	111	111	111	111	112	111	110
Narayanganj													
All items	103‡	98	102	110	109	115	103	106	118	109	118	108	102
Food	..	97	101	112	109	119	102	105	119	108	119	107	99
PHILIPPPINES (Manila)													
All items	94	91	97	93	87	95	90	86	87	87	87	87	87
Food	93	86	94	90	81	90	84	80	81	80	80	80	80
THAILAND (Bangkok)													
All items	96	99	110	123	135	124	128	130	140	140	143	139	137
Food	95	97	106	119	131	120	123	125	137	136	139	135	133
VIET-NAM (Saigon, 1949 = 100)													
All items	100	102	116	142	180	151	157	166	197	201	200	201	202
Food	100	96	104	141	178	154	163	171	190	187	187	187	188

GENERAL NOTE All figures are applicable to working class except the following countries: *China*, public servants; *Hong Kong*, clerical and technical workers; *Indonesia*, Government employee, *Japan*, whole population, *Korea*, all classes; *Laos*, middle class, *Thailand*, low salaried workers and civil servants.

a. Original base: *Burma*, 1939, *Cambodia*, Jan-Jun 1939; *Ceylon*, Nov 1942 for 1948-52 and 1952 since 1953; *Hong Kong*, Mar 1947; *India*, 1944 for all India and Delhi, Jul 1933-Jun 1934 for Bombay; *Indonesia*, 1938; *Japan*, 1951; *Korea*, 1947; *Malaya* (Chinese and Indian), Jan 1947; Philippines, 1941; *Thailand*, Apr 1938-Mar 1939.

13. CURRENCY AND BANKING

	1948	1950	1951	1952	1953	1952	1953						
						IV	I	II	III	IV	Oct	Nov	Dec
BURMA (Mn. K.)													
Money supply	505	552	607	641	828	641	849	934	868	828	843	812	828
Currency: net active	335	358	398	413	506	413	609	583	537	506	514	495	506
Deposit money	169	194	210	228	322	228	240	351	331	322	329	318	322
Loans, advances and bills discounted (commercial banks)	68	130	159	151	142	151	187	130	130	142	137	127	142
Bank clearings	151	138	151	181	234	167	231	247	242	217	271	171	210
Foreign assets of the Union Bank of Burma[a]	358	556	748	920	991	920	1,012	1,129	1,045	991	1,019	991	991
Rates of interest (% per annum)													
Call money rate	..	..	1.04	1.64	1.10	1.25	2.00	1.08	0.75	0.58	0.75	0.50	0.50
Yield of long term gov't bonds	..	3.00*	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Internal gov't debt[b] held by													
Union Bank of Burma	16	20	22	16	6	16	18	6	6	6	6	6	6
Commercial banks	8	27	31	25	68	25	31	52	71	68	70	69	68
Gov't deposits and cash in hand													
Central gov't deposits with the Union Bank of Burma	2	57	77	50	4	50	77	81	4	4	4	—	4
Cash in Government Treasury	15	5	5	3	11	3	4	4	4	11	6	6	11
CAMBODIA, LAOS AND VIET-NAM (1,000 Mn Pr.)													
Money supply		..	.	10.92	*13.52*	10.92	11.15	11.26	11.56	*13.52*	11.76	*13.06*	*13.52*
Currency: in circulation	.	..	.	7.67	9.19	7.67	8.20	8.13	8.54	9.19	8.72	8.93	9.19
Deposit money (commercial banks only)[c]	..	..	..	3.25	*3.32*	3.25	2.94	3.12	3.01	*3.32*	3.04	*3.09*	*3.32*
Loans and advances (commercial banks)	.	.	..	1.01	1.67	1.01	1.22	1.49	1.48	1.67	1.62	1.73	1.67
Foreign assets of l'Institut d'emission		.	..	0.68	1.67	0.68	0.88	0.91	0.89	1.67	0.90	1.22	1.67
Rate of interest (% per annum)													
Treasury bill rate	.	..	..	2	2	2	2	2	2	2	2	2	2
States treasury bills outstanding[d]		..	..	0.30	1.20	0.30	0.65	0.93	1.05	1.20	1.05	1.05	1.20
CEYLON (Mn Rs.)													
Money supply	607	911	1,006	894	827	894	899	878	824	826	822	810	827
Currency: net active	241	326	377	357	335	357	363	362	350	335	349	343	335
Deposit money	366	585	629	538	492	538	536	516	474	492	473	467	492
Loans, advances and bills discounted (commercial banks)	..	182	257	241	253	241	231	244	223	253	288	281	253
Bank clearings	391	549	691	688	671	685	673	645	723	642	671	603	653
Foreign assets													
Central Bank of Ceylon	460	565	668	401	245	401	361	294	302	245	282	260	245
Government[e]	380	342	367	376	294	376	337	314	295	294	298	297	294
Commercial banks	174	233	209	114	110	114	121	111	97	110	92	99	110
Rates of interest (% per annum)													
Call money rate	..	..	0.50*	0.50	0.96	0.50	0.50	0.50	1.33	1.50	1.50	1.50	1.50
Treasury bill rate[f]	0.22	0.87	0.48*	0.72	1.91	0.92	0.96	1.74	2.47	2.48	2.48	2.48	2.48
Yield of long term gov't bonds[g]	2.94	3.04	2.81	2.93	3.85	2.96	3.04	3.80	4.38	4.38	4.38	4.38	4.38
Internal government debt held by													
Central Bank of Ceylon	..	19	17	161	223	161	199	255	216	223	193	203	223
Commercial banks	184	271	235	302	284	302	291	284	283	284	301	294	284
Gov't deposits and cash in hand													
Government deposits with the Central Bank of Ceylon	..	12	31	6	—	6	—	—	—	—	1	—	—
Currency held by government	4	6	6	5	6	5	3	4	4	6	4	3	6
CHINA (Taiwan only, Mn NT$)													
Money supply	..	690	790	1,129	1,469	1,129	1,021	1,127	1,239	1,469	1,213	1,294	1,469
Currency outstanding	.	288	473	705	943	705	662	724	768	943	768	792	943
Deposit money	..	402	317	424	526	424	360	403	471	526	444	502	526
Loans, advances and bills discounted (banks other than the Bank of Taiwan)[h]	..	84	138	342	625	342	497	476	520	625	564	663	625
Bank clearings	..	136	418	862	1,740	1,082	1,462	2,087	1,813	1,598	1,587	1,462	1,735
Rate of interest (% per annum)													
Call money rate	..	16.42	10.80	10.80	9.0	10.80	10.80	10.80	7.20	7.20	7.20	7.20	7.20
Government deposits held by the Bank of Taiwan	..	349	626	776	1,173	776	896	930	1,130	1,173	1,171	1,230	1,173
HONG KONG (Mn HK$)													
Money supply													
Currency outstanding (notes)	793	808	800	802	802	802	801	801	803	802	803	803	802
Bank clearings	689	1,199	1,508	1,185	1,035	1,244	1,111	1,033	933	1,065	1,038	1,014	1,142

	1948	1950	1951	1952	1953	1952	1953						
						IV	I	II	III	IV	Oct	Nov	Dec
INDIA (1,000 Mn Rs.)													
Money supply	20.28	19.36	18.76	17 78	17.27	17.78	18.47	18.36	17.68	17.27	17.92	18.20	17.27
Currency: net active	12.92	12.67	12.35	11.86	11.33	11.86	12.33	12.33	11.68	11.33	11.74	11.92	11.33
Deposit money	7.36	6.68	6.41	5.92	5.94	5.92	6.14	6.03	6.00	5.94	6.18	6.28	5.94
Advances and bills discounted[i] (scheduled banks)	4.42	4 45	5.54	4.85	4.61	4.85	5.29	5.10	4.60	4.61	4.49	4.49	4.61
Bank clearings	5.55	5.25	6 56	5.71	5.49	5.24	5.64	5.50	5.28	5 55	5.05	5.34	6.26
Gold and foreign assets of the Reserve Bank of India	10.67	8 74	8.21	7 46	7.63	7.46	7.64	7.53	7.39	7.63	7.40	7.50	7.63
Rates of interest (% per annum)													
Call money	0.50	0.58	1.01	2.02	2.12	1.38	2.88	2.62	1.46	1.54	0.88	0.88	2.88
Yield of long term gov't bonds[j]		3.11	3.39	3.69	3.65	3.64	3.62	3.64	3.65	3.65	3 65	3.66	3.64
Internal government debt held by													
Reserve Bank of India[k]	4.38	5.40	5.77	5.53	4.98	5.53	5.49	5.44	5.08	4.98	5.06	5.04	4.98
Scheduled banks	4 26	3 57	3 06	3.23	3.36	3.23	3.03	3.14	3.34	3.36	3.40	3.37	3.36
Non-scheduled banks	0 11	0 10	0 09	0.21	0 14	0.21	0.18	0.18	0.20	0.14	0.20	0.20	0.14
Government deposits held by the Reserve Bank of India	2.14	1.64	2 10	1.75	1.10	1.75	1.36	1 30	1 37	1.10	1.09	0.98	1.10
INDONESIA (Mn Rp.)													
Money supply	3,008	4,392	5,132	6,719	7,642	6,719	7,276	7,204	7,467	7,642	7,464	7,501	7,642
Currency: net active	1,643	2,582	3,328	4,349	5,218	4,349	4,664	5,021	5,084	5,218	5,093	5,080	5,218
Deposit money	1,365	1,810	1,804	2,370	2,424	2,370	2,612	2,184	2,383	2,424	2,372	2,421	2,424
Loans, advances and bills discounted (all banks)[m]	266	682	2,152	2,445	2,394	2,445	2,287	2,624	2,482	2,394	2,693	2,507	2,394
Gold and foreign assets of the Java Bank[n]	547	1,349	1,939	1,790	2,412	1,790	1,690	3,232	2,529	2,412	2,255	2,396	2,412
Advances to government by the Java Bank		2,761	1,317	4,555	5,272	4,555	5,618	3,678	4,716	5,272	4,746	5,035	5,272
Gov't deposits with the Java Bank			..	496	495	496	496	495	495	495	495	495	495
JAPAN (1000 Mn Y.)													
Money supply	696	966	1,266	1,636	1,826	1,636	1,545	1,475	1,589	1,826	1,559	1,605	1,826
Currency: in circulation	338	409	492	554	610	554	477	484	487	610	507	513	610
Deposit money	357	557	774	1,082	1,216	1,082	1,068	991	1,102	1,216	1,052	1,092	1,216
Loans, advances and bills discounted (all banks other than the Bank of Japan)	385	997	1,526	2,022	2,563	2,022	2,141	2,257	2,417	2,563	2,431	2,467	2,563
Bank clearings	236	808	1,232	1,624	2,080	2,096	2,093	1,913	1,944	2,368	2,210	2,092	2,803
Gold and foreign assets													
Bank of Japan				18	18	18	18	18	18	18	18	18	18
Government		204	334	379	304	379	342	312	321	304	315	321	304
Other banks		2	1	23	44	23	36	38	44	44	44	44	44
Rates of interest (% per annum)													
Call money rate (Tokyo)		6 40	7.12	8.05	7.82	8 15	8 15	8.15	7.67	7.30	7.30	7.30	7.30
Yield of long term gov't bonds[p]			5.50	5.50	6.68	5 50	5.50	5.50	6 71	9.03	6.50	10 40	10 18
Internal government debt held by													
Bank of Japan[q]	331	200	166	324	326	324	232	184	176	326	188	246	326
All other banks	80	37	38	39	46	39	36	36	38	46	39	44	46
Government deposits with the Bank of Japan	14	48	32	92	60	92	130	116	129	60	97	76	60
KOREA (South, 1000 Mn H)													
Money supply	0 53	2.52	6.49	12.13	26.51	12.13	11.85	15.10	21.34	26.51	22.80	24.69	26.51
Currency: net active	0.41	2.23	5.39	9.74	22.43	9.74	9.98	12.28	17.31	22.43	18.71	20 49	22.43
Deposit money	0.12	0.29	1.10	2 39	4.08	2 39	1.87	2.82	4 04	4.08	4.09	4.20	4.08
Loans, advances and bills discounted (all banks other than the Bank of Korea)	0.43	0 46[y]	1.93	5.78	15.41	5.78	7.19	9.96	12.28	15.41	13.30	14.15	15.41
Bank clearings	0.21	0 41	2.40	13.69	21.37	23.08	15.42	17.97	21.19	30.90	25.22	31.72	35.77
Gold and foreign assets													
Bank of Korea		1.16	2.34	4.79	18.38	4.79	9.46	6.24	6.12	18.38	6.12	5.93	18.38
Government[s]		0.58	1.79	2.64	2.68	2.64	3.32	1.28	1.08	2.68	1.30	0.54	2.68
Internal government debt held by													
Bank of Korea[q]	.		3.00	2.13	16.74	2.13	1.84	5.77	10.87	16.74	12.43	14.41	16.74
All other banks			0.06	0.14	0.54	0.14	0.27	0.32	0.44	0.54	0.45	0 48	0.54
Treasury deposits with the Bank of Korea	0 11	0 85	1.86	6.01	12.32	6.01	7 02	11 41	14.04	12.32	14 00	10 67	12.32
MALAYA (Mn M$)													
Money supply	899	1,402	1,731	1,620	1,486	1,620	1,583	1,500	1,451	1,486	..	.	1,486
Currency notes: net active[t]	302	515	654	630	651	630	622	613	620	651		.	651
Deposit money	598	887	1,077	989	835	989	961	887	831	835	830	850	835
Loans and advances of commercial banks	309	551	633	484	437	484	489	450[r]	466[r]	437	461	455	437
Debits to current deposit accounts	..		4,167	3,396	2,946	3,257	3,204	2,902	2,850	2,829	2,865	2,594	3,028
Federation Treasury bills held by banks	30	23	26	14	10	14	14	12	11	10	10	10	10

	1948	1950	1951	1952	1953	1952	1953						
						IV	I	II	III	IV	Oct	Nov	Dec
PAKISTAN (Mn Rs.)													
Money supply	2,698	2,964	3,755	3,220	3,568	3,220	3,336	3,387	3,382	3,568	3,403	3,496	3,568
Currency: in circulation	1,708	1,992	2,467	2,151	2,372	2,151	2,258	2,239	2,172	2,372	2,201	2,266	2,372
Deposit money[u]	990	973	1,288	1,069	1,196	1,069	1,078	1,149	1,210	1,196	1,202	1,229	1,196
Loans, advances and bills discounted (scheduled banks)	410	770	919	792	781	792	752	656	640	781	681	712	781
Bank clearings[v]	326*	460	551	543	536	512	555	491	517	582	545	559	642
Gold and foreign assets of the State Bank of Pakistan[w]	1,629	1,188	1,627	933	935	933	928	931	935	935	935	935	935
Rates of interest (% per annum)													
Call money rate		0 99	0.94	2.09	1.01	2.46	2.33	0.75	0.25	0.68	0.25	0.78	1.00
Yield of long-term gov't bonds[x]		2 96*	2 98	2 98	3 06	2.99	3 00	3.01	3 10	3.14	3.14	3 14	3 14
Internal government debt held by the State Bank of Pakistan	176	857	864	1,214	1,250	1,214	1,167	1,228	1,153	1,250	1,217	1,228	1,250
Government deposits with the State Bank of Pakistan	923	661	582	377	216	377	332	371	417	216	359	307	216
PHILIPPINES (Mn P)													
Money supply	1,145	1,148	1,053	1,082	1,101	1,082	1,100	1,045	1,039	1,101	1,066	1,084	1,101
Currency: net active	571	669	639	624	666	624	626	592	608	666	626	639	666
Deposit money	574	479	414	465	435	465	474	452	430	435	440	445	435
Loans, advances and bills discounted (all banks other than the Central Bank)	511	533	685	694	773	694	725	727	733	773	755	777	773
Bank clearings	381	462	457	480	520	461	509	519	523	528	529	484	571
Debits to checking accounts	772	674	733	686	743	647	746	766	727	732	728	657	812
Gold and foreign assets													
Central Bank of the Philippines	800	592[r]	488[r]	472[r]	481	472[r]	494[r]	486[r]	486	481	485	477	481
Other banks	126	148	145	162	134	162	160	135	144	134	148	136	134
Internal government debt held by													
Central Bank of the Philippines		158	242	235	230	235	235	232	228	230	228	228	230
Other banks	13	41	35	56	58	56	58	58	55	58	57	59	58
Gov't deposits and cash in hand													
Deposits with Central Bank		19	153	98	45	98	137	130	92	45	76	49	45
Deposits with Philippine National Bank		81	46	59	95	59	51	74	89	95	95	108	95
Cash in Treasury vaults		4	6	7	5	7	5	4	3	5	3	4	5
THAILAND (Mn Baht)													
Money supply	2,681	3,967	4,907	4,932	5,438	4,932	4,995	5,062[r]	5,145	5,438	5(161	5,240	5,438
Currency net active	2,205	3,043	3,756	3,678	4,016	3,678	3,782	3,782[r]	3,823	4,016	3,833	3,831	4,016
Deposit money	676	924	1,151	1,254	1,422	1,254	1,213	1,280[r]	1,322	1,422	1,327	1,409	1,422
Loans, advances and bills discounted (commercial banks)	414	592	741	1,201	1,649	1,201	1,511[r]	1,575	1,659	1,649	1,702	1,726	1,649
Bank clearings	774	1,544	2,057	2,270	2,366	2,397	2,561	2,328	2,326	2,250	2,174	2,176	2,400
Debits to sight deposit accounts		1,973	2,786	2,923	3,196	3,153	3,480[r]	3,208	3,098	2,999	3,002	3,038	2,957
Gold and foreign assets of the Bank of Thailand	2,180	3,641	4,511	4,434	3,829	4,434	4,221	4,126	4,123	3,829	4,016	3,902	3,829
Rates of interest (% per annum)													
Treasury bill rate	1 32	2 02	2 10	2 17	2.25	2 19	2.22	2 25	2.24	2.30	2.30	2.30	2.30
Internal government debt held by													
Bank of Thailand	18	155	166	261	247	261	251	251	220	247	234	234	247
Commercial banks	150	116	118	102	174	102	72[r]	83	119	174	128	133	174
Government deposits with Bank of Thailand	392	317	423	396	698	396	368	540	615	698	657	752	698

GENERAL NOTES. All figures, other than bank clearings and rates of interest, relate to the end-of-month, end-of-quarter and end-of-year respectively bank clearings relate to monthly totals and their averages *Net active currency* Total currency outstanding less holdings in all banks including the central bank and in government treasuries *Currency in circulation* Total currency outstanding less holdings in all banks including the central bank. *Deposit money* Deposits in all banks (including central bank) withdrawable by cheques but excluding inter-bank liabilities and central government deposits. *Bills discounted* Excluding treasury bills *Bank clearings* Total value of cheques and other collection items cleared through clearing houses. *Gold and foreign assets* Gross holdings of gold, foreign exchange and other liquid foreign investments *Rates of interest* All rates are those prevailing in the capital city of each country except in India where rates in Bombay have been taken. *Call money rate* Relates to inter-bank rate on money at call.

a Beginning July 1952 includes foreign assets of the Burma Currency Board.
b Treasury bills and 3 year and 5 year government bonds
c. Includes in addition to deposits by business concerns and individuals, the deposits of Indochinese branches of the French National Treasury, and of the Autonomous Amortization Fund.
d Treasury bills of Cambodia and Viet-Nam only.
e. Includes War Loan re-lent to U.K Government, less the part by Central Bank.
f Weighted average of tender rates on bills issued within the period.
g. Yield of a per cent national development loan 1965-70 calculated to earliest redemption date
h Includes the Land Bank, Cooperative Treasury and three commercial banks.
i Includes bills purchased
j Yield of 3 per cent paper (running yield) to earliest redemption date
k Includes loans & advances to government.
m. The Java Bank, Bank Negara Indonesia, Bank Industri Negara and seven commercial banks.
n Devaluation took effect on 4 Feb 1952 but foreign assets and gold holdings were not revalued until 6 Feb 1952 and 18 May 1953 respectively.
p Weighted yield (simple rate of interest) to latest redemption date of medium dated government bonds issued during the period stated. Figure for 1951 relates to average of 4 months Sep—Dec.
q. Includes advances to government.
s. Figures shown are on a net basis
t. Figures include British Borneo.
u Prior to April 1952 includes inter-bank liabilities.
v. Figures relate in 1948 and 1949 to 8 clearing houses in principal towns, from Jan 1950—Jan 1952 to clearing houses in 4 towns and from Feb 1952 in 5 towns
w. Including outstanding assets receivable from the Reserve Bank of India, under the partition agreements, but excluding foreign assets of Banking Department.
x Yield to maturity of 3 per cent bonds 1968
y May.

ASPECTS OF URBANIZATION IN ECAFE COUNTRIES: ADDENDUM

The three tables on Pakistan, Thailand and China presented below are to supplement the article on "Aspects of urbanization in ECAFE countries", prepared by the Population Division, Department of Social Affairs, United Nations, which appeared in the May 1953 issue of this *Bulletin* (Vol. IV, No. 1). Since the preparation of the article, additional data on the urban population of Pakistan have become available, and more detailed figures have been compiled for Thailand and China.

TABLE 1

POPULATION OF CITIES OF 100,000 OR MORE INHABITANTS IN PAKISTAN, 1951

Population of Pakistan 75,842,000

Population in cities of 100,000 or more inhabitants:

Total 3,852,000

Per 100 of total population of Pakistan 51

Name of City	Province	Population (in thousands)	Name of City	Province	Population (in thousands)
Total, cities of 100,000 or more	.	3,852	Rawalpindi[b]	Punjab	237
Karachi[a]	Federal Capital Area	1,009	Gujranwala	Punjab	121
Lahore[b]	Punjab	849	Multan[b]	Punjab	190
Dacca[c]	East Bengal	411	Lyallpur	Punjab	179
Chittagong[d]	East Bengal	294	Sialkot[b]	Punjab	168
Hyderabad[b]	Sind	242	Peshawar[b]	N W.F.P.	152

Source Ministry of Economic Affairs, Government of Pakistan.

a. Includes Municipality and Civil Cantonment.

b Includes Cantonment
c Includes Narayanganj Municipality and environs of Dacca.
d. Includes environs of Chittagong

TABLE 2.

POPULATION OF CITIES AND TOWNS OF THAILAND, 1947

(*preliminary figures*)

Total population of Thailand 17,442,689

Population in cities of 100.000 or more inhabitants:

Total 855,878

Per 1000 of total population of Thailand 49

Population in 56 cities of less than 100,000 inhabitants:

Total 562,249

Per 1000 of total population of Thailand 32

Name of city or town	Population	Name of city or town	Population
Total, 58 cities and towns	1,418,127	Nonthaburi (town)	8,897
Bangkok (all metropolitan districts)	688,832	Surin (town)	8,768
Thonburi (city area)	167,046	Trang (town)	8,622
Chiengmai (city area)	26,062	Angthong (town)	8,527
Lampang (town)	22,405	Nakhorn Panom (town)	8,526
Nakhorn Rajsima (town)	21,774	Tak (town)	8,246
Samut Sakhorn (town)	20,316	Suphanburi (town)	7,980
Cholburi (town)	18,743	Lamphun (town)	7,896
Songkhla (town)	17,842	Lopburi (town)	7,779
Nakhorn Pathom (town)	16,348	Uthaithani (town)	7,364
Phetburi (town)	16,279	Kanchanaburi (town)	7,342
Ayuthya (town)	15,821	Saraburi (town)	7,112
Nakhorn Srithamraj (town)	15,344	Chantburi (town)	6,711
Phitsnulok (town)	14,494	Buriram (town)	6,581
Nakhorn Sawan (town)	12,499	Srisaket (town)	6,520
Chachoengsao (town)	12,083	Chayaphum (town)	6,446

Name of city or town	Population	Name of city or town	Population
Udorndhani (town)	11,995	Nakhornayok (town)	6,121
Phrae (town)	11,900	Sakonnakhorn	5,975
Mahasarakham (town)	11,816	Uttaradit (town)	5,494
Nongkhai (town)	11,757	Singhburi (town)	5,430
Samut Prakan (town)	11,633	Chiengrai (town)	5,330
Narathiwat (town)	11,352	Chumphorn (town)	5,219
Surajthani (town)	10,423	Phatalung (town)	5,180
Khonkaen (town)	10,385	Phichit (town)	4,791
Nan (town)	10,041	Loei (town)	4,717
Sukhothai (town)	9,979	Prachinburi (town)	4,394
Ubol Rojdhani (town)	9,690	Phetchbun (town)	2,984
Samut Songkhram (town)	9,332	Chainat (town)	2,489
Rajburi (town)	9,173	Pathumthani (town)	2,353
Pattani (town)	8,969		

Source Seltzer, Leon E. (ed.), *The Columbia Lippincott Gazetteer of the World.* New York, Columbia University Press, 1952, gives preliminary results of 1947 census of Thailand.

TABLE 3.

POPULATION OF CITIES OF 100,000 OR MORE INHABITANTS IN CHINA

Note: The figures marked "A" below are taken from the *United Nations Demographic Yearbook, 1952,* pp. 206-207, and those marked "B" from the *Columbia Lippincott Gazetteer of the World.* The *Gazetteer* presents data obtained from official agencies of the country concerned by means of a large correspondence with these agencies, and from libraries and other sources available in the United States. The *Gazetteer* includes the seat of each county in China (there were over 2,000 counties), as well as thousands of cross references and articles on independent cities, smaller towns, and geographical features. Official population estimates for 1947 and 1948 (dated) are used for all independent cities. (For China, the term "city" is used in this *Gazetteer* only with reference to such independent municipalities). Official estimates, undated but referring to 1948, are used for the county seats in the 12 provinces of Chekiang, Fukien, Jehol, Kiangsi, Kiangsu, Kwangtung, Kweichow, Ninghsia, Shensi, Suiyuan, Szechuan, and Yunnan. County seat figures (undated) for all other provinces are official Chinese estimates made mostly in the 1940's but with some dating from the mid-1930's.

Population of China (incl. Taiwan), 1948 471,340,000

Population in cities of 100,000 or more inhabitants
- Total (rounded to nearest million) 33,000,000
- Per 1000 of total population of China .. .. 70[a]

Name of city	Province	Year	Population	Source
Shanghai	Kiangsu	1950	5,406,644	A
"	"	1947	4,300,630	B
Peiping	Hopeh	1950	1,940,290	A
"	"	1947	1,603,324	B
"	"	1946	1,672,438	B
Tientsin	Hopeh	1950	1,785,813	A
"	"	1947	1,686,543	B
"	"	1946	1,707,670	B
Shenyang	Liaoning	1950	1,551,317	A
"	"	1947	1,120,918	B
Canton	Kwangtung	1950	1,495,694	A
"	"	—	1,413,460	B
Lu-ta (Port Arthur & Dairen)	Liaoning	1950	1,054,465	A
Dairen	"	1947	543,690	B
Chungking	Szechuan	1950	1,038,683	A
"	"	1947	1,000,101	B

a. This total has been computed by adding the most recent figures available for each city. Where two different figures were found for the most recent available date, the one given in source "A" was selected.

Name of city	Province	Year	Population	Source
Nanking	Kiangsu	1950	1,020,000	A
"	"	1947	1,084,995	B
Wuhan (Hankow, Wuchang, Hanyang)	Hupeh	1950	1,008,205	A
Hankow	"	1947	749,952	B
Wuchang	"	1948	204,634	B
"	"	1947	199,012	B
"	"	1946	174,367	B
Tsingtao	Shantung	1948	884,368	A
"	"	1947	787,722	B
"	"	1946	759,057	B
Harbin	Kirin	1947	760,000	B
"	"	1940	661,984	A
Chengtu	Szechuan	1948	749,770	A
"	"	1948	647,877	B
Tsinan	Shantung	1948	642,275	A
"	"	1947	574,781	B
"	"	1946	591,490	B
Changchun	Kirin	1947	630,049	B
"	"	1946	519,856	B
"	"	1940	544,202	A
Sian	Shensi	1950	559,127	A
"	"	1947	502,988	B
Hangchow	Chekiang	1948	517,559	B
"	"	1944	606,136	B
Taipeh	Taiwan	1950	503,086	A
"	"	1950	450,777	B
Changsha	Hunan	1947	396,465	B
"	"	1946	421,616	B
Soochow	Kiangsu	1948	381,288	B
Suchow	"	1947	339,517	B
"	"	1935	160,013	B
Foochow	Fukien	1948	331,273	B
Taiyuan	Shansi	1948	326,691	A
"	"	1934	251,566	B
Kunming	Yunnan	1948	308,887	A
"	"	—	300,297	B
Kaifeng	Honan	1936	303,422	B
Nanhsien	Hunan	—	283,734	B
Wusih	Kiangsu	1948	273,346	B
Antung	Antung	1947	271,115	B
"	"	1940	315,242	A
Kaohsiung	Taiwan	1950	267,515	A
"	"	1950	275,563	B
Kirin	Kirin	1947	246,873	B
"	"	1940	173,624	A
Kweiyang	Kweichow	1948	241,933	A
"	"	1948	239,571	B
"	"	1946	262,740	B
Fushun	Liaoning	1950	232,954	A
"	"	1940	279,604	B
Chefoo	Shantung	1947	227,000	B
"	"	1934	139,512	B
Lanchow	Kansu	1948	224,028	A
"	"	1947	156,568	B
Tzekung	Szechuan	1948	223,327	B
Tainan	Taiwan	1950	221,088	A
"	"	1950	229,452	B
Swatow	Kwangtung	—	214,990	B
Ningpo	Chekiang	1948	210,377	B
Chinkiang	Kiangsu	1948	207,612	A
"	"	1948	179,059	B
Wuchow	Kwangsi	1946	206,986	B
Wuhu	Anhwei	1947	203,550	B
Nanning	Kwangsi	1946	202,720	B

Name of city	Province	Year	Population	Source
Pengpu	Anhwei	1947	200,743	B
Mutangkiang	Sungkiang	1946	200,319	B
"	"	1940	179,217	A
Chowkiakow	Honan	1922	200,000	B
Taichung	Taiwan	1950	199,519	A
"	"	1950	207,009	B
Chengchow	Honan	1937	197,187	B
Nanchang	Kiangsi	1948	196,872	A
"	"	1948	266,651	B
Aushan	Liaoning	1950	185,159	A
"	"	1947	165,988	B
"	"	1946	219,715	B
Jukao	Kiangsu	1935	183,268	B
Hengyang	Hunan	1946	181,424	B
Weihaiwei	Shantung	1947	175,000	B
"	"	1946	222,247	B
Tsitsihar	Nunkiang	1947	174,675	B
"	"	1940	133,495	A
Chiamussu	Hokiang	1947	168,000	B
	"	1940	128,667	A
Yingkou	Liaoning	1947	158,587	B
"	"	1940	180,871	A
Amoy	Fukien	1948	158,271	B
Changkiakou (Kalgan)	Chahar	1948	158,174	A
"	"	1947	151,234	B
Wenchow	Chekiang	1948	156,918	B
Tsining	Shantung	1936	150,000	B
Keelung	Taiwan	1950	145,405	A
"	"	1950	145,240	B
Chinchow	Liaoning	1940	142,606	A
Nantung	Kiangsu	1935	133,326	B
Taichow	Kiangsu	1948	131,058	B
Kweilin	Kwangsi	1947	130,790	B
"	"	1946	142,202	B
Paoting	Hopeh	1947	130,000	B
Yangchow	Kiangsu	—	127,104	B
Changchow	Kiangsu	1938	125,000	B
Anking	Anhwei	1932	121,379	B
Tsinkiang	Fukien	—	120,655	B
Kiukiang	Kiangsi	1948	120,555	B
Shasi	Hupeh	1931	113,526	B
Wanhsien	Szechuan	—	110,381	B
Kweisui	Suiyuan	1948	110,553	A
"	"	1948	110,142	B
Yencheng	Kiangsu	1935	102,036	B
Liaoyang	Liaoning	1940	100,165	A
"	"	1940	102,478	B
Chingwangtao	Hopeh	1947	100,000	B
Lini (Lin'ye)	Shantung	1922	100,000	B

Note on urban population data for the Philippines

The following statement is very helpful in clarifying the meaning of the figures on city population, population of municipalities, and population of urban agglomerations of the Philippines which have appeared in various publications.

"In the use of population figures, too, pains have been taken to be clear. Since the meaning of terms comparable to 'city, municipality, town, village, and commune' varies from country to country, the *Gazetteer* gives wherever possible figures for the agglomerated population in areas whose characteristics are as near as possible like those of cities, towns, and villages as we know them.....In the Philippines the important villages all have the same name as the municipalities of which they are the center; the municipality—really comparable in size to a small county—also includes numerous other villages. The last available census figures of the Philippines (those of 1948) include only the population by municipalities—figures often ten and sometimes nearly a hundred times as large as the population of the village itself." (*The Columbia Lippincott Gazetteer*, p. vi.)

ECONOMIC SURVEY OF ASIA AND THE FAR EAST 1953[a]

CORRIGENDUM

	Original	Correction
Page 29, col. 2, para. 4, line 11	K.15 million	K. 1.5 million
Page 31, col. 2, para. 2, line 3	K.25 million	K. 2.5 million
Page 43, col. 1, lines 1-2	more than 50 per cent	less than 50 per cent
Page 50, col. 1, para. 3, line 3	until recently	in 1953
Page 59, col. 2, para. 2, lines 6-8	"which is not much into effect"	Delete.
Page 61, col. 1, para. 3, lines 2-3	it occupies over 90 million people in India or nearly 70 per cent of the labour force	it accounts for nearly 70 per cent of the population
Page 61, col. 1, para. 5, line 5	full existing capacity	full use of existing capacity
Page 64, col. 1, para 6, line 4	1946=100	1948=100
Page 68, table 20, col. 2	-	Central Government
Page 68, table 21	—	a Figures relate to the last Friday in March
Page 70, col. 2, para. 3, lines 9-12	"government control . . . Moreover,"	Delete.
Page 80, col. 2, para. 4, line 4	1 million in 1951	1 million in 1952
Page 87, col. 2, para. 3, line 10	surplus in visible accounts	surplus in invisible accounts
Page 96, Col. 2, Para. 3	Under the impact of the Korea war boom, gross investment in Malaya increased substantially (from M$3,426 million in 1949 to M$5,419 million in 1950), though not as rapidly as national income.	Under the impact of the Korean war boom, gross investment in Malaya increased substantially, though not as rapidly as national income (from M$3,426 million in 1949 to M$5,419 million in 1950).
Page 99, col. 1, para. 2	delete the paragrah	
Page 103, col. 1, para. 2, line 4	1950	1953
Page 107, table 49	1953/54 under Balance (including state trading)—535.3	1953/54 under Balance (including state trading)—480.8
Page 113, col. 2, para. 3, line 5	at the end of the year	during the year
Page 113, col. 1, footnote 1, line 14	there is evidence	there is no evidence
Page 116, Col. 2, para. 3, line 27	raise import duties	raise unilaterally duties on imports from the United States

a United Nations Publication, Sales No. 1953. II. F8. See also *Economic Bulletin for Asia and the Far East*, Vol IV, No. 4, February 1954.



UNITED
NATIONS

ECONOMIC BULLETIN FOR ASIA AND THE FAR EAST

Vol. V, No. 2

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ECONOMIC BULLETIN FOR ASIA AND THE FAR EAST

Prepared by the

SECRETARIAT OF THE
ECONOMIC COMMISSION FOR ASIA AND THE FAR EAST

Vol. V, No. 2, August, 1954

UNITED NATIONS

Beginning with the fourth volume, the ***Bulletin*** is issued every quarter, in May, August, November and February. The February issue will contain the annual *Economic Survey of Asia and the Far East*, while the other three issues will retain the same features of the past three volumes of the *Bulletin*, providing, in addition to a semi-annual review, articles and notes on particular subjects related to the Asian economy, compendium of Asian economic statistics, and trade agreements concluded and/or negotiated.

The *Bulletin*, which is prepared by the Research and Planning Division of the Secretariat of the Economic Commission for Asia and the Far East, is published entirely on the responsibility of the Secretariat, and its contents, which are intended for the use both of governments and the general public, have not been submitted to the member Governments of the Commission before publication.

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III.	**Trade agreements negotiated and/or finalized during the second and third quarters of 1954** ..	62–64

REVIEW OF THE ECONOMIC SITUATION IN ASIA AND THE FAR EAST OCTOBER 1953 TO MARCH 1954

SUMMARY

Probably the most significant development in the ECAFE region[1] during the period under review (October 1953 to March 1954) has been the emergence of large surplus stocks of rice, as forecast in the Economic Survey of Asia and The Far East, 1953. This has so far affected Government revenues or expenditures more than the incomes of rice growers or the cost of living of rice consumers. Of the rice producing countries Burma has been most successful in adapting its prices to the new situation and disposing of its stocks. Among consumers India, with greatly increased home production, has been able to buy rice for reserves. Japan is alone among the major consumers in having a poor crop in the current season, but has been able to use its buying power on a buyers' market to conclude bilateral trade agreements with other countries in the region. Heavy stocks of rice are still unsold and further adjustments of export prices seem likely.

Industrial and mineral production during the period under review has maintained its upward trend. There was, however, a recession in the production of iron ore but an improvement in the production of other minerals and metals: pig iron and steel, tin, tungsten, manganese, antimony, etc. Industrial production increased in China and India under the various development plans, and also in Japan. Allowing for seasonal fluctuations, the upward trend of electricity production has been maintained and in some cases increased in the period under review. Some decline was noted in coal production in China, Korea (south) and Malaya, and in petroleum production in Indonesia and Brunei. Cotton textiles production continued to increase in China, Japan and Pakistan, while production in jute textiles during the period was lower than for the corresponding period a year before.

Several countries have encountered balance of payments difficulties because of continued low prices of their export products and implementation of their development plans. The period under review was not, except in Thailand, introduced any important new pressures on the reserves; but in Indonesia, Pakistan and Ceylon the result of continued losses in the past was the implementation, within the period, of new measures of defence. In Japan an important new deflationary policy has been adopted to meet anticipated losses from a reduction of receipts from special procurement and other sources. While most of the countries affected have adopted more than one measure of defence, Thailand and Indonesia appear to have relied chiefly on exchange techniques, Pakistan on import restrictions, and Japan and Ceylon on fiscal and monetary measures. Development plans have not in general been curtailed in the region, but the maintenance of levels previously planned is becoming increasingly difficult.

The trend of the cost of living has been generally downward, under the influence of falling rice prices. There have, however, been some opposing influences, mainly arising from development, or balance of payment difficulties, or the maintenance of government monoplies, which have limited this downward trend in several countries; and in some countries inflationary pressures arising from war or internal disturbance have been strong enough to cause a rise in the index.

1. The term "ECAFE region" is used to include the following territories: Afghanistan, British North Borneo, Brunei, Burma, Cambodia, Ceylon, China, Federation of Malaya, Hong Kong, India, Indonesia, Japan, Korea, Laos, Nepal, Pakistan, the Philippines, Sarawak, Singapore, Thailand and Viet-Nam. Mainland China is covered, so far as material is available, though the statistics are normally given in a form which cannot be adequately checked.
Afghanistan was admitted to the Commission by resolution 465 (XV) adopted by the Economic and Social Council on 24 April 1953 and available information is included in the *Survey*. A fuller discussion of this country's economic problems will be given in the forthcoming *Economic Survey of Asia and the Far East, 1954*.

Agricultural production

THE FOOD SITUATION

Food grains

Favourable weather conditions during 1953/54 and the continuing efforts of governments to grow more food, have enabled the countries of the ECAFE region excluding mainland China to harvest good grain crops. Total production of food grains in the region has shown a substantial increase over the record level of the previous year and now stands 6.5 per cent above the pre-war level. Of special significance is the fact that most of the countries of the region have harvested record rice crops, the only notable exception being Japan, where unfavourable weather conditions resulted in a below average crop. Table 1 indicates the trend of food production in the region during the past few years, excluding mainland China.[1]

Owing generally to better grain harvests in two succeeding years, the food position in the deficit countries of the region has shown a remarkable improvement in the early part of 1954. Its main features are a substantial increase in the supplies of local food grains, lower domestic prices and reduced import needs. Thus, in *India* the 1953/54 rice crop has turned out 20 per cent larger than the previous year's crop, prices of main food grains have been lower and imports of food grains in the first quarter of 1954 amounted to only 7 per cent of the corresponding level for 1953.

In *Ceylon*, because of the increase in domestic prices of imported rice following the abolition of subsidies in July 1953, offtake did not increase materially despite increased quantities made available to the consumers.[2] Thus, even with the normal import of 0.4 million tons of rice in 1953, government had at the end of the year nearly 80,000 tons of surplus rice. With the commencement of new crop arrivals, market prices of paddy declined below the guaranteed level, resulting in larger domestic purchases by government. Rice imports had, however, to be kept up in accordance with the trade agreements entered into towards the end of 1953, and amounted to about 74,000 tons in the first quarter of 1954 as against 81,000 tons in the first quarter of 1953.

In *Malaya*, offtake of rationed rice tended to decline sharply in 1954 and did not improve materially even after some reduction in ration prices. With the coming into the markets of the new crop, domestic prices tended to decline below the guaranteed level and in order to safeguard the government's position, imports on trade account were temporarily suspended. Total imports of rice in the first quarter of the year amounted to only 39,000 tons as against 125,000 tons in the corresponding period of 1953.

The 1953/54 rice crop of *Pakistan* has been an all time high and the wheat crop harvested in the summer of 1954 has also turned out appreciably better than last year's level. Prices of rice and wheat during the first

TABLE 1

ECAFE REGION: FOOD PRODUCTION[a]

Million tons

	1934/35 to 1938/39 average	1948/49 to 1950/51 average	1951/52	1952/53	1953/54
Cereals	105.6	102.7	102.2	*107.9*	*112.5*
Wheat[b]	13.8	13.0	13.8	*12.7*	*12.6*
Rice: (milled)[c]	65.5	65.5	64.3	*68.2*	*73.4*
Barley	5.1	5.3	5.7	*6.3*	*5.8*
Maize	6.1	5.6	6.0	*6.8*	*6.8*
Millets and sorghums	14.9	13.1	12.2	*13.7*	*13.7*
Oats	0.2	0.2	0 2	*0.2*	*0.2*
Starchy root crops	20.8	25.3	25.2	*27.1*	*26.3*
Potatoes	4.6	4.6	5.0	*5.2*	*5.3*
Sweet potatoes and yams	7.7	12.3	11.3	*12.6*	*12 0*
Cassava	8.5	8.4	8.9	*9.3*	*9.0*
Pulses[d]	9.1	10.3	10.3	*9.8*	...
Sugar (raw equivalent)[e]	6.6	5.3	6.5	*7.0*	*7.1*
Vegetables oils and oilseeds (oil equivalent): edible	3.7	3.7	4.1	*3.3*	*4.1*

Source: FAO.

a. Excluding mainland China.
b Includes the production of Afghanistan.
c. Milled rice derived from paddy using 70% as conversion factor.
d. Comprise dry beans, dry peas, broad beans, chick peas, and lentils.
e. Including non-centrifugal cane sugar.

1. The food situation in mainland China is discussed on pages 4-5.

2. From 20 July 1953 rice ration has been increased from 2 lb. to 2½ lb. per head per week. In addition the consumer can buy 1.5 lb. per head per week at a price higher than that of rationed rice.

TABLE 2

ECAFE REGION: IMPORTS OF FOOD GRAINS AND RICE INTO DEFICIT COUNTRIES[a]

Monthly averages

Thousand tons

	Annual			First quarter		
		Rice			Rice	
	All food grains	Total	From ECAFE countries excluding mainland China	All food grains	Total	From ECAFE countries excluding mainland China
1951	876.1	268.4	231.4	721.4	230.5	194.9
1952	853.7	304.0	215.3	898.7	287.2	223 5
1953	666.1	240.0	177.9	610.5	225.6	156.3
1954	..		..	608.0	276.5	137.1

Sources: Figures on rice for 1954 and food grains are taken from national statistical publications. Prior to 1954, figures on rice are taken from Commonwealth Economic Committee, *Rice Bulletin*.

a. Comprising Ceylon, Hong Kong, India, Indonesia, Japan and Malaya.

quarter of 1954 have been well below the corresponding levels of last year. Consequently, wheat imports are not likely to be necessary during the year while the exportable surplus of rice is substantially higher.

In the *Philippines*, also, the rice crop has turned out better than the previous good crop and with a view to preventing too steep a decline in rice prices, the Agricultural Credit and Co-operative Financing Administration has been authorized to advance loans against paddy stored in warehouses.

Japan, on the other hand, harvested a poor rice crop (17 per cent below the 1952/53 level) and consequently imports of food grains, particularly rice, have been larger in the first quarter and amounted to 551,000 tons as against 208,000 tons for the first quarter of 1953. However, the provision for food subsidies in the 1954/55 budget is only about 30 per cent of the previous year's level and this may exercise a restrictive influence on rice imports in the rest of 1954.

Table 2 shows the declining trend of food imports in the six important deficit countries of the region.

One fact which deserves special notice here is that despite the increase in food production achieved during 1952/53 and 1953/54, the region still remains a net importer of food grains. Moreover, rice imports in the main deficit countries[1] tended to decline from 3.65 million tons in 1952 to 2.88 million tons in 1953 when total imports of food grains were nearly 8 million tons. Lower rice imports in 1953 were due to reduction in effective demand for rice owing to its higher prices compared to rice prices in some of the important consuming countries as also prices of competing food grains (particularly wheat) on international markets. Some idea of the comparative advantage of wheat prices over rice can be formed from table 3.

The factors, which tended to limit rice imports in 1953, continued to operate in some degree in the early

TABLE 3

UNIT VALUE OF IMPORTED RICE AND WHEAT FLOOR IN CEYLON

Rupees per cwt.

	1938	1949	1950	1951	1952	1953[a]
Rice	5.2	28.6	28.3	29.8	41.2	39.8
Wheat flour	6.0	26.3	23.9	27.0	29.2	28.1

a. Averages of March, June, September and December.

1. Ceylon, Hong Kong, India, Indonesia, Japan and Malaya.

part of 1954. For, the decline in domestic rice prices in some deficit countries helped to maintain the disparity between imported and domestic prices and the comparative advantage of wheat over imported rice prices was more or less maintained as a result of the decline in wheat prices on international markets.[1]

While rice exports from the main surplus countries of the region were smaller in 1953 compared to 1952, the exportable surpluses were larger. Consequently, carry-over stocks at the end of 1953 showed an appreciable increase over the previous year's level. In the case of these countries, exportable surpluses from the 1953/54 crop also turned out to be larger than those from the 1952/53 crop. Moreover, some countries which previously exported little rice, *e.g.* Pakistan, had increased rice supplies available for export.

With the commencement of new crop arrivals early in 1954, the pressure on the funds available to the trade as also the storage space increased considerably. On the other hand, there were hardly any major new buyers in the field and, in some cases, the exports were well below the level for the past two or three years. As a result, the rice export and domestic markets were depressed. This situation reflected the inadequacy of downward export price adjustments effected towards the close of 1953 or early in 1954.[2] In fact, as indicated earlier, these reductions were offset by declines in domestic prices in some deficit countries as also by the downtrend in wheat prices on international markets. Table 4 indicates the trends of rice exports from the main exporting countries.

However, the position has changed considerably after the conclusion of the Indo-Burmese agreement towards the end of March 1954 providing for the export to India of 0.9 million long tons of rice at £48 per long ton f.o.b.[3] for S.M.S. 42 per cent. It appears likely that the rice supplies entering intra-regional trade in 1954 may show some improvement over the low level of 1953. This will obviously be due to larger rice exports from Burma offsetting reductions elsewhere. Nevertheless, carryover stocks at the end of the current year may still be large in the main exporting countries.

The basic factor in the regional rice situation still remains the increase in export availability over effective demand at current prices. The potential demand for rice, as judged from the imports of food grains other than rice (e.g. wheat, barley, etc.) in primarily rice-eating areas, still exceeds significantly the visible rice surpluses in the region. For moving these surpluses into consumption timely action would, however, have been required to bring rice export prices into a more reasonable relationship with prices in important consuming countries as also with the prices of competing food grains like wheat.

To absorb existing rice surpluses as well as the increases in output that may be expected from present development plans some substitution of rice for imported grains in the area may be needed over the next few years. There are of course still many people in the region whose consumption of food grains is inadequate, not least among them being some of the food producers themselves. But to increase their total consumption will involve increasing the general level of income in the

TABLE 4

RICE EXPORTS

Monthly averages

Thousand tons

	Annual				First quarter			
	Burma	Cambodia--Laos-Viet-Nam	Thailand	Total	Burma	Cambodia--Laos-Viet-Nam	Thailand	Total
1951	110.2	29.7	131.5	271.4	119.6	23.6	159.5	302.7
1952	110.3	20.4	118.8	249.5	107.7	28.6	135.5	271.8
1953	73.1	17.3	111.7	202.1	28.0	17.9	101.8	147.7
1954	..	..	..	..	126.3	33.0	84.6	243.9

Sources: Burma: Central Statistical and Economics Department; Cambodia-Laos-Viet-Nam: Institute d'Emission; Thailand: Bank of Thailand.

1. Australian wheat price (IWA and free) declined by 14 per cent between August 1953 and end of February 1954.
2. While in Burma the f.o.b. price of S.M.S. 42 per cent was reduced from £60 to £50 per long ton (16.6 per cent), in Thailand the corresponding reduction for W.R. 20 per cent was from £57.11.0 to £50.7.0 per metric ton (12 per cent).
3. It is a 3-year agreement providing for annual export of 300,000 tons of rice at prices similar to those in the Burma-Ceylon agreement, but Burma has exercised the option of supplying the entire quantity in the current year at the average price of £48 per ton. Since £13 per ton are adjustable towards repayment of debt by Burma, the amount payable at present is £35 per ton.

region, while maintaining the relative shares of those whose incomes most need increasing. This is a long-term problem which the emergence of food surpluses brings more sharply into focus, but will certainly not be solved by maintaining the prices of food crops at levels where they cannot be sold.

In mainland China agricultural production in 1953 was reported to have maintained the 1952 level, increased acreage being offset by bad weather conditions and pests. Food production in both years was claimed to be 10 per cent above the pre-1949 peak of over 140 million tons.[1]

Because of increased demand, however, drastic measures have had to be taken to collect the required amount of food. On 19 November 1953, the Administration Council of the Central People's Government at its 194th session, adopted the "Order for the enforcement of planned purchase and planned supply of food".[2]

This order requires the state to take over, in principle, all trade in food, to determine standards of consumption for different population groups, to fix official purchasing and retailing prices, and to handle the food trade through government marketing centres and marketing co-operatives.[3] Standards are determined partly on administrative grounds and partly on political, through "democratic discussions".[4] It was estimated that planned supply of food affected 60 million people in towns and cities by the end of January 1954 and would affect another 140 million in the countryside when the policy was enforced throughout the country.[5] It has not, however, proved possible to abolish the free market in food immediately, and control of the free market has had to be effected through the public security organs.[6] Comment in the official press appears to indicate that there has also been substantial waste of food as a result of transport and storage difficulties.[7]

Tea

During 1953, total production of tea in the main producing countries of the region showed a small increase over the 1952 level, the reductions in India owing to unfavourable climatic conditions or pest attack being offset by the large increase in Ceylon. Demand, on the other hand, showed a sharp increase due to increased consumption. Particularly important in this context is the fact that the upward trend in tea consumption noticeable in 1952 in the United Kingdom and the United States has been maintained in 1953 and the early part of 1954. The main factors which have contributed to increased consumption are the cheapness of tea compared with coffee and cocoa, the increased availability of sugar in the United Kingdom and increased sales pressure in the United States. As a result of this large increase in demand[8] tea prices have risen appreciably. The lower priced teas (from India etc.) have, however, increased comparatively more in price. Despite the upward trend in tea prices during the past few months, its competitive position has not yet been affected because cocoa and coffee prices have also risen sharply.[9]

While the prevailing high prices, particularly for the cheaper qualities, are likely to stimulate production through greater use of fertilizers, etc. and more thorough picking, the lessons of the 1952 slump in tea have not probably been forgotten yet and the voluntary regulation scheme is still in existence in India. Much will, however, depend on the weather conditions experienced during the coming months.

Table 5 shows the trend in production and export from the main countries of the region.

Sugar

Production of sugar maintained its upward trend in 1953 in the main surplus countries of the region, the increases registered over the previous year being 50 per cent in China: Taiwan and 35 per cent in Indonesia. In the Philippines, the increase was more modest.

World prices of free market sugar, which had shown some rise in the earlier part of 1953, tended to decline in the second half of the year and reached their lowest point—3.10 cents per pound—in November 1953.[10] This downward trend was due to expectations of the 1953/54 world sugar production exceeding the record level of 1951/52 and the desire of exporters to reduce their stocks before commencement of the International Sugar

1. For definition and production of food in 1952, see *Economic Bulletin for Asia and the Far East*, November 1953, p.21. In New China News Agency (hereafter abbreviated as NCNA), Peking, 28 February 1954, it is claimed that food output in mainland China in 1953 surpassed the prewar peak level by 10 per cent, whereas earlier in *People's China*, 1 February 1954, the percentage given was 16.
2. NCNA, Peking, 28 February 1954. It is significant to note that the said Order was not released to the public until after over three months, by the official news agency.
3. According to NCNA, Peking, 7 April 1954, there are more than 30,000 supply and marketing co-operatives serving the rural areas, with a total membership of more than 153 million.
4. NCNA, Peking, 1 March 1954. *People's Daily* editorial on "Planned purchase and planned supply of food".
5. NCNA, Peking, 28 February 1954.
6. "Judicial organs should safeguard the thorough implementation of the policy for the unified purchase and unified sale of food", *People's Daily*, Peking, 7 March 1954.
7. "Food transported by rail suffers serious losses due to ill-protection", *Ta Kung Pao*, Tientsin, 7 August 1953; "Make a good job of the custody of food to consolidate the achievements of the food purchase campaign", *People's Daily*, Peking, 20 March 1954.
8. The limits set on export under the International Tea Agreement did not probably have any significant limiting effect on the supplies entering international trade during the year. Thus, in the case of India, because of a short crop, the actual allotment for export in 1953/54 was 125.2 per cent of India's standard exports against the permissible limit of 135 per cent.
9. The 1953/54 exportable surplus of coffee in Brazil (the most important exporter) is expected to be about 13 per cent below original expectations. The price of Brazilian Santon No. 4 ex dock New York was 86.4 cents per lb in March 1954 as against 61.8 cents in March 1953 and 61.8 cents in December 1953.
10. The price referred to is the Cuban f.a.s. price (No. 4 contract) for export to countries other than the United States.

TABLE 5

TEA: PRODUCTION AND EXPORTS

Monthly averages

Thousand tons

	Ceylon	India	Indonesia[a]	Pakistan	Total
			Production		
1951	12.3	23.8	3.9	2 0	42.0
1952	12.0	23.2	3.1	2.0	40.3
1953	13.0	23.0	3.0	2.1	41.1
1953 Jan-Mar	12.4	3.2	3.0	0.2	18.9
1954 Jan-Mar	14.0	3.4	3.6	0.2	21.2
			Exports		
1951	11.5	17.0	3.3	1.8	33.7
1952	11.9	15.5	2.7	0.9	30.9
1953	12.7	18.8	2.4	0.9	34.8
1953 Jan-Mar	11.5	17.9	2.5	0.3	32.3
1954 Jan-Mar	13.3	13.3	3.1	0.1	29.9

Source: The International Tea Committee.

a Estate production, including leaf bought from Indonesian peasants and small holders

Agreement. Thereafter, prices improved somewhat until February 1954, but in the following month they declined to stand at 3.28 cents.

Exports of sugar from China: Taiwan and Indonesia showed substantial increases during 1953 over the 1952 level and this tendency appears to be continuing in the first quarter of 1954. From the Philippines, which exports the bulk of its sugar to the United States under a special agreement, exports showed a decline in 1953, but are tending to increase in the current year.

One significant factor in the sugar situation, however, is the Internationl Sugar Agreement, which came into force from 1 January 1954 and of which two exporting countries of the region, viz. the Philippines and the Republic of China, are also members. It seeks to stabilize prices between certain minimum and maximum limits and to that end the exports from and the stocks in exporting countries are to be regulated.[1] The country which will be affected most is the Republic of China. If the actual permissible quota remains at 80 per cent of the basic quota as at present, the exports from that country may show a substantial decline compared to the 1953 level. For the Philippines, the volume of exports to the United States is outside the scope of the Agreement but is still subject to a maximum quota specified under the Bell Act. In view, however, of the anticipated increase in production in the current season, exports to the United States will have to be maintained at the maximum limits permissible and the excees over the small free market quota might have to be utilized internally.[2] Table 6 shows the trend of exports from the main exporting countries of the region.

TABLE 6

SUGAR EXPORTS

Monthly averages

Thousand tons

	China: Taiwan[a]	Indonesia[b]	Philippines[c]	Total
1951	23.6	0.6	47.3	71.5
1952	38.3	0.1	66.1	104.5
1953	66.9	7.8	63.8	138.5
1953 Jan-Mar	31.8	0.1	80.2	112.1
1954 Jan-Mar	41.9	4.9	95.1	141.9

Sources: *Republic of China*, Inspectorate General of Customs: *Indonesia*, Penerbitan Kantor Pusat Statistik; *Philippines*, Central Bank of Philippines.

a. Refined and unrefined.
b. Manufactured.
c. Centrifugal only.

1. The minimum and maximum prices are 3.25 US cents and 4.35 US cents per lb free alongside steamer Cuban port. The basic export quotas for free market are: China: Taiwan 600,000 metric tons; the Philippines 25,000 metric tons.

2. Prices of sugar in the Philippines are generally higher than in the world markets because under the Bell Act the exports to the United States are free of import duty.

AGRICULTURAL RAW MATERIALS

The production of raw cotton, wool and silk increased during the current crop year, and was largely absorbed by improved demand from the textile factories in the region; though for cotton the United States price supports were an important contributory factor in maintaining prices. Production of the other main textile materials, jute and abaca, declined as a result of previous disorganization and low prices in the jute market reacting also on jute substitutes. Reduced acreage in Pakistan has been another cause of declining production of jute.

Production of vegetable oils, which had declined sharply in 1953, recovered during the period under review as a result of better weather conditions as well as higher prices. By the end of the period improved production of copra in the Philippines, as well as increased African supplies of groundnut and other vegetable oils, contributed to a fall in prices.

Rubber production has proved rather variable, with considerable increases in December and January that were not sustained in succeeding months. It was not until after March that the price showed any recovery.

Cotton

Cotton production increased in the region (excluding mainland China) in 1953/54 compared with 1952/53, the chief increase being in India where (after the decline from 3.16 million bales in 1951/52 to 2.98 million in 1952/53) a 17 per cent increase to 3.50 million bales was recorded. Increases occurred also in other countries of the region except Pakistan. In Pakistan, output fell by nearly a quarter, from 1.54 to 1.16 million bales, partly because of reduction of acreage; and as a result the region's output increased by only 3 per cent. The general upward trend, however, seems likely to continue, both because of increasing consumption in the region and because several of its countries wish to conserve foreign exchange by producing cotton locally.

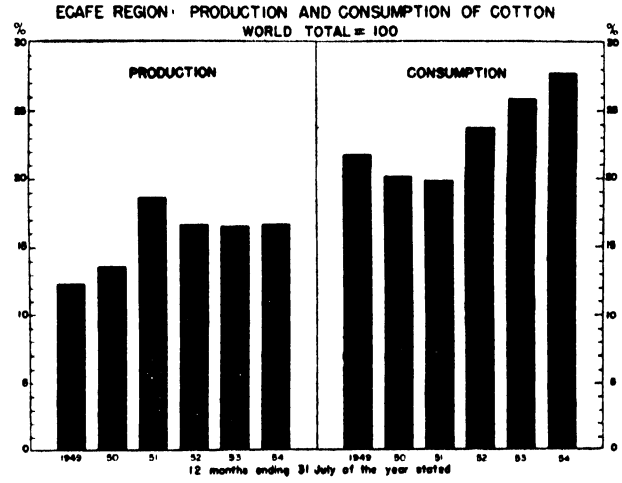
Cotton consumption in the region as a whole has been increasing for some years by about 10 per cent per year, a rate which has been maintained in the period under review by an increase from 2.90 million bales in the half year August 1952—January 1953, to 3.19 million bales in the half-year August 1953—January 1954.

Stocks have fallen in India and Japan, while stocks outside the region have risen. Improved export opportunities for cotton textiles, and reduced imports especially from the United States, contributed to this reduction.[1]

1. Cotton imports into India from the United States in 1953 fell from 164,000 tons to 10,000 tons, owing to reduced foreign exchange allocations and increased output. Cotton imports from the United States also fell in Japan, which imported more from other sources.

The textile producing countries of the region have thus been in a healthier position than producers elsewhere.

CHART 1



NOTES

Source: The International Cotton Advisory Committee.

1. Relates to ECAFE region excluding mainland China. World total excludes U.S.S.R., mainland China, and eastern European countries.
2. 1953/54 production figure is provisional
3. 1953/54. Consumption estimates based on incomplete data relating to India, Hong Kong and Japan

Chart 1 indicates that, in the period under review, the ECAFE region has maintained its relative importance as a producer and slightly increased its relative importance as a consumer of cotton.

Jute

The significant event of the crop year 1953/54 in the jute market was the great contraction both of acreage and of output in Pakistan, which was on such a scale that India became the world's leading producer of this fibre. India itself reduced its acreage, but its output per acre rose, while that of Pakistan fell. This is illustrated in table 7.

Pakistan's exports have been affected by increased consumption as well as by reduced production; for overproduction and disorganization in the jute market in the 1952/53 season not only combined with the food shortage to cause a reduction of acreage, but also strengthened the desire to develop local mills, to reduce the country's dependence on India. In spite of these changes, however, Pakistan remains the world's leading exporter of raw jute, contributing almost a half of the world's total even in the crop year under review. Exports of raw jute remain extremely important to Pakistan's economy, and contributed over two-fifths of the total value of its exports even during the first four months of 1954. In 1954/55 it is planning to increase its acreage again.

TABLE 7.

JUTE: ACREAGE, PRODUCTION AND YIELD

	Acreage	Production
	Million acres	Million bales of 400 lb
India		
1947/48	0.65	1.66
1952/53	1.82	4.61
1953/54	1.20	3.13
Pakistan		
1947/48	2.06	6.84
1952/53	1.91	6.82
1953/54	0.76	2.50
Total		
1947/48	2.71	8.50
1952/53	3.73	11 43
1953/54	1.96	5.63

Sources Indian Jute Mills Association, *Monthly Summary of Jute and Gunning Statistics*, *Jute and Gunny Review*

The reduction of acreage and output in India must be regarded as merely a reaction from the extremely high levels of the Korean-war boom. India is still anxious to reduce the dependence of its jute mills on Pakistan's raw jute and is planning to increase its acreage under the Five Year Plan, though recent events have caused it to reduce the target[1] in accordance with costs of production.

For 1953/54 Pakistan's official forecast of the jute crop is 2.5 million bales, while India's is 3.1 million bales; the total crop in the ECAFE region including the Philippines, Burma and Thailand would thus be of the order of 6 million bales. The stocks carried over from the last year may be about 3.5 million bales. Out of the total raw jute of 9.5 million bales, it has been estimated that Indian jute mills may consume at least 5.3 million bales,[2] and other countries (including 1 million bales in Pakistan) may require about 4.7 million bales.[3] These estimates indicate an excess of demand over supply (with no allowance for closing stocks), and hence the firming up of price during the period under review.

1. The *Jute Enquiry Commission Report*, 1954, recommended a smaller target

2 Indian Jute Mills Association, *Statistical Bulletin*, March 1954, page 1.

3 *Indian Finance*, Silver Jubilee Number, 1953. The journal *Commerce* estimated total world demand for raw jute at 9 million bales.

Other fibres

The Philippines' *abaca* (Manila hemp) contributes a large share to the world output of hemp—the islands' share in the world abaca export was 93 per cent in 1953—but output has been lower during the period under review. In Italy and West Germany prices of hemp have fallen by more than 20 per cent from August 1953 levels, probably as a result of increasing competition from jute. The price of abaca fell correspondingly; and exports of raw hemp which were well over 10,000 tons a month in the first half of 1953, barely exceeded 8,000 tons during the period under review.

There has, however, been increased output of abaca in North Borneo, which, though still a very minor producer, is planning to increase its output considerably. Its exports which were only at a monthly rate of 40 tons in 1952, expanded to nearly 100 tons in 1953. In 1954 monthly exports of over 150 tons are expected, and ultimately the territory is expected to become an important sterling area supplier of abaca.

Price declines in sisal and henequen of 40 per cent or more since 1952 have also reduced the output of these fibres in the Philippines. Probably these declines also can be attributed to increasing competition from jute.

Production of *rayon staple* continued to increase rapidly in the region, both in Japan and in India. Rayon is a product that uses mainly local materials and so economizes foreign exchange, especially in Japan where foreign exchange expenditures for raw materials are being carefully watched. Both in Japan and in India the high post-war price of cotton fibre and the high yield on capital invested in rayon production have encouraged the rapid development of this industry. The scale of production is, however, very different in the two countries. Japan was an important producer before the war and regained approximately the pre-war output in the first half of 1953 with about 6,000 tons a month of filament yarn and 12.000 tons of staple. The period under review increased this rate by about 10 per cent for filament and 25 per cent for staple. In India the industry is still new and small, producing only about 400 tons a month in the period under review. But this also represents an increase of about 25 per cent over the first half of 1953, continuing the rapid rate of growth in the last two years.

The region's production of *carpet wool* also benefitted from high prices during the early part of 1953. In India both the sheep population and the average cut are reported to have increased. Pakistan and Afghanis-

tan, as well as mainland China, are also important producers, Pakistan wools in particular being very highly rated.

The rising trend in production of *raw silk* in the region received a temporary setback during the period under review as a result of frost damage to the mulberry trees. Demand conditions, however, remain satisfactory both in Japan and in the United States.

Rubber

The ECAFE region produces a substantial proportion of the world's rubber output (approximately 60 per cent in 1953 if synthetic is included in the total). The price and the production of natural rubber have declined steadily since the Korean-war boom, while the production of synthetic rubber has increased. There was some recovery at the beginning of the period followed by setbacks in both production and prices. Sustained recovery began only at the very end of the period.

In several of the ECAFE countries rubber production and export is a very important feature of the economy. The proportional share of rubber in the total value of the country's exports in 1953 was, for Malaya, Indonesia, Ceylon and Thailand 48, 44, 22 and 9 per cent respectively, but this was lower than in recent years in Thailand, where it came down from 29 per cent in 1951.

These figures are indicative of the extreme instability of the exports of countries depending on rubber. It is a product for which the demand is both variable and highly insensitive to price changes, so that price changes are apt to be very large. Their amptitude might be reduced if output responded more readily to price changes, and this might well diminish the range of fluctuation of incomes in the region.

Table 8 shows the increases and decreases in production of natural and synthetic rubber since 1948. The recent decline in world production of synthetic rubber and the increase in world production of natural rubber can be interpreted as a favourable indication for the rubber economies of the region, in spite of a check during the first quarter of 1954. There is, however, some cause for anxiety because both the United States demand for stock-piling and the current demand from mainland China and the USSR are likely to prove impermanent. Recently the United States administration has been more sympathetic towards the producers of natural rubber and some regulations operating in favour of synthetic rubber have been relaxed, but there can be no certainty that this new attitude will persist; unless natural rubber can compete really effectively with synthetic rubber its position will remain insecure.

Copra and coconut oil

The ECAFE region accounts for over 80 per cent of world export of copra and coconut oil; the Philippines, Indonesia, Ceylon and Malaya being the important producers. The region's production and export of copra which owing to the Korean war had reached a peak

TABLE 8

PRODUCTION OF NATURAL AND SYNTHETIC RUBBER

Monthly averages

Thousand tons

	Natural rubber		Synthetic rubber[b]
	ECAFE countries[a]	World total	
1948	123	129	45
1949	120	126	37
1950	150	157	45
1951	151	160	77
1952	142	152	74
1953	136	146	79
1953 Jan-Mar	131	142	81
Apr-Jun	130	138	82
Jul-Sep	141	150	77
Oct-Dec	143	154	67
1954 Jan-Mar	131	141	64

Source: International Rubber Study Group.

a. The figures included for Cambodia, Ceylon, India, Indonesia, Malaya, Sarawak and Viet-Nam relate to production, the figures for North Borneo, Brunei, Burma and Thailand relate to net exports.

b. Includes the production of Canada, West Germany and the United States.

during 1951/52 declined for the year 1952/53—as did that of coconut oil also. This decline reduced the share of copra and coconut oil in total exports of the Philippines from 56 per cent in 1950 to 33 per cent, and similarly for other countries. Prices at the end of 1953 were higher than in the middle of the year, and appear to have stimulated production, as exports in all countries except the Philippines were higher in the fourth quarter of 1953 than in the second or third quarter. For example, in Ceylon, exports of copra and coconut oil in the second quarter of 1953 were 7,400 tons a month but rose to 10,700 tons in the fourth quarter, and then fell back to 6,700 tons in the first quarter of 1951. Copra production in Malaya rose from 12,000 tons per month in the second quarter of 1953 to 14,500 tons in the third and fourth quarters, but fell back to 13,500 tons in the first quarter of 1954. In the Philippines, however, copra exports in March 1954 totalled 50,966 long tons, 14 per cent more than in March 1953. In Indonesia, the activities of the Copra Foundation were responsible for the increase in production and export, as the Foundation guaranteed the price to the copra growers.

In general, the period was one of keen demand from Europe and India as well as increased domestic consumption in Indonesia.

Mineral production

During the period under review there has been a recession in the production of iron ore and an improvement, which was not fully maintained, in the production of tin, but trends in the different countries have been divergent. There have however been definite improvements in production in other metals and minerals: pig iron, steel, tungsten ore, manganese ore, chromite, ilmenite; and also zinc, lead, copper, antimony, bauxite and aluminium.[1] In these last, however, the advantage of increased production was largely offset by lower prices.

Iron ore, pig iron and steel

The ECAFE countries do not at present occupy an important position among the world's producers of *iron ore.* Within the region the major producers, India, mainland China, Malaya, Japan and the Philippines, have made strenuous efforts to increase their production and the trend since the war has been rising fairly steadily. Production in the region was about 4 per cent better in 1953 than in 1952, but the early part of the period under review was one of recession, most countries of the region experiencing reductions in output followed by some recovery in the early months of 1954.

Japan's problem, discussed in recent surveys, of securing supplies of imported iron ore for its industries, continued to cause anxiety and its efforts to obtain them from India have not met with success during the period. Development of Malaya's iron ore resources (possibly with American aid) may be the long-run solution.

The recent discovery of ore deposits in Pakistan and in Afghanistan offers good prospects for further development in the region.

Despite the absence of encouraging signs for the production of iron ore, *pig iron* and *steel* production has increased in countries of the region. In Burma and Pakistan steps have been taken towards setting up steel plants. In India plans have been finalized for setting up a steel plant with a capacity of more than half a million tons in Orissa in partnership with a German firm involving an investment of over Rs 500 million and another is to be set up in Madhya Pradesh for which survey work has begun. These are further examples of the efforts now being made by under-developed countries to produce more pig iron and steel to meet rising domestic demands from development plans and to conserve foreign exchange for the purchase of capital goods. Home production in the region has proved a real economy, as prices of pig iron and steel remained higher in 1953 in Europe and the United States.

In mainland China among the principal works completed for production in 1953 were two automatic furnaces, four coking furnaces, an automatic steel rolling mill and a seamless tubing plant in Anshan, a steel bar plant in Tientsin, and eight small furnaces in Maanshan and Lungyen. Labour efficiency is reported to have risen by 28.3 per cent in 1953 as compared with 1952 in Anshan, the steel city of mainland China, and by 15.5 per cent on the average for all iron and steel plants.[2]

Next to Anshan, Tayeh near Hankow is being rebuilt as the second steel centre in mainland China. The first stage, in this construction, to be completed in 1955, includes restoration of the steel plant of the former Hanyehping Mining Corporation with new open-hearth and electric furnaces, and rolling, forging and pressing departments much larger than the existing ones.[3]

1. India, where the production of aluminium fell, was an exception to this general trend

2 NCNA, Peking, 15 February 1954.
3. NCNA, Wuhan, 10 January 1954.

Tungsten ore, manganese ore, chromite, etc.

Production of tungsten ore increased in mainland China, Burma, India, Korea (South) and Thailand. Mainland China's output mostly went to the Union of Soviet Socialist Republics and South Korea's to the United States. Recently, Thailand has prepared plans to increase its production with United States aid. Under the United Nations Korean Reconstruction Agency (UNKRA) programme in Korea (South), production rose during 1953 to six times the pre-war level.

India is an important producer of manganese ore for export to the United States. With the setting up of a 25,000 ton ferro-manganese plant in Orissa in co-operation with American capital, and further extensions in existing iron and steel work, the production of manganese have increased.[1] Mainland China reported an increase in manganese production, and the Philippines also showed an advance over 1952.

Production of chromite has also increased in the region, the Philippines being the region's largest producer followed by Japan, India, Pakistan, etc. Chromite is now also produced in Afghanistan for export to the United States. In the region, India leads in the production of ilmenite, producing 90 per cent of the total for the Commonwealth countries.

Tin

In 1953 output of tin mines of the ECAFE region during the last quarter showed some improvement over 1952, though the year as a whole was one of slight contraction. Even the improvement of the last quarter was not maintained in the first quarter of 1954, though there are signs of improvement since March. Smelting activity in Malaya was rather lower in the fourth quarter of 1953 than in most previous periods, but increased remarkably in the early months of 1954.

The setback in production in early 1954 was not a result of any fall in tin price, as prices were rising continuously, but appears to have been due to temporary and local factors.

Tin production and exports and prices are expected to be more stable in view of the signing of an International Tin Agreement at the end of June 1954. The volume of stocks in Malaya and Indonesia is expected to fall by the end of 1954—partly by absorption into the United States stockpile if the US-Indonesian Tin Agreement is also signed. In mainland China, tin ore is being mined in growing quantities in Yunnan Province.[2]

Zinc, lead and copper

Japan and India, the main producers of these metals, registered an increase in output during the period. In India, copper production was 50 per cent above the 1953 monthly average. The upward trend in output, however, was offset by a fall in prices.

In Pakistan at the north of Fort Sandeman, rich veins of copper have been found while in Afghanistan near Talinan lead deposits have been found.

Antimony, bauxite and aluminium

Production of antimony in India fell and amounted to only 130 tons in 1953 as against 376 tons in 1950. It is however expected to rise to 400 tons in 1954 provided that protection to the industry is extended.[3] Antimony is now also produced in Afghanistan; its production has expanded in Pakistan and Thailand. Mainland China, however, remains as the major producer of antimony.

The production of bauxite expanded in both India and Indonesia. Bauxite reserves in Indonesia are said to be in the region of 18 million tons on Butan Islands, in addition to substantial reserves elsewhere. Plans for setting up an aluminium industry at Palembang are under consideration. At present the Indonesian ore is mainly exported to the United States and Japan. Aluminium production in Japan and China: Taiwan increased and the Philippines have also become a producer of aluminium.

Industrial production

Industrial production and industrial potential in the region increased notably in India, Japan and China. In Afghanistan, Burma, Ceylon, Indonesia, Korea, Pakistan, the Philippines and Thailand industrial plants were installed during the period and plans to install others were made. Raw materials which used to be mainly exported were retained to some extent in the countries for manufacturing purposes. Examples of such activities are the setting up of petrol refineries, desiccated coconut factories, rubber processing works, cotton and jute textile mills, chemical plants and light engineering industries. Some of the countries, for example, Burma, India and Pakistan, planned to enlarge or set up new iron and steel industries under the development programmes.

1. Investigation in regard to "beneficiation" of low-grade ore by the joint efforts of the Bureau of Mines and the National Metallurgical Laboratory promises an increase in production.

2. NCNA, 4 November 1953.
3. The installed capacity of the Chitral Mining Company and its subsidiary is 700 tons per annum. The estimated requirements in India per annum amount to 400 tons.

Aside from the expansion of state enterprises in mainland China, several public enterprises in the region were organized and financed through the newly established Industrial Development Corporation and Industrial Finance Corporations. Moreover, control of several other newly started industries was organized under direct state authority. This tendency to expand the public sector was, however, reversed in China: Taiwan where the private sector was expanded by passing on some public enterprises to private entrepreneurs.

Loans from the International Bank for Reconstruction and Development or foreign aid under the Colombo Plan, or other programmes of assistance from the United States and elsewhere, increased. The participation of foreign capital and management expanded also, the main participants being west Germany, Japan, the United Kingdom and the United States. German firms took the main share of the iron and steel plants, American and British firms of the petrol refineries.

Some of the trade agreements, like the Anglo-Japanese Payments Agreement, Deferred Payments Agreement between Japan and Pakistan of January 29, 1954 and the trade agreements of countries of the region with mainland China and the Union of Socialist Soviet Republics worked as additional stimulants to industrial activity of the region during the period under review. However, it may be noted that progress in textiles and other light industries was generally fostered by the use of import quotas.

In *Afghanistan*, the capacity of the two existing cotton mills at Pul-i-Khumri and Djebel Saraj has been increased by 15,000 spindles, and a new mill has been established at Gulbahar. These mills will together produce 75 million metres as against an annual consumption of 110 million metres in the whole country.

Burma achieved progress in cotton textiles, rice-milling, vegetable oil, cement works, and sugar (the output of which quadrupled in 1953 as compared to the 1950-51 output of 5,000 long tons). A brick and tile factory has been built, and a contract signed in 1953 for the completion, by 1956, of a steel rolling mill with a 20,00 long tons production capacity. Insurgent activities, however, still seriously hampered petroleum refining and other activities. Minor developments include tyre-recapping and sulphuric acid production. Further schemes for industrialisation have been worked out under the Seven-Year Economic Development Programme, including manufacturing projects in jute, salt, cement and paper.

In *Cambodia* and *Viet-Nam* production of electricity and cement during 1953 exceeded pre-war levels. Attempts were being made to increase coal production. with the help of new machinery, to regain the pre-war level of 2.3 million tons per annum. These efforts have produced the highest levels of output since the war in the period under review, though even these barely exceed 100,000 tons a month.

In *Ceylon*, plans were partly implemented to increase installed capacities for electricity and cement. Industrial activity has not, however, developed vigorously during the period in spite of the protection of the Industrial Products Act (1949) and the existence of the Agricultural and Industrial Credit Corporation. It may have been under some indirect pressure from the stricter budgeting and tighter monetary policy designed to correct the balance of payments. The loan from the International Bank for Reconstruction and Development. announced in January 1954, to provide foreign exchange for the second stage of the hydro-electric scheme, and subsequent loans from the International Bank and the London money market since the end of the period under review are however expected to contribute to increasing industrial activity.

In *China* industrial production in Taiwan was higher in 1953 than in any year since the war, the index for all industries being 323 (1948 = 100) for the whole year. This appears to have been chiefly a result of the great increase in textile production, brought about with American aid. The index for textile output was 920 (1948 = 100) as against 660 in 1952, cotton yarn output having increased from 1,100 to 1,900 tons a month from 1952 to the last quarter of 1953, and cotton fabrics having almost doubled their output in the same period by a rise from 7.1 to 13.3 million metres. Expansion in other industries has been relatively much less. The only setback was in mining and quarrying, which was below the 1952 level throughout the year and regained it only in the first quarter of 1954. During the period under review the private sector of the economy appears to have increased its relative share.

On the mainland it has been claimed that industrial production rose in 1953, the first year under the Five-Year Plan, by 28 per cent over 1952, and is expected to rise for modern industry by 18 percent over 1953 in 1954. The rate of production in 1953 is reported to have increased most for machinery, followed by petroleum, iron and steel, cotton textiles and coal. Targets for the rate of increase in 1954 are less ambitious, except for coal.

In addition the machinery industry is reported to have greatly increased in output, in comparison with 1952, through an increase of 1.4 times in capital investment and of 30 per cent in average productivity per worker. Among the hundred or more enterprises mentioned as either renovated or extended or newly built during the year, the most important were the first automobile factory and a pneumatic tool factory in Mukden; heavy machinery plants in Mukden and Taiyuan; electrical machinery works, a lathe factory and a measuring and cutting tool factory in Harbin; and a ship-building yard in Wuchang.[1]

In *Hong Kong*, in 1953 the electricity consumption was 166 million kwh as against 144 million in 1952. In the first three months of 1954 it was 43 million; government investment increased to HK$ 71 million in 1953 as against HK$ 32 million in 1952, the monthly exports of locally manufactured goods averaged over HK$ 50 million in 1953 as against about HK$ 40 million in 1952. The total number of factories is now about 2,500, mostly in light industries (textiles, garments, torches, batteries, rubber shoes, etc.). The expansion of industry needed to offset a declining entrepot trade is now to be fostered by a joint Trade and Industry Advisory Council which was set up at the end of 1953.

In *India*, the period under review coincided with the beginning of the second half of the Five-Year Plan. Several appraisals have been made of progress to date. Some anxiety is felt about the inadequate progress in some parts of the private sector, while plans in the public sector were progressing fairly satisfactorily.

In the consumers' goods sector where output was intended to expand significantly without great expansion of capacity, progress was recorded as uneven, the target having been exceeded in some lines, such as cotton, while others such as electric lamps had made no progress or even receded. On the whole the period under review has not produced any significant correction of this unbalanced situation. Textiles and footwear continued to advance, but there were no significant improvements in industries such as sugar, soap and jute manufactures, where relative stagnation or recession had been reported at the beginning of the period.[2] The main improvements in the consumers' goods section occurred in bicycles and sewing machines where good progress had already been reported.

The period under review has been more important in the producers' goods sector where greater capacity increases were included in the Five-Year Plan. Output increased beyond the levels achieved in 1952/53 in almost all the industries in this sector, including finished steel, aluminium, superphosphates, heavy chemicals, sheet glass, and rayon filament. It is curious to note (in view of the great expansion in textile production) that the only significant declines in this sector in the period were in some types of textile machinery.

There were significant capacity increases in superphosphates (where in January 1954 the Five-Year-Plan target for capacity was reached) and also in cement, heavy chemicals and some textile machinery. Mention may also be made of the attainment of the Five-Year-Plan target capacity for sheet glass in September 1953 and the big expansion in aluminium capacity expected just after the end of the period.

In the sector of the Plan dealing with production of key materials from local resources, a significant development was the completion of one of the petrol refineries. In the public sector production was increased in the Chittarranjan Locomotive Works and the Sindri fertilizer factory, and the government DDT and penicillin factories were completed.

The government, towards the end of the period, announced several extensions of the Plan, designed primarily to combat unemployment, but also to improve transport and other services.

Further favourable indications for the industrialization of India during the period under review were the expanded railway budget, further expansion schemes in the steel industry and the decision to manufacture marine engines at Faridabad. Industry has also been assisted by the conclusion of the Anglo-Japanese Payments Agreement for textiles and by adjustments of Indian customs duties; and it is proposed to establish an industrial development corporation.[3]

In *Indonesia*, government-owned industries erected and completed under the Emergency Industrialization Programme during the last quarter of 1953, include a printing works and three rubber re-milling factories, while a cotton mill of 30,000 spindles was nearing completion. Arrangements were made for radio factory at Surabaya in East Java, in which a European firm supplied machinery and equipment. Considerable in-

1. NCNA, Peking, 30 and 31 January and 24 March, 1954.

2. There appears however to have been some recovery in paints and varnishes.

3. Plans for a private industrial development corporation under the advice of the full mission from the International Bank for Reconstruction and Development were finalized during the second quarter of 1954, in addition to the proposed formation of a State industrial development corporation.

creases in capacity and output were registered in light bulbs, tyres and cigaretttes, and there were attempts to establish other industries, such as bicycles, shoes and plastic goods. An automobile plant is being established in association with a German firm at Surabaya. German help is also being sought to establish an iron and steel concern in South Sumatra, based on locally produced iron and coal.

In *Japan*, the industrial production index rose from 213 in 1952 (1948 = 100) to 251 in 1953 and was 276 for the fourth quarter of 1953 and the first quarter of 1954. A sharp fall in the export index from 140 in December to 94 in January appears to have been partly responsible for checking the rise, as textile output fell in January, chemicals in February and March and metals in January and February; and these all have an important export context. Improvement occurred in nearly all sectors in March, notwithstanding reports of bankruptcies and retrenchment as a result of the tighter credit conditions. This corresponds to the improved export figures in March and may be interpreted as preliminary evidence at success in the policy of directing production into export channels by harder conditions in the home market.

Factors favourable to the expansion of production during the latter part of 1953 were the establishment in September 1953 of the Small Industries Finance Corporation, a $40 million loan in October 1953 from the International Bank for Reconstruction and Development to the Industrial Development Bank, the Sino-Japanese Trade Agreement in October 1953 and the Anglo-Japanese Payments Agreement in January 1954.

In *Korea* (South) production of cotton yarn, cement, electric power, and tungsten continued to expand under the rehabilitation programme. Aid under the United Nations Korean Reconstruction Agency (UNKRA) was planned to be $130 million for the year ending June 1954, and United States aid to be $100 million for 1954.

Malaya was visited early in 1954 by a Mission from the International Bank for Reconstruction and Development to advise on long-term development. Implemataion of its earlier development plan has been interrupted by the Emergency.

Pakistan, an important producer of raw jute and cotton, gave first priority to the setting up of more textile establishments to ensure employment, exchange earnings, industrial activity, and fair prices to cotton producers. Cotton and jute mills increased in capacity. With the programme of industrialization, its economy continued to develop towards diversification and savings in foreign exchange. Stimulus was given by the Industrial Development Corporation which has undertaken capital outlay projects of about Rs 500 million, the American wheat-aid loan, and the credit (granted in July 1953 by the United Kingdom) of £10 million for the purchase of capital goods. Cement plants at Manghopir, Dandkhel and Hyderabad were set up; paper mills at Karnafuli came into operation, and Pakistan Cables, Ltd. started the manufacture of electric wires and cables with the participation of United Kingdom firms.

In the *Philippines*, the index of industrial activity in 1953 increased for all items except textiles and electrical appliances, the smallest rise being 8 per cent for stone, clay and glass products and the largest 52 per cent for metal products. In the fourth quarter of 1953 the rise was particularly pronounced in manufactures, tobacco products and textiles, but almost every industry showed some improvement. The Philippines' industrialization has been concentrated on the production of light consumer goods, such as cigarettes, sugar, soft drinks, wearing apparel and knitted fabrics. Increased capital outlays have, however, recently been made in public enterprises, an example being the completion during the period of the fertilizer plant, linked to a hydro-electric plant mentioned in the *Economic Survey of Asia and the Far East, 1953*. The announcement early in 1954 of the Philippines' Five-Year Economic Plan—which places greater emphasis on industrialization —may accelerate the speed of industrial development.

In *Thailand*, there has been renewed interest in industrialization following the deterioration in the rice market. It has recently been decided to set up a steel plant and investment has been solicited from the public for an additional cement factory sponsored by the Government. Under a new financial syndicate, the cotton mill, which was declared bankrupt in 1953, has begun production again. Manufacturing capacity is also being expanded for jute. Increases by over ten per cent in monthly averages in the production of electricity, tin and cement have been recorded for the period under review.

Fuel and power

Petroleum: crude and refined

The important crude petroleum producing countries in the region are Indonesia, Brunei, Japan, India, Burma, Sarawak and mainland China. Among these, Indonesia's share in world exports of petroleum is 6 per cent. The decrease in production during the period under review is worth noting in Indonesia, Brunei and Pakistan.

During 1953 and the first quarter of 1954 new or expanded capacity for refining petroleum has been installed to conserve foreign exchange and increase industrialization in India, Burma, Pakistan and Indonesia. In most installations foreign capital has participated.

In *Burma*, output of petroleum is still well below the pre-war level, when crude oil and petroleum products accounted for 21 per cent of the country's total export-value; even for internal consumption petrol has to be imported. However, the formation of a new company to be called the Burma Oil Company Ltd. in early 1954 under an agreement with the Government, following the earlier rehabilitation of the Syriam refinery near Rangoon, and the setting up of a new one at Chauk in 1952, augurs well for production in 1954.

In *mainland China* production of crude petroleum and products in November 1953 is stated to have increased significantly as compared with the corresponding period a year ago. There was increased activity in the principal oil fields in Yumen, Wusu and Yenchang of northwest China. A shale-oil refinery centre has been restored and actively developed at Fushun. Oil prospecting is also being carried out over large areas in the Kiuchuan and Szechuan basins, in Chinghai province, and elsewhere.[1]

In *India*, as a result of the signing of agreements by the government with the Standard Vacuum Oil, Burmah-Shell and Caltex companies for setting up petrol refineries, new plants were being constructed[2] during the period under review which would greatly increase India's refining potential. Total output from India's one existing refinery, which uses locally produced crude oil, reached 270,000 tons in 1953 with a monthly average 20 per cent better than in 1952. Progress in the second half of the year was greater than in the first. The new refineries are expected initially to use imported crude oil.

In *Indonesia*, production and export of oil have been continuously increasing, and exceeded pre-war levels in 1953, owing mainly to the development of Caltex's new oil area in Sumatra. American oil companies are undertaking further development. A local company has also been formed to operate the oil-field belonging to the Bataavsche Petroleum Maatschappij (a subsidiary of Royal Dutch Shell) at Atjeh in North Sumatra. This field is said to be capable of producing 1 million tons annually.

In *Pakistan*, production increased by eight per cent from 14,900 tons per month in 1952, to 16,100 tons per month in 1953. Experimental drillings in the western part of the country yielded results and during 1953-54, petroleum has been discovered in the Raniket rocks underlying Dhullian Oil field and at Chak Naurang. In East Pakistan also, exploration, prospecting and drilling operations are in full swing.

In *Japan*, in an attempt to conserve foreign exchange holdings, coal import are being cut sharply and crude oil imports are being increased for refining. Refining capacity in the country is expected to increase in 1954 to 8,300 tons.

In *Brunei* (where Brunei's crude oil is refined), production was slightly lower in 1953, at 406,000 tons a month, than in 1952 when it had reached 423,000 tons. The monthly rate decreased slightly in the period under review.

Electricity

Despite the rapid growth in its output of electricity in recent years, the ECAFE region is still faced with shortage of supply to meet peak demand. Chart 2 shows that allowing for seasonal fluctuations, the upward trend of electricity production has been maintained and in some cases increased in the period under review.

In *Afghanistan*, electricity will soon be generated by the development of the Helmand and Afghandah River valleys, on which the government has already started work with the aid of an American firm. The United States Export-Import Bank had already advanced $21 million in 1949 for development of one of these valleys.

In *Burma*, a scheme costing K120 million is under way to set up diesel generating installations in the principal towns, with transmission and distribution to adjacent villages. Under the Seven-Year Development Plan, investment amounting to K 772 million has been envisaged for electric power. Surveys have been made or are under way for the development of hydro-electric power stations and of thermal generation.

In *Ceylon*, the International Bank for Reconstruction and Development has been approached for a loan to meet the capital costs in foreign exchange of a further 25,000 kw of hydroelectric power development on the Norton Bridge scheme for which 25,000 kw capacity has already been completed. The average rate of growth of electric generation has been above 10 per cent per annum since 1950 though progress has not been continous.

1. NCNA, Sian, 30 November 1953 and Peking, 11 and 12 February 1954.

2. The first of these has now been completed.

During 1953 the monthly average of power generation was 12.03 million kwh, as against 6.76 million kwh in 1950; it was higher during the last quarter of 1953 than for the year as a whole, by about 8 per cent, the rate of growth being maintained in the first quarter of 1954.

In *China*, the production of electricity in Taiwan in 1953 was 130 million kwh per month as compared with 118 million kwh in 1952; and in the first quarter of 1954 it was 150 million kwh per month compared with 126 million kwh in the corresponding quarter of 1953. This suggests that the rate of increase was accelerating even beyond the annual improvement of more than 10 per cent in recent years, owing to the installation of new capacity with United States aid.

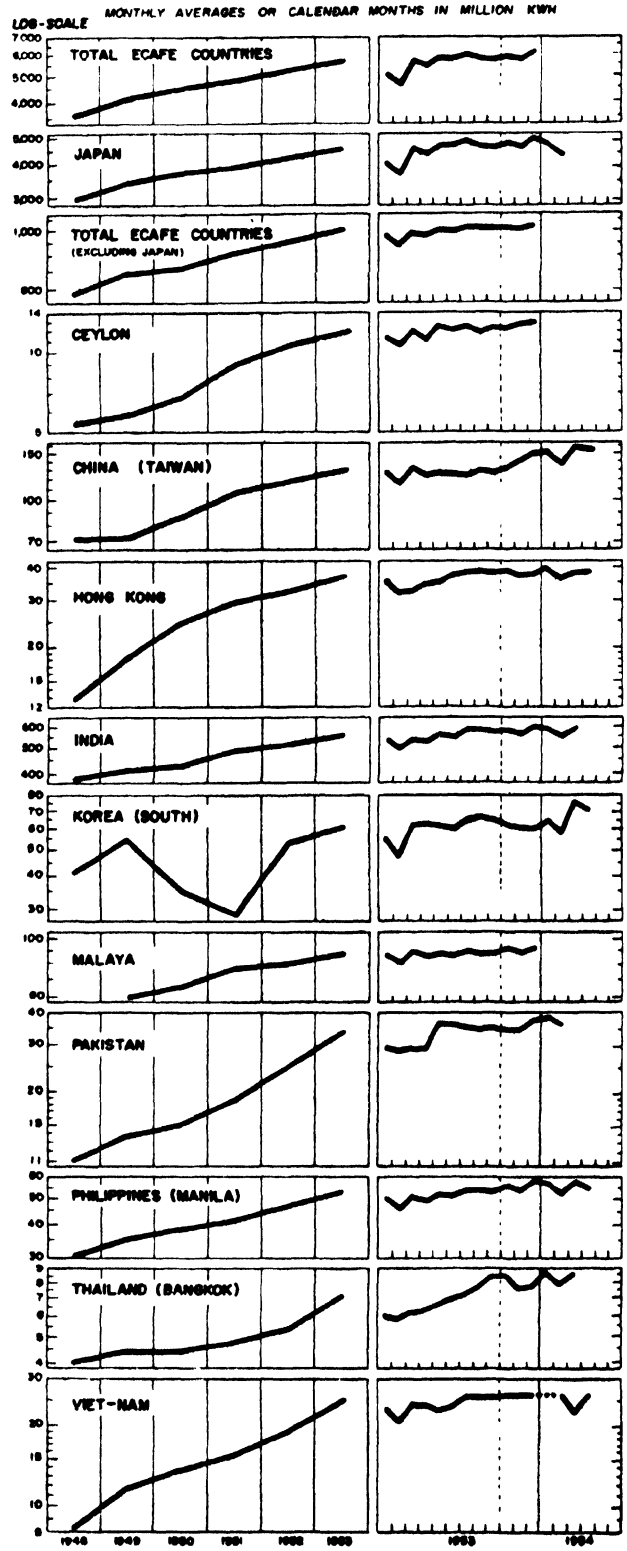
On the mainland, in 1953, there was reported to be an addition of 19.2 per cent to the generating capacity of the state owned power plants. The new plants added include those in north, north-west and south-west China (Sian, Tihwa, Chengchow, Chungking and Taiyuan), together with the 220,000-volt high tension transmission lines in the north-east. The plants in Sian, Tihwa, and Chengchow began to generate power in 1953.[1]

In *India* the rate of growth of electric energy during 1953 was 9 per cent. Seasonal factors make it difficult to interpret developments during the period under review accurately as production normally falls during the winter and it fell off slightly during the period.

In comparison with the corresponding quarter of 1953 there was an increase of 10 per cent during the first quarter of 1954. The additional installed capacity (of 425,000 kw) during the first two and a half years of the Plan greatly exceeded the target. Progress has been maintained at approximately the rate of the first two years during 1953/54. The period under review witnessed the final phase of work on one of the two Nangal Power Houses and considerable progress on the transmission lines of the Bhakra-Nangal Project. The Bokaro Thermal Station and the Tilaya hydro-electric Station of the Damodar Valley project increased the range of their electric power supply in the South Bikar colliery area; and more than 150 miles of transmission lines have been constructed to distribute the energy generated at these stations. For the financial year 1953/54, the development expenditure budgeted has been more than Rs 300 million—roughly in the ratio of 1 to 3 for thermal and hydro-generation. The capital requirements for electric equipment of some projects were financed out of foreign aids, such as the Ranangundam Thermal Project in Hyderabad out of the Australian aid and Manyurakshi from Canadian aid. The International

CHART 2

ELECTRICITY PRODUCTION



1. NCNA, Peking, 20 January 1954.

Bank for Reconstruction and Development has authorized a further loan of $19.5 million to the Damodar Valley Corporation. Under the Colombo Plan, experts were trained by Canada for hydro-electric projects.

The development of hydro-electric power plants is under way in *Indonesia*, mainly in Sumatra. In North Sumatra, with a view to establishing an industrial town of about 50,000 inhabitants, a hydro-electric plant to generate ultimately 600,000 kw is under construction. The industries planned are a steel mill, an aluminium factory and chemical industries under State ownership and operation.

In Asahan District in North-East Sumatra, where waterfalls, estimated to be the biggest in South-East Asia, are to generate 1 million kilowatts, a power project is being developed to supply projected iron, steel, fertilizer and aluminium industries.

The annual rate of increase of electricity generation in *Japan* has been about 7 per cent in the last few years. The monthly averages for 1952, 1953, the first quarter of 1953 and the first two months of 1954 were respectively 4,304, 4,641, 4,165 and 4,671 million kwh. It may be noted that a rate of increase of 7 per cent corresponds to that achieved since the war in the mature and comparatively saturated economies of western Europe.

In *Korea, (South)* electricity production continued to show a slight rising trend during the period under review in spite of difficulties due to lack of coal supplies for thermal plants.

In *Malaya*, the rate of growth of electric-power generation during 1953, of about 10 per cent, continued for the period under review, monthly production being 88 million kwh for 1953.

In *Pakistan*, the production was 34 million kwh in 1953 as against 25 million kwh in 1952; it recorded a further slight increase to 36 million kwh in the last quarter of 1953. Aid for capital equipment was provided by Australia and Canada (for the Warsak Project in the North West Frontier Province). For 1953/54, an expenditure of Rs 41.6 million was provided for power projects covering schemes at four places, namely: Mianwali (100,000 kw), Karanfuli (160,000 kw), Kurram Garhi (4,000 kw) and Dargai (20,000 kw).

In *Thailand*, the annual rate of growth was about 28 per cent, but the generation is mainly for Bangkok city. The monthly production during 1952 and 1953 were 5.27 million kwh and 6.6 million kwh respectively. Average monthly production for the second and third quarters of 1953 was 6.7 million kwh and for the fourth quarter of 1953 and the first two months of 1954, it was 7.6 million kwh, showing a rate of growth of about 30 per cent per year.

Coal

Japan, India and China are the major producers of coal in the region, followed by Indonesia and Viet-Nam. New developments have taken place in Afghanistan, Burma, Pakistan and Thailand. Production rose, during the period under review, in the region (except China: Taiwan, Korea (South) and Malaya). In general, the unhealthy developments of 1952 (when production was high) led to a reaction in 1953, which in some countries continued into the first quarter of 1954, affecting the volume of production.

In *India*, the monthly average coal production in the first quarter of 1954 was lower than during the same period a year before. The underlying factors contributing to the fall in production during the period were the rapid post-war recovery of coal export from Europe further strengthened by the formation of the European Coal and Steel Community (which affected markets in Mediterranean countries) and the decline of markets in Japan, Australia, Pakistan, Ceylon and Korea (South). The position was aggravated by the embargo on the exports of high quality coal, by rail transport bottlenecks, by controls over distribution, prices and wages, and by the measures for the conservation of metallurgical coal.

The important policy measures of reducing production and consumption of coking coal under the Coal Mines (Conservation and Safety) Act 1952 had reduced the upper limit for the production of metallurgical coal to 7.4 million long tons for the year 1953 as against 7.9 million long tons in 1952. Despite the fall in production the stocks at pit heads accumulated because of the ban on the export of quality coal. This ban reduces India's foreign markets in Japan, Australia, the United Kingdom, the Scandinavian countries, Mediterranean ports and Pakistan, and reacts unfavourably on production.

The prospects for Indian coal during 1954 are, however, believed to be good, as India is reported to have obtained a contract for the supply of 250,000 long tons to Ceylon; and to have expectations of supplying in addition 700,000 long tons to Japan, 300,000 long tons to Burma and 84,000 long tons to Singapore and Hong Kong. Negotiations for the supply of 200,000 long tons to South Korea are in progress.

In *China* output on the mainland is said to have surpassed for the first time in 1953 the pre-1949 peak of about 40 million tons. This improvement in output, representing a 9.5 per cent increase as compared with 1952, is attributed to a rise in the labour productivity in state mines of 11.1 per cent over 1952.[1]

In 1954 it is planned to increase the coal output by 13 per cent over 1953. The two largest mines at Fushun in the Northeast and Kailang in the North are expected to increase their production by 3 million tons.[2]

In *Indonesia*, the coal production in 1953 was lower than in 1952 by about 7 per cent. The important coal mines are those at Umbillien, which produced 780,000 tons in 1938 and are now producing only some hundred tons per day, and at Buket Arsan where the pre-war production level of 600,000 tons per annum has now been regained. Stocks in the country, however, diminished during the year and now the planning target is 1 million tons per annum for 1954.

Coal production in *Japan* (the second biggest producer after mainland China) which in the first half of 1953 had been a good deal higher than in 1952, fell afterwards, especially in February 1954. The contraction appears to have been due to the impact of general deflationary policies on industrial activity. Most of the collieries laid off workers during the period under review, the total number employed being over ten per cent less at the end of the period than in the first half of 1953. Wages were reduced, leading to a fall in costs per unit, in spite of the reduced output. It was not however until after the end of the period that this led to a fall in prices, which even then did no more than check the rate of decline of activity.

In *Korea (South)*, monthly coal production rose by 50 per cent, from 48,000 tons during 1952 to 72,000 tons during 1953, but declined during the first quarter of 1954. One of the outstanding features of Korean mineral deposits is that the secondary anthracite formations on the one hand and brown coals and lignite on the other are widely spread, but bituminous coals are not found in the peninsula. Most of the production is on the surface under rice fields and mining is difficult. However, the Tai Han Coal Co. has an experimental carbonization plant in Kyonggi-do[3]—and another plant is being planned. They are scheduled to supply both carbonization oil and coalite, which serve as important fuels in Korea.

1. NCNA, Peking, 11 January 1954.
2. NCNA, Peking, 8 February 1954.
3. UNKRA Projects, Monthly Report No. 17.

TEXTILE INDUSTRY

Cotton textiles

Events during the current half year must be interpreted as part of the continuing post-war expansion of the cotton industry in the ECAFE region, an expansion which has increased capacity in India, China and Japan, and established new undertakings in Afghanistan, Burma, Indonesia, Nepal, Pakistan, the Philippines, and Thailand. This expansion was due partly to the weak competitive position of British and American textiles in Asian markets and partly to the efforts of newly independent nations to meet their own requirements in these essential consumer goods using revised tariffs and trade agreements to achieve this. There have been several important developments in the period under review, especially in Pakistan.

In *Burma*, the government operated factory, which produced 2 million pounds of cotton yarn in 1952, expanded output during 1953 and the first quarter of 1954 and increased annual production to about 3.5 million pounds.

In *China*, the expansion of the cotton textile industry in Taiwan already mentioned has gone beyond the substitution of imports by domestic production, and set a target of cotton yarn exports during 1954 at 25,000 bales.

On the mainland in 1953 cotton textile production is reported to have greatly surpassed the pre-1949 peak.[4] It is not easy to account for so great an increase since the number of cotton spindles during the period 1950-53 is claimed to have increased by only 15.5 per cent and the number of cotton looms by 21 per cent.[5] The cotton mills in mainland China were, no doubt, greatly underutilized during the years immediately after the establishment of the Central People's Government while their rate of utilization in 1953 was reported to be approaching capacity.[6] Some allowance may also be made for the adoption of a three shift system in State-owned mills; and of course increases in productivity are claimed, of 5.45 per cent for each spining frame and 5.63 for each loom,[7] which may be additional to an increased rate of utilization.

4. NCNA, Peking, 29 March 1954.
5. China News Service, Peking, 15 December 1953. Another source claims that during 1951-53 600,000 spindles and 18,500 automatic looms were produced by 7 textile machinery plants—5 state and 2 public-private owned (NCNA, Peking, 11 January 1954).
6. *People's Daily*, Peking, 28 December 1953.
7. NCNA, Peking, 10 January 1954.

Fifteen new mills, concentrated mainly in the cotton-growing provinces in north, north-west and central south China, have been built by the State since 1951: eleven during 1951-53 with a reported spindleage of 50,000 and 1,500 looms each and four in 1954 with twice the capacity.[1]

Simultaneously with the expansion in cotton textile output, there has been a rapid increase in raw cotton production. Although 1953 raw cotton output is reported to be no higher than 1952, it is estimated to be 46 per cent above the 1936 level.[2]

In *Hong Kong*, monthly cotton yarn production at 3,200 tons, was 33 per cent higher in the fourth quarter of 1953 than in the corresponding period of 1952—and the same position was more or less maintained during the first quarter of 1954.

In *India*, cotton textile production reached a new post-war peak of 131.3 (1946 = 100) in July 1953 but fell off because of inventory accumulation during the second half of 1953.[3] Prompt action by the government in reducing export duties helped to clear these stocks, and exports for the year reached 701 million yards. As a result, the fall in production was checked by a recovery in December 1953, so that production in the fourth quarter of 1953 was only slightly less than in the fourth quarter of 1952; while for the year as a whole, monthly production exceeded by nearly 7 per cent the record monthly production of 350 million metres in 1952. The Five-Year-Plan target for 1955/56 for mill-made cloth was actually exceeded in the 1952/53 planning year. In 1954 the monthly rate of output has increased further and it seems likely that the 1953 rates will be exceeded in 1954.

At the Buxton conference in 1953 India was allotted a cloth export quota of 1,000 million yards, and it is reported that the industry plans to meet this by a programme of replacement of old machines at an aggregate cost of approximately Rs 3,000 million.

In *Indonesia*, piece goods production nearly doubled its half-yearly average from 1952 to 1953, rising from 11.5 million to 21 million metres, while output of other textiles such as sarongs and towels also rose. A new spinning mill (with 30,000 spindles) is about to start production in the middle of 1954 with technical advice supplied from Japan. The capital invested by the government is Rp 60 million.

In *Japan*, textile production was rising throughout the period under review, though for cotton fabrics it is still below the pre-war level. The rise was continuous except for a sudden dip in January 1954 caused by the sharp decline in exports in that month. The monthly production indices for 1952, 1953 and the first quarter of 1954 were respectively 298, 344, 371 (1948 = 100). Domestic consumption increased, and it is also expected that exports of cotton and rayon cloth in 1954 will exceed those of 1953 by about 200 million yards and about 50 million yards respectively.

In *Korea* (South), the production of yarn and cotton sheeting increased rapidly under United Nations Korean Reconstruction Agency (UNKRA) aid, and a new post-war peak for yarn with a monthly average of 4.6 million metres was attained in 1953. Three more textile mills are being equipped and the production of cloth is expected shortly to reach double the pre-war monthly average of 1 million yards.

In *Pakistan*, the capacity and output of the cotton textile industry increased rapidly. The spindleage during 1953 was raised to 1 million from 630,000 at the end of 1952, and 11 new mills were already under construction for which the machines are to be imported mostly from Japan on a basis of payments deferred over a period of 5 years. Seventy-two per cent of the country's requirements in coarse and medium varieties of cloth and yarn were met domestically, from 59 spinning and weaving mills with over 800,000 spindles and over 13,000 looms during 1953. The monthly average cloth production during 1953 was 18.1 million metres as against 13.3 million metres in 1952; and the monthly averages for the last quarter of 1953 and the first two months of 1954 were 23.7 and 25.3 million metres respectively. It was reported at the Second All-Pakistan Textile Technical Conference that during 1954, 400,000 new spindles will come into operation, thus making Pakistan self-sufficient in its cloth requirement of 1,200 million yards.

In the *Philippines*, the monthly cotton cloth production in 1953 went up to 900,000 metres from 500,000 metres in 1952; the last quarter of 1953 and the first quarter of 1954 recorded further progress—monthly averages being 1.2 million metres and 1.25 million metres respectively.

1. Up to the end of 1953, 6 mills, with about 300,000 spindles and over 9,000 looms, were already in full operation. In 1954, 5 more mills, with 250,000 spindles and 7,500 looms, are expected to be in operation. Of these 15 mills, 13 are owned by the national government and 2 by the provincial government (NCNA, Peking, 29 March 1954 and other scattered official sources)

2. *People's Daily*, Peking, 2 November 1953.

3. Mill Stocks of cotton yarn and cloth in India in 1953.

	Jul	Aug	Sep	Oct	Nov	Dec
Yarn (million lb)	50	52	54	59	56	49
Cloth (million yd)	568	680	763	794	715	727

Source: The Reserve Bank of India.

Small-scale and cottage industries: Several governments in the region are also interested in stimulating production of textiles by small-scale and cottage industries. In *India* the khadi industry encountered serious difficulties in late 1952 and early 1953 as a result of the general deflationary situation. Some of the measures taken to meet these difficulties produced effects in the period under review. The All-India Khadi and Village Industries Board established in January 1953 has been stimulating State governments to spend their allocations from the Rs 35 million grant derived from a levy on mill-made cloth. Khadi has also been prescribed for official dress by the Central Government. The target for handloom-produced cloth for 1955-56 under the Five-Year Plan is 1,700 million yards, but considerable further progress will have to be made if this is to be achieved. In *Indonesia*, the government has built "central production plants" to assist established cottage industries. These "centrals" advance small loans to cooperatives, supervise the supply of raw materials and sale of finished products and provide technical advice. In all about 20 "centrals" began functioning in the second half of 1953 in Java and in 1954, 15 more "centrals" outside Java will be established to produce cottage industry products including textiles. In *Japan*, the Small Industries Finance Corporation was established on 11 September 1953. This measure may improve the financial position of Japan's small-scale textile factories. In *Pakistan*, steps are being taken to establish a Statutory Cottage Industries Development Corporation.

Jute textiles

In *India* in 1953 the average monthly production of jute textiles was lower than that of 1952 by about 5,000 tons (or 8 per cent) and the production for the six-monthly period under review was lower than for the corresponding period a year before. However, the jute manufactures are still the largest single asset in the country's balance of payments contributing between 50 and 60 per cent of dollar and hard currency earnings, notwithstanding the fall in India's share of United States jute imports. The inventories of hessian products and sackings during the period under review were lower mainly because of purchases by Argentina, Australia and New Zealand; and demand for burlap and hessian from the United States, the United Kingdom and Canada rose in October 1953, after a reduction in the export duty.[1] Consequently, despatches from India ran ahead of production for most of the months during the period and there was a demand from the industry to restore the 48-hour week and return to production the 12½ per cent sealed looms.[2]

TABLE 9

INDIA: PRODUCTION, SHIPMENTS AND STOCKS OF JUTE GOODS[a]

Monthly averages or calendar months

Thousand tons

	Production	Shipments	Closing stocks
1952			
Jul-Sep	77.2	79.9	91.5
Oct-Dec	77.1	68.6	115.0
1953			
Jan-Mar	73.2	64.8	138.7
Apr-Jun	76.4	75.8	133.8
Jul-Sep	74.5	80.6	118.6
Oct	67.9	83.1	104.6
Nov	70.1	74.5	99.9
Dec	79.0	76.7	100.2
1954			
Jan	68.4	69.6	97.2
Feb	69.4	69.2	96.9
Mar	76.8	79.5	94.4
Apr	76.2	77.2	93.0

Source: Indian Jute Mills Association, *Monthly Summary of Jute and Gunny Statistics.*

a. Figures relate to mills in the membership of the Indian Jute Mills Association.

1. The volume of exports in March 1954 was 90,000 tons, the highest monthly figure since 1949.

2. The Indian Jute Mills Association decided to introduce a 45-hour week effective from 12 July 1954.

In view of the rising stocks of raw jute and the fact that, although stocks of jute goods were falling, mill production failed to increase, it was arranged that a mission of the Indian Jute Mills Association would visit in May—June 1954 to study the present position of jute goods in the United States, and in particular the competition from other jute manufacturing countries and substitutes, and the prospects of burlap in the Canadian market.

Pakistan, which has emerged as a jute manufacturer, as well as an exporter of raw jute, is scheduled to have 6,000 automatic looms (budgeted at Rs 165 million) by the end of 1955, of which more than half have by now been installed and are under operation. Production is now showing a net surplus of about 50,000 tons over domestic requirements. When the 6,00 looms are brought into operation, the production o: ıte goods on a double-shift basis is expected to reac.ı 200,000 tons, including 300 million yards of hessian cloth and 130 million bags.

In *Nepal* another jute mill is under construction, in addition to the existing mill. In *mainland China,* a public-private jointly operated jute mill started production during 1953. It is claimed that it will produce four million gunny sacks annually.

Chemical industries

The rapid increase in consumption and import of chemicals in the countries of the region has emphasized the need for domestic production of chemicals. In 1953 the output of chemicals rose by 12 per cent in China: Taiwan, by 18 per cent in the Philippines, by 26 per cent in India and by 27 per cent in Japan, in comparison with 1952. The chemical industries which deserve special attention include fertilizers, sulphuric acid, soda ash, caustic soda and medicines and drugs.

In *Ceylon,* work was in progress for a factory to maonufacture caustic soda, chlorine and DDT.

In *China,* the Four-Year Plan for Economic Self-Sufficiency in Taiwan includes the production with United States aid of chemical fertilizers, mainly to be used in paddy fields.

On the mainland, one of the largest fertilizer plants is the joint private and State-owned Yungli Chemical Works in Nanking which in 1952 was reported to have doubled its pre-1949 peak production. In November 1953 a new synthetic ammonia plant was added.[1] Elsewhere in the provinces of Anhwei and Kweichow new fertilizer plants for the production of phosphates are reported to have been built.[2] In Fushun chemical fertilizers are being produced as a by-product of shale oil refined at No. 1 north-east petroleum plant.[3]

Progress has also been reported in the production of pharmaceuticals, especially penicillin and sulfa drugs.[4]

In *India,* the monthly average production of ammonium sulphate (mainly at Sindri) increased during 1953 and was 50 per cent above the 1952 level; 90 per cent of the 1955/56 target capacity under the Five-Year Plan was already installed during 1953. Production, however, had reached only 55 per cent of the target for the planning period. Owing to unresponsive demand, stocks rose to 80,000 tons, nearly 30 per cent of annual production, and the government reduced prices from Rs 350 to Rs 285 per ton in order to augment demand. This was made possible by a gross profit of Rs 26 million during 1952/53.

The Sindri fertilizer factory has also set up subsidiary plants for manufacturing by-products like phenol, ammonia and others.

The first place held by sulphuric acid production among the chemical products of India has recently been usurped by fertilizers. However, during 1953 the production of sulphuric acid went up and its monthly average was 33 per cent above the monthly average for the year 1952, its production capacity having increased to 87 per cent of the target of 213,000 tons set for 1955/56 and its output to 51.6 per cent of the production target under the Five-Year Plan.

The monthly production of soda ash is nearly 50 per cent more than the 1952 level and capacity installed is now about 65 per cent of the 1955/56 target of 65,000 long tons. The full target capacity for 1955/56

1. NCNA, Nanking, 28 March, 14 and 26 September and 28 November 1953.
2. NCNA, Hofei, 15 January 1954 and Kweiyeng, 12 February 1954.
3. NCNA, Fushun, 16 October 1953.
4. Ta Kung Pao, Tientsin, 30 January 1954.

of 37,000 long tons has been installed for caustic soda, production of which is already 50 per cent of the target, and 12.5 per cent higher than in 1951/52. Minor chemicals such as paint, varnishes, benzene, titanium and phosphates have already reached a capacity which is 90 per cent of the planned period target. In the field of drugs and medicines, the penicillin factory and Hindustan Antibiotic Limited at Poona are worthy of special mention. Plants for the annual production of 60 tons of sulfa drugs, efficacious in tuberculosis and leprosy treatment, are likely to materialize in Hyderabad State in collaboration with a Swiss firm, and the production is likely to come into full operation before the end of 1954.

In *Indonesia*, a caustic soda factory is being established at Waru for completion by the end of 1954. Its production, when in full swing, will be able to supply the country's needs. A leading importer of penicillin is establishing a plant in Indonesia.

In *Japan*, the production of sulphuric acid, fertilizers and caustic soda, tilarium, germanium, and titanium increased, the production indices for chemicals being 425 during 1953 and 481 in the fourth quarter of 1953 against the 1952 index of 332.

In *Pakistan*, the foundation stone was laid in March 1954 of the Pakistan Ammonium Sulphate Fertilizer Plant, to be erected with United States aid at Daudkhel with a 50,000-long-ton capacity. Lyallpur Corporation is converting a sulphuric acid plant into a superphosphate-cum-sulphuric acid plant to produce 6,000 long tons of superphosphate annually and conversion is to be completed by the end of 1954. Again, at Nowshera, a caustic soda plant (10 long tons a day), a chlorine plant (8 long tons a day) and a DDT plant in conjunction with WHO and UNICEF were nearing completion and are to start production in the second half of 1954.

International trade and payments

The deficit trade balance of the countries of the ECAFE region, taken together, was more or less the same in 1953 as in 1952, but both exports and imports fell by roughly 10 per cent in value. Export earnings which were lower in 1953 remained steady until they fell suddenly in the first quarter of 1954. The value of imports however was maintained at the 1953 level during this quarter; hence the first quarter of 1954 showed a greater deficit then the average for 1953. (See table 10 and chart 3).

TABLE 10

ECAFE REGION: TOTAL VALUE OF IMPORTS AND EXPORTS[a]

Monthly averages

Million dollars

	Imports	Exports	Total trade	Balance of trade
1951	771	787	1,558	+ 16
1952	757	617	1,374	—140
1953	688	550	1,238	—137
1953 Jan-Mar	666	550	1,215	—116
Apr-Jun	711	546	1,256	—165
Jul-Sep	688	550	1,237	—138
Oct-Dec	685	555	1,240	—131
1954 Jan-Mar[b]	687	530	1,217	—157

Sources: United Nations Statistical Office and figures for 1954 from national statistical offices converted into dollars with exchange rates given by IMF.

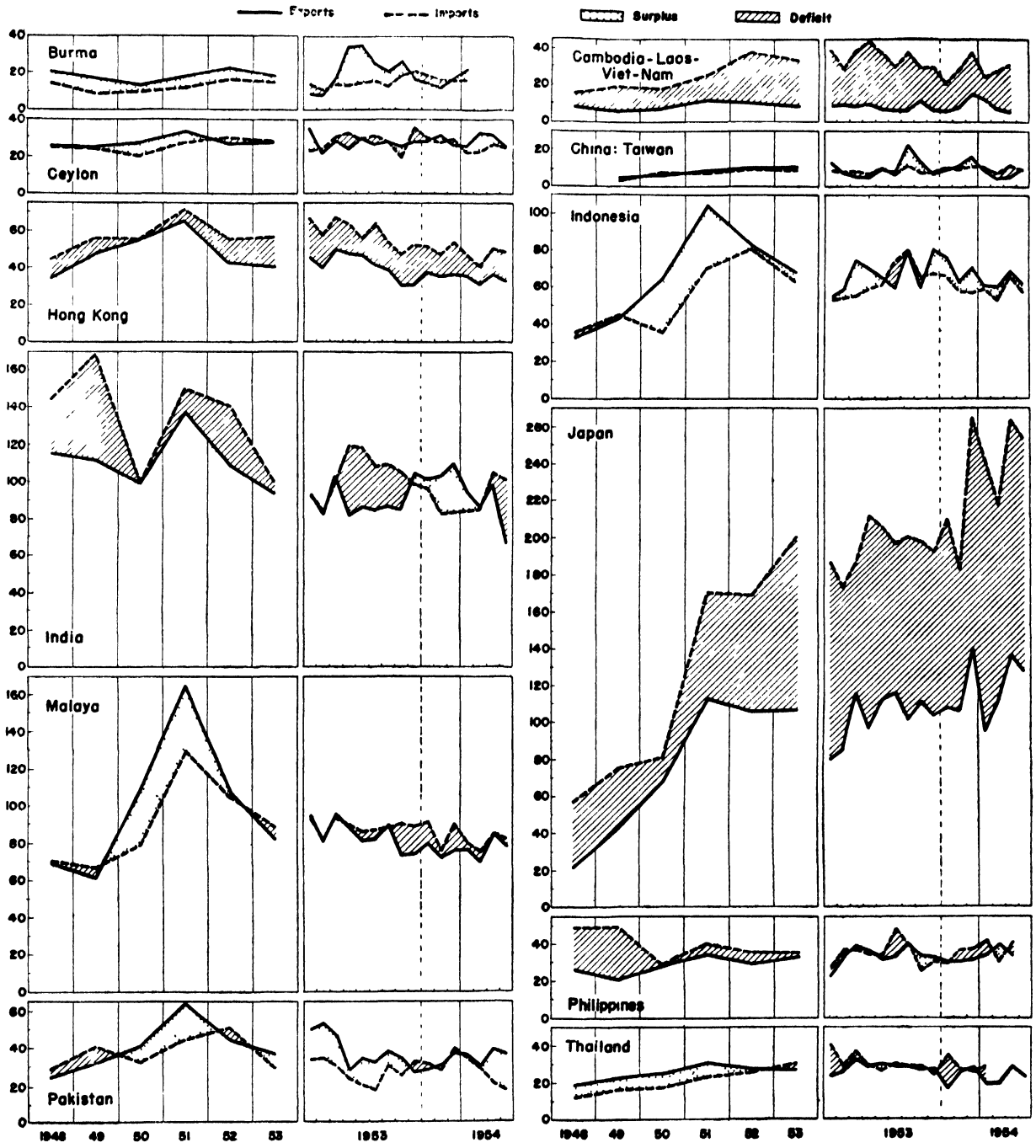
a. Comprising North Borneo, Burma, Cambodia-Laos-Viet-Nam, Ceylon, China: Taiwan, Hong Kong, India, Indonesia, Japan, Malaya, Pakistan, Philippines and Thailand.

b. *Burma*, February and March figures relate to the Port of Rangoon only; *Cambodia-Laos-Viet-Nam*, average of January and February only, Thailand, January only

CHART 3

VALUE OF IMPORTS AND EXPORTS

MONTHLY AVERAGES OR CALENDAR MONTHS IN MILLIONS OF U. S. DOLLARS

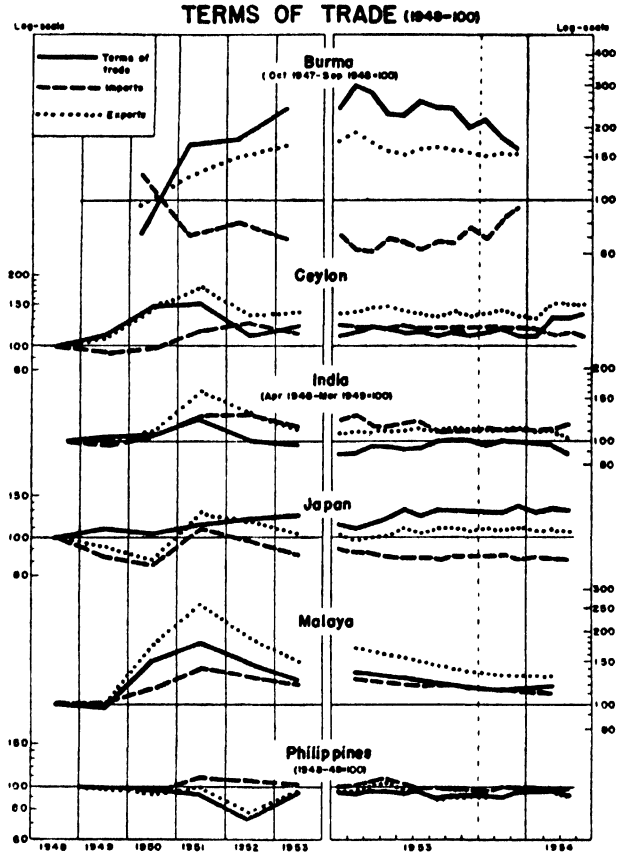


A steep decline in export prices was responsible for the fall in the export earnings of the industrial exporters. Increases in the volume of exports by 2 per cent in India and about 10 per cent in Japan were accompanied by a fall of 18 per cent[1] in India's export earnings and no increase in those of Japan. In the food exporting countries, however, the fall in export earnings was due to failure to maintain the quantity of exports in 1953. The lower level of rice prices became an important factor only in 1954.

1. *Reserve Bank of India Bulletin*, May 1954.

CHART 4

INDEX NUMBERS OF UNIT VALUE AND TERMS OF TRADE (1948=100)



Among the raw material exporting countries, Indonesia, Malaya and Pakistan in 1953 had lower export earnings than in 1952, but the trade balances of Indonesia and Pakistan improved because the fall in the value of their imports was steeper. In Malaya, the decline in export earnings was larger, and the trade balance deteriorated. In Malaya and Pakistan the decline in export earnings was reversed in the first quarter of 1954 because both quantum and prices of exports increased; but the average level of 1953 was not recovered. In Ceylon and the Philippines the value of imports fell while the value of exports rose; the rise for Ceylon being due to an increase in quantum as well as in price, which continued into the first quarter of 1954; for the Philippines it was due to price increases alone in 1953, when volume of exports actually declined, but to both price and quantum increases in 1954.

With the exception of Japan and Thailand[1] payments for imports in the countries of the ECAFE region were lower in 1953 than in 1952. This was a result of import cuts (for example Indonesia, Pakistan and Malaya) and the general decline in import prices. In Burma the decline in import prices enabled the country to import a larger volume of goods and the value of imports was maintained more or less at the previous year's level. In India, on the other hand, the rise in the level of domestic production made it possible for the country to reduce its volume of imports by over 27 per cent between 1952 and 1953 which, more than the 13 per cent fall in import prices, was responsible for the decline in payments for imports. Because of a great increase in the volume of its imports Japan recorded a huge import surplus during 1953 in spite of a decline in import prices.

The slight improvement in trade balance which was observed in 1953 was, however, not reflected in the balance of payments position of the countries concerned. In fact the foreign exchange reserves of ECAFE countries with the exception of India and Burma declined during 1953. During the first quarter of 1954, the improvement in India's foreign exchange reserves position continued, while Burma's reserves fell by $17 million. On the other hand, the foreign exchange reserves of Ceylon, the Philippines and Pakistan recorded considerable improvement during the first quarter of 1954 (see table 11).

Food exporting countries

The export earnings of rice exporting countries have declined particularly since the middle of 1953, and these countries have been compelled to make price concessions in agreements signed recently with rice importing countries.

In *Burma*, the weakening demand for rice, its main export product, was mainly responsible for the 18 per cent decline in the value of exports during 1953. Owing to the fall in import prices the value of imports remained more or less at the 1952 level even though the volume of imports increased substantially. Burma had, therefore, a favourable trade balance in 1953, although the trade surplus declined by 55 per cent. The surplus would have been larger but for a large deficit for the final quarter of the year, resulting from a sharp decline in rice exports and a steep rise in imports of Japanese goods after the tariff revision on 16 October. The increases in government imports reflected an increase in purchases of defence stores and in deliveries of capital goods for the development programme. The value of capital goods imported in the last quarter was 55 per cent higher (despite price declines) in 1953 than in 1952. Trade items thus accounted for the bulk of the increase in payments during the period under review.

1. In Cambodia, Laos and Viet-Nam, owing to devaluation, the piastre value of imports in 1953 showed an increase over 1952; the dollar value of imports was lower in 1953 than in 1952.

TABLE 11

GOLD AND FOREIGN ASSETS

End of months

Million US dollars

	Dec 1952	Dec 1953	Mar 1954
Burma			
Government, Union Bank of Burma and other banks	209	225	208
Ceylon			
Central Bank of Ceylon	84	52	69
India			
Reserve Bank of India	1,729	1,765	1,828
Indonesia			
Bank of Indonesia	314	212	188
Japan			
Government foreign exchange holdings	1,035	826	670
Pakistan			
State Bank of Pakistan (Issue Department only)[a]	229	282	313[b]
Philippines			
Central Bank and other banks	317	307	329
Thailand			
Bank of Thailand	352	301	290

Sources: State Bank of Pakistan for Pakistan, IMF for other countries.

a. Comprise gold, sterling securities, Government of India securities and India notes; and including assets with Reserve Bank of India pending transfer to Pakistan. Converted into US$ by selling rate as given in *International Financial Statistics*.

b. February.

The total deficit on current account for the second half of 1953, which amounted to nearly K200 million, largely offset the very heavy surplus (K293 million) accumulated in its first six months; nevertheless the year closed with the reserves at K1,072 million, still nearly 10 per cent higher than at the end of 1952.

The conclusion of trade agreements, under which a total of 1.48 million tons of rice have been contracted for sale, mainly to India and Japan during 1954 would, if transport conditions permitted, enable Burma to dispose of the greater part of its large rice carry-over at the end of 1953 and would also check the declines in foreign exchange balances that still persisted in the first quarter of 1954. The trend of deficits has already been arrested, and in March 1954 there was a small surplus on current account. The position is expected to improve further during the second quarter of 1954 when the bulk of rice contracted for sale would be shipped. A significant feature in the invisible account of Burma during 1953 was a larger receipt under investment income which represented mainly income received from investment of funds abroad by the Union Bank of Burma. This item amounted to K6.4 million in the last quarter of 1953. At the same time, there had been a steady fall in payments on account of private remittances and migrant transfers.

Thailand, like Burma, has suffered from the weak demand for rice and the quantity exported in 1953 was less than in the two previous years. It has been compelled to accept reductions of between £7-10-0 and £10-0-0 a ton under the 1954 contracts with British Colonial Territories. Further downward adjustments in prices have since been made and it is hoped that between 276,000 and 400,000 tons would be exported to these territories during 1954. Under the trade pact signed with Japan in September 1953, exports of rice to Japan for the period up to September 1954 would amount to 250,000 tons. Thailand's ability to dispose of a reasonable proportion of its export surplus during 1954 will depend on its success in concluding similar trade agreements with other countries and on its willingness to extend price concessions.

Imports are expected to fall sharply during 1954 as a result of the import controls and exchange restrictions. By a royal decree issued on 16 November 1953, all kinds of import goods were placed under control. In the case of essential goods, however, foreign exchange would be provided by the Bank of Thailand to importers through commercial banks at special rates (Baht 45 per £ and Baht 16.75 per US$). Import commodity groups eligible for preferential exchange rate financing were reduced effective 4 March 1954 from 19 to 4 items—petroleum products, milk, medicines and certain types of textiles. At the same time the dollar preferential rate was cut from Baht 16.75 to Baht 16.07 per US$. The preferential sterling rate of Baht 45 per £ was left unchanged.

The 4 March announcement has the effect of a selective devaluation and simplifies Thailand's exchange system. Foreign exchange for most imports must now be purchased at the fluctuating open market rate. The change in preferential rates establishes an orderly cross rate between the preferential dollar and pound rates. The tightening of import regulations is aimed at arresting the fall in foreign exchange reserves which fell from $351 million at the begining of 1953 to $301 million at its close. It is hoped that the exchange rate, which remained very weak throughout the first quarter of 1954, will improve as a result of the rice contracts.

A special rate, slightly more favourable than the related free market rate, is used for purchases from Japan to stimulate imports from that country which is an important market for Thailand's rice. The Thailand-Japan Trade Agreement for the period 1 September 1953 to 31 August 1954 provides for a balanced trade of $65 million each way, compared with trade of $56 million each way covered by the previous agreement. Textiles, metals and machinery will form the bulk of imports from Japan.

Heavier imports, mainly on account of the war, have caused the trade deficit in the Customs Union Comprising the States of *Cambodia, Laos and Viet-Nam* to increase further in 1953. The increase in imports was due to large purchases of food, petroleum products, pharmaceuticals, textiles, iron and steel, machinery and equipment.

Exports have maintained the upward trend which began in the middle of last year and in the last quarter of 1953 were almost fifty percent higher (in quantity) than in the corresponding quarter of 1952. Rice, rubber and coal, the leading exports, each increased and mainly as a result of this the trade deficit during the quarter was lower than in the previous two quarters.

Viet-Nam recently offered to sell rice to Malaya at reduced prices—35 per cent below current prices—and the offer is under consideration. However, competition in the rice market is expected to be keen as other rice exporting countries have also adjusted or are adjusting their prices downward. To extend the improvement noted in the last quarter of 1953, it will be necessary to reduce imports by increasing local production.

The markets for the exports of the customs union comprising the three States have become more diversified. The share of France decreased from 38 per cent in 1952 to 29 per cent in 1953, while that of the United States, Malaya and Japan increased. The increase has been most marked for Japan, whose share has increased from 2 per cent to 14 per cent.

Viet-Nam has entered into a series of trade agreements in recent months, with Italy, Belgium—Luxembourg and Netherlands. In the trade with these countries Viet-Nam's exports will consist mainly of rice, and its imports of fabrics, sewing machines, heavy electrical equipment, chemicals, metal products and dairy products.

In 1953, the foreign trade of the *Republic of China* made its best showing since the conclusion of the war and the year ended with a favourable balance of approximately $29 million. The total value of exports stood at $130 million and the total value of imports, excluding imports financed by United States aid, at $101 million.[1] Arrivals of US aid supplies totalled $84 million in landed costs, which was $5 million lower than in 1952.

Sugar, the most important item of export, earned $90 million, which was almost 70 per cent of the total export proceeds during the year. Quantum factors were responsible for the increase in the value of sugar exports, as sugar prices were at a low level throughout the year. Rice continued to occupy the second place among exports, but it accounted for only 8.7 per cent of the total value of exports as compared to 19.4 per cent in 1952. Bananas, which occupied the third place among exports in 1952, were replaced by tea in 1953.

Japan maintained its position as the major trading partner of China: Taiwan, taking nearly 47 per cent of its exports, and supplying 54 per cent of its imports. The sterling area ranked second in importance as a market for China: Taiwan's exports.

During the first quarter of 1954, China: Taiwan had a deficit on trade account. This position, however, is expected to change in view of the extension of the 1952/53 Trade Pact between the Republic of China and Japan to cover the year beginning 1 April 1954. Trade balanced at $74.5 million in each direction is called for under the Pact. Chief Japanese exports are to include machinery and motor vehicles, fertilizers, textiles, ferrous products, wheat flour, agricultural and aquatic products, and pharmaceutical and medical equipment. Principal Japanese imports are to consist of sugar, rice, bananas, salt and coal.

Efforts are being made to expand trade with other countries also. An economic mission visited the Republic of Korea in December 1953 to discuss an $11.2 million trade agreement; the Republic of China will sell 69,000 tons of coal and 40,000 tons of salt, in addition to cement, aluminium, rice and textiles, under the American

1. The Bank of Taiwan foreign trade statistics based on foreign exchange settlement figures.

Aid Programme to Korea. Negotiations have been held with France which may result in a two-way trade to the value of more than $10 million in 1954. Talks have been held on barter trade worth $12 million with Thailand to exchange tea and other goods for Thai lumber, rubber and soya beans.

New regulations governing the registration of importers and exporters were promulgated on 11 January 1954. These regulations are intended to strengthen control over the business activities of traders engaged in foreign trade, to eliminate unqualified traders and to establish responsibility for supervision of traders' operations.

Raw material producing countries

The export trade position of the raw material producing countries has improved in recent months as a result of better market conditions for the major export commodities. This improvement is not, however, reflected in the balance of payments position of these countries.

There was an improvement in *Ceylon's* trade balance during 1953; the trade deficit amounted to only Rs 40 million compared to Rs 200 million in the previous year. By the end of August 1953 the accumulated balances on trade account showed a small surplus; but exceptionally heavy rice imports during the closing months of 1953 reduced Ceylon's chances of balancing its trade. Quantum as well as price factors were responsible for the increase in the value of exports from Rs 1,502 million in 1952 to Rs 1,568 million in 1953, while a decline in import prices accounted for the fall in the value of imports from Rs 1,702 million to Rs 1,608 million over the same period. The terms of trade moved generally in Ceylon's favour.

Ceylon needs a large surplus on visible trade to cover heavy invisible expenditures and rebuild its external assets which were depleted by Rs 230 million during 1953. During the first quarter of 1954 Ceylon achieved a substantial surplus of Rs 93 million on its trade account and the external assets which stood at Rs 607 million at the end of December 1953 rose to Rs 678 million by the end of March 1954.

Tea production and exports reached record levels in 1953. The index of export volume (1948 = 100) for tea increased from 106 in 1952 to 113 in 1953. Prices were also on an upward trend during the whole of the year, the export price index (1948 =100) for tea rising from 116 to 124 over the year. The strong demand for tea has continued in the early months of 1954 and the total quantity sold in January amounted to 24.8 million pounds as against 21.2 million pounds during the corresponding month of 1953.

The trade with mainland China had kept rubber production and exports at satisfactory levels during 1953. Changes in the volume of Ceylon's rubber exports now depend chiefly on the extent of shipments to mainland China. Thus shipments to mainland China caused a very large increase in total rubber exports during February 1954, while the halving of these shipments in March reduced them by 36 per cent.

Production and exports of copra, coconut oil and desiccated coconut declined during 1953. Demand from Europe and India, however, kept prices up during these months. The decline in exports of these three coconut products continued in the first two months of 1954 where prices were also falling. In March, however, the volume of their exports increased by about 6 per cent as compared to February, as a result of increased exports to India and Pakistan.

As a result of drastic import cuts, *Indonesia* achieved a trade surplus in 1953. However, if the imports and exports of the oil companies were excluded Indonesia would have had an unfavourable balance of trade for the year. The fall in the rubber price reduced export earnings from this source over the year as a whole. Tin prices started rising only in the last quarter of 1953 and the rise became pronounced in the first quarter of 1954. Rubber prices rose slightly in the last quarter of 1953 but fell again in the first quarter of 1954.

Import prices however fell by nine percent between the third quarter of 1953 and the first quarter of 1954. This fall, combined with a rise of two percent in export prices during the same period improved Indonesia terms of trade by ten percent.[1]

Developments during the first quarter of 1954 indicate that export earnings of rubber and tin are likely to be higher in 1954. The United States consumption of natural rubber is expected to be larger as a result of the switch-over from synthetic to natural rubber. In addition, there is also a possibility of renewed buying by the Soviet Union.

Production and exports of oil are steadily increasing and have surpassed the pre-war level. However, the other export commodities, particularly copra and tea, are expected to earn less foreign exchange in 1954.

1. Figures calculated by the Secretariat from Indonesian official statistics.

Indonesia's rice production is increasing. The government has announced that only 150,000 tons of rice will be imported to maintain reserves in 1954. This is 200,000 tons less than the quantity imported during 1953. If the government's intention materializes, there will be a considerable saving in foreign exchange, which could be used for financing the imports of manufactured consumer goods.

The balance of payments position continues to deteriorate and the reserves are at dangerously low levels. Gold and foreign exchange reserves stood at $212 million at the end of 1953 as against $314 million a year earlier. Early in February the governor of the Bank Indonesia stated that the bank's gold and foreign exchange reserves were decreasing at the rate of 0.5 per cent per week.

A two-thirds levy has been imposed on invisible foreign exchange payments in order to arrest the drain on gold and foreign exchange reserves. The effective rate will be Rp 19 per US$1 against the existing basic rate of Rp 11.40 per US$1. Certain kinds of transactions (payments for services in connection with commodity transactions, *e.g.* freight and insurance charges, personal transfers made by foreign employees in Indonesia) are exempted from this levy.

Negotiations for trade agreements are being conducted with several European countries. In March, an agreement was signed with Norway covering the period April 1954 to March 1955. Indonesia will supply copra, rubber, coffee, tea, spices and tobacco worth $6.6 million. Norway will supply paper, cardboard, rayon and fishing equipment worth $2.7 million.

Largely because of falling prices of its main export products, rubber and tin, the value of *Malaya's* foreign trade fell from M$7,790 million in 1952 to M$6,258 million in 1953, and a deficit of M$218 million emerged. Reduced local demand, however, helped to reduce this deficit.

The prospects at the beginning of the year were brighter, since tin and more recently rubber have joined the upward trend in world commodity prices. United States consumption of natural rubber which is the principal factor governing the world market from the demand side has risen. During the first two months of 1954 it touched a monthly rate of 47,000 long tons compared with 46,000 long tons in 1953. Exports in March 1954 at 82,910 tons were the highest for any month since October 1952. Similarly, tin exports during the first quarter of 1954 averaged 5,888 long tons per month as against 5,831 long tons in the same period in 1953. The immediate cause has been the deteriorating situation in Viet-Nam and the scramble for supplies to replenish stocks. Among the contributory factors was the United States decision not to impede the working of the International Tin Agreement.

Singapore's entrepot trade suffered badly in 1953 as a result of Indonesia's restrictions on goods coming from the Colony and the Federation of Malaya and of falling purchasing power in other markets of South-east Asia. Trade should, however, improve in 1954 since Indonesia has already bilateral trade agreements with both Japan and India.

Import demand is likely to be higher in 1954 mainly owing to brighter export prospects. It will also increase as a result of various economic development schemes. Indonesia continues to be the main source of imports for Malaya; imports from Thailand are also being maintained. According to the 1954 contrac[illegible]th Thailand, Malaya and British Borneo together w[illegible] import between 276,000 tons and 400,000 tons of r[illegible]e from Thailand.

Export earnings of *Pakistan* during 1953 amounted to Rs 1,404 million as against the original estimate of Rs 1,350 million; the improvement was mainly due to larger exports of cotton, which in 1953 reached 1.5 million bales as against 1.3 million bales in 1952. In the case of both jute and cotton the steep decline in prices that occurred in 1952 was arrested in 1953, and prices recovered to some extent during the year. The price of 289-F variety cotton increased from Rs 63 per maund[1] in January 1953 to Rs 72 per maund in December 1953. There has since been a steady increase in prices. By March 1954, 600,000 bales of cotton had been exported from the available exportable surplus of 1.3 million bales. The outlook for jute also appears to be better. The jute acreage was curtailed in order to facilitate the disposal of stocks and the 1953/54 season has a smaller crop officially estimated at 2.5 million bales.

The total export earnings of Pakistan at Rs 1,404 million during 1953 were, however, 17 per cent lower than in 1952. Unless a substantial rise in export prices occurs, reduced levels of export earnings are likely to continue. In the absence of rapid development of other exports and a continuing flow of external assistance, Pakistan has inevitably to reduce its imports. This has been recognized and the value of imports has been reduced by 50 per cent between 1952 and 1953. The

1. One maund = 82.27 lb.

import policy for the first half of 1954 has been framed on the following broad principles: (1) to allow the import of goods within the estimated earnings of foreign exchange with a small cushion for possible fluctuations and rebuilding of exchange reserves, (2) to provide for the import of capital goods on a liberal scale, and (3) to conserve the foreign exchange by not allowing the import of articles which are produced on a sufficient scale inside the country. In addition, domestic production of several commodities, notably cotton textiles and jute goods, has been stepped up, thereby contributing permanently to an economy in foreign exchange.

Foreign exchange earnings for 1954 are estimated at Rs 1,500 million which is Rs 55 million less than in 1953, but payments are estimated at Rs 1,480 million or nearly Rs 50 million higher than in 1953. The surplus on current account is therefore expected to be very small compared to the previous year, when Pakistan achieved a surplus of Rs 122 million; the surplus in the last quarter of 1953 amounted to Rs 43 million. Pakistan's gold and sterling reserves improved during 1953, rising from Rs 606 million in December 1952 to Rs 759 million on 28 February 1953. Comparable figures are not available for comparing the period December 1953 with February 1954. However, gold and sterling assets of the Issue Department of the State Bank of Pakistan increased from Rs 506 million to Rs 586 million during this period.

Continuous efforts are being made to improve foreign exchange earnings through export promotion and to supplement them by foreign aid and loans. Pakistan has been pursuing an active policy of bilateral trade. Trade agreements with France, the Federal Republic of Germany, India, Italy and Japan are important among those currently in force. Under the latest trade agreement with Pakistan, covering the calendar year 1954 and concluded in February 1954, the Federal Republic of Germany has agreed to permit the import, without any quantitative restrictions, of certain specified Pakistani commodities and to permit the import of a few others subject to certain value quotas. The quota-free imports include raw jute, raw cotton and hides and skins. The Government of Pakistan has in turn agreed to permit the imports from the Federal Republic of Germany of certain manufactured products, including machinery and capital goods on terms no less favourable than the imports of similar goods from other non-American-account-area countries.

Foreign loans and gifts have also been an important factor in Pakistan's international transactions. The wheat gifts by the United States and by Canada and Australia during 1953 helped Pakistan to tide over the difficulties caused by the food shortage without further strain on foreign exchange resources. Food grain imports on government account during the early part of 1953 had involved considerable foreign exchange payments. In addition, the United States Government also provided financial assistance to the extent of $12.25 million in 1952/53 (fiscal year ending June) in connection with technical and economic assistance. In 1953/54 United States aid will be around $22 million, while aid from Canada and Australia will be $10 million and $5.5 million respectively. The agreement concluded between the governments of the United States and Pakistan this year for the provision of military assistance will also be an important factor in improving the payments position of Pakistan, as this will enable Pakistan to devote a greater proportion of its foreign exchange resources to the imports of capital goods for development.

The foreign trade position of the *Philippines* improved during 1953, resulting in a smaller trade deficit compared to 1952. The value of exports increased from P704 million in 1952 to P781 million in 1953, while the value of imports declined from P841 million to P831 million. The 11 per cent increase in the value of exports was due to the comparatively favourable prices of copra, coconut oil and sugar. The export price index (1948-49 = 100) rose from 77.6 in 1952 to 95.0 in 1953. The quantum index of exports (1948-49 = 100), however, fell from 168.9 to 150.0 over the same period. Price factors were again responsible for the fall in the value of imports during 1953. The terms of trade moved further in favour of the Philippines during 1953.

The value of imports in 1953 which averaged P63 million a month during the third quarter of 1953, rose to P69 million during the last quarter of 1953. In January 1954 there was a further rise in imports and the monthly average for the first two months of 1954 was P72 million pesos.

The sharp rise in imports during this period was largely the result of the permission granted by the Monetary Board for utilization up to 21 January of the unused portion of quota allocations for the second half of 1953 which remained outstanding at the end of the year.

Exports during the last quarter of 1953 fell from the monthly average of P70 million during the third quarter to P61 million, but recovered steadily during the early part of 1954. The value of exports during January and February amounted to P68 million and P80 million respectively. The increase in export earnings was primarily due to the improvement in the volume of exports of sugar and related products as well as a slight rise in their price.

Owing to higher prices throughout 1953 the value of exports of copra, the country's principal export crop, was P51 million higher than in 1952. Exports of abaca, on the other hand, declined and export earnings from this item were lower by P4 million compared to the previous year.

Sugar continued to occupy the second place among export items and as a result of the improvement in prices as well as in quantities exported, the export earnings from sugar rose from P180 million in 1952 to P188 million in 1953. It is expected that the 1953/54 sugar crop will leave a surplus of 94,000 tons after meeting normal domestic requirements and the United States quota.

The improvement in the trade balance was not reflected in the balance of payments position of the Philippines during 1953, because of a reduction of United States government spending in the country and other net invisible income. The international reserves fell to $307 million by the end of 1953 from $317 million twelve months before. Since the beginning of 1954, however, the position has improved and at the end of March 1954, the international reserves stood at $329 million. Primarily responsible for this improvement was the increase in export proceeds accompanied by reduced disbursements on invisibles. United States Government expenditures have also remained steady since the beginning of the year.

The foreign trade of the Philippines is conducted predominantly with the United States, in part owing to preferential quotas and tariffs. Under the provisions of the Bell Trade Act, Philippine goods could enter the United States, free of the ordinary customs duties, till 4 July 1954. Absolute quotas were, however, fixed in respect of seven of the most important Philippine exports to the United States. Reciprocally, during the same period American goods could also enter the Philippines without paying the customs duties imposed or products from other countries. During the 20-year period which begins from the termination of the present tariff provisions (viz. 4 July 1954)[1] there will be under existing legislation progressively diminishing duty-free quotas for four of the seven Philippine articles subject to quotas, namely coconut oil, cigars, scrap tobacco and pearl buttons. These 4 articles will have duty-free quotas, but the quotas will be diminished yearly by 5 per cent till they are reduced to zero. All imports above the duty free quotas will be subject to payment of 100 per cent of the United States ordinary customs duties. With regard to the remaining three articles—sugar, cordage and rice—their absolute quotas will not be diminished, but will be subject to an increasing rate of United States ordinary customs duties, 5 per cent thereof being added each year beginning 1954, till the rate reaches 100 per cent. A similar increasing rate of Philippine ordinary customs duties will apply to imports from the United States, but there will be no quotas for American goods. When these provisions become effective, Philippine exports to the United States will meet with severe competition and it may lead to a change in the pattern of Philippine foreign trade.

INDUSTRIAL EXPORTERS

Among the industrial exporters, India is in a strong position. Japan, on the other hand, is passing through an economic crisis.

According to preliminary compilations, *India's* over-all surplus on current account during 1953 amounted to Rs 569 million as against Rs 17 million in the preceding year. This increase was chiefly due to the fall in the size of the deficit on account of government's merchandise transactions, including food grains—a deficit which was reduced to Rs 1,354 million in 1953 from Rs 2,275 million in 1952.

The improvement in the payments position was, however, achieved at a rather sharply reduced level of trade.[2] For the year as a whole, exports were Rs 5,308 million—a reduction of Rs 1,183 million over the preceding year's level. This was on account of low export prices; there was a steep fall of over 16 per cent in export prices in general, the volume exported in fact showing a slight rise of about 2 per cent. In contrast, the decline in payments for imports from Rs 7,426 million to Rs 5,664 million was attributable more to the fall in quantity which was over 27 per cent; prices fell by only about 13 per cent. The lower imports were made possible by the rising level of domestic production and the drawing down of stocks.

To meet the situation arising out of the fall in export prices, the policy of active promotion of exports initiated in 1952 was carried further during the year. Amongst others, export duties on hessian, linseed and linseed oil were reduced, while duties on some cotton goods and on jute specialities and miscellaneous jute manufactures other than hessian and sacking were totally abolished. The Sea Customs Act was amended in

1. It is reported that the date for the termination of the present tariff provisions has now been postponed until the end of 1955 and that new arrangements are being considered.

2. The trade figures quoted are based on the balance of payments statement of the Reserve Bank of India and are derived from exchange control data.

November 1953 to permit the grant of a rebate of import duty on raw materials and components used in the manufacture of goods subsequently exported. A special organization charged with the task of export promotion was also set up. The measures seem to have had some effect, for, not only was the continuous decline in export earnings since the third quarter of 1952 arrested in the corresponding quarter in 1953, but in the last quarter there was in fact a sharp rise which could not be wholly attributed to the usual seasonal upswing. It reflected also the measures of export promotion adopted by the government, particularly the reduction of export duty on hessian in September 1953.

Among the commodities which registered considerable increases during the period under review were tea, jute manufactures and coarse and medium cloth. A quarter of the year's total exports of medium cloth were shipped in November and December after the export duty had been removed. Demand during the first two months of 1954 has been quite satisfactory. Tea is in a particularly strong position. Exports in 1953 at 497 million pounds were nearly 90 million pounds greater than in 1952. The volume of exports in 1954 is expected to go up still further, as world consumption is on the upgrade.

The lower level of imports which characterized the latter part of 1953 was partly due to greatly reduced food imports. The import policy for the period January-June 1954 is not very much different from the policy for the previous six months. It is based on the assumption that the export earnings which are expected to cover normal imports on private account will amount to Rs 2,250 million during the six months period. Import quotas have been reduced for a number of items like ball bearings and copper wire, which can be supplied by Indian industry. Import policy is to be used in this way for providing more and more protection for Indian industries. Imports on government account are, however, expected to be larger than the previous year due to imports for the Five-Year Plan.

During 1954 India has to meet certain special commitments. A financial settlement with Pakistan and the re-purchase of $100 million worth of Indian currency from the International Monetary Fund were mentioned in this connexion by the Finance Minister in his budget speech. Besides, the government should have sufficient reserves to finance food imports in case of an emergency. It is also committed to increase sugar imports. In view of these special commitments, the excess of foreign exchange reserves may perhaps disappear.

During 1953, the regional pattern of the payments position underwent far-reaching changes. The reduction in the surplus with the sterling-area countries (excluding Pakistan) noticed in the previous year continued in 1953. This was due to the adverse swing in the trade balance and the fall in the net receipts on invisible account. The rise in imports from these countries was accompanied by a fall in exports, mainly due to a sharp fall in the export of jute manufactures.

There was also a deterioration in the position with Pakistan and OEEC (Organization for European Economic Co-operation) countries, while that with the dollar area countries and the rest of the non-sterling area showed a remarkable improvement. The major contributions towards the improvement in the dollar balance of payments position came from reduced payments for imports from the area which were less than half the preceding year's level. Total imports, both commercial and government, declined substantially over the year. Quite a large part of the decline of Rs 938 million in commercial imports was probably due to reduced raw materials imports, especially of raw cotton, which is mainly a dollar product. The fall in government imports of food and stores was Rs 776 million. A substantial part of the decline in government imports resulted from reduced food purchases, also largely a dollar item.

There was a four-fold rise in the surplus with the rest of the non-sterling area; both merchandise and invisible transactions contributed towards this improvement. Almost the whole of the fall in the payments for imports resulted from the virtual cessation of food imports from China and Thailand.

Owing to continued stagnation in exports and a sharp increase in imports, the adverse trade balance of *Japan* reached a new high in 1953. The deterioration in trade balance continued in the first quarter of 1954, during which period exports paid for only 46 per cent of imports as against 54 per cent in the last quarter of 1953.

Exports during 1953 totalled $1,273 million, showing an increase of only $0.7 million compared with the total for the previous year when exports were greatly affected by import restrictions of the sterling-area countries. Prices of export goods declined despite an advancing trend in general domestic prices. The quantum index of exports (1934-36 = 100, Economic Counsel Board) advanced from 31.4 in 1952 to 35.0 in 1953.

Import trade showed a continued increase and was valued at $2,409.5 million, representing an increase of 18.8 per cent over 1952. Imports rose conspicuously as

a combined result of stop-gap imports of cereals by the government, purchase by traders of various raw materials essential for increased food production, and improved living standards. Dwindling foreign exchange holdings and the mounting inflation stimulated importers to hasten in their overseas commitments. Import prices actually fell more than export prices; but the quantum index of imports in 1953 (1934-36 = 100) showed an increase of 40 per cent over the previous year and stood at 70.

Quantum factors were thus responsible for the huge import surplus, which during 1953 amounted to $1,136 million. Receipts under invisible account including receipts from special procurement were not sufficient to cover the trade deficits and consequently total payments exceeded total receipts by $194 million. Foreign exchange holdings of the government fell from $1,035 million at the end of 1952 to $826 million in December 1953 and to $670 million at the end of March 1954.

Since the special procurement demand is falling, a balance in international payments can now be achieved only through the expansion of normal exports and the reduction in imports. The government has been trying to meet the situation by a policy of retrenchment. Imports, consumption and government expenditures are to be cut while exports are to be encouraged through barter deals, trade and payments agreements, linked exports and special concessions for exporters of goods produced mainly from domestic raw materials.

In recent months exports have been showing an upward trend. The Minister of International Trade and Industry reported that Japan's validated exports for the month of March 1954 amounted to $136 million which was about 20 per cent higher than for the preceding month and 33 per cent better than the monthly average of fiscal year 1953/54. The continuation of this expanding trend will, however, largely depend on the extent to which Japan is able to reduce its prices and on further relaxation of import restrictions in the sterling area countries.

Some progress in this direction was made on 29 January 1954, when Japan and the United Kingdom signed a new payments agreement which, it is hoped, will promote trade between Japan and the sterling-area countries. Japan ended the fiscal year 1953/54 with a substantial sterling deficit on the current account (sterling reserves of the government at the end of March 1954 stood at only $43 million). With the object of enabling Japan to maintain its purchases from the sterling-area countries at satisfactory levels, the United Kingdom Government has informed the British colonial governments that they may import from Japan in 1954 their estimated requirements in respect of goods for their own consumption and for entrepot trade. The United Kingdom Government is also establishing import quotas for a number of traditional Japanese exports to the United Kingdom. According to the trade plan for 1954 which was announced along with the new payments agreement, visible and invisible trade between Japan and the sterling area countries would be balanced at £209.5 each way.

Japan's ability to reduce imports would depend on how far the tight money policy is successful in lowering demand. To lighten the pressure from importers, import finance is being tightened. Steps taken in October 1953 to restrict the increase were further reinforced in March and April this year. Thus special lower interest foreign currency loans for the import of basic raw materials and capital goods for modernization were abolished in March this year. This incidentally will help to restrict over-investment in industrial equipment. Again importers' deposits on application for foreign exchange were generally raised in April (except for open-account countries with which Japan has a credit where they were actually lowered). Policy, however, is not directed only to restricting imports by direct pressure on importers. A general deflationary policy has been adopted, designed both to restrict imports and to expand exports by lowering domestic incomes.

The foreign exchange budget for the first half of fiscal year 1954/55 (April to September) has allocated $1,360 million and a reserve fund of $60 million to imports, of which $1,050 million and a reserve of $50 million will be for visible imports and the balance for invisibles. This represents a decrease of $191 million ($107 million for visibles and $84 million for invisibles) compared with the corresponding period of 1953. Payments for imports for the fiscal year 1954/55 as a whole are planned at $2,000 million. If the steps being taken by the Japanese Government succeed, it is hoped that the deficits in the balance of payments during 1954/55 will be limited to about $100 million. If emergency food imports are necessitated during the period these calculations are likely to be upset.

Hong Kong had the highest recorded trade deficit during 1953. The deficit which stood at HK$1,139 million represented an increase of nearly 30 per cent over the 1952 deficit. An increase in imports of HK$94 million coupled with a decrease in exports to the extent of HK$165 million was responsible for the 30 per cent increase in the deficit.

Restrictions by Italy on the import, through Hong Kong, of China produce, shortage of foreign exchange in Indonesia and Thailand and consequent import restrictions, mainland China's preference for direct trade with its suppliers in Europe, bilateral trade agreements between certain countries which tend to operate to the detriment of Hong Kong, and American import restrictions on goods presumed to come from mainland China, all contributed to the decline in Hong Kong's export trade. The downward trend continued during the first quarter of 1954. Value of total trade during this period amounted to only HK$1,367 million which was nearly 27 per cent lower than the total for the corresponding quarter of 1953.

The restricting influences on Hong Kong's trade are, however, slowly disappearing. Hong Kong, for example, has reduced the range of goods which come under strategic control in order to bring its practice into line with that of other countries. The most important relaxation was thought to be that in respect of passenger cars. It is, however, significant to note that this relaxation has had very little effect on trade.

Trade between Hong Kong and Thailand was expected to increase during the second quarter of 1954 when Hong Kong would be importing rice from Thailand. South Korea's imports from Hong Kong which started increasing after the Korean truce are also expected to expand further during the coming months.

Restrictions on the re-export of Japanese goods from Hong Kong which were partially removed in 1953 were completely removed in February 1954, and re-exports of Japanese goods are now allowed to all sterling area countries. This, together with the recent Anglo-Japanese agreement, may give a fillip to Japan-Hong Kong trade.

There have also been improvements in the United States export licensing policy towards the Colony. On 14 January 1954, it was announced that a larger number of items including rubber goods, wool, paper, coal and farm machinery had been added to the list of goods which might be shipped to Hong Kong without individual licences. Restrictions on the import of goods manufactured in Hong Kong into the United States have also been relaxed to some extent.

Mainland China

The Deputy Minister of Foreign Trade has emphasized Mainland China's faith in barter, the importance of trade with the USSR and eastern European countries and the intention to develop trade with other countries of the world "subject to the principle of equality and mutual benefit."

Mainland China's trade with the USSR and eastern European countries which had been steadily increasing since 1950 showed a further increase during 1953 and accounted for 75 per cent of the total trade in the year. Considerable quantities of machine-tools, power generators, drilling machines, cranes, building machines and vehicles were imported during the year from the USSR, Poland, East Germany, Czechoslovakia, etc. It is claimed the capital goods were 87 per cent of the total imports.[1]

Trade with countries other than the USSR and eastern European countries developed during 1953 after its sharp fall in 1952, owing mainly to increases in trade with western Europe particularly the Federal Republic of Germany and the United Kingdom. The Federal Republic of Germany sold $25 million worth of goods and imported goods worth $33 million. The United Kingdom came second with exports and imports amounting to $17 million and $29 million respectively. It is expected that exports from the Federal Republic of Germany to mainland China will increase during 1954 and that trade will be balanced. Other countries of western Europe have also shared in the expansion of trade with mainland China. Thus during the period under review, France, Belgium, the Netherlands, Switzerland and Italy have also done more direct trade with mainland China and indirect trade via Hong Kong. In the meantime, trade agreements have been signed with the Federal Republic of Germany, the United Kingdom, Japan, Burma, Ceylon, Indonesia, some between the governments concerned, others by bodies representing both sides.

In June and July 1953 the China Import and Export Corporation signed trade agreements with French Industrial and Commercial interests providing for exports by each party of goods to the value of £10 million. The payments were to be settled in francs. A commercial agreement was also concluded with a British trade delegation under which each party agreed to export goods to the value of £15 million.[2]

In September 1953 two agreements were entered into with the Ceylonese Government for the sale of rice in exchange for rubber during 1954. The trade pact signed by the two countries in 1952 was also extended for a further period of two years.

With the removal of restrictions on Japan's exports to mainland China, trade between the two countries increased sharply, particularly during the last quarter of 1953. In October 1953 a new agreement which provided

1. NCNA, Peking, 27 April 1954.
2. NCNA, Peking 30 April 1954.

for export by each partner of goods to the value of £30 million was concluded between the China Committee for the Promotion of International Trade and Japanese Parliamentarians' League for the Promotion of Japan-China trade.

Trade pacts have also been signed with Burma and Indonesia in recent months. The one-year trade agreement effective from 4 January to 31 December 1954 between Indonesia and mainland China provides for balanced trade through an exchange of Indonesian rubber, tin, bauxite, tea, coffee, sugar, tobacco, pepper, hides, copra and coconut and palm oils for Chinese machinery, vehicles, textiles, medicines, paper and fuel; it can be extended by mutual consent. The transactions under this agreement will be made by opening letters of credit or through parallel transactions. Payments will be effected in sterling, dollars or Swiss francs.

TABLE 12

MAINLAND CHINA: ESTIMATE OF TRADE WITH COUNTRIES OTHER THAN THE USSR AND EASTERN EUROPEAN COUNTRIES

Million dollars

	Exports	Imports	Total
1951 . . .	473	444	917
1952	324	248	572
1953[a]	410	326	736

Source: United Nations Statistical Office.

a Annual rate based on Jan - Jun figures.

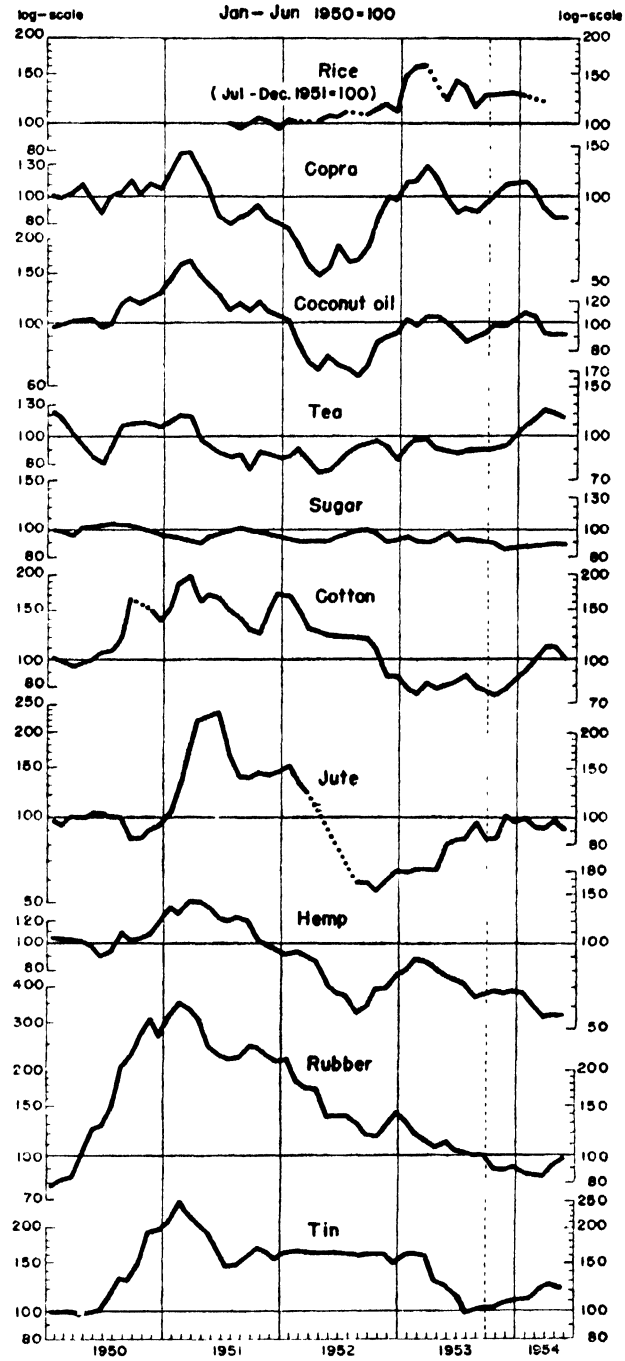
Price Movement

WHOLESALE PRICES

There has been no very marked trend in wholesale prices in the region during the period under review. In some raw materials such as sugar the price changes during the period have hardly been significant; in others such as jute, copra and coconut oil changes have been marked, but the trend has not been uniform. Tea, tin and cotton have shown noticeable upward trends for different reasons, only tea giving producers much solid ground for optimism. Rubber continued its downward movement at the beginning of the period, but appears to have reached the trough and has risen noticeably since March.

CHART 5

INDEX NUMBERS OF WHOLESALE PRICES OF SELECTED COMMODITIES



NOTE The following specifications apply to the selected commodities (sources in brackets):

Rice. Unit value of imports of white rice from Burma to Malaya and Singapore (Registrar of the Malayan Statistics)
Corpra: Resecada, Manila. (Central Bank of the Philippines)
Coconut oil f.o.b. Singapore (Singapore Chamber of Commerce)
Tea: Medium grown, Colombo. (Department of Census and Statistics)
Sugar: Centrifugal, Manila. (Central Bank of the Philippines)
Cotton: Raw, 4 F Punjab, R G, Karachi (United Nations Statistical Office)
Jute: Raw, middle, Narayangunj. (United Nations Statistical Office)
Hemp: Abaca unmanufactured, Manila. (Central Bank of the Philippines)
Rubber: RSS. No 1, f.o b. Singapore. (International Rubber Study Group)
Tin: Cash, London. (International Tin Study Group)

Rice

Undoubtedly the most significant price movement has been the downward trend of rice prices during the period, as forecast in the 1953 *Survey*. This has significantly affected the economies of the rice-exporting countries of the region, and if the trend continues as now seems likely, may have important effects on the entire regional economy, including the distribution of income between countries of the region, and ultimately, if it goes far enough, between the town and the countryside throughout Asia.

Ever since the second world war the trade in rice has been largely controlled by governments. There has been rationing to prevent famine prices from emerging, there have been special procurements in government-to-government contracts, and in the two major exporting countries (Burma and Thailand) steps have been taken to prevent rising rice prices from generating inflationary increases in incomes. Moreover, many of the importing countries have at one time or another subsidised the price of imported rice. Hence the impact of changes in the price of rice on the real incomes both of rice-growers and of rice-eaters has been reduced by government measures. Peasants have gained less and (at least until recently) other people have lost less as a result of rising rice prices than would otherwise have occurred. This fact must be taken into account in assessing the effects of the current change in the trend.

Of the rice-exporting countries Burma has adapted itself most rapidly to the changed situation and has secured a substantial share of the government-to-government contracts at reduced prices, after some initial delay in moving its stocks. Free market prices in Hong Kong and Singapore have fallen sharply during the period, and Thailand has had to make concessions in quality, in loading charges and in foreign exchange, as well as in its government-to-government contracts, and is still finding difficulty in moving its stocks.

So long as the fall in the export price of rice remains fairly moderate the chief effects are likely to be falls in the incomes of the Governments of Burma and Thailand, with relatively minor effects on peasant incomes, and improvements in the position of the Governments of India and Japan, through reduction in their expenditure on rice, and a fairly slight fall in the cost of living. Because the region is a net importer of wheat, such a fall may prove sufficient to absorb present rice production, provided that the price of wheat is reasonably maintained in spite of the large surplus now in existence. A heavy fall in export prices would have a restricting effect upon development programmes provided alternate sources of revenue are not available.

It may be necessary to give more serious consideration to the implications of the present situation in several of the countries of Asia in which agricultural productivity is likely to increase by a greater proportion than income as a result of village development schemes and irrigation projects. Food supplies may well exceed effective demand while large numbers are still underfed, although recent policy has been to transfer resources from raw material to food, under the influence of security considerations and the reckoning of food needs in terms of physical rather than economic demands.

Copra and coconut oil

The price of copra and coconut oil which had risen by 30 per cent or more from 1952 levels in the early part of 1953 and fallen back moderately in the middle of the year, rose again during the early months of the period under review, and fell back during the first few months of 1954 to about the mid-1953 level. The rise during the latter months of 1953 was a result of active demand from Europe and India, but increasing supplies from Africa of other edible oils, as well as increased exports from the Philippines, relieved the shortage, and large sales of cottonseed oil by the Commodity Credit Corporation in the United States brought about a decline in the prices of both copra and coconut oil. At the close of the period the price was, however, still well above 1952 levels.

Tea

The rise in the price of tea during the period was a result of three factors: a decline in production in India due to unfavourable weather, which (though insufficient to offset increases elsewhere) may have affected the adjustment of supply to demand; an increase in demand which appears to have been a delayed result of the ending of rationing in the United Kingdom, together with increased supplies of sugar; and a shortage of coffee and cocoa, tea's chief competitors.

Sugar

In sugar price changes have been relatively unimportant, a slight fall at the beginning of the period under review being offset by a rise at the end.

Cotton

Among textile materials of the region cotton has shown a rising trend following the fall earlier in 1953. This may be attributed to increasing demand and falling

stocks in the ECAFE region, where textile production has expanded under the influence of development plans, but it is also largely a result of absorption of part of the year's record crop by the United States price support scheme. This, together with exchange considerations, has protected Asian markets from direct and indirect pressures that would otherwise have resulted.

Jute

Jute prices have been affected by considerable uncertainties as a result of the simultaneous impact of several new factors. Chief of these was probably the drastic restriction of acreage in Pakistan. The extent to which this would affect output was not known, and a sharp rise in prices followed the announcement of the official Pakistan estimate of the crop. This estimate, however, was widely believed to be too conservative, and the price subsequently declined. The reduction of the Indian export duty on hessian in September also affected demand not only from the Indian mills but from their overseas competitors which are the chief buyers of Pakistan jute. Uncertainty about their future competitive position naturally caused irregularities in the market. A further contributory factor was the Indian ban on future trading.

Hemp and sisal

The prices of abaca, the raw material of Manila hemp, and also of sisal, fell generally during the period, probably mainly as a delayed result of the fall in jute prices earlier in 1953, since these materials are competitive with jute.

Rubber

The fall in the price of rubber which has been fairly continuous since 1951, probably came to an end during the period under review. In the United States the lowest point was reached in October 1953, and the rise may be said to have begun in February 1954. In other markets, the fall continued almost to the end of the period under review. The instability of the price of this product is a matter of major importance to the economies of Malaya and Indonesia, and of considerable importance also to Ceylon, the British territories in Borneo, Thailand, and the States of Cambodia, Laos and Viet-Nam. Freer competition with the synthetic product seems now to have introduced a stabilizing factor on the demand side, although at a fairly low level. There is as yet, however, little sign that the proportion of the producers of natural rubber who abandon production when prices are low is increasing. If this proportion increased (which would be a normal result of increasing diversification of the region's economies and increasing organization of labour), price stability would be further improved. For with a demand that is still both unstable and generally insensitive to price changes, the inelasticity of supply greatly accentuates the range of price fluctuations. The reduction of price fluctuations, at a cost of increased fluctuations of output, would probably increase the stability of incomes as was illustrated during the period of rubber regulation. Recent events have shown, however, that output is still insensitive to price changes.

Tin

Continued low prices of tin appear to have led during 1953 to some slight contraction in supply, and the increase in world stocks had almost ceased when substantial agreement was reached on a plan for a buffer stock to stabilize the price of the metal, and the United States announced that its stocks would not be used to hamper any such agreement. The rise in tin price, however, throughout the period under review, can hardly be attributed to this comparatively minor contraction in supply. It must be attributed in the main to speculative factors arising from the expectation of the signature of this agreement (which has since been signed), together with some increase in the insecurity of the main tin-producing areas.

The combined effect of these price changes on the balances of payments of countries in the region have already been considered elsewhere. In general, balances of payments have been affected far more by quantum changes than by prices. This is a result of the divergence of the trends of the different prices and the mutually compensating effects of different movements in the economies of different countries. In almost all the countries with extensive trade in the region it is possible to set a rising trend against a falling one in the export pattern: tea or tin against rubber, sugar against copra, cotton against wheat. The chief exceptions to this general statement are found among the food exporting countries. It is almost certain that Thailand has suffered severely in its terms of trade, though figures are not available. In Burma the fall in the price index has been quite marked, though the change in the terms of trade is less certain because of price falls in some of Burma's imports.

If the different lines in chart 5 are compared with the figures for wholesale price indices in chart 6 the degree of compensation appears rather remarkable, in view of the comparatively great dependence of the price level, in several countries of the region, on a small range of export commodities.

In general, monetary factors have not been important influences on internal price levels during the period under review. The after effects of the devaluation of the piastre in Viet-Nam may have had some influence at the beginning of the period; inflationary impacts can be noted in Korea (South) and Indonesia and to a smaller extent in China, both Taiwan and the mainland. Less important but not wholly insignificant are the effects of contraction of credit and stricter budgeting in Ceylon. There have, however, been no really important changes in general price levels.

Cost of living

In general the trend of the region's cost of living has been downward, but not in proportion to the fall in the price of rice in the region's free markets. In individual cases, as in China: Taiwan, Japan and Pakistan, balance of payments difficulties have led to inflationary factors or to import restrictions that have offset the effect of the fall in the price of rice. In others, as in Thailand, the domestic price has been relatively little affected.

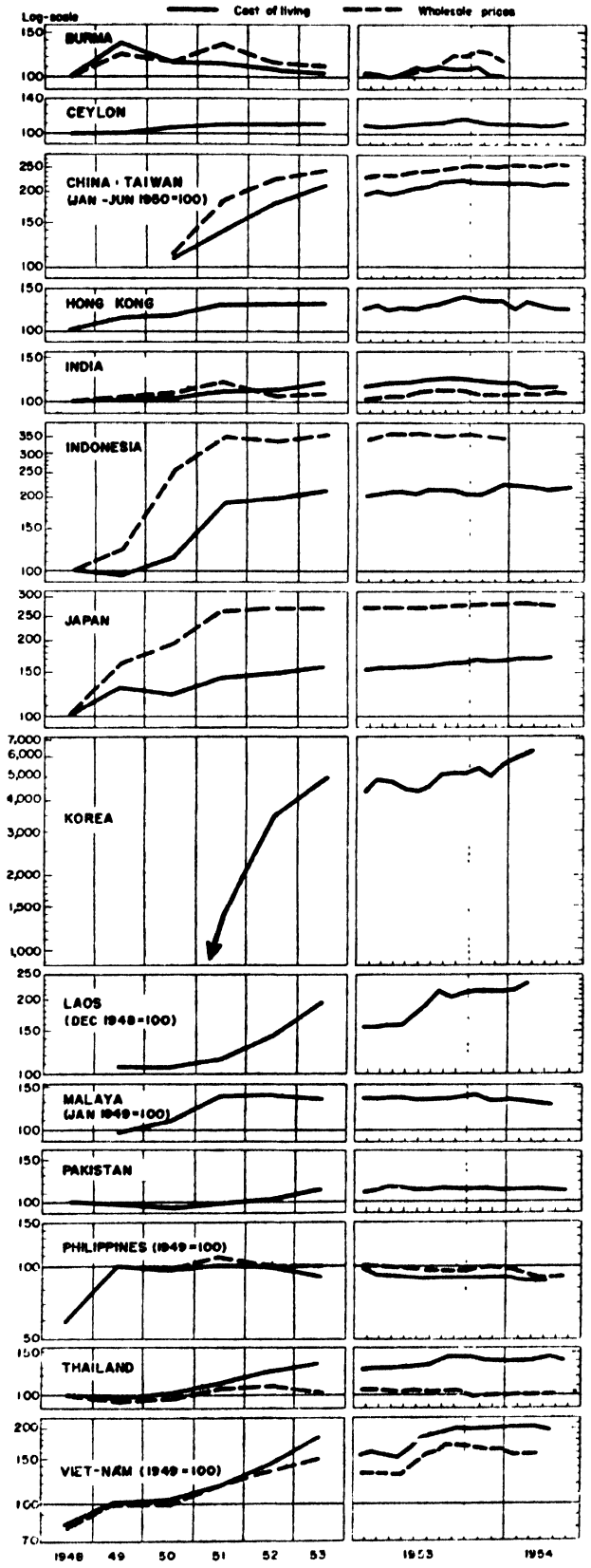
The fall in the export price of rice in *Burma* has been accompanied by a fairly substantial fall in the cost of living. Import duties have been revised partly with a view to bring in more revenue, to offset possible losses by the State Agricultural Marketing Board. Though the increased duties may increase the local cost of some items of consumption, the abolition of the former preferential duties and the trade agreement with Japan have brought in considerable quantities of cheap goods which have helped to lower the retail price level.

In *Cambodia, Laos* and *Viet-Nam* large imports which have weakened the exchange position have had the incidental effect of reducing the pressure on the cost of living that the war would otherwise have caused. The effects of the devaluation of the piastre appear to have worked themselves out fairly early in the period under review, several of the products that at first were "sticky" having now moved a little more with the others. Falling rice prices have had more effect on working class than on middle class living costs, and the index for labourers in Saigon has actually fallen during 1954. Inflationary forces have led to some slight rises in non-food prices but substantial price stability had been achieved in the period under review.

In *Ceylon*, where a rise in the cost of living was recorded in the 1953 *Survey*, as a result of a deflationary reduction of food subsidies, a renewed reduction of the index has been made possible by three factors: the fall

CHART 6

INDEX NUMBERS OF COST OF LIVING AND OF WHOLESALE PRICES 1948=100



in the world price of sugar at the beginning of the period, the rubber-rice contract with mainland China, and the falling world price of rice. Continued deflationary policy by the government has also contributed to the general downward tendency with a fall in money wages and probably a slight rise in real wages during the period under review.

Profits resulting from the fall in the world price of sugar made it possible for the government, without affecting the total amount of food subsidies, to increase the subsidy on rice and bring down the cost of the ration. This reduced the index in October, and further in November. Large arrivals of rice from mainland China under the rice-rubber agreement, and later the promise of continued supplies of cheap rice from Burma, confirmed the fall already achieved. The total fall however was only six points from 114 to 108 during the six months under review.

In the Republic of *China* a favourable position on the international account has been accompanied by a mildly inflationary situation. Military expenditures have kept the budget unbalanced and there has been some upward pressure on local prices. Food prices fell in October well below the September level, and stayed low until February while the general index remained little changed throughout the period; from February food prices also showed an upward tendency.

It is impossible to give price figures for mainland China, corresponding to the indices of the cost of living in other countries of the region. With an officially controlled economy, the price indices that are relevant are different for different groups, and only official prices are likely to be quoted. The fact that food crops for 1953 are claimed to have been no more than equal to those of 1952 while active development work has created new demands would appear to indicate a potentially inflationary situation, to which the export of food to Ceylon may have contributed slightly.

Measures to combat this inflationary pressure include the issue in December 1953[1] of PBY 6,000,000 million 1954 National Construction Bond at 4 per cent repayable in eight years; this is to be subscribed 70 per cent in the cities, mainly by private and semi-private enterprises and urban residents, and 30 per cent in rural areas; by March 26 1954 this issue was reported as overscribed by 7 per cent.[2] A further measure is the attempt to absorb surplus funds, paid to peasants under the State food-purchase campaign, by promoting rural savings deposits at preferential interest rates (1.5 per cent per month for 1-3 months deposits, 2 per cent for 3-6 months deposits); savings deposits in People's Bank branches throughout the country were claimed to be PBY 4.000,000 million, more than three times the figure for November 1953, by the end of January.[3]

The inflationary effect of the total situation appears to have been negligible during 1953 and the official price index rose by less than 1 per cent.[4] In early 1954, while the official rate of exchange was PBY 4,270 to the Hong Kong dollar, free market rates in Hong Kong rose to PBY 8,000 in mid-March and PBY 10,000 in mid-April. These rates are attributed to upward effects on internal prices of the collection of food, the introduction of rationing in large cities, and the issue of large denomination notes.[5]

Hong Kong has experienced a fall in the cost of living mainly on account of lower prices of rice from Thailand. A contributory factor has been over-stocking of some food products as a result of the decline in Hong Kong's exports. This appears to have been chiefly significant at the end of the period.

The cost of living in *India* was effected during the period both by the fall in the price of rice and by delayed deflationary influences and unemployment which resulted from earlier financial policy. It was not until after the end of the period under review that revisions of the Five-Year Plan designed to combat unemployment, and deliberate adoption of a policy of substantial deficit financing, began to exercise an expansive influence on some internal prices.

As a result, the almost continuous upward tendency of the cost of living in recent years in India has now been clearly reversed, and the fall, though only very moderate, has been sustained. The terms of India's rice agreement with Burma will enable the government to sell imported rice at the same price as local rice without loss, since the effective price is only £35 per ton.

In *Indonesia*, the cost of living, after a fall at the beginning of the period, rose at the end of the year and then fell again. The changes are hardly significant in view of the strains to which the economy is at present being subjected through its serious losses of foreign exchange.

1. Regulations passed on 8 December 1953. Government Administration Council Directive on National Construction Bonds, NCNA, Peking, 9 December 1954.
2. NCNA, Peking 8 April 1954.
3. "Promote rural savings deposits for accumulation of production funds for coming spring" NCNA, Peking, 14 December 1953; *People's Daily*, Peking, 14 December 1953.
4. "Prices rock-steady in China", NCNA, Peking, 11 April 1954.
5. *Hua Chiao Jih Pao* (Overseas Chinese Daily), 16 March and 15 April 1954.

The food situation remained satisfactiry because of increased local production of rice. Import control was tightened up following a temporary liberalisation in the middle months of 1953, and this was probably one of the factors preventing a fall in the cost of living index. Exchange difficulties and the general inflationary situation resulting from very inadequate budgetary control and the impossibility of preventing loss of exchange and flight of capital through smuggling, exerted an upward pressure on prices that appears to have offset the fall in international food prices, at least during the period for which figures are available. There was a slight fall at the beginning of the period, followed by a much larger rise and a subsequent slight fall at the end.

In spite of strenuous deflationary efforts the cost of living in *Japan* has shown no tendency to fall, though the speed of its rise has been checked in comparison with recent years. This is partly because Japan is the one country in the region where the rice situation has been poor during the period, as a result of bad weather in the previous season.

The fall in the world price of rice has had little effect on the official cost of living. It has in the past been necessary to subsidize the price of imported rice in order to operate a rationing scheme, because of Japanese preference for the home produced variety. Partly by purchasing at lower prices the government has been able to reduce the amount appropriated for cereal subsidies from Y30,000 million in 1953/54 to Y9,000 million in 1954/55, but the cost of rationed rice to the consumer has actually been raised from Y68 to Y76.5 per kilogramme. The free market price of rice has, however, fallen by about 20 per cent between September 1953 and March 1954. Fuel and light and miscellaneous items have shown the upward trend that is characteristic of inflationary pressures.

In *Korea* (South) inflationary factors, arising from the urgent needs of reconstruction and rehabilitation, have inevitably dominated the situation. Strenuous efforts to increase both production and imports which appear to have checked the rise in wholesale prices for most commodities other than textiles early in 1954, have not prevented a rise in the cost of living which has continued throughout the period with only minor reactions.

In *Malaya* the effect of the falling price of rice on the free market caused a substantial fall in the rice element in the cost of living for all races. It is probable that the official index gives a smaller reduction than actually occurred. Reduced offtake of rationed rice is reported and there has certainly been some substitution of free-market rice, which is of generally higher quality, for rationed rice. Though imports of free market rice were restricted for a time to prevent disorganisation of the market, the effect of this substitution must have been favourable to the real cost of living, even though the effect may have been rising standards of living rather than lower levels of expenditure.

It has been frequently suggested that the rice trade should be returned to private channels, and plans are now being worked out for reducing government control. In the present condition of government-to-government contracts and of the private trade this may be expected to react favourably on the cost of living.

Other prices appear to have fallen less than those of food. Hence the index for Chinese workers, in whose budgets such items are more important, has fallen less than those for Malays and Indians during the period.

The cost of living in *Pakistan* has been affected by conflicting factors which have resulted in a level substantially unchanged during the period. Food prices have exhibited the tendency to fall which has been characteristic of the whole region, while balance of payments difficulties and consequent import restrictions have raised the prices of imported goods. Development work has been actively maintained with consequent expansive tendencies in total demand, while increased supplies have been coming forward of locally produced goods as a result of earlier development work. An attempt was made, early in 1954, to achieve a standstill in textile prices by agreement with private traders, but it has not proved possible to prevent all non-food goods from yielding to inflationary pressure.

In the *Philippines* falling prices of foreign rice were not an important influence on the cost of living, since the islands produced in 1953 more than enough rice for their own requirements. The general improvement in the rice situation was however a factor favouring lower food prices. After remaining more or less stable during the latter part of 1953, the cost of living moved down quite sharply during the last two months of the period.

A mildly deflationary fiscal and financial policy probably contributed to the downward tendency, though output was reasonably maintained.

In *Thailand* the effect of the new exchange structure on the cost of living is rather uncertain. More favourable rates for a very limited number of necessities were no doubt intended to keep down the cost of living by offsetting the increased cost of other imports. The fall in export prices of rice has had little effect on the cost

of living, since the domestic price of rice was never allowed to rise with export prices, having been stabilized by the government rice monopoly and the special export rates of exchange for rice.

The official cost of living index number has fallen during the period by a few points, but the tendency even of this index was upward again at the end. There are significant inflationary factors at work, including government borrowing from the Central Bank of an additional Baht 1,600 million during the period.

Conclusion

The general price situation is not wholly unfavourable and there has certainly been no marked deterioration. But the recovery of raw material prices even where it has occurred, gives little cause for confidence and the cumulative effects of balance of payments difficulties are beginning to cause some strain. Increasing efforts may be needed to sustain the development work which is the source of the more hopeful elements in the present situation. So far, where import restrictions have been imposed they have not led to any marked rise in the cost of living; and where there has been deflationary policy it has not led to any apparent secondary contractions. Hardly any of the development plans have so far been curtailed as a result of the deterioration in the terms of trade over recent years, and this represents a real achievement.

ASIAN ECONOMIC STATISTICS

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UNITS AND SYMBOLS EMPLOYED

Unless otherwise stated "tons" relate to metric tons, and "dollars" relate to United States dollars.

The following symbols have been used throughout:

* = average of six to eleven months.
‡ = 12 months beginning April of the year stated.
† = 12 months ending September of the year stated.
ø = 12 months ending June of the year stated.
§ = end of period.
I, II, III, and IV for quarters of years.
Mn = million.
.. = not available.
— = nil or negligible.
r = revised figures from this issue.
Figures in italic are provisional.

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

H. = Hwan (Republic of Korea, one Hwan is equivalent to 100 Won)
HK$ = Hong Kong dollar
K. = Kyat (Burma)
M$ = Malayan dollar (Federation of Malaya, Singapore, North Borneo, Brunei and Sarawak)
NT$ = New Taiwan yuan or dollar
P. = Peso (the Philippines)
Pr. = Piastre (Cambodia, Laos and Viet-Nam)
Rp. = Rupiah (Indonesia)
Rs. = Rupees (Ceylon, India and Pakistan)
Y. = Yen (Japan)

The term Malaya includes the Federation of Malaya and Singapore.

SOURCES

To ensure comparability, data compiled or published by the United Nations Statistical Office have been incorporated wherever possible; material supplied by governments, publications of governments, of the United Nations and its specialized agencies and of international commodity study groups have been used as additional sources.

PRODUCTION

1. INDEX NUMBERS OF PRODUCTION

1948 = 100[a]

	Weight	1949	1950	1951	1952	1953	1953				1954			
							I	II	III	IV	I	Jan	Feb	Mar
CHINA (Taiwan only)														
Industrial production[b]	100.0	157	175	184	238	323	257	269	278	303	308	330	254	338
Public utilities	6.6	124	168	192	202	214	207	209	211	228	237	243	219	248
Electricity	3.8	101	123	152	168	188	179	179	181	202	213	219	195	225
Mining and Quarrying	3.7	87	86	106	138	121	135	117	104	128	139	148	118	150
Coal	1.8	98	85	100	139	145	145	153	132	150	125	164	78	134
Manufacturing[b]	87.7	166	182	189	248	348	273	289	300	327	330	356	270	365
Food[b]	29.1	221	215	147	198	336	202	257	260	229	261	257	272	254
Textiles	14.6	194	276	422	661	820	825	889	889	1,075	1,072	1,197	757	1,261
Chemicals	8.1	104	130	216	238	263	211	231	298	332	265	242	249	305
INDIA[c]														
Manufacturing and mining	100.0	98	97	108	119	125	122	125	124	127	127	123	131	126
Mining (coal)	12.0	106	107	115	122	120	126	126	113	117	123	115	134	121
Chemicals and allied trades	4.9	114	129	145	204	260	258	238	267	274	281	271	292	280
Metal manufactures (other than machinery)	9.3	108	114	119	121	114	120	101	100	135	134	129	136	137
Engineering and electrical goods	5.6	121	148	189	170	190	164	189	202	204	211	206	213	215
Textiles	61.4	90	82	90	100	102	101	104	103	100	103	101	108	99
Cotton textiles	43.5	91	84	93	104	110	109	112	112	108	112	112	118	106
Jute	16.5	85	77	80	87	80	81	81	80	78	78	73	82	81
Paper	1.5	105	111	135	140	141	139	136	156	134	120	124	125	110
Manufacture of non-metallic mining products (other than coal and petroleum)	1.7	107	149	171	173	229	247	204	193	271	267	255	271	276
Manufactures of wood (plywood)	0.2	89	93	132	168	114	139	111	98	106	137	112	137	161
Food (sugar)	3.5	93	91	104	139	120	112	334	4	96	87	91	86	64
INDONESIA (1938 = 100)														
Export products														
General[d]		69	89	105	106	*108*								
Estate		48	49	63	71	*75*								
Peasantry		103	194	228	184	*156*								
Mining		85	93	103	116	*132*								
Estate products of 7 items		63	69	86	100	*102*	104	103	102	*101*				
JAPAN														
Industrial production	100.0	124	142	193	213	261	227	256	257	282	274	264	267	290
Public utilities	4.3	113	122	134	146	160	151	159	160	171	173	174	161	183
Manufacturing & mining	95.7	130	153	210	232	284	246	278	279	307	298	287	291	316
Mining	12.9	115	121	138	142	153	167	156	137	149	140	147	114	160
Manufactures	82.8	131	156	219	244	304	257	297	302	332	323	309	320	340
Non-durable	47.8	134	190	254	298	375	324	378	380	418	406	389	405	422
Textiles	17.1	128	186	261	298	345	292	332	369	385	361	351	372	359
Chemicals	16.7	140	203	277	332	426	375	437	411	482	482	485	425	537
Durable	35.0	134	147	220	230	281	229	261	270	298	291	277	285	311
Metals	12.9	176	242	360	386	459	396	459	474	507	502	476	486	544
Machinery & transport equipment	14.6	124	117	184	191	248	184	210	221	253	243	232	240	257
PHILIPPINES (1952 = 100)														
Manufactures					100	113	108	112	112	118				
Non-durable manufactures					100	111	105	110	109	118				
Tobacco products					100	114	103	117	110	127				
Textiles					100	96	96	92	84	111				
Footwear and wearing apparel	..				100	116	112	111	120	122				
Chemicals	..				100	111	100	111	114	120				
Durable manufactures	..				100	118	116	118	119	119				
Stone, clay and glass products (including cement)					100	108	97	98	119	123				
Metal products					100	152	159	148	157	143				
Electrical appliances	..				100	96	97	95	91	100				

a. Original base: *China*, 1951, *India*, 1946, *Japan*, 1934-36

b. Sugar production is excluded from the monthly and quarterly index but included in the annual index. Weights relate to annual index.

c. Group indexes compiled by the ECAFE Secretariat on basis of the Interim Index of Production published by Ministry of Commerce & Industry. For details, see footnote *b* to table 1 in the Section on Asian Economic Statics, *Economic Bulletin for Asia and the Far East*, Vol. IV, No. 3 or 4

d Relate to 18 products, including forest products (jungle-wood and rattan).

2. PRODUCTION OF SELECTED COMMODITIES

Monthly averages or calendar months

Thousand tons

	1938[f]	1948	1951	1952	1953	1953 I	1953 II	1953 III	1953 IV	1954 I	1954 Jan	1954 Feb	1954 Mar
COAL													
China (Taiwan only)	183	138	138	191	199	200	210	181	207	172	225	107	184
India	2,400[g]	2,551	2,915	3,067	3,035	3 132	3,167	2,869	2,973	3,058	2,950	3,105	3,120
Indonesia	121	45	72	81	75	78	73	74	74	73	76	72	71
Japan	3,484	2,822	3,610	3,613	3,877	4,436	4,026	3,365	3 682	3,440	3,711	2,621	3,988
Korea (South)	19	67	14	48	72	62	70	76	82	67	71	67	64
Malaya[a]	40	32	32	27	24	26	27	24	20	18	20	14	19
Pakistan[b]		20	43	51	49	63	48	33	51	60	66	54	61
Viet-Nam	195	30	53	72	70	61	65	59	93	82	108	34	106
ELECTRICITY (Mn kwh)													
Cambodia	1	1	1	2	2	2	2			1	1	1	1
Ceylon	3	5	9	11	12	11	12	12	13	*13*	*13*	*12*	*13*
China (Taiwan only)		70	107	118	130	126	126	128	142	150	154	137	158
Hong Kong		13	30	33	36	33	36	38	38	38	39	36	38
India	211[gh]	381	488	516	560	524	547	584	583	578	590	551	594
Japan	2,276	2,965	3,977	4,304	4,641	4 165	4,685	4,822	4 892	4,747	4,751	4,331	5,160
Korea (South)		41	28	53	61	56	62	65	61	66	65	58	76
Malaya	36		76	80	88	78	87	88	91				
Pakistan		11	19	25	34	20	34	35	36		39	37	
Philippines (Manila)	12	30	41	46	52	49	51	54	56	56	57	52	58
Thailand[c] (Bangkok)	3	4	5	5	7	6	6	7	8	8	9	8	9
Viet-Nam	8	8	16	19		23	24	26				26	22
PETROLEUM, CRUDE													
Brunei	59	224	415	423	407	402	396	414	*417*	*406*	*4 0*	*380*	*417*
Indonesia	616	361	620	710	852	790	854	875	890	835	915	766	825
Japan[f]	29	13	28	25	25	24	23	26	26	26	26	24	26
Pakistan		5	13	15	16	16	16	15	18	..			
Sarawak	17	4	4	4	4	4	4	4	4				
IRON ORE[d]													
Hong Kong	—	-	14	11	10	14	10	12	6	8	10	5	10
India	232	193	310	332	301	333	309	274	290	313	285	317	338
Japan	51[i]	47	97	116	128	100	117	150	153	135	121	137	146
Malaya	137	-	72	89	90	57	119	124	61	77	43	79	109
Philippines	77	1	75	97	101	95	108	114	89	117	117	105	128
TIN CONCENTRATES (tons)													
Burma	419	97	138	93	*80*	*80*	*80*	*80*	*80*	*80*	*80*	*80*	*80*
China	906	406	*400*	*450*	*525*	*525*	*525*	*525*	*525*	*625*	*625*	*625*	*625*
Indonesia	2,517	2,592	2,624	2,964	2,864	2,389	2,905	3,091	3,069	2,579	2,586	2,283	2,867
Japan		10	37	54	62	59	63	66	60	58	56	55	64
Laos & Viet-Nam	135	3	8	12	22	22	22	22	22	*17*	*25*	*25*	-
Malaya	3,673	3,794	4,840	4,812	4,763	4,758	4,567	4,701	5,026	4,864	5,190	4,346	5,057
Thailand	1,255	359	805	802	885	900	853	779	1,007	769	821	643	844
TIN METAL (tons)													
Malaya	5,456	4,209	5,581	5,320	5,284	5,836	4,706	5,481	5,114	5,935	5,177	5,641	6,987
NATURAL RUBBER[e]													
Cambodia	1 4	1 4	1 3	1 5	1 9	1 2	1 7	2 0	2 6	1 2	2 3	0 3	1 1
Ceylon	4 3	8 0	8 9	8 2	8 3	6 1	7 3	8 2	11 9	7.1	10 2	6 4	4 6
India	1 3	1 3	1.5	1 7	1 8	1 2	1 8	1 7	2 4	1 2	1.9	0 4	1.2
Indonesia	27 0	36 6	69 0	63 4	58 6	56 5	58 7	62 0	57 2	58 3	60 0	54 1	60 8
Malaya	30.4	59 1	51 3	49.5	48 6	48 0	45 1	50 6	50 9	45 7	50 2	44 1	42 8
Sarawak	1.5	3 4	3 6	2 7	2.0	2 1	2 2	2 2	1 6	1 5	1 4	1 5	1 6
Viet-Nam	3 6	2 3	3 1	3 4	4 2	2.8	3 4	4 5	6 1	2 9	5 7	1 0	2 1
COTTON YARN													
China (Taiwan only)	-	-	0 6	1 1	1 6	1 4	1 7	1 6	1 9	1 6	1.8	1 3	1 8
Hong Kong			2 4	2.5	2 7	2 3	2.6	2 8	3 2	3 0	3.2	2 6	3 3
India	49.3[h][g]	55 0	49 0	54 7	56 9	55 2	56 1	58 4	57.9	57 4	59 9	56 2	56.2
Japan	54 5	10 4	28 1	29.4	34 5	28 3	32.1	37 4	40 4	39 5	37 9	41 1	39.6
Korea (South)		0.5	0 5	0.8	1 1	0.9	1 3	1.2	1.1	1 2	1.2	1 2	1 3
COTTON FABRICS (Mn metres)													
Ceylon (Mn sq. metres)	0.6	0 5	0.6	0.7	0 6	0 7	0 7	0 5	0 5		0 6	0 5	
China (Taiwan only)		1 0	4 7	7.1	10 9	10 0	9 7	10 6	13.3	12 6	13 9	8.2	15 7
India	325[h][g]	337	319	350	373	364	382	380	365	372	383	367	365
Japan (Mn sq. metres)	243 6	64 4	151.9	156 0	195 8	167 0	202 2	201 8	211 8	216 0	205 9	220.0	222 1
Korea (South)		2 1	2 3	3 3	4 6	4.0	5 1	4 8	4.6	4 9	4 7	4 7	5 5
Pakistan		6 7	9 7	13.3	18.1	12 4	17 3	19 1	23 7		25 3	25 4	
Philippines		0 6	0.8	0.5	0.9	0 6	0.4	1.3	1.2	1 2	1.4	1 1	1.2
CEMENT													
Ceylon			5.3	5 1	5.2	2.5	5.7	73	5.9	6 8	6 4	7.3	6.8
China (Taiwan only)	0 2	19 6	32.4	37.1	43.3	41 9	43 4	43 7	44.2	47.3	50 0	40.7	51.1
Hong Kong		4 4	6 0	5.8	5 3	4 8	4 7	5.5	6.3	8.6	10 3	6.2	9.3
India	119.0[g]	131.0	271 0	299.5	320.0	290.1	313 9	325.0	351.3	373.7	368.6	357 5	395 0
Japan	473.6	154 9	545 6	593 1	730.7	551.6	768 9	776 9	825.5	764 2	688.0	745.2	859 5
Korea (South)		1 9	0 6	3.0	3.5	1.0	5 6	4 1	3.2	3 0	5 4	0.3	3 4
Pakistan		27.4	42.2	44 9	50.3	52.5	54 5	45.4	52 6	41 3	47.8	39 1	37.0
Philippines	13 9	10.0	26.3	26.4	26 5	26.5	26.3	28.0	25 4	21 2	21 6	20.6	21.3
Thailand	7 7[i]	6 9	19 1	20 6	24 0	22 9	22.1	22.1	28.9	27 1	29.4	22 9	29.1
Viet-Nam	22.2	8.1	17 7	18.5	24.2	24.2	21.9	24 8	26.0	23.0	26.3	19.2	23 4

a. Lignite
b. Including lignite
c. Relates only to the consumption of electricity generated by the Bangkok Electric Works.
d. Approximate metal content of ores as follows: *Hong Kong*, 45%; *India*, 65%; *Japan*, 55%; *Malaya*, 60% and the *Philippines*, 55%
e Including latex.
f. 1936 for Japan, unless otherwise indicated
g. Former British Provinces and Indian States
h. 1939.
i 1937

TRANSPORT

3. VOLUME OF TRAFFIC: RAILWAYS, SEA-BORNE SHIPPING AND CIVIL AVIATION

Monthly averages or calendar months

	1938[i]	1948	1951	1952	1953	1953 I	1953 II	1953 III	1953 IV	1954 I	1954 Jan	1954 Feb	1954 Mar
RAILWAYS[a]													
Passenger-kilometres (Mn)													
Burma†	59	40	29	34	47	46	56	48	53	58	55	57	64
China (Taiwan only)	69	166	166	146	157	152	151	157	166	173	162	194	162
Cambodia & Viet-Nam	74	8	9	10	13	10	12	15	14	12	10	13	13
India‡	2,385	4,925	5,078	4,601		4,625	5,141	4,568					
Japan‡	2,185	6,595	6,421	6,707	6,963	6,436	7,053	6,936	6,923	6,939	6,912	6,414	7,491
Korea (South)‡		236	125	219	.	171	228	280	286	255	241	237	287
Pakistan‡		656	827	790	.	737	724	735	720		695	694	
Philippinesø	40	24	32	31	32	34	43	29	30		35		
Thailand	24	109	152	188	191	213	207	166	179	201	177	208	220
Freight ton-kilometres (Mn)													
Burma†	95	52	17	24	36	36	41	38	41	50	49	51	51
China[b] (Taiwan only)	71	52	78	96	108	98	112	110	113	113	128	95	114
Cambodia & Viet-Nam	28	7	16	18	19	19	20	17	21	22	22	18	25
India‡	2,968	3,040	3,820	3,878		4,137	3,781	3,841					
Japan‡	1,305	2,109	3,073	3,227	3,377	3,106	3,290	3,143	3,624	3,316	3,217	3,153	3,578
Korea (South)‡		87	229	256	252	267	272	250	220	172	197	147	173
Malaya	22	26	33	31	31	32	31	31	31	30	30	26	32
Pakistan‡		319	418	447		550	514	422	531		491	450	
Philippinesø	14	10	12	11	12	14	11	11	10		12		
Thailand	38	25	45	46	54	59	53	53	52	55	57	51	58
INTERNATIONAL SEA-BORNE SHIPPING													
Freight Loaded (L) and Unloaded (U) in External Trade (1,000 tons)													
Ceylon (Colombo) L	54	63	60	67	73	73	65	79	76	87	84	74	105
U	109	141	178	174	182	206	197	183	142	196	207	154	227
China (Taiwan only) L		13	48	78	121	123	135	106	118	91	117	51	106
U		22	79	117	109	93	121	107	115	91	114	90	70
Hong Kong L		104	162	128	126	137	130	110	127	126	125	103	151
U		236	312	284	289	300	261	276	278	261	250	255	278
Indonesia[c] L	916	432	749	821	1,016	775	1,076	1,098	1,117	951	981	851	1,020
U	167	160	212	367	347	279	371	420	354	325	298	254	424
Japan[d] L	1,092	165	303	414	420	369	468	430	414	367	327	351	422
U	2,771	563	1,728	1,978	2,607	2,308	2,587	2,579	2,956	2,957	2,934	2,610	3,328
Malaya[e] (Singapore) L		121	217	198	419	395	409	432	440	406	404	371	444
U		163	410	401	675	640	656	743	744	717	682	621	847
Pakistan‡[f] L			152	137	140	160	137	133	156	135	138	137	129
U			292	335	287	295	243	303	346	256	296	229	244
Philippines L	257	50[k]	260	368	350	352	397	359	291				
U	194	193[k]	220	215	253	221	377	274	258				
Viet-Nam (Saigon) L	.		39	23	17	11	10	22	33	52	58	16	82
U	.		74	100	106	107	125	89	103	130	117	116	156
Thailand L	.		165	149	143	129	152	139	151	117	100	106	145
U	.	.	75	94	107	102	106	104	114	107	109	105	108
Entrances (E) and Clearances (C) of Vessels with Cargo in External Trade 1,000 net registered tons)													
Burma[g] E	311	118	106	98	104	88	88	123	117	146	138	133	167
C	361	157	138	132	146	148	150	134	110	152	130	153	175
India E	760	646*	777	773	750	726	804	724	744	763	796	695	799
C	793	567*	649	739	884	836	904	870	924	800	873	707	821
CIVIL AVIATION[h]													
Passenger-kilometres (Mn)													
Burma	..	.	4.15	3.26	3 64	4 00	3.90	2.89	3 78	3 92	3.81	3.82	4 12
Ceylon	—	0.36	2.76	2.47	2 19	3 15	3.94	0.85	0.82	0 85	0 98	0 78	0.80
China (Taiwan only)			1.61	2.49	3 91	3 07	3.49	3.80	5.28				
India	0.11[j]	23.65	34 49	32.46	32.15	34.58	30.20	28.70	35.14		33.92	34.05	
Indonesia		8.49	13.30	13.28	14.03	13.57	14.57	14 43	13 57	14 27	14.80	13.20	14.80
Pakistan	..	.	5.41	5.81	3.46	4 41	3.04	2.92	3 48	3.46	3.53	3.06	3.80
Philippines	0.21	14.57	17.47	17.78	18.97	16.03	21.54	20.09	18.21			.	
Thailand	—	0.93	2.01	2.26	2.60	2.11	2.64	2 45	3.21	2.86	3.01	2 62	2.96
Freight ton-kilometres (1,000)													
Burma			132	118	148	184	136	123	150	182	160	214	173
Ceylon	—	2	196	159	89	158	163	19	17	14	15	11	15
China (Taiwan only)			217	260	358	263	321	570	280				
India	34[j]	475	2,204	2,180	2,203	2,386	2,078	2,060	2,287		2,278	2,109	
Indonesia	..	389	595	595	620	603	617	621	640	617	641	589	622
Pakistan		.	98	167	152	154	142	173	139	142	156	131	138
Philippines		540	793	809	778	844	683	734	850				
Thailand	1[j]	17	59	85	140	139	131	128	162	162	182	142	162

a. Railway traffic coverage: *India* and *Pakistan*, class I railways. *Indonesia*, postwar data relate to Federal area only, *Japan*, State Railways only; *Philippines*, Manila Railroad Company.

b. Including service traffic.

c. Postwar data relate to Federal area only

d. Cargo carried by steel vessels only; excluding military goods

e. Including coastwise traffic of Malaya.

f. Including coastwise traffic of Karachi.

g. Total number of entrances and clearances made during each voyage but excluding sailing vessels. Annual figures relate to 12 months ending September of postwar year stated.

h. Scheduled domestic and international routes.

i. Pre-war data relate to 1936 for Japan, 1939 for Malaya, and April 1938 to March 1939 for Burma and Thailand; pre-war figures for India include former British Provinces and Indian States for both railway traffic and sea-borne shipping

j. Including non-revenue traffic

k. Manila only

4. VALUE OF IMPORTS AND EXPORTS AND BALANCE OF TRADE

Monthly averages or calendar months — *Millions*

	1938	1948	1951	1952	1953	1953 I	1953 II	1953 III	1953 IV	1954 I	1954 Jan	1954 Feb	1954 Mar
BURMA (K.)													
Imports	18‡	49†	54	76	70	59	65	80	76	*70*	74	64	*73*
Exports	41‡	63†	82	105	84	50	129	99	59	*66*	100	81	*77*
Balance	+ 23	+ 14	+ 28	+ 29	+ 14	− 9	+ 64	+ 19	− 17	− *4*	+ 27	+ 17	− *56*
CAMBODIA–LAOS–VIETNAM (Pr.)													
Imports	16	197	523	770	929	714	885	1,118	999	948	827	956	1,060
Exports	24	98	232	201	231	167	175	267	313	*269*	398	239	*171*
Balance	+ 8	− 99	−291	−569	−698	−547	−710	−851	−686	−*679*	−429	−717	−*889*
CEYLON (Rs.)													
Imports	20	83	130	142	134	123	147	131	137	112	105	106	125
Exports	24	84	159	125	131	133	126	128	135	143	121	157	151
Balance	+ 4	+ 1	+ 29	− 17	− 3	+ 10	− 21	− 3	− 2	+ 31	+ 16	+ 51	+ 26
CHINA (Taiwan only, NT$)													
Imports[a]			99	147	138	124	123	143	162	153	167	109	182
Exports			90	122	165	132	114	224	191	91	134	66	71
Balance			− 9	− 25	+ 27	+ 8	− 9	+ 81	+ 29	− 62	− 33	− 43	−111
(in dollars)													
Imports			7 1	9 4	8 8	7.9	7.8	9 1	10.4	9.8	10.7	7.0	11.7
Exports			8.2	9 7	10 6	8 5	7 3	14 4	12 3	5.8	8 6	4 3	4 6
Balance			+ 1 1	+ 0.3	+ 1 8	+ 0.6	− 0.5	+ 5 3	+ 1 9	− 4 0	− 2 1	− 2 7	− 7.1
HONG KONG (HK$)													
Imports	52	173	408	316	323	363	346	292	291	261	269	230	286
Exports	51	134	372	243	228	259	259	189	207	194	201	177	207
Balance	− 1	− 39	− 36	− 73	− 95	−104	− 87	−103	− 84	− 67	− 68	− 53	− 79
INDIA[b] (Rs.)													
Imports	131	485	712	669	481	444	565	502	413	433	404	405	491
Exports	141	381	653	516	443	442	400	435	496	440	446	408	466
Balance	+ 10	−104	− 59	−153	− 38	− 2	−165	− 67	+ 83	+ 7	+ 42	+ 3	− 25
INDONESIA[c] (Rp.)													
Imports	41	94	266	878	715	617	742	811	691	676	674	602	753
Exports	57	87	398	871	779	716	741	839	804	721	690	687	787
Balance	+ 16	− 7	+132	− 7	+ 64	+ 99	− 1	+ 28	+113	+ 45	+ 16	+ 85	+ 34
JAPAN[d] ($)													
Imports	87	57	170	169	201	182	205	197	219	241	243	217	263
Exports	84	22	113	106	106	93	107	105	118	114	94	112	136
Balance	− 3	− 35	− 57	− 63	− 95	− 89	− 98	− 92	−101	−127	−149	− 105	−127
KOREA (South, H.)													
Imports[a e]		7	102	587	1,859	1,003	2,483	2,107	1,865	*2,495*	2,652	*2,722*	*2,106*
Exports		6	41	167	327	228	342	396	356	*965*	552	*601*	*1,743*
Balance		− 1	− 61	−420	−1,532	−775	−2,141	−1,706	−1,509	−*1,528*	−2,100	−*2,121*	−*363*
MALAYA (M$)													
Imports	46	149	396	323	270	275	268	272	262	245	246	229	260
Exports	50	147	506	326	252	276	256	241	232	234	233	211	258
Balance	+ 4	− 2	+110	+ 3	− 18	+ 1	− 12	− 31	− 30	− 11	− 13	− 18	− 2
NORTH BORNEO (M$)													
Imports	0.5	2.1	5.9	5.9	5.5	5.5	6.3	5 4	4 9	6.3	5 8	4.6	8 4
Exports	0.8	2.5	9.6	5.4	4.7	4.5	4.4	4 6	5 3	*5.8*	*6.9*	*4.2*	*6.4*
Balance	+ 0.3	+ 0.4	+ 3 7	− 0.5	− 0.8	− 1 0	− 1.9	− 0 8	+ 0 4	− 0 5	+ *1.1*	− 0 4	− *2.0*
PAKISTAN[f] (Rs.)													
Imports		71	146	168	97	108	68	100	110	94	113	96	72
Exports		77	210	147	121	166	104	110	105	116	118	99	129
Balance		+ 6	+ 64	− 21	+ 24	+ 58	+ 36	+ 10	− 5	+ 22	+ 5	+ 3	+ 57
PHILIPPINES (P.)													
Imports[g]	22 1	97 6	80.2	70 1	69.3	67 7	76 9	63 4	69.0	74.9	83.6	60.0	81.2
Exports	19.4	53 0	68.3	58.7	65.1	62.6	66.5	70 4	60.8	71.8	67.6	79.9	67.8
Balance	− 2 7	+44.6	−11 9	−11.4	− 4.2	− 5.1	−10 4	+ 7.0	− 8.2	− 3 1	−16.0	+19.9	−13.4
THAILAND (Baht)													
Imports	11‡	146	309	473	552	599	505	499	605		606		
Exports	17‡	174	373	312	488	474	491	486	500	451	395	389	569
Balance	+ 6	+ 28	+ 64	−161	− 64	−125	− 14	− 13	−105		−211		
(in dollars)													
Imports	4.8‡	12.0	22 7	25.5	30.2	35 4	28.3	27.5	29.5		28.6		
Exports	7.5†	18.6	30.6	27.4	26.8	27.1	25.6	27.7	23 6	21 9	18.8	19.1	27 7
Balance	+ 2.7	+ 6.6	+ 7.9	+ 1.9	− 3.4	− 8.3	− 2.7	+ 0.2	− 5.9		− 9.8		

GENERAL NOTE Trade Statistics of Cambodia-Laos-Viet-Nam, China and Indonesia are based on "Special" trade system while all other countries compile their statistics on basis of "General" trade system. Multiple rates of exchange apply in China and Thailand, figures in national currencies are based on exchange rates appropriate for individual transaction.

a Excluding FOA/MSA/ECA imports

b. For 1938, former British Provinces and Indian States For 1948, figures on sea-borne and air-borne, Apr-Dec: overland, twelve months commencing Apr 1948. From Feb 1953 onwards, imports include value of special imports of grain, pulse and flour

c From 18 Feb 1950 to 31 Dec 1951, excluding value of exchange certificates For 1 Jan—3 Feb 1952, import and export values are based on 3 times of official exchange rate and from 4 Feb 1952 onwards they are based on official exchange rate of the Bank of Indonesia

d Figures under column for 1938 relate to 1936, they have been adjusted to include trade with Korea and Taiwan. Postwar imports include aid imports.

e Up to Mar1951 valued c i f , from Apr1951 valuation based on local market prices excluding distributive margins and net of import duties and excise.

f For 1948, figured exclude overland trade

g Imports valued f.o.b

5. DIRECTION OF

Quarterly averages

TRADE WITH	Year and Quarter	BURMA		CAMBODIA-LAOS-VIET-NAM		CEYLON		CHINA (Taiwan only)		HONG KONG		INDIA[a]	
		Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
All countries	1948	57 2	45.0	23.0	47.0	76 4	75.1			99 7	130 8	342.8	507.4
	1950	39.4	28 6	19 8	52 6	82.0	61.4	18.1	22 9	162 6	165 7	293 0	284.2
	1951	51.6	34 4	33 7	76.2	100 0	82 0	24.6	21 4	193 9	213 1	411 4	453 6
	1952	66 0	48.0	29 2	112 1	78 8	89 6	29 1	28 2	127 4	165 7	324 9	419.2
	1953	*56 1*	*44 6*	23 8	98 6	78.0	84 4	31.9	26 4	120.8	170 6	277 3	297 3
	1952 III	59 5	49 1	24 1	108 8	69 5	81 4	23 1	33 3	135 6	162.1	337 2	350 9
	IV	73 4	55.7	23.8	102 6	83 1	89 9	23.2	30.3	145.0	176 1	283 1	293 2
	1953 I	32 2	36.9	24.3	104 1	79 4	77 4	25.5	23.7	135 9	190.6	272.3	273 8
	II	92 7	42 6	21 3	108 7	75 8	92 5	22 0	23 5	135 9	181 7	249 8	343 9
	III	62 3	50 7	22 9	95 9	76 5	81.5	43.3	27.4	99 1	153 6	275.9	311 1
	IV	*37 1*	*48 1*	26 8	85 6	80 2	86 2	36 8	31 1	112 5	156 4	311 3	260.3
	1954 I					83.2	70 5	17 5	29 3	115 5	152 0	265 1	270.6
ECAFE Region (including Japan)	1948	50 0	14.4	7 8	5.5	4 6	26 3			60.7	53 8	95 2	121 5
	1950	33 2	17.5	4.6	4.2	4 5	28 8	11 6	12 9	116 9	88 0	68 3	47 7
	1951	42 4	20 0	4 9	5 2	7 6	31 2	19 9	14 4	149.2	103 6	78 7	110.6
	1952	51.6	28 7	11 2	8 7	11 9	32 6	24 6	17 5	100.2	90 2	82 6	67 6
	1953	*42 5*	*23 4*	11 1	8 4	15 6	34 4	20 7	15 2	90 0	93 4	52 9	40 3
	1952 III	48.3	29 4	9 3	8 4	5.3	26.3	16 7	19 5	111 5	93.2	100 2	73.0
	IV	55.5	37 1	16 9	10 2	33 1	38 4	19 5	19.2	115.2	94 3	63 8	53 3
	1953 I	19 0	19 5	12 7	8 1	2 2	30 9	19 4	13 0	103 8	99 5	54 6	29 9
	II	76 9	22.0	11 4	7 5	26.4	35.3	13 6	12 7	105 8	101.4	56 3	55 6
	III	46.9	27.7	9 8	8 4	16 1	34 2	19 0	15 9	73 2	89 6	51 0	45 3
	IV	*27 3*	*24 3*	10 6	9 4	17 5	37 1	30 9	19 4	77 4	83 1	49 6	30 4
	1954 I					16 9	28 3	12 8	19 7	69 6	62 0	51 7	36 1
Japan	1948	0 1	0 3	0 6	0 2	0 1	1 0			3 1	5 0	3 4	4 8
	1950	5 1	3 0	0 2	0 6	—	1 6	6.6	7 2	5 3	10 0	3 9	3 9
	1951	7.2	5.9	0.6	2 4	0 4	4 2	12.3	10 6	8 4	17 2	9 6	11 6
	1952	8 2	7 2	0 9	2 7	0 5	5 8	15 9	12 6	5 4	21 1	13 4	10.2
	1953	*7 9*	*7 3*	3 6	2 1	0 5	3 6	14.5	11 7	9 7	16 8	14 1	6 5
	1952 III	4 1	5 9	1 6	2 0	0 7	4.4	7 7	14 3	7 5	22.3	25 4	11 8
	IV	15 3	10 8	1 0	3 5	0 5	6 7	16 1	14 7	6 1	20 6	13 0	7 7
	1953 I	3 1	6 4	0 5	2 3	0 4	3 4	13.2	9 9	10 2	13 9	17 6	5 5
	II	9.5	6 0	1 1	1 4	0 3	4.0	5 0	9 9	13 7	18 0	18 5	8.9
	III	12 6	7 0	5 1	2 2	0 6	4 4	14 8	13 3	7 2	19 4	8 0	5 6
	IV	*6 5*	*9 9*	7 5	2 6	0 6	2 8	25 1	13 9	7 6	15 9	12 3	6 1
	1954 I					0 5	2 7	6 6	15 3	5 3	13 3	10 6	6 8
Western Europe	1948	5 8	23 9	10 2	32 9	30 7	16 4			8 5	32 5	106 8	159 5
	1950	2 5	8 0	9 4	42 4	32 1	15 6	1 6	1 5	14 9	32 4	95 4	90 2
	1951	5 4	11 6	17 0	61 8	50 4	25 5	0.7	1 6	16 6	70 0	147 8	129 9
	1952	8 4	14 6	9 5	92 4	32 4	27 2	1 3	2 6	9 8	50 6	98.9	126.2
	1953	*6 5*	*17 4*	5 2	77 2	28 9	25 9	3 8	3 1	10 5	50 9	102 2	126 4
	1952 III	5 9	16 1	7 2	83 8	25 1	24 6	1 6	4 1	9 4	44 1	98 0	121 6
	IV	9 9	15 1	11 6	98 0	32 1	29 4	0 4	2 3	12 4	57 9	102 8	117 6
	1953 I	6 9	13.2	7 7	83 3	29 7	22 1	0 2	3 5	14 0	66 0	98 0	114 2
	II	6 3	17 4	3 9	85 3	31 1	28 0	3 9	2 2	11 0	53 4	75 1	127 6
	III	9 0	19 8	4 3	76 0	24 7	25 8	10.3	2 9	7 7	40 4	103 1	131 3
	IV	*3 8*	*19 0*	4.8	64 0	30 0	27 6	0 8	3 9	9 2	43 8	132 5	132.5
	1954 I					25 9	24 6	0 4	2 6	11 3	43 4	99 6	132 1
United Kingdom	1948	5 1	21 1		1.2	22 9	13.2			4 7	19 0	74.2	115 6
	1950	1 4	6 7	0 2	0 4	19 3	12 2	0 2	0 8	7 4	17 7	64 4	61 7
	1951	3 3	8 4	1 3	0 5	30 8	18 1	0 5	0 8	9 4	27 1	103 9	75.0
	1952	6 2	10 8	0 2	0 6	21.9	20 2	1 1	0 9	3 6	20 6	66 4	78 4
	1953	*4 6*	*11 2*		—	20 2	18 8	2 1	1 2	5 2	20 8	78 0	73 8
	1952 III	5 2	11 0	-	—	19 3	17 7	1 3	1 0	3 4	19.6	62 6	74 7
	IV	9 0	10 6	1 0	2 5	19 8	18 0	0 1	0 8	3 2	21 8	71 2	65 6
	1953 I	5 7	10 1	-	—	20 2	16 6	0 1	0 8	5 1	23 7	72.1	73 1
	II	3 5	11 2	—	—	23 1	22 2	2 2	1 0	5 8	22.2	55 1	71.3
	III	6 3	13.8	—	—	17 0	18 0	6 1	1 4	4 7	18 2	80 9	76.0
	IV	*2 7*	*9 8*	—	—	20 4	18 6	0 2	1 6	5 2	18 9	104 1	74.6
	1954 I					18 6	15.3	0 2	1 2	7 8	17.2	72 6	77 6
Eastern Europe	1948		0.1	—	0 1	0 5	0 2			0 9	0 1	6 4	5 3
	1950	—	—	—	0 2	0 1	0 4	—	—	—	0 9	1 5	3.0
	1951	—	0 1	—	—	0 4	0.9	—	—	-	1 5	5 0	3 9
	1952	0 1	0 1	0 1	0 2	0 8	0 6	—	—	—	0 3	1.9	2 7
	1953	—	*0 2*	-	-	—	—	—	—	—	1.0	1.7	2 0
	1952 III	—	0 1	—	—	—	—	—	—	—	0 2	1 0	2 2
	IV		0 1	0 4	1 0	3.0	2.5	—	—	—	0 6	0 7	1 9
	1953 I	—	0 1	—	—	—	—	—	—	—	1.3	1.3	2 2
	II	—	0.2	—	—	—	—	—	—	—	0.6	2.1	1 9
	III	—	0 2	—	—	—	—	—	—	—	1 1	1.5	2 1
	IV	—	*0 2*	—	—	—	—	—	—	—	0.8	2 0	1 9
	1954 I	.		.		—	—	—	—	—	1.0	4 1	2 4

INTERNATIONAL TRADE

EXTERNAL TRADE

or quarters

Million dollars

INDONESIA		JAPAN		MALAYA		PAKISTAN[a]		PHILIPPINES		Year and Quarter		TRADE WITH
Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports[b]			
98.7	116 2	64.6	170.6	203.2	210.4	79 0	89.4	79 4	146.5		1948	All countries
180 4	100 4	205 0	242.5	328.0	238.1	100 4	87.8	84.3	85.6		1950	
307.7	201.5	338 6	498 8	496 3	388 4	190.9	133 7	102.4	120.1		1951	
227.8	231.0	318.2	507.0	320.0	316.3	133.1	152.4	88.0	105.2		1952	
204.9	188.2	318 7	602 4	246 6	263.6	109.7	87.5	97.8	103 9		1953	
218.1	252.8	289 0	497 7	311.1	285.5	75.8	143 4	76.7	108 5	III	1952	
239.4	258 6	300.7	537.7	297.6	308 9	135 7	105.3	86.0	90 4	IV		
188 3	161 8	275 5	547.5	263.9	269.5	150.4	98.1	93.8	101.5	I	1953	
195.2	196 0	328.6	613.9	257.3	262.4	94.3	61 6	99.8	115.2	II		
221 1	213.4	316 3	590.4	236.4	268.4	89.5	91.1	89.7	89.7	III		
215 0	181 7	354 4	657.8	229 0	256.0	94 6	89 3	97.2	109.1	IV		
189.8	177.9	*343.0*	*723.1*	229.1	239.8	*101 5*	*63 5*	107.6	112 4	I	1954	
25.0	33 7	26 4	23 0	49.8	96.9	24.0	44.6	7.2	14 9		1948	ECAFE Region (including Japan)
73 4	39.0	88.9	73.2	83 9	153 7	25 4	33 7	7.3	9.6		1950	
121 4	83 6	156.2	122 2	118 0	242.0	85 0	49.5	9 0	19.3		1951	
75 1	91 6	143 1	129 2	91.3	181 6	61.0	57 7	10 8	14 7		1952	
70.2	77.3	139 1	160 3	77.2	153 0	36.9	11 9	13 4	11 7		1953	
74 7	101.4	136 3	118.3	93 8	175.4	48 3	48.9	14 6	21 0	III	1952	
87 3	109.8	129.9	138.5	88.3	181.0	50.6	25.4	8.8	12 3	IV		
56 4	62.1	107.3	148.5	76.8	152.6	41.6	15.2	9 7	11 4	I	1953	
66.7	92.1	141 8	172.8	87 3	148 5	38.2	7.8	13.9	13 1	II		
79 7	85 5	142.2	160 6	72 6	158 9	39 1	10.6	15 2	8 7	III		
78.2	69 5	165 0	159.3	71 9	152.0	28.8	14.0	14 8	13 7	IV		
78 7	86.3	*155 3*	*151 8*	65 8	136 2	*33 2*	*11 0*	13 7	16 7	I	1954	
2 4	18 0	—	—	2.3	1.6	0 9	0.7	3 9	0 5		1948	Japan
2 5	10.5	—	—	9.4	7.6	11.0	13.1	5.5	3 6		1950	
10 0	37.7	—	—	12.8	19.9	19.2	19.5	7.5	8.2		1951	
6 1	31 7	—	—	12.6	20 4	22.0	27.9	9.6	4.6		1952	
9 3	31 7	—	—	12.8	10 5	21.4	4.5	12.0	5 1		1953	
8.2	31.4	—	—	12 7	14 9	7.1	22 1	13 5	4 4	III	1952	
9.9	35.2	—	—	12 0	13.0	25 3	11.4	8 0	3 9	IV		
10 6	16 3	—	—	13 0	8.7	30.9	7.6	8 8	5 5	I	1953	
9.0	29.4	—	—	11 0	12 1	21.1	2.3	12 4	5 6	II		
8 6	45 7	—	—	12 9	10 5	20 5	2.8	14 0	2.7	III		
8 9	35 5	—	—	14 3	10 7	13.1	5.3	13 0	6 6	IV		
8 2	41 7	—	—	14 8	7.9	*8.0*	*3.5*	12.8	7.0	I	1954	
43 6	41 7	6.8	4 9	58.6	49 6	33 4	26 6	13 2	4 8		1948	Western Europe
60 6	36 0	23 6	9.2	103 2	56 7	50 3	34 8	11 0	4 9		1950	
110 0	66 8	35.4	40 1	185.6	100 1	77 3	47 4	22 1	7 0		1951	
72 2	80 8	44 1	34.4	120 7	90.7	49.2	52.5	13.1	5.9		1952	
71.4	64.0	28 9	50.8	81 7	72 9	53.6	25.4	13.8	5.8		1953	
72.5	89.9	29.0	28.5	126.8	76.3	16.8	53.0	12.3	6.5	III	1952	
71.2	97.5	31.2	36 6	108 2	85 9	58.5	32 7	15.8	4.6	IV		
67 9	58.2	39.5	30 3	94.2	78 1	73.7	32.9	11.3	5.4	I	1953	
59.1	57.8	25 0	56.1	78 3	78 8	41 2	13.5	8.6	5 4	II		
75 8	75 9	30 1	59.3	78.3	66 9	49 1	23 9	16 4	4 1	III		
82 7	64 0	21 1	57 7	75.9	67 7	50.2	31 4	18.9	8.3	IV		
65.6	51.6	*20 1*	*56 5*	81 6	70 0	*49 5*	*38 7*	21 8	9 4	I	1954	
2 0	10 8	4.2	1.3	28 2	40.5	13 4	20.4	0 8	1.3		1948	United Kingdom
6.5	7.4	6 5	1 6	44.6	41.3	17.2	23.1	1.3	1.3		1950	
19.5	13.0	13.5	8 0	99.3	64 4	23 9	27.6	3.2	1.6		1951	
6.1	16.5	18.3	9 2	66 6	66.9	17.0	30.9	1.4	1.2		1952	
4 2	13.2	8 3	12.2	39 6	53.5	21 1	14 4	1.3	1.1		1953	
3 8	18 2	11.8	6 1	70 8	54 7	7 3	33.9	0 8	1.2	III	1952	
4.2	22.0	8.0	10.0	54 0	63 4	14 9	19 7	1 2	0.8	IV		
3 6	13.2	14 3	8.5	51 0	59.4	29.4	21 0	1.8	0.9	I	1953	
4.5	11.3	6 9	11.0	41 3	57 9	16.9	7.1	1.3	1.2	II		
4.5	16.1	9.5	14.1	36.7	48.2	16 4	12.2	1.0	0.9	III		
4.3	12.4	2.4	15.4	29.3	48.5	21.6	17 1	1.0	1.5	IV		
3.1	9 1	5 3	*12.6*	32.1	47.6	*17.4*	*20.6*	1.6	1.9	I	1954	
0 4	1.1	1.1	0.6	14.5	1 6	6 2	1.1	2.0	0.1		1948	Eastern Europe
0.2	0.7	0.4	0.9	14.0	1.0	7.3	2.0	0.1	0 1		1950	
0.6	1 5	0.5	0.5	17.2	1.5	8.1	2.2	—	—		1951	
2.4	1.8	0.8	0.7	8.3	0.9	9.0	1.8	—	0.1		1952	
1.1	1 4	1.0	1.4	4.2	1.6	3.2	0 4	—	—		1953	
1.8	1.3	0 4	0.1	5.2	0.7	0.3	1.4	—	—	III	1952	
7.1	1.2	0.5	0.6	4.5	1.1	12.8	1.2	—	0.1	IV		
1.1	1.1	0.7	1.2	4.7	2.1	8.4	0.7	—	—	I	1953	
1.0	1.4	0.5	0.4	5.4	1.3	1.3	0.3	—	0.1	II		
1.4	1.9	1.5	2.2	4.2	1.8	1.8	0.1	—	—	III		
0.9	1.3	1.4	2.0	2.7	1.3	1.5	0 4	—	0.1	IV		
0.3	1.7	—	*1.2*	4.3	1.4	*3.9*	*1.2*	—	—	I	1954	

Quarterly average

TRADE WITH	Year and Quarter	BURMA		CAMBODIA-LAOS-VIET-NAM		CEYLON		CHINA (Taiwan only)		HONG KONG		INDIA[a]	
		Exports	Imports	Expo..s	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
North America	1948	0.6	1.7	0.5	6.0	16.0	6.4	..	..	10.0	26.7	60.9	89.4
	1950	0.9	0.8	3.7	3.0	23.2	2.9	0.9	4.9	14.0	30.8	61.8	58.6
	1951	0.2	0.9	3.6	4.1	14.8	5 3	1.2	3.8	7.8	20.2	85.9	118.1
	1952	0.6	2.6	3.1	5.7	12.2	9.9	0.9	6.8	5.8	13.1	70.9	159.5
	1953	*1.1*	*1 8*	4.0	4.4	10.6	3.6	1 4	4 9	4.3	12.5	57.9	56.9
	1952 III	0.6	2.2	4.1	5.8	12.0	8.6	1.0	7.8	3.3	10.0	70.7	96.8
	IV	0 5	1 7	4.2	4.5	11.5	11.1	1.0	7.2	3.5	12 0	58.6	54.8
	1953 I	1.3	1.6	2.7	4.5	14.5	3.4	1.7	5.8	4.6	11.5	63.8	64.2
	II	1.3	2.0	1.7	5.3	8.9	6.3	1 4	4.8	4.0	14 1	54.2	67.7
	III	1.7	2.0	4.9	3 7	9.5	2.4	1 3	4.4	3.9	12.4	56.2	53.6
	IV	*0.2*	*1.5*	6 8	4.0	9.5	2.3	1.0	4 6	4.8	11.9	57.3	42.2
	1954 I	.	.	.	.	12.9	2.5	1.1	4.9	4.2	13.5	49.6	33.6
United States of America	1948	0.6	1.6	0.5	6.0	12.6	5.7		..	9.6	24.4	54.3	82.2
	1950	0.1	0.8	3.7	3.0	17.6	1.8	0.9	4.3	13.5	28.6	54.8	52.9
	1951	0.2	0.8	3.6	4.1	10.5	4.3	1.2	3.4	7.1	16.3	75.1	105.9
	1952	0.6	2.5	3.1	5.6	8.3	7 8	0.9	6.3	5.0	9.6	63.3	143.8
	1953	*1 1*	*1.8*	4.0	4 4	6.2	2.7	1.3	4.5	3.3	9.9	50.5	47.0
	1952 III	0.6	2.1	4.1	5.8	8 2	6.9	1.0	7.4	2.2	7.8	63.1	72.1
	IV	0.5	1.7	4.2	4.3	7 4	9.4	1.0	6.5	2.6	8.8	53 6	49.6
	1953 I	1.3	1.6	2.7	4.5	8.7	3.1	1 7	4.9	3.4	8.6	55 4	52.4
	II	1.3	2.0	1.7	5.3	5.7	3.9	1.3	4.5	3.0	11.3	48.0	61.8
	III	1.7	2.0	4.9	3.7	5 9	1.9	1.3	4.2	3.1	10.8	47.7	40.0
	IV	*0.2*	*1.5*	6.8	4.0	4.5	2.0	1.0	4 3	3.8	9.0	51.0	33.8
	1954 I	.	.			9.1	2 0	1.1	4 4	3 4	10.9	43.0	30.8
Latin American Republics	1948	0.2	—	—	0.2	1.0	1.1	.		0.1	—	24.0	12.6
	1950	—	—	—	0.3	1.1	0.6	0.4	—	—	—	12.4	1.8
	1951	—	—	—	—	1.1	—	0 4	—	—	—	24.5	2.8
	1952	—	—	0.2	0.8	0.7	0.1	—	—	—	—	14.2	0.7
	1953	—	—	—	—	0.2	—	0.4	—	—	0.1	16.1	0.4
	1952 III	—	—	—	—	0.4	—	—	—	—	—	15.7	0.1
	IV	—	—	1.0	3.1	1.6	0.2	—	—	—	—	18 9	0.6
	1953 I	—	—	—	—	0.1	—	—	—	—	—	9.4	1.2
	II	—	—	—	—	0.2	—	—	—	—	—	12.4	0 2
	III	—	—	—	—	0.2	—	1.6	—	—	0.5	22.0	0.2
	IV	—	—	—	—	0.3	—	0.1	—	—	—	20 7	—
	1954 I					0.1	—	—	—	—	—	5.2	2.0
Oceania	1948	—	1.4	0.5	0 6	8.3	10.8	.	..	1.7	4.2	18.0	20.9
	1950	0.1	0.6	0.1	0 1	8.0	4.2	—	1.2	1.9	3.5	16.9	23 7
	1951	—	0.8	—	—	9.0	6.5	0.2	0.5	3.5	4.0	28.8	10 6
	1952	—	0.9	0 2	0.1	5.8	6.5	0.1	0.3	0.9	2 4	14.4	8.7
	1953	—	*1.2*	—	—	8.6	9.2	—	1.2	2.1	2.5	10.2	14.6
	1952 III	—	0.6	—	—	6.8	8.2	—	0.3	0.9	2.6	9.7	5.3
	IV	—	0.7	0.9	0.2	5 1	5.3	—	0.6	0.8	2.9	5.5	5.6
	1953 I	—	1.3	—	—	6.9	8.2	—	1.6	1.5	2.6	8.6	6.3
	II	—	0.6	—	—	9.9	11.8	—	0.8	2.1	2.2	12.6	24.0
	III	—	0.9	—	—	9.6	9.2	—	1.3	2.3	2.1	9.1	21.3
	IV	—	*1.8*	—	—	8.1	7.5	—	1.0	2.6	3.2	10.3	6.7
	1954 I					9.8	6.7	0.1	0.5	2.2	3.0	12.6	5.8
Sterling Area	1948	49.5	36.5	5.8	2.8	41.0	53.8		.	26.2	36.3	191.6	264.2
	1950	24.0	21.0	4.1	1.3	36.9	43.6	4.7	7.2	44.3	49.7	164.6	141.6
	1951	32.9	22.4	8.8	1.4	51.2	57.3	7.8	4.9	61.0	67.9	218.0	190.1
	1952	43.0	32.2	8.5	1.7	38.1	57.0	7.1	5.9	32.0	44.8	168.4	154.1
	1953	*33.8*	*27.8*	5.6	0 8	36.1	53.2	7.9	5.1	32.2	45.4	146.0	144.5
	1952 III	42.5	34.6	5.7	0.3	35.0	54.4	3.6	6.2	30.4	44.6	170.8	146.6
	IV	42.9	35.5	12.4	4.3	39.7	51.9	1.5	5.9	27.8	47.4	142.3	135.4
	1953 I	21.4	24.4	7.3	0.4	33.6	49.1	6.1	4.3	33.1	49.6	134.2	125.7
	II	53.5	27.8	7.8	1.3	38 7	59.3	10.4	4.2	31.5	47.4	122.7	168.4
	III	38.2	33.5	4.2	0.8	36.0	50.5	10.3	4.6	30.8	39.8	150.1	159.1
	IV	*22.0*	*25.6*	3.0	0.9	36.0	53.9	4.6	7.4	33.3	44.7	177.2	124.8
	1954 I	.		.		37.1	41.6	3.5	5.2	34.8	37.5	147.9	129.4
ECAFE Sterling Countries	1948	43.9	13.8	5.8	1.0	4.4	24.2	..	..	17.0	10.5	81.6	110.2
	1950	22.3	13.6	3.9	0.7	4.3	23.5	4.4	5.3	32.5	25.9	58.6	38.3
	1951	28.5	13.0	3.6	0.7	5.0	25.2	7.1	3.6	44.5	32.3	57.4	83.0
	1952	33.8	20.2	6.6	1.0	4.8	22.9	6.0	4.6	24.8	18.0	61.0	43.4
	1953	*26.7*	*15.3*	5.6	0.8	2.4	19.2	5.5	3.3	20.1	18.5	32.0	32.4
	1952 III	35.1	22.7	5.8	0.3	4.6	21.4	2.2	4.9	23.2	16.8	67.8	40.9
	IV	28.7	24.2	4.9	1.3	6.0	21.6	1.5	4.4	20.9	18.9	43.7	33.9
	1953 I	15.4	12.7	6.6	0.2	1.8	17.0	6.0	2.9	23.2	20.0	30.7	23.4
	II	46.5	15.8	8.5	1.5	1.3	19.3	8.2	2.6	19.7	19.9	31.1	44.7
	III	29.0	18.8	4.2	0.8	4.6	18.0	3.5	2.4	18.5	16.8	36.4	38.4
	IV	*15.8*	*14.0*	2.9	0.8	1.9	22.7	4.5	5.1	19.0	17.4	29.9	23.1
	1954 I	.		..		2.8	16.5	4.4	4.1	18 3	14.1	33.6	27.4

GENERAL NOTES·

1. Countries included in the total for ECAFE region are the following:
   i) Sterling countries—Burma, Ceylon, Hong Kong, India, Malaya and British Borneo and Pakistan.
   ii) Non-sterling countries — Cambodia-Laos-Viet-Nam, China, Indonesia, Japan, Philippines, Thailand and Korea.
2. Annual data are based on calendar years except for 1948 figures in the case of Burma, India and Pakistan, which are based on the twelve months ending September 1948 in the case of Burma, and ending March 1949 in the case of India and Pakistan.
3. Having regard to the considerable volume of trade of Cambodia-Laos-Viet-Nam and Indonesia with France and the Netherlands respectively, these figures are shown separately below:—

or quarters

Million dollars

INDONESIA		JAPAN		MALAYA		PAKISTAN[a]		PHILIPPINES		Year and Quarter		TRADE WITH
Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports[b]			
17.8	28.4	16.9	112.4	60.0	27.4	12.4	6.6	53.8	120.2		1948	North America
28.5	21.5	50.3	114.8	94.9	8.8	11.4	8.8	62.7	66.1		1950	
51.9	41.6	52.0	217.7	113.0	20.9	8.3	8 0	65.8	88.8		1951	
58.7	41.2	63.8	237 4	60.1	18.0	5.6	10.1	60 4	80.3		1952	
42.7	34.1	65.2	242.4	45.1	12.7	7 4	4.2	66 4	83.4		1953	
48.9	43.8	73.6	234 4	45.5	12.6	4 3	8.7	49.7	78 3	III	1952	
55.9	39.0	78.3	242 1	57 9	14 6	7 3	6.7	59.4	71.6	IV		
45.5	34.9	61 6	233 1	55.5	13 1	12.4	6.1	69 7	82.9	I	1953	
50.5	34.8	73.3	213 0	42.9	12.6	6.7	3.4	73.2	94 7	II		
42.9	34 4	66.5	216 3	44.3	12.5	3 8	4.0	62.5	72.5	III		
31.9	32.3	59.6	307.0	37.6	12.5	6.8	3.5	60.4	83 4	IV		
28.8	23.9	*61 4*	*350 5*	40.8	13.3	*7 1*	*5.3*	69.5	80.5	I	1954	
17.2	26.9	16 4	110.4	53.8	24.6	12.0	6 0	52.4	117.7		1948	United States of America
29.4	20.8	45 8	106.8	85.6	7.2	11.0	8 2	61.6	63.9		1950	
51.6	40.2	47.4	171.8	97.5	17.8	7.9	7.6	64.6	85.4		1951	
58.3	39.6	58.6	192.1	53 6	14.9	5.6	8.1	59.5	76.6		1952	
42.3	33.8	58 5	189.4	39.2	11.4	7.2	4.1	65.9	80 6		1953	
48.7	43.0	68.6	183.5	39.9	10.2	4.3	9.3	48.6	73.2	III	1952	
55.6	38.4	72 8	166 0	51.2	12.8	7.3	6 2	58 3	68.4	IV		
45.2	34.5	57.0	181.4	48.5	11.7	12.3	5 9	69.5	80.4	I	1953	
50.1	34.3	66.9	177.2	37.6	11.4	6 5	3.2	73 1	91.5	II		
42.4	34.2	59 4	175.1	37.6	11.4	3 6	4 0	61.2	70.6	III		
31.5	32.0	50 6	223.8	32 9	11.3	6 6	3 4	59 7	79.7	IV		
28.6	23.7	*52 8*	*272.7*	35 1	11 9	*7.0*	*4 9*	68 8	77 4	I	1954	
0.1	0.7	0 4	20.9	0.8	1.0	1.8	0.2	1.3	3 0		1948	Latin American Republics
0.4	—	10.4	16.8	5 4	0.4	1 8	0 6	1.9	0.2		1950	
1.2	0.4	22.3	64.8	16.2	0.3	—	—	2.0	1 1		1951	
1.1	7.1	12 5	42.0	4 7	0.3	—	—	1 6	0 4		1952	
0 4	0 2	26.1	66.2	4.7	0.2	0.5	—	2.8	0.2		1953	
0 6	7.6	10.2	50.2	2.9	0.3	—	—	0 8	0.4	III	1952	
0.4	0.2	11 5	76.4	1.8	0.4	—	—	1.2	0.5	IV		
0 1	—	14.8	49 8	5.0	0.2	0 2	—	1.9	0.3	I	1953	
0 4	0.4	21.7	64.6	4.2	0.1	0.5	—	3.3	0 3	II		
0 5	0 3	25.3	65.8	4.2	0 4	0.7	—	3.8	—	III		
0 5	0.1	42.6	84.5	5 5	0.2	0 7	—	2 2	0.2	IV		
0.6	—	*43.3*	*74.2*	3 2	0 1	*1 7*	—	1.6	0 1	I	1954	
1.2	8.5	1.1	2.1	14.1	22 4	0 5	0.3	0.2	1 8		1948	Oceania
4 0	0 7	6.4	20 3	14.2	9 4	1 8	0 2	0 1	0 5		1950	
8.6	2.6	25.4	36 7	28 2	12 0	2 2	0 3	1 4	0 2		1951	
7 1	3.3	9 7	37 9	15 8	13 6	1.0	0 6	0.2	0 4		1952	
6.0	4 4	3 6	50 2	16.4	13.2	1 4	0.5	0.2	0 3		1953	
8.0	3.2	5.0	34.0	18.4	11 4	0 9	0 4	0.3	0 5	III	1952	
7 2	3.6	4.5	45.5	16.5	14 7	1 2	0 3	0 1	0 3	IV		
6.4	1.6	1.6	57.3	10 8	14.5	1 2	0 1	0 1	0.2	I	1953	
5.0	3 7	2.5	66 9	21.9	12.5	1 0	0 1	0.1	0 3	II		
6.9	7 4	3.6	43 0	15.6	11.9	1 6	0.3	0 2	0.2	III		
5.8	4.8	6.6	33 7	17.2	14.0	1.8	1.5	0 3	0.5	IV		
6.9	4.8	*4.8*	*39 4*	14 4	10 5	*2 6*	*0.2*	0 3	0 7	I	1954	
24.4	29.7	17.4	15.3	61.0	89 4	34.8	60 5	2 4	5.4		1948	Sterling Area
79.2	34.9	74 2	55.4	100.4	98.4	32 1	41 2	2 6	7 6		1950	
137.2	57.3	153 1	111 6	182 6	139 1	81.8	54.9	5 2	7 6		1951	
77 4	66.9	134.8	125.1	116.0	131.2	36 8	61.7	2.8	7 5		1952	
65 7	61 9	79 0	150.6	91.9	110.6	37 0	23 4	2 3	6 0		1953	
71.3	77.6	108.2	116 3	126.2	120.6	20 2	61.2	1.5	13.1	III	1952	
81.9	93.8	91 7	134.3	103.5	132.6	41 9	35 5	2.2	5.4	IV		
50.8	50.9	73.3	166.8	95.8	119.3	41 7	30.1	2.6	5 7	I	1953	
61.7	77.0	74.1	174 3	102 3	115.2	31 9	13.9	2.2	6 7	II		
75.7	64.5	81 6	143.1	86.8	104.7	37 8	21.6	2.2	5.2	III		
74.6	55.2	87.1	118.3	82.6	103 4	36 6	27 9	2.1	6.4	IV		
72.9	60.0	*75.4*	*120.3*	78.9	91.8	*38 9*	*31 6*	2 3	10 2	I	1954	
20.9	9.5	8.8	10.9	15.5	20.8	20.6	38.7	1.4	2.2		1948	ECAFE Sterling Countries
67.4	25 4	42.7	29 6	35.1	45.6	12 4	16.0	0.8	4.7		1950	
106.9	37.4	83.6	63 4	45.6	58.4	54.4	25.8	0.8	4.8		1951	
63.0	43.2	84.3	68.1	28.6	46 0	18 0	29.2	0.6	5.8		1952	
54.6	38.8	47.8	82 1	30.8	38.1	13.2	6 6	0.6	4 5		1953	
58.6	52.5	74.6	57.9	32.3	49.0	11 8	26.5	0.4	10.6	III	1952	
69.7	61.8	60.3	71.9	28.2	51.8	25.3	13.5	0.5	4.5	IV		
40.5	33.5	42.6	91.6	28.8	39.0	9.5	7.3	0.5	4.6	I	1953	
51.2	57.2	48.0	90.0	33.7	38 7	13.1	4.7	0.6	5.2	II		
63.4	35.7	48.7	79 7	28.9	37.8	18 3	7.0	0.8	3.9	III		
63.5	29.0	51.8	67.0	31.6	36.9	11.8	7.3	0.7	4.2	IV		
62.6	38.1	*50.5*	*64 3*	27.0	27.9	*13.5*	*7.2*	0.3	6.8	I	1954	

		Cambodia-Laos-Viet-Nam with France		*Indonesia with Netherlands*	
		Exp.	Imp	Exp.	Imp.
1952		8.8	88.0	48.8	29.7
1953		5.2	77.2	46.1	22.1
1953	I	7.7	83.3	47.8	19.2
	II	8 9	85.3	39.3	21.2
	III	4.3	76.0	43.6	24.7
	IV	4.8	64.0	53.8	23.2
1954	I			43.5	17.6

a. For 1948, year beginning 1 April.

b Imports valued f.o.b

EXTERNAL TRADE

6. VALUE OF IMPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS

Monthly averages or calendar months — *Millions*

	1938[h]	1948	1951	1952	1953	1953 I	1953 II	1953 III	1953 IV	1954 I	1954 Jan	1954 Feb	1954 Mar
BURMA (K.)													
Cotton yarn and fabrics (incl thread)	3 4‡	9.2†	13.3	14 1	16 9	16 0	16.0	18 6	16 9		*17 5*	*13.2*	
Base metals and manufactures thereof	2 1‡	5 9‡	3 1	6.0	7 3	5.5	7 4	7 7	8 4		*6 8*	*8 5*	
Machinery and transport equipment	1.8‡	9.3†	3.9	6 7	8 1	8 6	6 8	9 9	7 2		*1 0*	*9.3*	
CAMBODIA–LAOS–VIETNAM (Pr.)													
Live animals and food	1.0	15.6	83.4	83 5	133 0	75 1	110 6	168 6	119.1	199 7	112 4	228 4	258.4
Textiles and apparel, incl. yarn and thread	4 4	42.5	167.9	176 3	240 8	162 3	186 4	253.6	306 5	235 1	230 8	227 4	248 1
Machinery and vehicles (incl. electric machinery and fittings) and base metals and manufactures thereof	3 3	56.8	128.0	171.5	237.3	163 4	198 6	308 2	227 7	*1 84*	222 7	*141 0*	*1·1 5*
CEYLON (Rs.)													
Food and drink	8 7	42.5	57.0	64.5	65 1	56 9	71 0	62 8	69 7	51.6	39.5	54 6	60 6
Raw materials and articles mainly unmanufactured	2 8	8 8	13 5	14 3	13 6	15 8	15 2	13 9	10 9	12 6	15 3	8 1	14 6
Articles wholly or mainly manufactured	7 8	29 9	58.2	61 7	53 9	48 8	59.3	53 2	54 5	46 1	49 1	41 5	47 8
Cotton yarn and manufactures	1 4	10.3	11 8	10 4	9.1	8.8	9 6	8 1	9 9	8 0	7 6	8 2	8 1
Machinery and vehicles	1.0	5 2	11.0	14.1	12.7	11.2	18 0	12 5	10 9	8.4	10 9	6 1	8 1
Base metals and manufactures thereof	0.9	2.6	6 1	6.2	5.5	5.3	6.2	5.3	5 6	4 6	5 8	3.6	4.4
Electrical goods and apparatus	0 3	0.9	2.3	1.8	2.0	1.4	2 0	2.2	2.5	1.9	2 3	1 3	2 2
CHINA[a] (Taiwan only, $)													
Beans and peas			0.6	0.7	0 3	0.3	0 3	0 3	0 2	0.2	0 3	0 2	0 1
Wheat flour			0 1	0 7	0 4	0 4	0.3	0.9	0 1	0 2	0 1	--	0 4
Cotton fabrics			0 4	0 4	0 1	0.3	--	—	—	—	—	—	—
Chemical Fertilizers			0.4	1 1	0 4	0.6	—	0 2	0.8	1 0	1 1	0.1	1 7
Medicines and drugs			0.5	0.6	0 5	0 4	0 5	0.6	0.5	0 5	0.5	0 5	0 5
Iron and steel manufactures			0.8	1.0	0.5	0.3	0 6	0.6	0.5	0.6	0 4	0 6	0.7
Machinery and vehicles			1.0	1.3	1 0	1.0	0 9	0 9	1 0	1.0	1 0	0 8	1 1
INDIA[b] (Rs.)													
Food and drink	14.9	73.7	175 8	188 1	90 7	85 9	144 3	86 0	46 6	28 9	29 0	34 4	23 4
Raw materials and articles mainly unmanufactured	30.5	88.3	186.9	186.1	132.4	109 4	159 1	149 7	110 2	144 6	108.9	117.3	207.7
Cotton, raw and waste	9 2	38.8	94 3	95.8	41 5	35 6	64.2	46.3	20 1	45.2	24.5	35 6	75 4
Mineral oils	13.6[i]	26 7	53 2	65.0	65 7	53 1	71.8	72.1	65.8	71 7	58.9	57.7	98.6
Articles wholly or mainly manufactured	78.0	224.5	270 7	247.1	227 5	223 2	228 1	225 1	233 6	232.5	233.4	225.3	239 0
Machinery and vehicles	22.1	89 4	104 1	104.5	91 9	98 8	90 8	87.4	91 1	95 9	96.5	96.3	95 0
Implements and instruments	4 9[j]	7 7	10 5	8 5	8.3	8 3	8 1	8.2	8.7	8.3	7 7	8.1	9 3
Electrical goods and apparatus	2.8	8.0	7.6	10.8	11.9	13 5	13 3	12 1	8.2	9.5	8.3	9.5	10.7
Base metals and manufactures thereof	8.9	26.4	33.2	37.4	32.3	33.0	29.7	34.6	32·0	30.5	29.4	26.1	36.0
INDONESIA (Rp.)													
Food	7.3[e]	9.5	27.0	162.3	118 5	136.5	143.5	106.1	88.4	127.8	126.1	132 4	124.9
Textiles	10 3	23 5[n]	89 0	217.8	212 9	152 1	230 1	262.1	207.5	214.6	230.9	180.5	232.7
Base metals (incl. ores) and manufactures thereof	4.9	4 2	12.1	89.9	67 9	58.6	58.6	90 9	63 7	60 7	55.2	52 6	74 6
Machinery and appliances (incl. electrical material)	5 1	6 8	8.6	36.4	50 7	48.9	44.4	60.6	49.4	74.8	72.7	68.8	82.9
Transport equipment	3.0	3.7	6.6	19.7	62.5	64.9	49.6	59.7	79.7	41.1	46.0	27.0	50.4

6. VALUE OF IMPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS (*Cont'd*)

Monthly averages or calendar months — *Millions*

	1938[h]	1948	1951[p]	1952	1953	1953				1954			
						I	II	III	IV	I	Jan	Feb	Mar
JAPAN ($)													
Food	19 5[k]	26 7[k]	41.5	49.6	50 4	45 1	56 0	42 7	57 6	69.2	77 7	58.2	71.8
Cereal and cereal preparations			31.3	36 1	36.1	31 4	39 8	28.8	44.2	57 0	63 7	45.8	61.5
Sugar and sugar preparations			8 0	9.8	10.5	10 3	12.5	10.5	8 7	8 9	10 6	9.1	7 0
Crude materials (inedible) other than fuels			87 2	80.6	96.2	87.9	96 7	99.9	100 3	109 2	104 8	100 4	122 4
Oil-seeds, oil nuts & oil kernels			5.1	3 2	6 7	8 5	7.5	6 0	4 7	12.5	11 4	12.6	13.6
Crude rubber, including synthetic and reclaimed			4 5	4 1	4.2	4 4	3.9	4 3	4 2	3 7	3.2	4 1	3.9
Textile fibers, raw			48 7	49.7	55.5	51 2	54 8	58 8	57 1	54 7	57.1	53 1	53.9
Metalliferous ores and metal scrap			10.7	12.1	14 4	11.8	15.3	14 1	16 5	18 0	16.3	15,5	22.2
Mineral fuels, lubricants and related materials			16 4	19.5	24 1	25 6	22 8	22 7	25 4	24 3	23 9	22.8	26 2
Chemicals	4 2	3 9	3 8	3 7	5 8	4.9	6 2	6.2	5 8	6 6	6 9	7 0	6.0
Machinery and transport equipment	3.5	0 1	7.0	7 6	13 4	9 0	12 1	14 0	18 6	17 8	19 3	16 0	17 9
Other manufactured goods			7.0	4 9	7.5	5 8	7 3	8 4	8 6	9.0	8.2	9.3	9.5
MALAYA (M$)													
Food	11.9	48 2	82.0	84.2	79 4	77 1	71 2	91 3	77 9	63.3	61 7	57.5	70 8
Cotton yarn and manufactures	2 2	17 9	30 0	18 2	17 8	16 6	19 8	17 6	17 3	14 4	15.6	12.6	14.9
Machinery and vehicles	3 1	9.9	22 9	27 9	18 2	21 8	19 1	14.3	14 2	14 3	16 7	13 2	13 0
Base metals and manufactures thereof	1.6	4 7	15 0	14 8	12 6	15 0	15 3	10 4	9 7	11 2	10 8	10 7	11.9
Electrical goods and apparatus	0 5	2.4	5.2	5.6	5 4	6 8	6 0	4 4	4 4	5 1	5 5	3 4	6.6
PAKISTAN (Rs)													
Mineral oils		2.3[j]	6 1	8.5	8 3	5 2	7 4	11 8	8 8	8.3	6.6	16 3	2.0
Cotton piecegoods		22.4[j]	27 5	23 0	1.2	4 4	0 3		--	0.3	0 1	0.8	0 1
Cotton twist and yarn		9.4[j]	18.0	16 3	4 0	1 0	2 3	5 3	6 5	4 4	4 9	2.3	5.8
Machinery and vehicles		8.6[j]	17.2	21 6	12 0	15 9	8 5	11 1	12 6	20 0	18 2	23 5	18 3
Iron and steel manufactures			7.2	14 0	4 9	6 0	3.3	2 7	7 7	6 7	7 6	7.3	5 3
PHILIPPINES[c] (P.)													
Grains and preparations[d]	1.3[m]	7 0	7 5	6 1	3.3	2.8	3.3	3.9	3 0	3 4	4 4	3 1	2 7
Cotton and manufactures[e]	3 6	11 4	12.2	9.2	12.3	16 1	14.6	7.4	9 8	12 2	13.3	7.9	17.4
Rayon and other synthetic textiles[n]	0.4	8.8	2.3	3.9									
Mineral oils (petroleum products)[f]	0.9	5.7	6.0	6.6	5.8	3 3	5.6	6 9	7.2	9 1	11.6	6.3	9.3
Machinery and vehicles (incl. spare parts)	2.7	8 9	7 0	9 7	9 7	8.8	10.1	7.9	11 4	12.6	14 0	12 4	11.2
Iron and steel manufactures[g]	1.8	4 7	6.0	4 0	7.6	8.5	8.6	6 1	7.2	*2.8*	*2.8*	*2 0*	3.5

a. Excluding FOA/MSA/ECA imports
b For 1938, former British Provinces and Indian States
c. Imports valued f o b
d. e, f, g From 1953 onwards, changed respectively into cereals and preparations, textile yarn, fabrics and made up articles, mineral fuels, lubricants and related materials, and base metals and manufactures
h 1936 for Japan, 1939 for Indonesia
i Including vegetable and animal oils
j Including cutlery and hardware
k Including drink
m 1937
n Comprise cotton yarn and cotton piecegoods
p Average of Jul-Dec for Japan

EXTERNAL TRADE

7. VALUE OF EXPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS

Monthly averages or calendar months — *Millions*

	1938[c]	1948	1951[e]	1952	1953	1953 I	1953 II	1953 III	1953 IV	1954 I	1954 Jan	1954 Feb	1954 Mar
BURMA (K.)													
Rice and products	18.2‡	48.7†	60.3	82 6	59 8	24 9	120 6	73 7	39 1		*26 5*	*46 0*	
Raw rubber	0.5‡	0.5†	2.4	2.2	2 0	4.2	3 0	0.3	0.7		*0.2*	*0.3*	
Teak	2.5‡	4.6†	4 0	3.0	2 4	2.5	2 2	2 4	2 5		*2.0*	*2 0*	
Metal and ores	4.8‡	1.8†	3 5	5.0	3 9	1.4	3.9	4.8	1.2		*0 3*	*1.1*	
CAMBODIA–LAOS–VIETNAM (Pr)													
Food	13.4	52 2	110.0	77 1	99 6	67 5	73.8	110 7	138 0	160 3	242.3	130 9	107.6
Rice	8.2	37.7	73.9	66.3	86.8	63 5	64 4	101 8	115 3	150 8	228.5	125.8	98 0
Rubber	4 2	25.8	102 7	71 8	88 6	68 5	55 4	106 2	124.3	78 7	118.2	85 8	32.2
Mineral products	1 2	2.6	6 1	6 8	13 1	3 8	6 0	21 1	21.3	14.1	14 0	6 9	21.3
CEYLON (Rs.)													
Tea	14.4	49.2	66 7	60.3	68 8	66 4	72 6	69 1	66 9	81 1	80.8	73 1	89 4
Coconut and products	2.3	12.8	26 9	19.5	20 5	18 8	17 9	21 1	24 4	15.0	18 1	13.6	13 4
Rubber	3 8	12.0	48 5	31 1	28 1	35 0	23 7	25 6	29 0	28 3	8.2	48 6	28 0
CHINA (Taiwan only, $)													
Rice			1.3	1.9	1 1	1.9	—	0 4	2.2	—	—	—	—
Fruits, fresh, canned or preserved			0.5	0.7	0 5	0 4	0 5	0 4	0 5	0 3	0.3	0 3	0 4
Tea			0.6	0 5	0.6	0 4	0 6	0 6	0 6	0 3	0.2	0 3	0.3
Sugar			4.2	5.8	6 2	2 4	5 2	11 9	7 7	4.1	6 5	2 8	2 9
Essential oils			0.3	0.2	0.2	0 3	0 1	0 1	0 2	0.1	0 1	0.2	0.1
INDIA[a] (Rs.)													
Food and drink	30.6	58 9	119.6	109 1	117 2	111 2	73 4	123 9	161 2	104 9	130 2	101 4	83 1
Tea	19.6	46.5	78 7	66.7	85 5	73 9	40 5	97 4	131 6	70 6	97 6	75 2	39 1
Spices	0 7	4.0	24.9	19.0	13 8	21 3	14.6	8 1	11 1	17.5	13 5	12 3	26.8
Raw materials and articles mainly unmanufactured	59.5	90 3	127.7	116.4	97.4	117.8	100 3	73 9	91 2	79 2	73 2	72 7	91 7
Cotton raw and waste	19 9	18 6	21 4	20.3	16 7	21.1	21 4	9.2	15.1	18 7	17.1	17 7	21.2
Hides and skin raw or undressed	3 0	5.0	8.3	4.9	4.9	4.9	5 2	4 8	4 7	5 5	5.8	4 5	6 4
Vegetable oil other than aromatic	0 7	10 9	25.4	20.0	7 8	16 4	10 5	2 7	1.7	1 0	1 5	0 6	0 9
Articles wholly or mainly manufactured	40 2	192.3	347.6	244.6	201 5	181 7	195 2	210 0	218 3	218.6	216 6	199 2	239.9
Cotton yarns and manufactures	6 3	30.8	78.4	60.4	52 8	41 7	57 3	53 6	58.4	70.0	75 0	70 5	64 4
Jute yarns and manufactures	21.8	126.3	200.3	135 6	92 1	79 6	82 2	103.9	102 7	90 8	89 1	76 6	106 8
Hides and skins tanned or dressed and leather	4 4	9.9	27.8	14.6	21 1	25 0	21 6	17 7	20.2	23 3	19 8	20.6	29.6
INDONESIA (Rp.)													
Tea	4 7	1 8	11 6	20 9	22 3	21 3	23 8	20 4	23 4	31.1	23 2	33 9	35 7
Copra	3.2	13 1	40 7	43 2	54 1	44 7	39 3	59 9	72.2	59 3	48 8	60.0	60 0
Rubber	13 0	21 3	206.9	344.7	256 6	266 5	284 0	272 2	204 1	189 2	186 2	181 4	200 1
Tin (and tin ore)	2 8	12.3	25 7	78.0	77 2	68 4	66 8	87.5	86 1	50 1	66.8	59 4	24.3
Petroleum and products	13.5	21 7	52.8	162 1	191 0	150 3	195 9	218 0	200 0	209 5	219 1	184.0	225.6
JAPAN ($)													
Food	7.3[d]	0.9[d]	5.6	8.0	10 4	9 6	10 8	10 9	8 0	9 6	7 4	9.2	12.2
Fish and fish preparations			3.6	3.8	5 1	4 2	5 1	5 8	5 2	5 8	4 1	6 4	6.9
Crude materials (inedible) other than fuels			7.9	7.0	5.9	4 9	5 5	6 5	5.2	5.8	4 3	6 2	7.0
Textiles fibers			5.4	4.1	3 9	3 6	3 7	4 5	4 0	3 7	2 4	4 3	4.5
Chemicals	3 6	0 9	3.4	3.3	5 2	5.6	6 5	2 6	4 3	4 3	3.8	2 8	6.4
Fertilizers, manufactured			0.5	1.3	2 7	3 0	4 0	0 6	3 4	1 4	1 4	0 2	2 7
Textile yarn, fabrics, made-up articles and related products			41 3	30.5	31 3	22 6	28 6	34 1	39 9	42 3	36 0	40.5	50 5
Base metals and manufactures of metals	7 5	1 0	27 7	28 4	15 6	17 4	15 7	13 2	16.0	13.8	10 5	14.2	16.6
Machinery & transport equipment	6 2	1.3	8.4	9.7	16 2	15 1	18.3	14 4	15.5	13 8	12.9	14.0	14.4
Other manufactured goods			18 1	17.1	19.2	15 0	19 6	20.3	21 7	78 7	64 1	77.7	94.2
MALAYA (M$)													
Food	4 7	11 2	28 4	27.9	21 0	19 5	17 9	24 8	21.8	22.7	23.3	19.3	25.4
Rubber	23 2	73 2	330 1	157.6	103 2	120.8	98 9	88 8	91 6	94.8	95.7	87.8	100.9
Tin (block, ingots, bars or slabs)	8.0	17.9	48.2	43 0	32.6	42 8	34 6	28 1	25 0	31 6	26.6	28.8	39.4
PAKISTAN (Rs.)													
Raw jute		59.3‡	96.9	58.0	47.6	64.5	34 1	48.5	43.3	51.2	59.3	44.3	50.0
Raw cotton		31.6†	80.2	72.0	52 7	75 8	52 5	42.0	39.7	46.1	33.6	42.2	62.4
Raw wool		2.8‡	4.9	4.1	4.3	3 8	4 5	3.9	4.9	2.0	2.2	2.2	1.8
Hides and skins		3.1‡	4.9	2.8	3 3	4 1	3 2	3 1	2.8	3.9	2.5	1 7	7.4
Tea		3.1‡	5.0	2.7	2.9	1.2	1 7	4 5	4.3	0.6	1.0	0.3	0.5
PHILIPPINES (P.)													
Abaca (unmanufactured)	1.7	5.0	11.2	6.8	6.5	7 9	6.9	5.8	5.3	5.4	5.2	6.3	4.6
Coconut products	4.9	34 6	32.8	20.2	25.5	21.9	20.5	29.4	30.4	26.3	25 7	27.1	26.1
Sugar centrifugal	7 7	3 5	11.4	15.0	15.6	18 6	19.1	14.5	10.4	23.0	24.1	25.6	19.4
THAILAND[b] ($)													
Rice	3.6‡	10.6	16.5	18.0	17.8	16 4	21.8	19.0	14.0	12 5	10.2	10.7	16.7
Tin ore and concentrates	1.1‡	1.2	1.9	1.9	1 7	2.3	1 5	1.2	1.9	1.0	0.6	0.8	1.6
Rubber	0 9‡	2.8	8.1	4.2	3.1	4.5	2.6	3 0	2.5	3.1	2.7	2.8	3.7
Teak	0.2‡	0.4	0.6	0.4	0.6	0.5	0.4	0.7	0.8	0.8	0.7	0.6	1.1

a For 1938, former British Provinces and Indian States.
b. Value in dollars is supplied by the Bank of Thailand.
c. 1936 for Japan
d Including drink.
e Average of Jul-Dec for Japan.

8. QUANTITY OF EXPORTS OF SELECTED COMMODITIES

Monthly averages or calendar months — *Thousand tons*

	1938	1948	1951	1952	1953	1953 I	1953 II	1953 III	1953 IV	1954 I	1954 Jan	1954 Feb	1954 Mar
RICE													
Burma	273.3‡	105.9†	110.2	110.3	73.1	28.0	124.8	89.6	50.0	*138.8*	*97.6*	*127.7*	*195.0*
Cambodia–Laos–Viet-Nam	76.4	19.4	29.7	20.4	17.3	17.9	14.9	16.1	20.4	33.0	44.9	28.8	25.3
China (Taiwan only)		.	7.1	8.8	4.9	7.8	—	1.7	10.3	—	—	—	—
Thailand	125.8	67.7	131.4	118.8	111.7	101 8	138.2	118.7	88 1	84 6	64.1	73.8	115.8
SUGAR													
China (Taiwan only)			23.6	38.3	66.8	31.8	56.8	130.5	48.3	41.9	67.2	29.6	28.8
Indonesia	89.3	5.3	0.5	0.1	7.8	0.1	0.1	9.5	21.4	4.9	1.0	4.6	9.0
Philippines	68.2	18.1	47.2	66.1	63.8	80 2	76 0	56.9	42.6	95.1	100.1	106.0	79.2
TEA													
Ceylon	8.9	11.2	11.5	11.9	12.8	11.5	13 5	13.2	12.9	13 3	12 7	11.1	16.1
India	13.4[c]	13.2	17.0	15.5	18.8	17.9	9.0	20.7	27.8	13.4	19 1	13.9	7.0
Indonesia	6.0	0.7	3.3	2.7	2.4	2 5	2.5	2 1	2.5	3.1	2.5	3.3	3.4
Japan	1.4[d]	0.3	0.7	0.8	1.1	0.6	0.8	1.3	1.6	0.7	0.9	0.4	0.7
Pakistan		1.2	1.8	0.9	1.0	0.3	0 6	1.5	1.4	0.1	0.3	—	0.1
COPRA AND COCONUT OIL[a]													
Ceylon	8.7	9.2	10.3	11.1	9.0	9.9	7 4	8.1	10.7	6.7	8.8	5.8	5.6
Indonesia (copra)	25.8[e]	12.1[g]	23.1	17.1	15.3	12.4	10.3	18 1	20.2	13.9	12.5	15 3	14.0
Malaya	13 4	7.1	10.4	8.7	8.7	6.3	7 4	8.5	12.6	11.3	12.7	12.1	8.9
N. Borneo	0.4	0.3	0.9	0.6	0.7	0.5	0.6	0.7	0.8	1.0	1.1	0.8	1.1
Philippines	28.9[e]	35.3	45.0	40.3	36.0	27 0	25.8	48.6	42 7	39.4	37.2	38.5	42.3
PALM KERNELS AND OIL[a]													
Indonesia (palm oil)	14.2	3.3	8.1	10.1	11.0	9.8	6.7	11.1	16.4	9.1	5.7	7.1	14.6
Malaya	3 1	4.4	4.5	4.3	4.6	4.3	4.5	5.4	4.9	4.5	6.5	3.2	3.7
GROUND NUTS AND OIL[a]													
Hong Kong	1.2	0.4	0.7	0.8	0.5	1.1	0.4	0.1	0.2	0.3	0.3	0.3	0.4
India	22.0[c]	5.5	5.8	5.6	1.7	5 7	1 0	—	—	0.2	—	—	0.6
NATURAL RUBBER													
Brunei	0.1	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0 1	0 1	0.1	0.1	0.1
Burma	0.6	0.8	0.8	1.2	0.9	1.3	0 7	0.4	1.0	*1.1*	*0.1*	*0.9*	*1.5*
Cambodia–Laos–Viet-Nam	5.0	3.5	4 4	5.1	6.0	5.8	3.4	6.6	7.9	*5 9*	*8.9*	*6.4*	*2.5*
Ceylon	4 2	7.8	8.8	7.6	8.2	9.4	6.6	7.9	8.8	9.5	3.7	5.8	19.0
Indonesia	25.5	36.6	67.2	61.8	57 1	52 4	59 9	63.0	54.1	54.5	53.9	51.7	58.0
Malaya (net export)	31.4	57.5	51.5	48.4	48 2	49.9	44 6	45.9	52 5	48 1	49 2	42 3	52.8
N. Borneo	0.8	1 7	1.8	1.6	1.4	1.4	1 5	1.4	1.4	1.4	1 6	1.2	1.3
Sarawak	1.5	3.4	3.6	2 7	2.0	2.1	2.4	2.2	1 4	1.5	1.5	1 4	1 7
Thailand	3.5	8.1	9.2	8.3	8.1	10.0	6 4	8.1	7.8	10.3	9 1	9.4	12.4
COTTON, RAW													
India	38.6[c]	8.0	2.3	4.4	3.8	6.5	5.5	0.9	2 3	3.2	3.2	3.0	3.3
Pakistan	..	13.6	18.3	20.4	23.6	33 5	23.4	19 6	17 9	18.9	14 7	17.3	24.6
COTTON YARN (metric tons)													
Hong Kong	.		1,732	1,300	1,190	973	1,448	883	1,505	1,162	1,401	875	1,210
Japan	2,084[d]	458	1,025	1,117	801	334	579	1,195	1,098	804	810	671	929
Malaya	197	22	167	119	113	88	130	92	143	95	139	52	94
COTTON PIECE GOODS (Mn metres)[b]													
Hong Kong			12.2	10.1	9 3	5.4	15.5	6.4	10.0	11.6	10.4	10.7	13.8
India	14.6[c]	23.5	59.1	45.7	50.0	40 0	52 0	49.4	58 5	73.4	76.5	74.1	69.5
Japan (Mn sq. metres)	200.2[d]	28.2	75.3	52.0	63.7	51.8	57 1	67.9	77.8	91 2	71.1	96.9	105.5
Malaya	2.0	7.5	14.5	9.6	8.0	7 8	14.7	5 7	4.0	3.5	3.2	3 7	3.5
JUTE													
Pakistan (raw)		28.1‡	88 7	70.0	81.7	104 9	62.4	83.5	75.9	79.6	95.8	69.2	73.8
India (bag and cloth)	78.9[f]	78.4	67 1	60.0	60.3	49.8	55 2	67 7	68.6	60.2	57.1	48.9	74.5
HEMP, RAW													
Philippines	11.8	6.2	10.3	9.1	9.7	11.6	10.8	8.7	7.9	8.6	7.9	9.9	8.0
TIN CONCENTRATES (tons)													
Burma	171	155	125	118	*81*	*81*	*81*	*81*	*81*	*81*	*81*	*81*	*81*
Indonesia	1,160	2,753	2,604	2,929	2,771	2,402	2,385	3,155	3,143	2,364	3,209	2,729	1,153
Thailand	1,145	479	746	825	863	972	733	662	1,085	*864*	*864*	*864*	*864*
TIN METAL (tons)													
Malaya	5,180	3,998	5,500	5,429	5,228	5,927	4,695	5,326	4,966	5,980	5,059	5,459	7,423
PETROLEUM AND PRODUCTS													
Indonesia	506	321	506	618	800	592	877	877	855	762	818	668	802
Malaya	84	82	163	204	225	200	215	222	262	214	198	181	263

a. Expressed in terms of oil equivalent; figures under column for 1938 relate to averages for the period 1934-1938

b. Unit for cotton piecegoods changed from metres to square metres beginning 1950 for Malaya and beginning 1952 for Hong Kong.

c. Former British Provinces and Indian States.

d. 1936.

e 1935-1939.

f Converted at 2.25 lb. per bag and 0.50 lb. per yard of cloth

g. Excluding exports to Singapore from Indonesia.

EXTERNAL TRADE

9. INDEX NUMBERS OF UNIT VALUE, QUANTUM AND TERMS OF TRADE

1948 = 100[a]

	1938	1950	1951	1952	1953	1953 I	1953 II	1953 III	1953 IV	1954 I	1954 Jan	1954 Feb	1954 Mar
A. Unit Value													
BURMA[r] (Oct 1947–Sep 1948 = 100)													
Imports†	23‡	132	73	83	70	66	67	71	83				
Exports†	17‡	97	126	151	170	180	160	163	155			..	
CAMBODIA–LAOS–VIET-NAM[b]													
Imports	8	122	140	129	172	125	153	205	207	201	198	204	202
Exports	11	147	182	113	139	117	138	157	143	139	141	145	130
CEYLON													
Imports: General	23	98	116	125	114	122	122	120	121	116	120	113	114
Food, drink & tobacco	.		116	133	124	126	131	130	129	121	127	118	117
Raw materials & semi-manufactures	.	..	126	140	109	125	120	102	117	121	119	123	122
Manufactures	..	.	114	116	105	114	109	109	108	108	111	105	109
Exports: General	32	144	175	136	139	140	141	135	138	144	132	149	150
Tea	37	127	132	116	124	127	125	120	125	139	132	138	148
Rubber	56	222	367	255	223	226	226	217	206	177	135	209	187
All coconut products	14	144	169	105	126	122	131	125	125	134	134	140	129
INDIA[c] (Apr 1948–Mar 1949 = 100)													
Imports: General	28‡	104	128	130	116	122	118	110	112	114	111	115	118
Food, drink & tobacco		104	118	139	118	116	127	110	117	120	118	117	125
Raw materials & semi-manufactures		113	154	139	130	137	124	125	134	133	134	136	129
Manufactures	.	97	118	121	109	118	110	103	104	106	102	106	110
Exports: General	24‡	110	160	131	111	110	112	112	112	109	110	111	105
Food, drink & tobacco	.	127	149	141	141	134	151	140	137	155	146	155	165
Raw materials & semi-manufactures		114	151	138	142	130	137	145	155	144	146	148	139
Manufactures	..	103	169	124	91	91	92	92	89	87	88	88	85
INDONESIA[d]													
Exports: General	31	177	265	537	*424*	*474*	*435*	*392*	*362*	*402*	*399*	*410*	*396*
Estate produce	38	185	273	615	*498*	*553*	*507*	*469*	*438*	*451*	*443*	*454*	*457*
Peasant produce	27	171	219	487	*374*	*422*	*388*	*337*	*307*	*367*	*369*	*381*	*352*
Forest produce	12	99	148	356	*378*	*386*	*366*	*378*	*382*	*425*	*417*	*434*	*424*
JAPAN[e] (1934-36 = 100)													
Imports: General		303	432	382	331	345	326	326	326	321	325	322	317
Food		302	353	371	347	366	347	343	333	320	326	326	307
Crude materials, inedible		343	538	418	349	355	340	346	351	352	353	350	354
Textile fibers		297	478	367	310	313	300	308	318	319	319	319	320
Metalliferous ore	.	218	420	441	341	375	343	329	326	327	335	319	326
Mineral fuels		254	352	433	345	411	355	341	350	328	353	325	307
Chemicals		220	368	364	325	317	291	274	292	272	275	269	271
Machinery & transport equipment		297	279	299	283	272	291	305	317	304	373	280	258
Exports: General		295	459	431	384	367	385	397	398	391	390	396	386
Food		341	342	360	366	360	364	379	388	402	391	400	415
Chemicals		345	413	409	398	443	410	448	467	485	456	538	461
Manufactured goods		296	474	425	360	351	364	370	374	363	364	362	364
Textiles		324	475	404	330	321	332	341	365	335	340	332	332
Base metals		231	471	450	380	361	387	384	390	388	384	387	392
Machinery & transport equipment	.	303	392	372	375	354	401	396	368	359	306	371	401
MALAYA													
Imports	36	115	144	129	120	127	121	119	115	110	.	..	..
Exports	43	173	258	188	150	171	156	141	132	130	..	..	..
PAKISTAN[f] (Apr 1948–Mar 1949 = 100)													
Exports	.	89	119	88	62	64	60	62	61	68	64	67	72
PHILIPPPINES (1948-1949 = 100)													
Imports[g]	..	95	108	106	101	103	104	99	99	98	100	98	98
Exports	30	93	99	78	95	98	99	90	93	94	96	96	91

9. INDEX NUMBERS OF UNIT VALUE, QUANTUM AND TERMS OF TRADE (*Cont'd*)

1948 = 100[a]

	1938	1950	1951	1952	1953	1953 I	1953 II	1953 III	1953 IV	1954 I	1954 Jan	1954 Feb	1954 Mar
B. *Quantum*													
BURMA[r] (Oct 1947–Sep 1948 = 100)													
Imports†	163‡	90	97	129	128	121	120	138	127				
Exports†	263‡	63	99	87	75	37	93	77	61				
CAMBODIA-LAOS-VIET-NAM[b]													
Imports	85	151	18[c]	166	158	166	165	159	142	143	125	148	156
Exports	259	88	132	126	133	120	98	129	186	147	207	136	97
CEYLON													
Imports: General	89	121	135	138	144	135	159	144	153	127	114	126	141
Food, drink & tobacco			115	114	124	111	134	117	133	107	77	118	126
Raw materials & semi-manufactures			133	114	152	230	219	218	176	181	221	131	190
Manufactures			163	177	172	154	187	170	177	146	149	137	153
Exports: General	80	110	112	117	120	116	117	123	123	119	113	120	123
Tea	80	101	103	106	113	107	119	118	109	119	125	108	123
Rubber	56	127	110	100	103	124	86	92	111	124	52	196	125
All coconut products	132	131	149	172	158	140	137	171	183	111	124	99	109
INDIA[c] (Apr 1948–Mar 1949 = 100)													
Imports· General	106†	88	108	105	84	75	97	90	75	78	73	73	87
Food, drink & tobacco		73	146	137	75	72	111	77	40	25	25	30	20
Raw materials & semi-manufactures		123	112	124	94	73	117	110	75	101	75	79	148
Manufactures		79	92	84	84	77	83	87	90	89	91	88	88
Exports General	172†	115	114	106	108	108	99	106	121	111	111	101	121
Food, drink & tobacco		109	122	117	123	118	79	130	167	101	124	97	83
Raw materials & semi-manufactures		103	114	101	82	110	90	62	69	70	64	64	83
Manufactures		122	111	103	113	103	109	117	126	131	125	118	150
JAPAN[e] (1934-36 = 100)													
Imports General		33	48	54	74	65	77	74	82	92	92	83	102
Food		48	66	76	82	70	91	70	99	123	135	101	133
Crude materials, inedible		33	47	48	69	62	71	72	74	77	74	71	86
Textile fibers		40	51	53	70	64	72	75	71	69	70	66	72
Metalliferous ore		25	65	95	147	109	155	149	176	191	169	169	236
Mineral fuels		32	69	82	127	114	117	121	133	136	124	128	155
Chemicals		35	28	34	59	51	70	75	65	81	83	86	73
Machinery & transport equipment		5	47	70	131	93	116	130	164	163	143	154	192
Exports: General		30	31	31	35	32	36	34	38	37	31	36	45
Food		20	26	36	45	42	47	46	42	38	30	37	47
Chemicals		12	24	27	43	42	53	20	43	30	27	17	46
Manufactured goods		36	40	38	37	33	36	36	42	45	37	45	54
Textiles		28	31	25	31	23	28	33	38	41	35	40	50
Base metals		128	123	157	95	118	97	79	89	98	76	102	117
Machinery & transport equipment		43	51	58	93	85	102	71	94	85	94	83	79
MALAYA													
Imports	81	137	181	161	139	137	137	144	139	85			
Exports	73	127	134	114	105	103	103	107	106	97			
PHILIPPINES (1948-1949 = 100)													
Imports[g]		61	76	69	70	66	76	66	69	77	86	63	84
Exports	157	134	151	169	150	141	149	164	146	169	156	185	165
C. *Terms of Trade* *Percentage of unit value index of exports to unit value index of imports.*													
BURMA[r]	74‡	73	173	182	243	273	239	229	187				
CAMBODIA—LAOS—VIET-NAM	138	117	123	84	81	94	90	77	69	69	71	71	64
CEYLON	139	147	151	109	122	115	116	112	114	124	110	132	132
INDIA	86‡	106	125	100	96	91	94	101	100	95	99	97	89
JAPAN		97	106	113	116	106	118	122	122	122	120	123	122
MALAYA	120	151	179	146	124	135	129	119	114	118			
PHILIPPINES		97	92	73	94	95	95	91	93	96	96	98	93

a Original base: *Burma*, 1 Oct 1951-30 Sep 1952. *Cambodia-Laos-Viet-Nam*, 1938 for quantum index and Jan-Jun 1939 for unit value index prior to 1952; *Ceylon*, 1934-38 for period prior to 1950 and 1948 since 1950; *Indonesia*, 1938. *Malaya*, 1938 for period prior to 1953 and 1952 since 1953, *Philippines*, 1937.

b. Beginning from 1952, new series with 1950 as 100.

c. Overland trade excluded.

d. Weighted index numbers of 18 export products at f.o.b. prices. Figures from Apr 1950 to Feb 1952 exclude the value of exchange certificates. The rise beginning Feb 1952 is principally due to the change in the conversion rate of the rupiah from 3.80 (excluding the value of exchange certificates) to 11.40 per dollar

e. The commodity groups are abridged titles of selected SITC sections and divisions. Unit value index based on prices in terms of dollars.

f Index of f.o.b. export prices.

g Based on f.o.b. import prices.

10. EMPLOYMENT AND WAGES

Base for index Numbers, 1948[a]

	1948	1950	1951	1952	1953	1953 I	1953 II	1953 III	1953 IV	1954 I	1954 Jan	1954 Feb	1954 Mar
CEYLON													
Index of wages													
Tea and rubber estate workers[b]	100	119	147	149	151	151	149	152	152	150	151	151	149
Government workers (Colombo)[c]	100	106	115	115	116	116	116	116	116	116	116	116	116
Index of real wages													
Tea and rubber estate workers[b]	100	112	132	134	133	134	134	131	134	134	134	135	134
Government workers (Colombo)[c]	100	102	106	106	98	100	99	96	98	99	98	99	100
CHINA (Taiwan only)													
Employment[d] (1,000)													
Mining	78.9	43.0	50.4	56.1	57.3	47 5	55 7	58.5	57.3				
Manufacturing	113.5	130.3	162.6	208.5	237 6				237 6	..			
Index of earnings[e] (1950 = 100)													
Mining		100	172	282	288	276	285	285	306				
Manufacturing		100	168	246	307	288	315	294	328				
Index of real earnings[f] (1950 = 100)													
Mining		100	116	146	132	130	129	128	140				
Manufacturing		100	113	127	140	135	142	132	150			.	.
INDIA													
Employment[i] (1,000)													
Factories under Factory Act	2,360	2,504	2,537	2,443									
Cotton mills		677	714	741	744	732	743	753	748		744		
Coal mines[g]	308	350	339	342	338	354	341	328	328	338	334	353	327
Central government[h]													
Office workers		184	198	209	213	211	214	214	213	215	215	216	215
Manual workers		394	393	406	403	406	403	404	403	403	403	403	403
Wages or earnings (Rs.)													
Cotton mills[i] (Bombay)		83.56	87.28	89.26	95 96	91.90	95 63	99.04	97.28		95 38	96 38	
Coal mines[j] (Jharia)	2.41[s]	2 40[s]	12 67	13.03	13 18	13 11	13 77	12 25	13.59		13 98	13 58	
JAPAN													
Employment[k] (Mn.)													
All industries	34.60	35 72	36.22	37.28	39.25	37.31	39 83	39 75	40 28	36 79	35 54	36 25	38 57
Agriculture, forestry & hunting	16.37	17 41	16 17	16.37	17.13	14.31	18.23	18.21	17 76	13 81	12 99	13 11	15 33
Other industries	18.22	18.31	20.05	20.92	22.12	23.00	21 60	21.54	22 32	22.98	22 56	23.14	23.24
Mining	0.60	0.49	0.51	0.61	0.62	0.61	0.62	0 66	0 59	0 55	0 52	0.56	0.57
Manufacturing	6.32	6.23	6.29	6.53	6 74	7.16	6 64	6 47	6.68	7 14	7.04	7 44	7 40
Index of earnings[m]													
Mining	100	166	212	263	299	295	281	302	319	270	292	234	282
Manufacturing	100	208	267	315	357	313	333	361	420	346	359	343	337
Index of real earning[m]													
Mining	100	135	148	175	187	191	180	186	192	159	173	138	166
Manufacturing	100	170	187	210	222	202	212	223	252	205	212	202	200
Daily money wages of agricultural labour, male (Y.)	185	201	209	230	257	233	258	263	276	260	256	261	262
KOREA													
Index of earnings[e] (Pusan)													
All industries	100	489	2,691	7,157	12,097	10,051	11,273	12,565	14,498	15,412	15,577	15,143	15,517
MALAYA (Federation)													
Employment[n] (1,000)	461	462	499	505	497	.	.			..	..	.	
PHILIPPINES													
Index of employment[p] (1949 = 100)													
Mining		120	143	150	138	146	142	144	121	110	109	110	109
Manufacturing		98	99	99	109	112	108	106	109	118	116	120	118
Index of wages[q] (Manila)													
Skilled	100	102	96	97	99	99	99	99	99	100	99	100	100
Unskilled	100	91	99	105	108	108	108	108	109	107	107	107	107
Index of real wage (Manila)													
Skilled	100	110	97	102	111	108	112	111	111	115	112	117	117
Unskilled	100	99	101	112	122	120	123	123	123	125	122	127	126
THAILAND													
Employment—Mining[f] (1,000)	10 42	13.46	14.37	14.94	16.07	16.92	16.66	15.77	14.94	14.02	14.45	13.85	13.76
VIET-NAM													
Daily wages§ (Saigon-Cholon, Pr.)													
Skilled		29.10[s]	36.30	41.20	54.45		47.80		54.45		.	..	..
Unskilled (male)		14.40[s]	20.50	22.80	31.75		25.50		31.75				.

a. Original base for wage or earnings index: *Ceylon*, 1939, *Japan*, 1947, *Korea*, 1936, *Philippines*, 1941
b. Daily rates of minimum wages (basic wage plus special allowance).
c. Monthly rates of wages for unskilled manual workers in government employment.
d. Staffs and permanent workers employed by government-owned and private enterprises. Figures relate to end of period.
e. Daily average of wages and allowances including payment in kind
f. Daily averages.
g. Average daily employment in all coal mines governed by the Indian Mines Act. Monthly figures are slightly short of total coverage.
h. Employment in Central Government establishments excluding railways. Office workers comprise administrative, executive and clerical staffs; manual workers comprise skilled, semi-skilled and unskilled workers. Figures relate to end of period.
i. Monthly minimum wages (basic wage plus dearness allowances).
j. Average weekly earnings (basic wage plus dearness allowances and other payments) of underground miners and loaders in coal mines.
k. Before August 1950, average for calender week beginning first Sunday of each month From August 1950, average for the week ending on the last day of the month, except for December when the week prior to holiday seasons was chosen.
m. Average monthly cash earnings per permanent worker.
n. Number employed by government departments, estates, mines, factories and some miscellaneous establishments. Figures for 1950-53 relate to end of June.
p. Comprises all full and part-time employees of 734 cooperating establishments in the Philippines who were on the payroll, i.e., who worked during, or received pay for, the pay period ending nearest the 15th of the month. Excluding proprietors, self-employed persons, domestic servants and unpaid workers.
q. Daily average wage rates of all classes of workers.
s. Average daily earnings in December.

11. INDEX NUMBERS OF WHOLESALE PRICES

1948 = 100[a]

	1949	1950	1951	1952	1953	1953 I	1953 II	1953 III	1953 IV	1954 I	1954 Jan	1954 Feb	1954 Mar
BURMA													
All agricultural produce	123	115	133	114	111	101	104	117	122	108	108	108	107
Cereals	96	98	104	99	93	86	91	97	98	84	82	83	87
Non-food agricultural produce	161	196	205	155	144	125	128	158	163	165	161	172	161
CHINA[b] (Taipei, Jan-Jun 1950 = 100)													
General index	58	111	183	225	245	232	240	251	257	258	258	258	258
Food	58	104	140	173	222	197	216	236	242	250	252	251	248
Clothing	78	124	330	392	364	374	359	350	374	352	355	350	350
Fuel & light	51	118	156	190	214	203	214	218	220	221	220	221	222
Metals & electrical materials	49	115	218	270	259	260	261	254	261	258	260	259	259
Building materials	52	105	154	234	249	230	235	275	257	260	258	259	263
INDIA													
General index	104	109	120	105	107	104	108	111	107	108	109	108	107
Food articles	104	110	110	96	102	97	102	108	101	100	102	100	99
Industrial raw materials	108	117	141	105	107	102	109	112	104	110	112	110	107
Semi-manufactured articles	104	108	119	109	113	110	113	115	112	113	114	114	112
Manufactured goods	101	102	116	111	108	108	108	108	107	108	107	108	110
INDONESIA (Djakarta)													
General index (imported goods)	123	253	349	331	352	348	359	355	347				
Provisions	90	180	295	368	438	410	433	453	458				
Textile goods	194	351	319	260	292	305	303	290	272				
Chemicals	88	221	373	341	377	365	391	380	369				
Metals	95	220	381	388	370	380	381	367	351				
JAPAN													
General index	163	193	268	273	277	274	274	278	282	288	288	289	287
Edible farm products	178	207	258	286	307	302	307	310	310	344	341	344	346
Other foodstuffs & tobacco products	164	159	175	180	178	179	174	176	183	186	201	187	185
Textiles	215	262	364	290	280	274	276	285	285	285	286	285	282
Chemicals	138	180	250	269	249	257	255	242	241	239	238	239	241
Metal & products	143	214	426	415	391	394	394	389	388	387	388	388	384
Building materials	141	165	243	266	323	291	306	339	357	362	362	364	361
Fuels	150	170	203	257	262	270	261	256	263	261	262	261	260
Producers' goods	155	200	308	317	316	313	314	317	321	322	322	322	321
Consumers' goods	172	185	225	227	235	232	232	236	240	252	252	253	252
KOREA (Pusan, 1947 = 100)													
General index			2,194*	4,751	5,951	5,906	5,858	6,070	5,970		6,383	6,135	
Food grains			2,064*	7,305	7,567	8,128	8,034	8,292	5,812		5,372	5,184	
Textile raw materials			1,795*	2,478	3,741	3,682	3,311	3,641	4,328		4,510	4,526	
Textiles			1,763*	2,052	3,048	2,656	2,432	2,855	4,248		3,766	3,511	
Building materials			2,616*	3,923	7,683	6,049	7,499	7,363	9,819		11,121	11,379	
Fertilizers			6,136*	7,987	8,449	8,449	8,449	8,449	8,449		8,449	8,449	
PHILIPPPINES (Manila, 1949 = 100)													
General index	100	97	109	100	99	101	98	97	99	95	98	95	92
Food	100	89	98	95	90	91	88	90	90	86	89	85	83
Crude materials	100	108	113	90	112	119	110	104	112	108	114	110	100
Mineral fuels	100	100	107	113	108	112	109	107	106	106	106	106	106
Chemicals	100	101	130	111	108	112	110	105	104	105	104	106	106
Manufactured goods	100	119	156	125	114	117	115	113	113	111	112	111	110
Domestic products	100	93	101	93	93	96	92	92	94	90	94	90	86
Exported products	100	110	113	90	110	120	110	101	110	107	112	108	100
Imported products	100	122	153	136	129	131	130	127	127	126	126	126	125
THAILAND[c] (Bangkok)													
General index	94	96	104	109	102	104	103	104	100	100	100	101	101
Agricultural produce	92	112	131	117	97	107	102	102	91	90	90	90	92
Foodstuff	93	88	88	106	108	107	108	109	106	106	104	107	108
Clothes	92	87	102	93	71	74	70	70	70	70	70	70	70
Fuel	90	96	103	105	104	103	103	105	106	105	106	106	104
Metal	139	122	143	137	102	102	101	101	104	103	105	105	99
Construction material	111	121	138	149	153	151	151	152	156	156	157	155	155
VIET-NAM (Saigon-Cholon, 1949 = 100)													
General index	100	98	117	132	152	131	142	168	168	157	159	157	155
Rice & paddy	100	84	90	141	157	148	149	167	163	130	134	131	125
Other food products	100	101	112	127	166	136	149	188	190	197	203	195	184
Fuel & mineral products	100	113	117	118	144	116	129	161	168	171	170	171	173
Raw materials	100	141	201	152	168	147	159	186	178	176	172	178	177
Semi-finished products	100	95	117	125	145	117	128	165	171	170	173	169	167
Manufactured products	100	84	113	99	116	91	108	130	133	137	134	138	138
Local products	100	101	119	142	160	144	150	174	171	155	158	156	152
Imported products	100	93	113	112	138	107	126	158	160	161	162	161	161

a. Original base: *Burma*, 1938-40. *India* Sep 1938-Aug 1939, *Indonesia*, 1938; *Japan*, 1934-36; *Thailand*, Apr 1938-Mar 1939.
b. New Taiwan dollar has been introduced since 15 Jun 1949. Index for 1949 relates to average of Jul-Dec.
c. Agricultural produce includes paddy, rice meal, copra, rubber, etc.; foodstuff includes milled rice, pork, banana, etc.

12. INDEX NUMBERS OF COST OF LIVING

1948 = 100[a]

	1948	1950	1951	1952	1953	1953 I	1953 II	1953 III	1953 IV	1954 I	1954 Jan	1954 Feb	1954 Mar
BURMA (Rangoon)													
All items	135	114	112	107	104	101	105	107	102	96	98	96	94
Food	142	120	120	115	111	107	112	116	111	103	106	103	99
CEYLON (Colombo)													
All items	99	105	109	108	110	108	109	113	110	109	110	109	108
Food	104	112	112	110	117	112	115	122	118	116	117	116	115
CHINA (Taipei, Jan-Jun 1950 = 100)													
All items		106	139	179	211	198	207	223	219	218	218	219	217
Food		100	109	139	176	154	180	192	183	185	182	189	183
HONG KONG													
All items	112	117	128	129	130	125	127	135	135	129	125	133	129
Food	119	127	136	136	143	134	136	152	152	142	134	150	141
INDIA													
All-India (Interim index)													
All items	103	103	107	105	108	105	109	113	107	105	107	105	104
Food	104	105	108	107	112	105	113	119	111	107	110	107	105
Bombay													
All items	101	103	109	111	120	116	120	123	120	117	120	115	115
Food	105	109	115	118	130	126	132	135	129	123	128	121	121
Delhi													
All items	100	100	108	108	106	103	105	109	108	105	105	105	105
Food	101	101	112	110	110	105	108	114	113	107	108	106	106
INDONESIA (Djakarta)													
Food	97	113	189	199	211	205	212	214	215	221	223	221	219
JAPAN (Urban)													
All items	132	123	143	150	160	155	157	162	167	170	169	170	170
Food	125	112	130	134	142	137	139	145	149	153	151	153	154
KOREA (Pusan)													
All items	123	281	1,397	3,446	4,871	4,630	4,436	5,117	5,303	6,076	5,970	6,294	5,965
Food	131	302	1,519	4,489	5,777	5,593	5,463	6,438	5,615	6,799	6,456	7,140	6,801
LAOS (Vientiane, Dec 1946 = 100)													
All items	106	107*	113	140	187	155	171	208	214		218	228	
Food	103	100*	103	138	200	159	183	233	227		234	247	
MALAYA (Federation)													
Chinese													
All items	94	101	133	138	133	134	134	133	133	131	133	131	129
Rice & rice equivalents	90	84	89	95	100	99	100	100	100	97	97	98	95
Indian													
All items	94	99	132	136	131	133	132	131	128	123	125	122	121
Rice & rice equivalents	95	90	98	105	112	110	112	113	114	106	107	107	104
Malay (Jan 1949 = 100)													
All items	98	108	136	138	134	134	134	134	134	130	132	130	128
Rice & rice equivalents	98	97	104	110	118	116	118	120	120	112	113	113	110
PAKISTAN (Apr 1948–Mar 1949 = 100)													
Karachi													
All items	98‡	95	99	101	112	111	112	112	112	112	111	112	112
Food		93	99	103	111	111	111	111	111	110	109	111	110
Narayanganj													
All items	103‡	98	102	110	109	103	106	118	109	92	92	92	92
Food		97	101	112	109	102	105	119	108	84	86	83	83
PHILIPPPINES (Manila)													
All items	94	91	97	93	87	90	86	87	87	84	86	83	83
Food	93	86	94	90	81	84	80	81	80	76	79	75	75
THAILAND (Bangkok)													
All items	96	99	110	123	135	128	131	141	140	140	139	140	141
Food	95	97	106	119	131	123	125	137	136	134	133	135	136
VIET-NAM (Saigon, 1949 = 100)													
All items	100	102	116	142	181	157	166	197	201	203	206	203	201
Food	100	96	104	141	178	163	171	190	187	188	193	187	184

GENERAL NOTE: All figures are applicable to working class except the following countries: *China*, public servants; *Hong Kong*, clerical and technical workers, *Indonesia*, government employee; *Japan*, whole population; *Korea*, all classes; *Laos*, middle class; *Thailand*, low salaried workers and civil servants.

a Original base: *Burma*, 1939, *Cambodia*, Jan-Jun 1939, *Ceylon*, Nov 1942 for 1943-52 and 1952 since 1952; *Hong Kong*, Mar 1947; *India*, 1944 for All-India and Delhi, Jul 1933-Jun 1934 for Bombay; *Indonesia*, 1938; *Japan*, 1951; *Korea*, 1947, *Malaya* (Chinese and Indian), Jan 1947, Philippines, 1941, *Thailand*, Apr 1938-Mar 1939.

13. CURRENCY AND BANKING

	1948	1950	1951	1952	1953	1953 I	1953 II	1953 III	1953 IV	1954 I	1954 Jan	1954 Feb	1954 Mar
BURMA (Mn. K.)													
Money supply	505	552	607	641	828	849	934	868	828	1,010	860	965	1,010
Currency: net active	335	358	398	413	506	609	583	537	506	688	545	638	688
Deposit money	169	194	210	228	322	240	351	331	322	323	314	327	323
Loans, advances and bills discounted (commercial banks)	68	130	159	151	142	187	130	130	142	164	154	167	164
Bank clearings	151	138	151	181	234	231	247	242	217	216	218	248	318
Foreign assets of the Union Bank of Burma[a]	358	556	748	920	991	1,012	1,129	1,045	991	920	965	922	920
Rates of interest (% per annum)													
Call money rate			1.04	1.64	1 10	2.00	1.08	0.75	0 58	0.92	0.75	1.00	1.00
Yield of long term gov't bonds	.	3.00*	3.00	3 00	3.00	3 00	3 00	3.00	3.00	3.00	3 00	3 00	3 00
Internal gov't debt[b] held by													
Union Bank of Burma	16	20	22	16	6	18	6	6	6	6	6	6	6
Commercial banks	8	27	31	25	68	31	52	71	68	61	62	63	61
Gov't deposits and cash in hand													
Central gov't deposits with the Union Bank of Burma	2	57	77	50	4	77	81	4	4	53	1	4	53
Cash in Government Treasury	15	5	5	3	11	4	4	4	11	8	8	8	8
CAMBODIA, LAOS AND VIET-NAM (1,000 Mn Pr)													
Money supply			.	10.92	12.52	11 15	11.26	11 56	12.52	*14.86*	*14 41*	*14.53*	*14 86*
Currency: in circulation			.	7 67	9.19	8 20	8 13	8.54	9.19	*11 10*	*10.93*	*11.06*	*11.10*
Deposit money (commercial banks only)[c]	.	..	.	3.25	3.32	2.94	3 12	3.01	3.32	3.76	3.48	3.47	3.76
Loans and advances (commercial banks)	..	..		1.01	1.67	1 22	1.49	1.48	1 67	1.71	1.68	1.67	171
Foreign assets of l'Institut d'emission	.	.		0.68	1.67	0 88	0 91	0.89	1 67	2.39	2 98	2.71	2.39
Rate of interest (% per annum)													
Treasury bill rate	..	..	..	2	2	2	2	2	2	2	2	2	2
States treasury bills outstanding[d]		.	..	0 30	1.20	0.65	0.93	1.05	1.20	1.25	1.25	1.25	1.25
CEYLON (Mn Rs.)													
Money supply	607	911	1,006	894	827	899	878	824	826	809	806	799	809
Currency: net active	241	326	377	357	335	363	362	350	335	324	326	328	324
Deposit money	366	585	629	538	492	536	516	474	492	485	480	471	485
Loans, advances and bills discounted (commercial banks)	..	182	257	241	253	231	244	223	253	258	286	272	258
Bank clearings	391	549	691	688	671	673	645	723	642	648	681	591	672
Foreign assets													
Central Bank of Ceylon	460	565	668	401	245	361	294	302	245	329	284	314	329
Government[e]	380	342	367	376	294	337	314	295	294	289	294	293	289
Commercial banks	174	233	209	114	110	121	111	97	110	105	92	86	105
Rates of interest (% per annum)													
Call money rate	.		0.50*	0.50	0.96	0 50	0.50	1.33	1 50	1.50	1.50	1.50	1.50
Treasury bill rate[f]	0.22	0.87	0 48*	0.72	1.91	0.96	1 74	2.47	2.48	2.46	2.48	2.48	2.41
Yield of long term gov't bonds[g]	2.94	3.04	2.81	2.93	3.85	3.04	3.60	4.38	4.38	4.07	4.08	4.09	4.06
Internal government debt held by													
Central Bank of Ceylon		19	17	161	223	199	255	216	223	126	161	145	126
Commercial banks	184	271	235	302	284	291	284	283	284	280	288	265	280
Gov't deposits and cash in hand													
Government deposits with the Central Bank of Ceylon	..	12	31	6	—	—	—	—	—	—	—	—	—
Currency held by government	4	6	6	5	6	3	4	4	6	4	4	4	4
CHINA (Taiwan only, Mn NT$)													
Money supply	.	690	790	1,129	1,469	1,021	1,127	1,239	1,469	1,394	1,414	1,423	1,394
Currency outstanding		288	473	705	943	662	724	768	943	870	946	899	870
Deposit money	.	402	317	424	526	360	403	471	526	524	469	524	524
Loans, advances and bills discounted (banks other than the Bank of Taiwan)[h]	..	84	138	342	625	497	476	520	625	723	867	666	723
Bank clearings	.	138	418	862	1,740	1,462	2,087	1,813	1,598	1,468	1,505	1,190	1,709
Rate of interest (% per annum)													
Call money rate	.	16.42	10.80	10.80	9.0	10.80	10.80	7.20	7.20	7.20	7.20	7.20	7.20
Government deposits held by the Bank of Taiwan	.	349	626	776	1,173	896	930	1,130	1,173	1,337	1,186	1,300	1,337
HONG KONG (Mn HK$)													
Money supply													
Currency outstanding (notes)	783	808	800	802	802	801	801	803	802	804	803	803	804
Bank clearings	689	1,199	1,506	1,195	1,035	1,111	1,033	933	1,065	1,036	1,080	884	1,144

13. CURRENCY AND BANKING (*Cont'd*)

	1948	1950	1951	1952	1953	1953				1954			
						I	II	III	IV	I	Jan	Feb	Mar
INDIA (1,000 Mn Rs.)													
Money supply[r]	18 84[y]	18.34	17 73	16.38	17 30	17 55	17.40	16 80	17 30	18 60	17 80	18 10	18.60
Currency, net active[r]	12 17[y]	12 03	11 70	11.22	11 60	11 69	11 70	11 00	11.60	12 20	11 90	12.10	12.20
Deposit money[r]	6 67[y]	6.30	6.03	5.61	5 70	5 86	5.70	5 80	5 70	6 40	5.90	6.00	6.40
Advances and bills discounted[i] (scheduled banks)	4 42	4.45	5.54	4.85	4.61	5 29	5 10	4.60	4 61	5 38	5 05	5.21	5 38
Bank clearings	5 55	5.25	6 56	5.71	5 49	5 64	5 50	5 28	5.55	6 00	5 76	5.76	6 49
Gold and foreign assets of the Reserve Bank of India	10.67	8.74	8.21	7.46	7 63	7 64	7 53	7 39	7 63	7 93	7 74	7 85	7 93
Rates of interest (% per annum)													
Call money	0 50	0.58	1 01	2 02	2.12	2.88	2.62	1 46	1 54	2 88	2 88	2 88	2 88
Yield of long term gov't bonds[j]		3 11	3.39	3.69	3 64	3 62	3 64	3 65	3 65	3 63	3 64	3 63	3 63
Internal government debt held by													
Reserve Bank of India[k]	4 38	5 40	5 77	5.53	4.98	5 49	5 44	5 08	4 98	4 88	4 94	4 94	4.88
Scheduled banks	4.26	3 57	3 06	3.23	3.36	3 03	3.14	3.34	3.36	3 19	3.23	3 19	3 19
Non-scheduled banks	0.11	0 10	0.09	0 21	0 14	0 18	0.18	0.20	0.14	0.20	0 20	0 20	0.20
Government deposits held by the Reserve Bank of India	2 14	1 64	2 10	1 75	1.10	1 36	1 30	1 37	1 10	0 66	1 02	0 86	0 66
INDONESIA (Mn Rp.)													
Money supply	3,008	4,392	5,132	6,719	7,642	7,276	7,204	7,467	7,642	8,014	7 806	7,704	8,014
Currency, net active	1,643	2,582	3,328	4,349	5,218	4,664	5,021	5,084	5,218	5,335	5,257	5,233	5,335
Deposit money	1,365	1,810	1,804	2,370	2,424	2,612	2,184	2,383	2,424	2,680	2,549	2,471	2,680
Loans, advances and bills discounted (all banks)[m]	266	682	2,152	2,445	2,394	2,287	2,624	2,482	2,394	2,605	2,369	2,542	2,605
Gold and foreign assets of the Java Bank[n]	547	1,349	1,939	1,790	2,412	1,690	3,232	2,529	2,412	2,123	2,360	2,251	2,153
Advances to government by the Java Bank		2,761	1,317	4,555	5,272	5,618	3,678	4,716	5,272	6,126	5,550	5,731	6,126
Gov't deposits with the Java Bank		.	.	496	495	496	495	495	495	495	495	495	495
JAPAN (1,000 Mn Y)													
Money supply	696	966	1,266	1,636	1,826	1,545	1,475	1,589	1,826	1,685	1,701	1,663	1,685
Currency: in circulation	338	409	492	554	610	477	484	487	610	499	540	523	499
Deposit money	357	557	774	1,082	1,216	1,068	991	1,102	1,216	1,186	1,161	1,140	1,186
Loans, advances and bills discounted (all banks other than the Bank of Japan)	385	997	1,526	2,022	2,563	2,141	2,257	2,417	2,563	2,567	2,544	2,552	2,567
Bank clearings	236	808	1,232	1,624	2,080	2,093	1,913	1,944	2,368	2,347	2,059	2,251	2,731
Gold and foreign assets													
Bank of Japan				18	18	18	18	18	18	18	18	18	18
Government		204	334	379	304	342	312	321	304	249	270	259	249
Other banks		2	1	23	44	36	38	44	44	38	42	38	38
Rates of interest (% per annum)													
Call money rate (Tokyo)		6.40	7 12	8 05	7 82	8 15	8.15	7 67	7.30	7 30	7 30	7 30	7 30
Yield of long term gov't bonds[p]			5.50	5.50	6 68	5 50	5.50	6 71	9.03	9.05	—	10 44	7 66
Internal government debt held by													
Bank of Japan[q]	331	200	166	324	326	232	184	176	326	191	273	189	191
All other banks	80	37	38	39	46	36	36	38	46	46	46	46	46
Government deposits with the Bank of Japan	14	48	32	92	60	130	116	129	60	108	103	64	108
KOREA (South, 1,000 Mn H.)													
Money supply	0.53	2.52	6.50	12 13	26.51	11.85	15 10	21 34	26 51	30 35	27.26	29 75	30.35
Currency net active	0 41	2 23	5.39	9 74	22 43	9.98	12 28	17 31	22 43	24 17	22 65	24.37	24 17
Deposit money	0 12	0.29	1 10	2.39	4 08	1 87	2 82	4.04	4 08	6.18	4.61	5 38	6 18
Loans, advances and bills discounted (all banks other than the Bank of Korea)	0 43	0 46[z]	1 93	5.78	15.41	7 19	9 96	12 28	15 41	16.62	16.03	16.92	16 62
Bank clearings	0.21	0 41	2.40	13.69	21.37	15 42	17 97	21 19	30 90	34 51	32.70	31.06	39.78
Gold and foreign assets													
Bank of Korea		1.16	2.34	4.79	18.38	9 46	6.24	6 12	18 38	18 74	18 64	18 44	18 74
Government[s]	.	0.58	1.79	2.64	2.68	3.32	1.28	1 08	2 68	1 99	2.15	2 03	1 99
Internal government debt held by													
Bank of Korea[q]			3.00	2 13	16 74	1 84	5.77	10 87	16 74	27.62	20.32	21 92	27 62
All other banks		0 02[z]	0 06	0.14	0 54	0 27	0 32	0 44	0.54	0.60	0.52	0.58	0 60
Treasury deposits with the Bank of Korea	0 11	0.85	1.86	6.01	12.32	7.02	11.41	14.04	12.32	17.51	15.57	15.01	17.51
MALAYA (Mn MS)													
Money supply	899	1,402	1,731	1,620	1,486	1,583	1,500	1,451	1,486	1,503		.	1,503
Currency notes, net active[t]	302	515	654	630	651	622	613	620	651	621			621
Deposit money	598	887	1,077	989	835	961	887	831	835	882	852	865	882
Loans and advances of commercial banks	309	551	633	484	437	489	450	466	437	469	460	460	469
Debits to current deposit accounts	..		4.167	3,396	2,946	3,204	2,902	2,850	2,829	2,682	2,854	2,390	2,801
Federation Treasury bills held by banks	30	23	26	14	10	14	12	11	10	10	10	10	10

	1948	1950	1951	1952	1953	1953 I	1953 II	1953 III	1953 IV	1954 I	1954 Jan	1954 Feb	1954 Mar
PAKISTAN (Mn Rs.)													
Money supply	2,698	2,964	3,755	3,220	3,568	3,336	3,387	3,382	3,568	3,706	3,693	3,718	3,706
Currency in circulation	1,708	1,992	2,467	2,151	2,372	2,258	2,239	2,172	2,372	2,496	2,451	2,486	2,496
Deposit money[u]	990	973	1,288	1,069	1,196	1,078	1,149	1,210	1,196	1,211	1,242	1,232	1,211
Loans, advances and bills discounted (scheduled banks)	410	770	919	792	781	752	656	640	781	826	826	817	826
Bank clearings[v]	326*	460	551	543	536	555	491	517	582	615	645	549	652
Gold and foreign assets of the State Bank of Pakistan[w]	1,629	1,188	1,627	933	935	928	931	935	935	1,065	1,005	1,035	1,065
Rates of interest (% per annum)													
Call money rate		0.99	0 94	2 10	1.01	2,33	0 77	0.25	0 68	2.04	1 93	2.25	1 94
Yield of long-term gov't bonds[x]		2.96*	2.98	2 98	3.06	3 00	3 01	3.10	3 14	3.14	3 14	3.14	3.14
Internal government debt held by the State Bank of Pakistan	176	811[r]	864	1,214	1,250	1,167	1,228	1,153	1,250	1,300	1,306	1,309	1,300
Government deposits with the State Bank of Pakistan	923	661	582	377	216	332	371	417	216	325	222	196	325
PHILIPPINES (Mn P.)													
Money supply	1,145	1,148	1,053	1,082	1,101	1,100	1,045	1,039	1,101	1,115	1,096	1,112	1,115
Currency net active	571	669	639	624	666	626	592	608	666	655	651	657	655
Deposit money	574	479	414	465	435	474	452	430	435	460	445	455	460
Loans, advances and bills discounted (all banks other than the Central Bank)	511	533	685	694	773	725	727	733	773	769	775	768	769
Bank clearings	381	462	457	480	520	509	519	523	528	568	562	534	609
Debits to checking accounts	772	674	733	686	743	746	766	727	732			758	865
Gold and foreign assets													
Central Bank of the Philippines	800	592	488	472	481	494	486	486	481	482	475	487	482
Other banks	126	148	145	162	134	160	135	144	134	175	142	156	175
Internal government debt held by													
Central Bank of the Philippines		158	242	235	230	235	232	228	230	240	233	241	240
Other banks	13	41	35	56	58	58	58	55	58	57	58		57
Gov't deposits and cash in hand													
Deposits with Central Bank		19	153	98	45	137	130	92	45	48	55	52	48
Deposits with Philippine National Bank		81	46	59	95	51	74	89	95	100	106		100
Cash in Treasury vaults		4	6	7	5	5	4	3	5	4	4	7	4
THAILAND (Mn Baht)													
Money supply	2,881	3,967	4,907	4,932	5,438	4,995	5,062	5,145	5,438	5,686	5,636	5,673	5,686
Currency net active	2,205	3,043	3,756	3,678	4,016	3,782	3,782	3,823	4,016	4,172	4,136	4,194	4,172
Deposit money	676	924	1,151	1,254	1,422	1,213	1,280	1,322	1,422	1,514	1,500	1,479	1,514
Loans, advances and bills discounted (commercial banks)	414	592	741	1,202	1,649	1,511	1,575	1,659	1,649	1,781	1,798	1,768	1,781
Bank clearings	774	1,544	2,057	2,270	2,366	2,561	2,328	2,326	2,250	2,367	2,501	2,019	2,581
Debits to sight deposit accounts		1,973	2,786	2,989[r]	3,196	3,480	3,208	3,098	2,999	3,432	3,460	3,311	3,526
Gold and foreign assets of the Bank of Thailand	2,180	3,641	4,511	4,434	3,782[r]	4,221	4,126	4,123	3,782[r]	3,641	3,706	3,700	3,641
Rates of interest (% per annum)													
Treasury bill rate	1.32	2.02	2.10	2.17	2 25	2.22	2 25	2 24	2 30	2,27	2,30	2,24	2.26
Internal government debt held by													
Bank of Thailand	18	155	166	261	247	251	251	220	247	281	278	276	281
Commercial banks	150	116	118	102	174	72	83	120	174	129	142	119	129
Government deposits with Bank of Thailand	392	317	423	396	698	368	540	615	698	642	691	612	642

GENERAL NOTES All figures, other than bank clearings and rates of interest, relate to the end-of-month, end-of-quarter and end-of-year respectively: bank clearings relate to monthly totals and their averages *Net active currency* Total currency outstanding less holdings in all banks including the central bank and in government treasuries *Currency in circulation* Total currency outstanding less holdings in all banks including the central bank. *Deposit money* Deposits in all banks (including central bank) withdrawable by cheques but excluding inter-bank liabilities and central government deposits. *Bills discounted* Excluding treasury bills. *Bank clearings* Total value of cheques and other collection items cleared through clearing houses *Gold and foreign assets* Gross holdings of gold, foreign exchange and other liquid foreign investments. *Rates of interest* All rates are those prevailing in the capital city of each country except in India where rates in Bombay have been taken *Call money rate* Relates to inter-bank rate on money at call.

a. Beginning July 1952 includes foreign assets of the Burma Currency Board.
b Treasury bills and 3 year and 5 year government bonds.
c. Includes in addition to deposits by business concerns and individuals, the deposits of Indochinese branches of the French National Treasury, and of the Autonomous Amortisation Fund.
d. Treasury bills of Cambodia and Viet-Nam only.
e. Includes War Loan re-lent to U.K. Government, less the part by Central Bank
f Weighted average of tender rates on bills issued within the period.
g. Yield of a per cent national development loan 1965-70 calculated to earliest redemption date.
h Includes the Land Bank, Cooperative Treasury and three commercial banks.
i. Includes bills purchased
j Yield of 8 per cent paper (running yield) to earliest redemption date.
k Includes loans & advances to government.
m. The Java Bank, Bank Negara Indonesia, Bank Industri Negara and seven commercial banks.
n. Devaluation took effect on 4 Feb 1952 but foreign assets and gold holdings were not revalued until 6 Feb 1952 and 13 May 1953 respectively.
p Weighted yield (simple rate of interest) to latest redemption date of medium dated government bonds issued during the period stated Figure for 1951 relates to average of 4 months Sep-Dec.
q. Includes advances to government.
s Figures shown are on a net basis.
t. Figures include British Borneo
u Prior to April 1952 includes inter-bank liabilities.
v Figures relate in 1948 and 1949 to 8 clearing houses in principal towns, from Jan 1950-Jan 1952 to clearing houses in 4 towns and from Feb 1952 in 5 towns
w. Including outstanding assets receivable from the Reserve Bank of India, under the partition agreements, but excluding foreign assets of Banking Department.
x. Yield to maturity of 3 per cent bonds 1968.
y. March.
z. May.

TRADE AGREEMENTS NEGOTIATED AND/OR FINALIZED DURING THE SECOND AND THIRD QUARTERS 1954

I. ECAFE INTRA-REGIONAL TRADE AGREEMENTS

Contracting parties	Period valid	Value of trade and principal exports	Methods of payment	Remarks
Ceylon—Japan	Not specified	Total no cash transaction involved Ceylon 13,000 tons of rice due from mainland China from the rice-rubber agreement to be diverted to Japan. Japan: Equal amount of rice purchased from Iran to be diverted to Ceylon		Signed in April 1954.
China (Mainland)—Outer Mongolia	1954	Total not specified China silk piece-goods, leather articles, dried and fresh fruits, and other commodities. Outer Mongolia livestock, hides and fur and animal products	Not specified	Signed in Ulan Bator on 7 April 1954 This new agreement provides for an increased flow of goods in both directions over the previous year. (See *Bulletin* Vol IV, No 1, 1953)
China (Mainland)—Viet-Nam (North)	Through 1954	Total· not specified China: cotton cloth, cotton yarn, machinery, transport and communications equipment, medicines, surgical apparatus and paper. Viet-Nam non-farrous metals, tea, cardamoms, coffee beans, pepper, cattle, hides and leather	Not specified.	Signed on 7 July 1954, together with two protocols for small-scale trade and exchange of currencies on the border regions of the two countries.
India—China (Mainland)	Not specified	Total not specified India· undisclosed quantity of tobacco to mainland China.	Not specified	Signed in Peking on 21 July 1954 The present contracting parties are representatives of the Indian Tobacco Trade Delegation and the China National Import and Export Corporation signing on behalf of their governments respectively
Pakistan—Japan	Not specified	Total not specified. Pakistan cotton, jute, hides and skins, cotton linters, rock salt, etc Japan textiles, cotton yarn, iron and steel, non-ferrous metal, chemicals and other manufactures.	Payment is to be made in pound sterling	Previous agreement expired on 31 March 1954. This is an extension until the signing of a new agreement which is under negotiation.
Philippines—Japan	21 May—17 September 1954	Total $100 million for two-way trade. Japan textiles, iron and steel products, machinery and parts, glassware and porcelain, chemicals, ocean-going ships and fishing crafts, etc. Philippines iron, manganese and chrome ores, timber, rattan, mangrove bark, molasses, gumcopal, buffalo hides, hide fleshings, shells, kapok, ramie, copra and coconut oil, abaca, etc.	Trade is conducted on the dollar "open account" basis. A "swing limit" of $2 5 million is payable upon demand of the creditor party. (See *Bulletin* Vol. II, No 2).	This is the ninth extension of the original agreement which was signed on behalf of Japan by the Supreme Commander for the Allied Powers and the Republic of the Philippines on 18 May 1950

II. ECAFE COUNTRIES—EXTRA-REGIONAL COUNTRIES

China (Mainland)—Czechoslovakia	1954	Total not specified. China raw materials for the metallurgical industry, including minerals and non-ferrous metals; raw materials for the textile, tannery and chemical industries, egg products, tea, spices, canned meat and fruit. Czechoslovakia: metal products and machinery, including equipment for power stations and sugar-refining plants, metal-working lathes, cranes, scrapers, Diesel engines, trucks, tele-communcation equipment, chemicals and paper.	The balance in value of imports and exports will be aimed at.	A goods exchange and payment agreement signed on 27 April 1954 (See *Bulletin* Vol. IV, No. 2 for 1953 agreement)
China (Mainland)—Finland	1 May 1954—30 April 1955	Total. 50 million rubles each way. China oil seeds, tung oil, tea, resin, bristles, silk, etc Finland paper, cardboard, machinery and metal products.	The balance in value of imports and exports will be aimed at. Any deficit will be paid in the currency of a third country, which will probably be in rubles.	Signed in Helsinki on 21 June 1954. This calls for a considerable increase in trade over that provided for in the 1953 agreement. (See *Bulletin* Vol IV, No. 2.)
China (Mainland)—Germany (East)	Through 1954	Total· not specified. China· mineral products, wool, silk fabrics casings, furs, fruits and other commodities. Germany· lathes, cranes, excavators, trucks, bicycles, ball-bearings, testing apparatus, X-ray equipment, optical instruments, chemicals, fertilizer, photographic equipment and musical instruments.	The balance in value of imports and exports will be aimed at. Any deficit will be paid in the currency of a third country, probably rubles.	Signed in Berlin on 30 March 1954. (See *Bulletin* Vol. IV, No. 2 for details of the 1953 agreement.)

TRADE AGREEMENTS NEGOTIATED AND/OR FINALIZED DURING THE SECOND AND THIRD QUARTERS 1954

II. ECAFE COUNTRIES—EXTRA-REGIONAL COUNTRIES—(Continued)

Contracting parties	Period valid	Value of trade and principal exports	Methods of payment	Remarks
China (Taiwan)—France	12 May 1954—11 May 1955	Total: 10 million dollars each way. China tea, coal, citronella oil, feathers and pineapples. Tea to account for a large proportion of exports France iron and steel products, rolling stock, machinery, tools, automobiles and trucks, chemicals, pharmaceuticals and fertilizers	Payment in U S. dolars	Signed in Taipeh on 12 May 1954 and became effective immediately on that date
India—Finland	1 January 1954—31 December 1955	Total not specified India: tobacco, hides and skins, cashewnuts, jute goods, tea, coffee, shellac, coir yarn and manufactures, castor oil, linseed oil, hydrogenated oils, cotton waste, drugs, and essential oils. Finland cheese, potassium chloride, bone glue, wooden bobins for textile industry, plywood of birch, tea chests, prefabricated wooden houses and barracks, mechanical equipment, chemicals, wood pulp, newsprint, paper products, boards, agricultural machinery, road-making machinery, electrical and tele-communication cables	Deficit is to be settled in pound sterling Issuance of licences	Signed in April The two countries will accord each other the same treatment as is accorded by them to other countries of the same currency group
India—Hungary	17 June 1954—31 December 1955	Total not specified India tea, tobacco, oil seeds, skins, jute and textile goods, sports goods, Indian films, etc Hungary various types of machinery, electrical apparatus, 16-mm film projectors, instruments for the watch industry, Hungarian films, etc	Not specified	Signed in New Delhi on 17 June 1954 Previous agreement signed on 14 July 1950 was renewed by exchange of letters on 20 January 1951 (See Bulletin Vol. II, No. 1.)
Indonesia—Belgium	Not specified	Belgium exports 42 million Belgium francs worth of textile goods and cotton to Indonesia	Payment is to be made in Belgian francs.	Priority will be given to Indonesian ships to transport the goods. Signed in Brussels in April 1954.
Indonesia—Czechoslovakia	Not specified	Total not specified Indonesia: rubber, tin, pepper, spices, mother of pearl, copra and other products Czechoslovakia machine tools, textile machinery, Diesel engines, electrical motors, motor cars, motorcycles, paper, matches and textiles	Neither party will be required to use convertible currency for settlement of a deficit. A balance of each other's imports and exports is to be maintained.	Signed in Prague on 8 July 1954. (See Bulletin Vol. IV, No. 8.)
Indonesia—Germany (East)	Not specified	Total not specified Indonesia rubber, tea, copra, tin, pepper, gums, quinine, chinchona, coffee, rattan, tobacco, timber, tapioca, kapok, edible oils and feather. Germany: machinery, office machines, optical and precision apparatus, paper, motor vehicles, bicycles, radios, medical instruments, chemicals, cement and other building materials and pharmaceuticals	Trade will be conducted on a "parallel basis" so that no foreign exchange will be involved in the transactions, it will be chanelled through "national" Indonesian firms	Signed in Djakarta around mid-June 1954
Indonesia—Hungary	Not specified	Total not specified Indonesia usual natural produce such as rubber, tin, oil, tea, coffee, cocoa, hides, etc. which were specified in the previous agreement (See *Bulletin* Vol. III, No 8). Hungary: industrial and capital goods and some complete factory equipment	Not specified.	Signed in July 1954. The new agreement provided a basis for further development of trading and direct exchange of commodities between the two countries
Indonesia—Poland	Till 1 May 1955	Total not specified Indonesia: rubber, copra, tea, coffee, cocoa and spices Poland textiles, chemicals, automobiles, laboratory equipment and products of mineral and metal industries, etc	Not specified. Previous agreement ratified on 17 June 1951 provided for cash payment in case of an adverse balance at end of trading year (See *Bulletin* Vol. II, No. 3)	Signed in Warsaw but officially announced in Djakarta on 4 July 1954. Poland is prepared to supply Indonesia with complete factory equipment
Indonesia—Rumania	1 July 1954—30 June 1955	Total: not specified Indonesia: tin, rubber, copra, tea, coffee, spices, quinine, hides and other raw materials. Rumania: machinery and electrical instruments, chemicals, paper, cement, glass, textiles, etc	Not specified Issuance of licences.	Signed in Djakarta on 6 August 1954 but retroactive as from 1 July; may be extended for another year unless either party gives notice of termination.
Japan—Brazil	Through 1954	Total: $50-$75 million each way Japan: textiles, iron and steel products, non-ferrous metals, chemicals, machinery, ships, agricultural and aquatic products, etc Brazil: raw cotton, rice, wheat, soybeans, raw wool, hides and skins, coffee and vegetable oils.	Trade will be conducted on a dollar open account basis. Any deficit above the "swing limit" will be paid in dollars on the demand of the creditor party.	Based on commercial treaty between the two countries signed in 1952 and 20 months experience. (See *Bulletin* Vol. III, No. 8 for details on the 1952 agreement.)

TRADE AGREEMENTS NEGOTIATED AND/OR FINALIZED DURING THE SECOND AND THIRD QUARTERS 1954

II. ECAFE COUNTRIES—EXTRA-REGIONAL COUNTRIES—(Continued)

Contracting parties	Period valid	Value of trade and principal exports	Methods of payment	Remarks
Japan—Canada	Not Specified	Total not specified Japan: toys, silk goods, optical goods, and sundries Canada: wheat and wheat flour, barley, woodpulp and newsprint, flaxseed, iron ore and scrap iron, copper, asbestos, lead, zinc, synthetic resin, etc	Payment is to be made in U.S. dollars.	Signed in Ottawa on 31 March and became effective on 7 June with the exchange of ratification instruments in Tokyo. In 1953 Canada sold Japan $118 million worth of goods while she bought only $13 million in return. Japan therefore had an enormous trade deficit with Canada.
Japan—Sweden	1 April 1954—31 March 1955	Total: Japan=$12.4 million Sweden=$8.2 million Japan: textiles, iron and steel, ship building materials, chemicals, machinery and parts, optical instruments, shell buttons. Sweden: machinery, implements and parts, iron and steel products, pulp and powdered milk.	Trade will be conducted on a dollar open account basis. Any deficit over the "swing limit" of $4 million will be payable on the demand of the creditor party at end of each quarter	The previous agreement expired on 31 March 1954. (See *Bulletin* Vol. IV, No. 2). In 1953 Japan imported about $3 million worth of goods from Sweden and exported about $5.5 million At the end of January 1954 the open account showed an unfavourable balance for Japan of $9 million
Pakistan—France	1 January 1954—30 June 1955	Total. not specified Pakistan cotton France: consummer goods and machinery.	Issuance of licenses. Payment in pound sterling	Initialed in Karachi in April Details of the agreement, which will be signed and ratified shortly, were not disclosed. (See *Bulletin* Vol. IV, No 3 for details of the 1953 agreement)
Pakistan—Germany (West)	1 January—31 December 1954	Total. not specified Pakistan. cotton (not less than 20,000 tons), jute (80,000 tons), tea, rice, kapok, tobacco, gypsum, chrome ore, essential oils, dried fruits, ephedrine hydrochloride, turpentine, animals and animal products including hides and skins, sheep and goat leather, animal hairs and furs, etc. Germany: iron and steel products, non-ferrous metals, machinery and mill-work plants including parts and accessories, building materials, electrical appliances, optical and photographic instruments and parts, chemicals and pharmaceuticals, rubber goods, textiles, paper, provisions and food, etc	Payments including incidental cost and other charges permitted by the Foreign Exchange Regulations of both countries will be effected through accounts kept in accordance with the existing Anglo-German Monetary Agreement consistent with the obligations of Pakistan as a member of the Sterling Area.	Signed in Bonn on 18 February 1954 and officially announced on 13 April 1954. The agreement also provides facilities for technical education and practical training of Pakistan nationals in German institutions and factories

CORRIGENDUM

ECONOMIC BULLETIN FOR ASIA AND THE FAR EAST VOLUME V, No. 1, MAY 1954.

	Original	Correction
Page 10, Table 2, column 7 under Korea (South)	+ 219	— 219
Page 26, second column, lines 1-2	Burma and Indochina, cotton fabrics and iron and steel goods from Japan and sugar from China.	Burma and Indochina, cotton fabrics and iron and steel goods from Japan.
Page 41, table 2, under TIN CONCENTRATES for Malaya in 1953	5,284	4,763



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The *Bulletin*, which is prepared by the Secretariat of the Economic Commission for Asia and the Far East, is published entirely on the responsibility of the Secretariat, and its contents, which are intended for the use both of governments and the general public, have not been submitted to the member Governments of the Commission before publication.

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DEFICIT FINANCING FOR ECONOMIC DEVELOPMENT WITH SPECIAL REFERENCE TO ECAFE COUNTRIES

I. Introduction

The rate at which capital formation has been taking place in many ECAFE countries has not been high enough to permit a significant rise in the level of living; in some cases, it has not been even sufficient to keep pace with the increase in population. After the second world war, governments, having become aware of this fact, are taking steps to augment capital formation both in the public and private sectors. This development represents a definite departure from the pre-war policy of most governments of ECAFE countries especially those that were not self-governing, which concerned itself mainly with the maintenance of law and order and paid insufficient attention to problems of economic development. In the meantime, many factors have been and are hindering the growth of private investment in the region, e.g. lack of a well-organized capital market, lack of interest in joint stock investment, lack of experienced entrepreneural class, doubt as to the steadiness of domestic demand, fear of competition from foreign products, and lack of confidence in political and economic stability. Consequently, even with government encouragement, private investment cannot be solely relied upon to bring about speedy economic development. This is true especially in the basic fields such as irrigation, transport and power, for which government action in the form of direct investment, grants and loans is found necessary.

The ability of many ECAFE governments to raise sufficient revenue to finance economic development at the desired rate is, however, limited on account of the under-developed tax and accounting systems and inadequacy of the administrative machinery. Governments are, therefore, now considering the possibility of using deficit finance for the purpose of securing rapid economic development. The view taken is that the government has to choose between stagnation with gradually deteriorating living conditions and development even at the cost of inflation. The idea is strengthened by the experience during the war when most governments mobilized large resources through deficit financing. With most of the ECAFE countries achieving independence after the war and with the increased facility for comparison between the levels of living in different countries, people in Asia are becoming more conscious of their unfavourable economic conditions and the responsibility of the government for improvement.

Table 1 shows some statistics relating to capital formation in a few ECAFE countries. Japan, with a net capital formation of 20 to 26 per cent of national income, and Burma to a lesser extent, have a rate of capital accumulation sufficient for improving the level of living. The rate of capital formation in the Philippines is too small to provide a significant improvement in the level of living, taking into account the required output-capital ratio and the increase of population. According to the latest study for 1951 and 1952, there was practically no net capital formation in Indonesia.[1]

Of the gross capital formation, a substantial proportion belongs to the public sector. The percentages of the gross domestic capital formation in the public sector, not including private capital formation based on grants and loans of the government, are, on the average, about 44 for Ceylon, 32 for Burma, 30 for Japan, and 21 for the Philippines. The figures for Indonesia in 1951 and 1952 are more than 40 per cent. Expenditures for such capital formation amount to about 41 per cent of total government expenditure in Japan, 32 per cent in Burma, 30 per cent in India, 28 per cent in Ceylon, 20 per cent in the Philippines and 15 per cent in Indonesia.

The percentages of the expenditure on gross capital formation of the public sector financed by government deficit, based on national income statistics, were 30 to 95 in India in 1948-1950. The same percentage varied from 4 to 100 in the Philippines in 1948-1951. In Burma and Japan where there used to be a government surplus, capital formation of the public sector generally does not depend on government deficits.

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1 Neumark, S Daniel, "The national income of Indonesia, 1951-1952". *Ekonomi Dan Keuangan Indonesia*, June 1954.

TABLE 1

GROSS NATIONAL PRODUCT, CAPITAL FORMATION AND PUBLIC FINANCE

Year	Gross national product at market price	Gross domestic capital formation			Provisions for capital consumption	Net capital formation	Net national product at market price	Total expenditure by public sector	Deficit of public sector (Investment less current saving)	Gross capital formation as % of gross national product (4)/(1) x 100	Net capital formation as % of net national product (6)/(7) x 100	Capital formation of public sector as % of total capital formation (2)/(4) x 100	Capital formation of public sector as % of its total expenditure (2)/(8) x 100	% of capital formation financed by deficit (9)/(2) x 100
		Public sector	Private sector	Total										
Burma (million K)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1947	2,966	238	243	481	197	284	2,769	497	151	16	10 3	49	48	63
1948	3,551	106	496	602	205	397	3,346	386	—211	17	11.9	18	27	nil
1949	3,221	49	211	260	205	55	3,016	356	— 96	8	1.8	19	14	nil
1950	3,124	28	291	319	213	106	2,911	349	—168	10	3.6	9	8	nil
1951	3,682	177	299	476	228	248	3,454	495	—168	13	7.2	37	36	nil
1952	4,079	274	469	743	245	498	3,834	669	—144	18	13.0	37	41	nil
1953	4,522	450	420	870	255	615	4,267	962	— 28	19	14.4	52	47	nil
Ceylon (million Rs)														
1947	2,562	32	98	130	..	..	.	352	..	5	..	25	9	
1948	2,903	70	105	175	..		..	422	..	6	..	40	17	..
1949	3,142	123	153	276	..	..	..	517	.	9	..	45	24	..
1950	4,159	213	222	435	..	..	..	600	..	10	..	49	36	.
1951	4,782	224	332	556	..	..	..	635	..	12	.	40	35	..
1952	4,572	307	302	609	..	..	.	779	.	13	.	50	39	.
1953	4,664	314	245	559		..	..	849	..	12	..	56	37	.
India ('000 million Rs)														
1948	..	2.1	..	..			90 6	8.5	2.0	.	.	..	25	95
1949	..	2.7	..	..	..	..	94 6	8.1	1.1	.	..		33	41
1950	..	2.7	..	..	..	..	100.3	8.3	0.8	..	..	..	33	30
Japan ('000 million Y)														
1946	474	30	76	105	24	81	450	85	— 7[a]	22	18	28	35	—22
1947	1,309	146	199	345	57	288	1,252	248	59[a]	26	23	42	59	40
1948	2,666	258	494	752	108	644	2,558	540	69	28	25	34	48	27
1949	3,375	299	532	831	158	673	3,217	692	—72	25	21	36	43	nil
1950	3,971	189	799	988	220	768	3,751	722	—58	25	20	19	26	nil
1951	5,541	424	1,258	1,682	298	1,384	5,243	1,054	—43	30	26	25	40	nil
1952	6,172	435	1,244	1,679	361	1,318	5,811	1,142	—31	27	23	26	38	nil
Philippines (million P)														
1946	4,815	14	370	384	265	119	4,550	373	113[a]	8	2.6	4	4	807
1947	6,139	53	645	698	290	408	5,849	458	—35	11	7.0	8	12	—66
1948	6,369	110	631	741	315	426	6,054	512	27	12	7.0	15	21	25
1949	6,339	195	468	663	325	338	6,014	643	150	10	5.6	29	30	77
1950	6,875	211	381	592	335	257	6,540	684	173	9	3.9	36	31	82
1951	7,702	158	398	556	370	186	7,332	694	9	7	2.5	28	22	6
1952	7,925	162	424	586	390	196	7,535	755	—37	7	2.6	28	21	nil
1953	8,356	163	534	697	432	265	7,924	769	39	8	3.3	23	21	24

a. Provisions for capital consumption for public sector not available. Figures relate accordingly to gross capital formation less net saving of public sector; the deficit shown is, therefore, overstated to the extent of the provision made for capital consumption by the public sector.

Government intervention in the field of development may take different forms, e.g. direct government investment or promotion of private investment. There may be a mixed economy where government enterprises exist alongside with private enterprises; enterprises requiring considerable capital, technique and foresight may be established by the government for subsequent transfer to the private sector; or private enterprises may be subsidized or financed by government funds in the form of grants or loans. Deficit finance, which may be applied to all these forms of investment, may give rise to two types of effects—a fuller utilization of resources and a re-direction of private saving to the hands of the government. Whether forced saving by deficit finance is desirable depends on a number of circumstances, including the degree of government intervention desired, the relative size of the planned sector and the unplanned sector, the relative size of the sector to be financed by government funds (including direct investment, grants and loans) and the rest of the economy, the relative emphasis on rapid development versus welfare considerations, availability of resources, etc. If private investment is mainly relied upon and there are abundant resources sufficient for the expansion of both the planned and unplanned sectors, government policy may aim at an encouragement of private investment in general with special inducements to investment in specific fields. An increase of profit margin arising from a gradual rise of price level and a change in relative prices in favour of entrepreneurs resulting from deficit finance may increase the inducements to invest and accelerate the rate of development. The tendency of money wage rates lagging behind commodity prices, which helps to enhance profit margin and private savings, may imply a re-distribution of income against wage earners, and may not be favoured by governments adopting the principle of welfare economics. But with economic development, productivity of labour will ultimately improve and both money and real wages may increase. Governments depending primarily on the private sector for investment have to choose between stagnation and rapid development, which calls for temporary sacrifice by the wage class and results in certain concentration of income. It should be remarked, however, that enterprises flourishing during a rising price level, or depending on a rising price level for their existence, may not always be efficient and may face difficulty in readjusting themselves when prices are stabilized, or when the rate of inflation slows down. On the other hand, if the available resources are very much limited, if the planned sector for development is relatively large and if government financing of development expenditure is important, then government policy should aim primarily at transferring real resources from the unplanned sector to the planned sector, and private investment in the unplanned sector should be discouraged. Deficit finance resulting in a rise of general price level which would increase the incentive to invest in all fields and thus reduce the amount of resources which might be transferred to the planned sector, especially to the sectors to be financed by government funds, should as far as possible be avoided.

This paper studies the conditions under which deficit finance may be resorted to achieve a given aim and ways and means by which detrimental effects of inflation arising from budget deficit may be minimized.

II. Methods of financing budget deficit

Various definitions have been used for budget deficit by different countries and for different purposes. For the present study, budget deficit may broadly be considered as the excess of total government expenditure over government revenue. In other words, it equals net increase in government borrowings plus net decrease in government lending and government cash balance. The concept may also be considered as net reduction of cash and claims.

Any means to raise funds to finance government expenditure, whether by taxation, by borrowing or by increase of note issue, aims to transfer real resources from the private sector to the government. It has sometimes been conceived that provided the development expenditure may increase production, deficit finance for this purpose may not require transfer of resources but will improve the utilization of resources, or increase the availability of resources. However, unless there is idle capacity and a reserve of trained personnel, no expenditure may immediately increase production. Except in Japan, countries in the region are always short of production equipment and trained personnel. During the time interval between the expenditure and the increase in production, therefore, real resources must be transferred to the government to finance its expenditure. Effects on the economy of different means to finance the government expenditure differ, therefore, according to whether, during the interval between expenditure and increase of production, private expenditure will decline correspondingly to facilitate the smooth transfer of real resources to the government without going through the price mechanism. In other words, it depends on whether, during the interval indicated, total effective demand is increased because of the government expenditure.

Whether the government succeeds in transferring resources without price changes depends to a very great extent on the magnitude of the deficit as compared with

the national income, the special means chosen to finance the deficit, the technique of raising the money by the chosen means, the direction of the government expenditure, the availability of stocks and foreign exchange resources as cushioning factors, the availability of unemployed resources, the elasticity of and time lag in the production of goods and services, the presence of other disturbing factors, the state of expectation at the moment, the social and economic institutions of the country, the efficiency of administrative and control machinery, etc. If the transfer of resources required forced saving through price increases, then the volume of forced saving that would result from a given government deficit and the change in private investment that would follow would both remain unpredictable. The actual transfer of real resources to the government is therefore unknown. With price increases, government expenditure will expand, but specific duties will not increase according to the rate of increase in price. There is a possibility that the transfer of real resources thus affected falls short of the planned objective and a further increase of the budget deficit may have to be necessary.

In the following, a study will be made of the effect of various means of financing budget deficit on aggregate demand, and their effectiveness in re-allocating real resources in the desired direction, when these means are used to cover the budget deficit.

Budget deficit may be covered by the following financial means:

(*a*) In foreign exchange
  (*i*) Net borrowing from abroad
  (*ii*) Cash deficit abroad: use of foreign exchange holdings

(*b*) In national currencies
  (*i*) Net borrowing from the public
  (*ii*) *Cash deficit at home*
    a. Use of cash balance
    b. Net borrowing from the central bank
    c. Issue of currency notes directly by the government.

The ability and willingness of the government to use a certain method to finance the budget deficit is determined mainly by its practical feasibility.

Financing budget deficit by foreign exchange resources, whether by the *use of foreign exchange holdings* or by a *net borrowing from abroad*, provides additional available means in real resources and helps to finance the balance of payments deficits. If the government uses the foreign exchange to import goods and services from abroad, effective demand in the home market is not increased. But, if the government sells the foreign exchange to a note issuing authority for financing its home expenditure, effective demand and income will expand. The initial rise in demand in the home market, however, may be diverted to demand for additional private imports from abroad, provided that such imports are not restricted by exchange control or import quotas. Selling of foreign exchange by the government for hoarding of the private sector reduces private expenditures on goods and services, thus effecting a transfer of domestic real resources to the government, at the cost of reducing the command of the government on foreign resources.

One of the most useful methods to finance budget deficit is *borrowing from the public* in the domestic market. Insofar as it reduces private spending, it transfers real resources to the government. Borrowing from commercial banks results typically in a decline in the liquidity of the banks, that is to say, in the ratio of cash holdings to deposits received from the public. This type of borrowing will, therefore, tend to reduce commercial bank lending to the private sector unless the banks reduce the reserve ratios. Reduction in the liquidity of the banking system can be enhanced if the government bonds are no less attractive than private securities or if the government makes the subscription to government loans by commercial banks compulsory.

Whether borrowing from private individuals releases sufficient amount of real resources for government use depends on whether the private individuals are reducing their expenditures correspondingly. The difference between taxation and borrowing is that, the former, being levied mainly on current income, may reduce to a greater extent private consumption expenditure, while the latter, without changing the networth position of the individuals, may reduce to a greater extent private investment in real assets. Both increase the portion of private saving which becomes available for transfer to the government. However, since taxation on current income and capital levies are compulsory while borrowing is voluntary, there is generally a greater tendency on the part of people who possess liquidity to purchase bonds than for those who do not command sufficient liquidity. If the subscribers use a portion of their currency holdings to purchase the bonds, reduction of private spending will be less than the bonds purchased by them. If the subscribers reduce their deposits with banks, it will also reduce the liquidity of commercial banks.

According to the above analysis, expenditures based on borrowing generally increase aggregate demand more than expenditures based on taxation. Nevertheless, there

is a limit to the expansionary effect of expenditures based on borrowing, provided that the central bank does not make the supply of money elastic, especially by placing a limitation on borrowing from the central bank against government securities as collateral, which as a matter of fact is an indirect borrowing by the government from the central bank. As soon as such borrowing takes place, the government loan which is financed by it is no more genuine borrowing from the public, and its effect is the same as cash deficit at home.

Methods to offset the expansionary effect of borrowing from the public may include excess borrowing, i.e. borrowing more than is sufficient to cover the budget deficit so that a part of the cash holdings released from the private sector may be frozen by the government; increase in the reserve requirements of banks; restriction on rediscounts and other types of economic controls.

In many ECAFE countries, however, because of the undeveloped nature of capital markets and the small magnitude of individual saving, large purchase of government bonds by individuals is usually not expected, although government savings institutions (including postal and other small saving schemes) which have been established in most countries of the region to mop up individual savings may prove very useful.

Cash deficit at home, which includes issue of currency notes, borrowing from the central bank or utilization of cash balance, does not lead to a direct transfer of purchasing power from the public to the government. Government expenditure financed by such means simply adds to the existing effective demand. In fact, where the banking system is fairly developed, one would expect to find that with government expenditures financed by these methods, cash reserves of commercial banks would increase rapidly. The increased liquidity in the banking system could lead to additional commercial bank credit to the private sector for increased private investment, thus further enhancing the aggregate effective demand. Unless foreign resources are available to increase imports in relation to exports, or employment of the unemployed or under-employed resources may increase production sufficiently and fast enough to meet the increased effective demand, competitive spending between the government and the private sector on the existing level of production, or on the insufficiently increased level of production, will in due course result in a rise of price, unless there is a very effective system of control.

With price increases, transfer of real resources to the government can only be effected if there is rigidity of wages or if the price elasticity of demand[1] is large and the income elasticity of demand is small, taking into consideration the redistribution of income arising from the government expenditure. Transfer of real resources to the government may then be effected either from the wage earners or from the public when they reduce their spending in view of the initial increase in prices. Rigidity of the wages of government employees also reduces the need for further increasing government deficits. Whether the government prefers to let real wages fall at least temporarily depends on the general policy chosen. But there is a socially and economically acceptable limit below which wage earners will not agree to let their real wage fall. In addition, the wage class in many ECAFE countries is small and the resources which can be transferred by wage rigidity is limited. On the other hand, although an increase in the profit of entrepreneurs may increase their incentive to invest, such investment, if without discrimination, will also compete with the government or the planned sector in the utilization of resources, especially if the readily employable resources are limited in relation to the development programme. It is true that there is, in ECAFE countries, a reservoir of under-employed labour but, judging from past experience, inflationary financing alone will not substantially reduce the element of under-employment in the system. In under-developed countries where per capita income and level of living are low, the income elasticity of demand is usually high. The condition of a large price elasticity of demand, coupled with a low income elasticity, requires that people expect the supply of goods and services to increase significantly in the near future so that prices may fall again after a short period. Failure to achieve a reduction of effective demand in the private sector will hamper the transfer of real resources from the private sector to the government.

Thus budget deficit financed by different means has different effects on the economy. Use of foreign assets or foreign loans are the surest means to place real resources at the disposal of the government. Financing government expenditure by genuine borrowing from the public usually increases effective demand more than taxation but the increase is in general limited. Cash deficit at home, which includes borrowing from the central bank, utilization of cash balances and issuing currency by the treasury, increases effective demand, and the possibility of transferring the required real resources to the government by these means is less certain, depending on a number of circumstances. Thus the concept of cash

1 Price elasticity as used here refers to the ratio between the relative change of demand for all commodities and the relative change of the price level at a given income level

deficit at home is most useful in assessing the inflationary pressures of a government deficit as well as in judging whether a planned re-allocation of real resources can take place smoothly. Another advantage of the cash deficit concept is that the proceeds of the loans and advances by the government to the private sector are ultimately to be spent by the private sector, and therefore their effects are similar to those of government expenditures. However, in government budgets they are to be deducted from government borrowing in arriving at the net change in claims outstanding. If government borrowing from the central bank equals loans granted to the private sector, they cancel out in other definitions of the budget deficit, but expenditures based on these proceeds will increase the effective demand and money income. The same is true if the government borrows from the central bank to repay the borrowing from the public. Such expansionary effect is however recorded in the concept of cash deficit at home.

Detailed break-down according to the categories as outlined in this paper of the methods employed in countries of this region for financing budget deficit is not available. In table 2, an attempt has been made to standardize available data. The budget deficits as shown in the table are based on budget data published by governments and reclassified by the Fiscal Division of the United Nations Secretariat.[1] But data are not available to show what proportions of net borrowing are from the central bank, the commercial banks and the individuals, and what proportions are in national currencies and in foreign currencies. It is, however, known that the major portion of the floating debt is absorbed by the central banks.

TABLE 2

METHODS OF FINANCING BUDGET DEFICITS

Year	Type of account	Budget deficit	Use of cash balances	Borrowing (net)		Other extra budgetary receipts
				Total	Floating debt	
Burma (million k)						
1948/49	A	5.0	27.2	11.5	16.1	—43.7
1949/50	A	—71.7	—170.0	—17.2	—16.5	115.5
1950/51	A	—34.8[a]	—207.9	5.3	2.9	31.2
1951/52	RE	144.5	0.9	3.4	—4.6	140.2
1952/53	RE	203.2	114.4	8.1	—	80.7
1953/54	DE	384.3	266.5	7.9	—	109.9
Ceylon (million Rs)						
1948/59	A	79.1	70.6	33.9	—7.8	—25.4
1949/50	A	70.8	74.7	74.1	76.5	—78.0
1950/51	A	24.1	—66.2	75.6	—48.4	14.6
1951/52	A	252.9	73.0	218.2	134.3	—38.3
Pakistan (million Rs)						
1950/51	A	—142.4[b]	—201.8	307.5	194.2	—248.3
1951/52	A	160.2[b]	221.8	404.0	373.2	—465.4
1952/53	A	501.4[b]	299.7	411.7	156.4	—210.2
1953/54	RE	946.4[b]	125.5	264.0	—95.7	556.9
1954/55	DE	938.5[b]	12.7	458.6	162.5	467.3
India (million Rs)						
1948/59	A	661.1[c]	816.7	2,392.9	2,556.6	—2,548.7
1949/50	A	973.0	438.0	822.5	803.9	—287.5
1950/51	A	504.3	—124.3	430.2	89.6	198.4
1951/52	A	—30.1	—9.1	397.7	—322.1	—418.7
1952/53	A	1,107.5	635.4	594.0	—171.0	—121.9
1953/54	RE	2,673.7	483.0	943.6	798.6	1,247.1
1954/55	DE	4,378.3	—121.2	3,358.8	2,500.0	1,140.7
India: A & B States (million Rs)						
1951/52	A	442.9[c]	105.5	171.2	37.5	166.1
1952/53	RE	562.6[c]	170.0	217.1	86.6	175.7
1953/54	DE	536.9[c]	273.7	141.7	5.0	121.4

Source: United Nations Fiscal Division.

a. The items do not add up to the budget deficit. The discrepancy of K136.6 million is due to the difference in the revenue surplus figure for the year in the Revenue Account and the Ways and Means Accounts in the Budget Document for 1953/54.

b. Owing to rounding, the items do not add up to budget deficit in some years.

c. The negligible discrepancy between the budget deficit and the algebraic sum of the use of cash balances, borrowing and other extra budgetary receipts is due to the exclusion of C states, capital accounts of which are included in Central Government Budgets.

1. In table 2, the budget deficit is defined as the difference between payments and receipts excluding debt redemption, borrowing and certain monetary operations ("extra budgetary receipts"). It corresponds, therefore, to the budget deficit as defined here plus net government lending.

III. Deficit finance as applied to economic development

It is generally considered undesirable under normal conditions to depend on budget deficit for current consumption expenditure of the government. As a matter of fact, within the ECAFE region, with the exception of Indonesia, Cambodia, China (Taiwan only), Laos, Viet-Nam and the Republic of Korea, governments have sufficient revenue to cover current expenditure. In countries such as Burma, Ceylon, India and Pakistan, however, it is considered that while government current expenditure should be financed by current revenue, government investment expenditure, which may be expected to yield returns, or refundable government loans to the private sector, should be financed by borrowing.

As has been indicated, government expenditure financed by borrowing from the public probably will increase total effective demand more than taxation, but the increase is usually limited. Such limited increase might probably be offset by the increase of goods and services especially if the loan is used for productive purposes. On the other hand, the reduction of effective demand in the private sector because of government borrowing is probably more from a reduction of investment than of consumption, the final effect of which depends on the nature of the private investment which is reduced in amount, as compared with the nature of the government investment. If the reduced investment or disinvestment in the private sector is for production of immediate consumption goods while the government investment, or private investment based on grants and loans given by the government, is in fields which will not turn out final consumption goods until a lapse of time, there will be a net reduction in the flow of current consumption goods. There would, therefore, be an inflationary pressure during the time lag before the current consumption goods can meet the existing demand. However, such inflationary pressure from expenditure financed by borrowing from the public, if matched by a restrictive credit policy of the Central Bank, is usually manageable and will not develop into a run-away inflation. Needless to say, there should be, especially in the case of short- and medium-term loans, suitable techniques of timing the maturity and of repayment of the loan. These should be co-ordinated with the increased flow of goods and services, so that a sudden release of purchasing power without corresponding increase of production can be avoided.

In many countries of the region, it appears that taxation and borrowing from the public are not adequate to raise sufficient funds for the government to speed up development. It has been felt therefore in some cases that *cash deficit* including borrowing from the central bank which may result in inflation is preferable to the inadequate conservative financing which may only perpetuate stagnation. The problems are (*a*) whether there is no alternative to deficit finance of an inflationary nature, such as improvement in tax system and borrowing technique, which may bring about a surer transfer of real resources from the private to the government sector; (*b*) whether such improvements can be achieved in time to meet the immediate needs of development; (*c*) whether borrowing from the central bank can really shift real resources from the private sector to the government; (*d*) if so, what are the limits to such a shift; and (*e*) what are the factors affecting these limits and the conditions under which borrowing from the central bank may not lead to adverse effects.

Problems (*a*) and (*b*) are not the subject matters of this paper. As to (*c*) and (*d*), it has been indicated briefly in the previous section that borrowing from the central bank may not always be able to affect a desired transfer of real resources to the government, depending on a number of circumstances. In a latter section, it will be shown that under certain unfavourable conditions, it may even adversely affect production. In the present section, consideration will be given to fields in which, and certain conditions under which, deficit finance of an expansionary nature may be applied without too much detrimental effects, if resort has to be made to such a means of financing.

First, let us examine deficit finance by borrowing from the central bank when no inflationary or deflationary tendencies prevail. In under-developed countries in the ECAFE area where the man/land ratio is high, there is usually large under-employment, especially in the rural areas. This under-employed man-power, if employed more effectively, may increase the total national product without proportionally increasing consumption. However, a certain minimum amount of tools and equipment is required to give fuller employment to the under-employed. In addition, as soon as the under-employed people leave their original jobs, they will no longer be supported by their relatives or other producers but will have to be paid according to the prevailing wage rates, except when they agree to work in their spare time in local community projects without full compensation.

To avoid excessive inflation from government deficit financed by borrowing from the central bank, certain criteria have to be observed. If final products do not increase until a long time after the investment is made, or if the increase of the annual product is small as

compared with the initial investment, and at the same time shortage of foreign exchange resources does not allow an increase in import surplus, the additional effective demand generated by the government deficit will have to be met mainly by the national product at the original level, and prices will rise. It is important therefore that, unless its magnitude is very small as compared with national income, deficit finance which does not directly result in a corresponding reduction of private expenditure should be restricted to expenditures in fields with quick returns and with a large output-capital ratio.

In under-developed countries, like those in the ECAFE area, excess capacity and the supply of trained personnel are small, and it takes time and resources to expand capacity and train people. But investment without heavy expenditures can still be found in certain fields of agriculture, especially in the form of community projects aiming at increased production. The Indian experiment shows that the digging of wells and the use of manures through community projects and the adoption of the Japanese method of rice cultivation greatly increased the yield per acre at comparatively small cost. Quick results with high output-capital ratio in agriculture may also be attained in other fields such as seed improvement, pest control, etc. Under-employed labour can also be used to increase the production of certain cottage industries with relatively small capital investment. In Burma, Ceylon and mainland China some success has been achieved in organizing and using voluntary labour for development which reduces the cost.[1] If the volume of production of final products can be significantly increased without much time lag, at least a part of the increase in effective demand can be met by the increased production. The original inflationary pressure will be mitigated, paving the way for government deficit in the next period for further increase of production. The foreign exchange reserve in the ECAFE region, though usually not large, is sufficient in a number of countries to bridge such short gaps, to increase temporarily the supply of goods from imports and meet a part of the increases in effective demand until domestic production can be increased, assuming of course that the deficit is not too large relatively to the foreign exchange reserves and that other precautionary steps have been taken.

Increase of agricultural production is especially important in under-developed countries where the level of living is low, and a relatively large proportion of the additional income is spent on food and clothing, the chief raw material for the latter being also the product of agriculture. The increase in the production of food and clothing materials will remove the possibility of either a drain on the foreign exchange resources for the importation of these goods (i.e. to cover budget deficits by balance of payments deficits) or a general cumulative inflation of the price-wage-price type. If agricultural production can be so increased as to yield a surplus for export, it will even help to provide additional foreign exchange for other purposes. This applies also to some of the cottage industries which supply wage goods or some of the exchange-earning articles.

On the other hand, investment in factory industries in most countries where excess capacity is small, involve usually a longer interval between the capital investment and the increase of production, and a lower output-capital ratio; it may generate an inflationary pressure lasting for a longer period unless domestic investment can be matched by imported capital goods or even consumption goods financed from foreign exchange resources. In this case part of the budget deficit is actually financed by the balance-of-payments deficits. Long-term investments such as investments in railways, iron and steel and power industries generate an even higher inflationary pressure, if all the expenditures are incurred at home. However, in most ECAFE countries most of the equipment and materials required for investment of this kind must be imported. Domestic expenditure therefore usually increases much less than the total investment cost. Unless large foreign resources can be utilized, large investment in these fields based on borrowing from the central bank requires additional caution.

This, however, does not mean that borrowing from the central bank must by no means be applied to any project which will not yield direct immediate returns. Expenditures in fields which improve certain basic conditions for further economic development but yield no immediate returns may have to be considered if they cannot be financed by revenue or genuine borrowing from the public, provided that the annual expenditure is not excessively large as compared with national income. The argument here is that, if these handicaps form a bottleneck to general economic development, and once the bottleneck is broken, the way to rapid development is paved, then the inflationary effect generated by deficit financing of this kind may not last very long if the programme is well planned and managed. In such cases, the expenditures which may last for, say, four or five years, may only generate an inflation lasting that long—a reasonable time period to ask people to wait for. In this connexion it is worth noting that during periods of

1. Experience in these countries show that very little if at all need to be paid as compensation to local labour working on community projects especially when these projects are for the benefit of the small community of which the workers are members and when the working site is not far from their residence.

war, countries have resorted to deficit financing to bring about the re-allocation of resources.

Among economists two concepts of applying deficit finance for development expenditure,—one as a more or less continuous measure, and another as a temporary sporadic measure to bridge a gap—seem to have been held. According to one concept, if development expenditures are concentrated especially on quick yielding projects at the initial stage of development, the inflationary pressure will be, after a brief time lag, offset by the increase of production. The higher level of real income will provide for larger voluntary savings and, therefore, the possibility of larger development expenditure at the next stage. However, in under-developed countries, with extremely low income level, government policy should aim at a maximum practicable rate of development. Without detrimental effects, the governments may consider it advantageous to exert a constant strain and continue the application of deficit finance to further speed up the rate of development. At a gradually rising income level and with a narrowing down of the non-monetized area, demand for money will be increasing and a larger and larger magnitude of deficit finance without excessive inflationary pressure may be incurred from period to period.

The other concept is a deficit of larger magnitude not necessarily designed to finance expenditures on quick yielding projects, but to provide basic facilities for general development, including transportation and large multi-purpose water resources development projects. The inflationary pressure will be larger, lasting for a longer period. Such expenditures financed by central bank borrowing require more careful planning, for, if the real resources are limited and private spending does not reduce or even increase before these projects are completed, transfer of real resources to the government for these projects may fall short of requirements, and it may be necessary to increase the magnitude of budget deficit still further. Various economic controls and appeals for public support similar to those exercised during a war may have to be adopted.

Resort to deficit finance when there is a recession or a deflationary tendency is entirely different. There is then no fear of having an excessive expansion of effective demand. As a matter of fact, in developed countries, deficit finance for checking a recession or starting a revival may be concentrated on expenditures without direct returns, for example, the building or repairing of roads which are not essential, or the construction of parks which do not directly increase physical production. Indeed, expenditures have been incurred even on destruction of crops or other products in order to reduce the supply of goods relatively to effective demand. Under-developed countries will, of course, not have to resort to expenditures of this nature as large sectors of the economy require rapid development. Under-developed countries should consider recession an opportunity for long-term capital investment through government deficit. Without immediate returns, government expenditures in this direction will not only generate income and effective demand relatively to the supply of goods and services in just the same way as the other expenditures indicated, but also build up the required capital equipment which it would be difficult to accumulate under normal conditions.

However, even in a recession, certain under-developed countries cannot be given a very large dose of government expenditure for long-term development from government deficit financed by borrowing from the central bank. In most cases, recession in under-developed countries is induced from abroad, caused by a reduction of world demand for their export goods and a keener competition of import goods with domestic products. Unless the development expenditure can increase the efficiency and reduce the cost of domestic production in a short time, which is rather improbable, competition of import goods cannot be avoided. As a matter of fact, the increase in domestic income may raise domestic price and intensify further the competition from import goods. Similarly, if the increase in domestic income raises the cost of export goods relatively to world prices, it will not increase but tend to reduce exports. Unless the currency is to be depreciated or trade controls effected, there is a limit to deficit financing in these countries. Careful design of the government expenditure and other economic policies, including tax system and controls, is therefore necessary for a large government deficit for long-term development, even in a recession.

In a world recession where both the price of capital goods and the rate of interest are low, it is advantageous to contract foreign loans for the import of capital goods for development. If government deficit can be covered partly by domestic borrowing and partly by foreign borrowing, the magnitude of the development programme may be expanded without generating too much effective demand in the domestic market to over-offset the recession. If a number of under-developed countries adopt similar policies, the increase in the demand for capital goods arising from foreign loans will help to check even the world recession.

IV. Other basic conditions which may be considered in applying deficit finance

Differences in certain institutional and psychological factors between countries may cause varying degrees of inflationary pressure from deficit financing. Therefore, even with the same proportion of government deficit to national income, some countries may succeed in transferring a larger proportion of real resources from the private to the public sector than others.

Use of money and credit in the economy

Other things being equal, the larger the ratio of money in circulation to national income the less sensitive is the economy to deficit financing. A country with a high money/income ratio can absorb a larger government deficit financed by increasing money in circulation than a country with a low money/income ratio. In under-developed countries where production for domestic consumption and barter exchange are extensive and cash balances in the hands of individuals are small, the money/income ratio is usually smaller than in the more developed countries. This is true in spite of the fact that integration of the economy in some of the highly developed countries also tends to reduce the money/income ratio. It is found that for the average of 1948 to 1952 the money/income ratio in ECAFE countries is from 16 to 29 per cent as compared with that of 31 to 58 per cent in some of the developed countries.[1] In the circumstances, government deficit, if financed by borrowing from the central bank or by running down the cash balance, which increases the money in circulation, will require a proportionately larger effort by the private sector to increase its cash balance if inflation is to be avoided. In this respect, ECAFE countries are more susceptible to inflation from deficit finance than the monetized economies.

With the same money/income ratio, the more popular is the use of credit, the larger is the inflationary effect of government borrowing from the central bank or the use of its cash balance for deficit financing, for the new money injected into the system will multiply rapidly through credit expansion. Because of the less developed credit system, the ratio of deposit money to currency is much smaller in ECAFE than in developed countries. For example, in Malaya, Japan and Ceylon, where the ratios are the highest, the average ratios for the period 1948 to 1953 are 1.68, 1.56 and 1.50 respectively. In most other countries of the region, the ratio is as low as 0.30 to 0.70 per cent. On the other hand, similar ratios in the United States, Australia, the United Kingdom and Canada are 3.50, 3.41, 2.92 and 2.76 respectively. In this regard, the inflationary effect of deficit financing should be smaller in ECAFE than in developed countries.

Nature of government expenditure

The inflationary impact of government deficit depends also on the nature of government expenditure. For example, the immediate increase of effective demand for wage goods is larger if a larger portion of the expenditure is directly for payment to the factors of production in the form of wages. The income of the wage-earning class is increased immediately to that extent. Because wage earners always have a low standard of living and a high propensity to consume, they would spend a large part of the additional income without much delay. However, if the wage payments are chiefly made in the rural area, part of the effects may be absorbed and there may be delays before the effect on price spreads to other areas. People in the rural area are usually less sensitive than the urban population and there can always be a certain margin in the fluctuation of stocks of food. There are also barriers of various kinds to the transmission of the impact effects. Unless the expenditure is very large, there is always a tendency to localize the effect of local expenditures. On the other hand, if a large proportion of the expenditure is on goods, part of the goods may be withdrawn from stocks and the proceeds may not be spent immediately on further production. The immediate increase in income may therefore be considerably smaller than the amount spent by the government on goods. However, it is likely that a larger proportion of the proceeds from the sale of goods by entrepreneurs will be deposited with the financial institutions than in the case of wage receipts, especially if the original expenditure is spent in the cities. Part of these deposits may be loaned out again to the private sector. There may therefore be a more immediate multiplier effect through credit expansion. Meantime, large, steady purchases by the government may also directly induce private entrepreneurs to expand production and investment.

When people are inflation-conscious, the timing of government expenditure may affect the expectation and economic behaviour. The concentration of government expenditures in a few months may result in a faster rise of prices and more elastic expectation which, once started, may generate cumulative effects. A better distribution of the expenditures over the year may improve the situation. Inflationary effects of government

1. Developed countries used for comparison include Canada, France, the Netherlands, Norway, Switzerland, the United Kingdom and the United States. Except Canada, all these countries have a money/income ratio of above 40 per cent. International Monetary Fund's definition of money is used throughout.

expenditures may be more evenly spread out if they can be matched with the flow of government receipts. In times when the market condition is unfavourable, government expenditures may be withheld for a short period, if possible.

Disposal of marginal income by the private sector

Propensity to consume

The propensity to spend for consumption and investment in the private sector plays a most important role in determining the inflationary effect of deficit finance. The larger the proportion of the marginal income to be spent by the private sector, the larger is the multiplier and therefore the larger will be the inflationary effect. The marginal propensity to consume depends largely on the level and distribution of income, and the desire of people to improve their immediate living conditions. Social and political conditions also influence the choice between the present and the future. The distribution of the additional income among different sectors and the re-distribution of income arising from deficit financing also affect the propensity.

In general, with the low income level and low standard of living, the marginal propensity to consume in ECAFE countries is high.[1] In other words, there is a tendency to spend a large proportion of the additional income generated from deficit finance on consumption, and therefore a comparatively smaller amount of real resources can be transferred from the private consumers to the government by means of deficit finance. A balancing effect of deficit finance is that the concentration of wealth which may result from the re-distribution of income may reduce to a certain degree the propensity to consume and increase savings. In this region, however, there is a general habit of hoarding gold and jewellery by the people as a store of value for their savings, leading to significant amount of annual gold imports, including smuggling. Such hoarding, though considered by the individuals as personal saving, is classified by economists as consumption. In countries such as Ceylon, Indonesia, the Philippines and Thailand, where large proportions of consumer goods are imported, the marginal propensity to import is also large. From the crude data available, the marginal propensity to import[2] is about 0.4 for Ceylon, 0.3 for Burma and 0.2 for Japan and Thailand.

Incentive to invest

Another way of spending income by the private sector is private investment. The incentive to invest depends largely on investment opportunities and on the availability of technique and equipment. In general, the incentive to invest in fields other than consumption capital, such as housing, is small in ECAFE countries. In some countries the increase in effective demand may increase imports more than encourage domestic production; this is especially so when most of the consumption goods are imported and domestic industries cannot compete with imported goods (as for instance in Ceylon). Confidence in the political stability and in the length of the period over which effective demand can be maintained also affects the incentive to invest.

There are favourable and unfavourable aspects to a low incentive to invest. For the purpose of transferring real resources from the unplanned sector to the planned sector, a low incentive to invest by the private sector in general may be a favourable condition if an immediately large expansion of total output is not possible or not expected. Even when independent private investment is needed to supplement investment financed by government funds, private investment in countries where immediately employable resources are limited, should be selective. With limited resources, governments have to choose between promoting the general incentive to invest while restricting investment in undesirable fields and suppressing the general incentive to invest while encouraging it in specific fields. For countries which have difficulty in enforcing economic controls, the second alternative may produce surer results, although countries depending mainly on private initiative for economic development may have to adopt the first alternative.

Form in which unspent margin of individuals is kept

The form in which the unspent margin of personal income is kept also influences the inflationary effect of government deficit. In the rural area, and among the low-income group, the unspent margin is sometimes kept in the form of bank notes. If the unspent margin from the additional income is kept in the same way, it becomes the unspent margin of the income not only of each of these individuals but also of the community as a whole. Such a habit will reduce the inflationary effect of deficit finance. On the other hand, if the unspent margin of the individuals is deposited in financial institutions, it is likely to be loaned out and spent by some other persons, for consumption or investment. As the unspent margin of individuals kept in this way may not be the unspent margin from the point of view of the community as a whole, the inflationary pressure of deficit financing will be larger.

1. Burma is an exception. Crude statistics show that the propensity to consume based on private disposable income after tax, is as low as 0.6.
2. Total imports related to total national income.

However, unspent margin kept in the form of cash is always liable to be spent when the people are inflation-conscious and lose their confidence in the currency. As a precaution, it may sometimes be advantageous to encourage the public to deposit its unspent margin in savings institutions while at the same time mopping up part of the unspent margin through borrowing by the government not only directly from the private individuals but also from these savings institutions to reduce the possibility of mobilizing the unspent margin for private expenditure. The anti-inflationary effect is then more certain.

Elasticity of supply

When deficit financing of government expenditures resulting in an increase of effective demand is resorted to, elasticity of supply is a very important factor in determining the rate of inflation. The immediate supply of goods may be drawn from stocks. Except in years of poor harvest, there is usually a certain stock of agricultural products in agricultural countries which can be drawn upon. Other stocks depend on the condition of each country. Such a cushioning factor depends not only on the availability of stocks but also on whether the stocks, after having been used up, can be expected to be replenished in time, by domestic production or import. If the expectation is not favourable, price may rise even if there is sufficient stock to meet the immediate demand.

The next immediate source of supply is to increase production through the use of the excess capacity or to reduce exports and increase imports. In ECAFE countries except Japan, and to a smaller extent in India and China, excess capacity which can be employed at short notice to supply additional consumer goods is negligible. In the field of agriculture, it requires time to work the uncultivated land. Although there is a possibility of improving the yield of the cultivated land, such improvement does not follow automatically an increase in demand. Export of consumer goods in most ECAFE countries is concentrated in a few items, such as rice in Burma, Cambodia, Laos, Thailand and Viet-Nam, vegetable oils in Ceylon, Indonesia and the Philippines, textiles in India, etc. For countries where there are export surpluses of certain consumption goods, a reduction of exports can meet the immediate increase of effective demand for these items. But many other major export products such as rubber, tin concentrates or other mineral ore and crude petroleum cannot be employed directly in the producing countries for consumption or investment. In general, the increase of consumption demand can be met by imports, although there is a time lag in ordering investment goods even from abroad.

Either reduction of exports or increase of imports results in a drain of the foreign exchange resources. When there is a net sale of foreign exchange to the private sector, the government deficit is partly financed by a reduction of cash and claims in foreign currencies, which is non-inflationary. Thus availability of foreign exchange resources is an important factor in meeting the immediate increase of effective demand in general.

Foreign exchange resources are, however, not unlimited, and most governments would prefer to preserve them for the import of strategic capital goods. The ultimate means to increase supply is an expansion of the productive capacity. The further development of a government deficit depends on whether domestic production, especially of certain export goods which may help to earn foreign exchange, can be increased sufficiently in time before the cushioning effect of the utilization of the limited foreign exchange resources is over, if the government allows such utilization at all. As a matter of fact, the supply of certain export products in the region can be increased with less difficulty than that of some of the goods used directly for home consumption.

In countries with a low per capita income and a high propensity to consume, an increase in effective demand will exert more pressure on wage goods. The wage goods in these countries consists mainly of food, clothing and housing. Although income elasticity of demand for food is generally not large, consumption of food always increases when income increases, especially when the income level is low. Income elasticities of demand for clothing and housing are generally large. Governments using deficit finance should watch closely the supply condition of these goods and measures should be taken to increase their supply by domestic production or by imports. The discussion in a previous section of this paper on the possibility to increase agricultural, cottage industry and factory production applies to food and clothing. For residential houses of the low-income group, local labour and material are generally used in a number of countries, without serious diversion of resources for the development purposes. If resources, both domestic and foreign, cannot meet the increased requirements for both consumption and development, either measures have to be taken to reduce effective demand of the private sector or rationing has to be imposed. As a matter of fact, for a few key consumption goods the prices of which will generally affect wage rates, and a few producer goods which, in addition to labour, are most needed in development projects, there should be a kind of resources budgeting, including foreign-exchange budgeting, so that the limited resources

can be appropriately allocated to the various fields to meet not only the need of development itself, but also the increased demand from consumption and induced investment arising from the development expenditures.

Presence of other disturbing factors

Government deficit is only one of the disturbing factors of the economy. Inflationary and deflationary tendencies in a country depend on the way the various factors influencing the economy are combined. Other chief disturbing factors in the region are crop condition and fluctuation of export earnings. They are results of changes in weather and in foreign demand and are often outside the control of the government. A good harvest may increase government revenue if taxation depends directly or indirectly on the volume of crop production; in this case, deficit finance is less necessary. But if the good harvest cuts the price to such an extent that the reduction of agricultural income also reduces government revenue, deficit finance is suitable to raise funds not only for economic development but also for stock piling of agricultural products to prepare for a possible future crop failure. Deficit financing with a good harvest is less inflationary. On the other hand, a crop failure, which usually reduces government revenue, does not provide a favourable condition for deficit finance. Deficit finance with a poor harvest is more inflationary than ever. However, if the surplus crops, stockpiled during a good harvest by means of deficit finance, may be sold in a period of poor harvest, development expenditure can be secured with a favourable effect of smoothing out the effect of agricultural fluctuation.

In Burma, Ceylon, China: Taiwan, Indonesia, Malaya and Thailand where exports of domestic produce are concentrated in a few major products, e.g. rice, rubber, vegetable oils, sugar and tin, another important disturbing factor is the fluctuation of export demand, prices and income. In these countries, export earnings fluctuate mainly because of changes in foreign demand and not in domestic output. Part of the increased income which is spent at home exerts an inflationary pressure, and is unfavourable to deficit finance. However, when the increase of income is from export earnings the government can easily increase its revenue by export duties as in Ceylon and Malaya, by a multiple rate of exchange as in Thailand, or by government monopoly of exports as in Burma, thus reducing the need for deficit financing. On the other hand, since the increase of income arises from the increase of export earnings, the increased exchange earnings may be used to pay for imports to meet the increased consumption and investment demand. Increase of export earnings is therefore a favourable condition for economic development. However, unless the whole or a major part of the increase in export earnings can be placed into the hands of the government, as in Burma, government spending for development should be incurred with caution in order not to create too much effective demand.

A decrease of export earnings reduces income level, economic activity, and probably employment. Government revenue will also be reduced. Deficit financing of government expenditure under such a condition may be considered. However, caution should also be exercised so that the increase of effective demand does not raise the cost of production of the export goods, thus reducing further the volume of export. For countries with fluctuation in export earnings, it would be appropriate for the government to mop up a large part of the increased income in foreign exchange when export earnings are large, by taxation or other measures, to finance the government deficit when export earnings and government revenue are small. It should be remarked that this can be done only when export earnings transferred to the government are in the form of foreign exchange. Such a policy would not only reduce the economic fluctuation in the country but also provide a steady stream of development expenditure.

Normally, private investment expenditure is not an important disturbing factor in ECAFE countries except Japan. In Japan, the incentive to invest in the private sector is high and changes in private investment are an important force creating economic fluctuation. Where private investment is large, but readily employable resources are limited, either government deficit should be co-ordinated with the fluctuation of private investment or private investment should be restricted when the government increases its expenditures based on deficits.

State of expectation and behaviour of the private sector

The state of expectation has a very important influence on the behaviour of the private sector in response to deficit finance. Political situation and economic trends, both international and domestic, are important factors determining the psychological expectation of the public. In general, in a country which has experienced price stability for a length of time, the people will not expect a sudden rise of price; while in a country which has experienced rising prices for some time, the people will probably expect the same trend to continue in the near future. Economic behaviour varies according to expectation. Expecting the price to rise, people will prefer goods to money and reduce the proportion of the property which is kept in the form of cash. Spending

is increased on anything which may preserve their purchasing power. Consumers may increase their stock of consumer goods and producers may increase their stock of producer goods or final products. There will also be an increase in the hoarding of precious metals and foreign exchange, the liquidity of which is high. The result may be a further increase in the rate of inflation. In such circumstances, the scope for transferring real resources to the public sector by deficit finance is very limited. Experience in China during the war and in the immediate post-war period shows that the real resources at the disposal of the government became smaller and smaller when government deficits became larger and larger. On the other hand, if the public do not expect the price to rise in the near future, a rush for goods may not arise, and the expenditures may be confined to genuine consumption demand and investment. By the same reasoning, the scope for deficit finance is even larger when prices are expected to fall and people try to reduce their stock of goods and increase their cash holding. This is why deficit finance may be most profitably applied when there is, or tends to be, a recession.

Although hoarding of goods by producers is classified under "investment" by economists, it does not always contribute to an increase of production. In fact, hoarding of producer goods may even further narrow the bottleneck by increasing their scarcity. Hoarding of final products by both producers and consumers, which forces up their prices more than the price of the factors of production, may give more incentive to invest especially if wages lag behind; but even if there are still additional resources which may be put to use, these resources are used uneconomically to meet the demand of speculators. The increase in the price of wage goods will force up wages and start the price-wage-price spiral. In addition, any hoarding of goods involves depreciation and carrying costs which are social waste. Hoarding of precious metals and foreign exchange will reduce the posibility of making use of these resources to import strategic goods and break the bottlenecks, and the balance of payments difficulties may necessitate a revision of the exchange rate.

In general, hoarding of goods starts as soon as there is an expectation of prices to rise. For, except in the case of those who receive daily wages and consume immediately their total income, there is always a safety margin within which personal cash holdings can be transformed into goods which are expected to be consumed in the near future. When the expected rate of increase of price exceeds the rate of interest on deposits, it is also profiable for consumers to spend a part of their income which is intended for deposits to increase their holding of goods. It is only when the expected rate of increase of price, with due allowance for the risk of expectation, is higher than the rate of interest on loans by a margin equal to the carrying cost that it is worthwhile to borrow for speculation. The government should therefore take care not to allow the rate of inflation to be excessive, especially in comparison with the rate of interest, and the central bank should carefully formulate its credit policy when deficit finance is to be introduced.

In conclusion, it may be stated that the limits to deficit finance will be reached very quickly in an economy with a large speculative business community, which is very conscious of price fluctuations. The Korean-war inflation and the rapid increase in prices of export products have made some of the export economies such as those of Ceylon, Malaya and Indonesia very inflation-conscious. The impact of any given government deficit in Indonesia is likely to multiply itself rapidly because business people are in the habit of speculating and tend to exaggerate any disturbing factor. In Japan and India also price expectations are important elements in business decisions especially with reference to change in inventories. In Burma, however, business activities do not seem very sensitive to price fluctuations.

V. Measures to minimize the inflationary effects of deficit financing

The measures which governments might take to minimize the inflationary effects of deficit finance and assure the transfer of real resources to the government may be classified into (*a*) measures taken mainly on precautionary lines, and (*b*) measures designed to keep inflation suppressed and thus prevent it from having the full harmful effects of open inflation.[1] Within the first category of precautionary measures are those designed to concentrate deficit financed expenditure on investment in quick yielding projects which can increase in particular the supply of wage goods, to break bottlenecks which impede the expansion of output, to use deficit financed expenditure at the proper time, to use foreign reserves as a cushion, etc. These measures have been discussed in earlier sections of this paper. In the document entitled "Economic Indicators of Inflation in ECAFE countries"[2] attention is drawn to the need to watch

1 Needless to say, to place at its disposal the maximum amount of resources for development without excessive inflation, the government should reduce all expenditures with are not absolutely necessary and finance its expenditures as much as possible from taxation and other revenues so as to minimize the deficits, as the effect of deficit finance depends mainly on the magnitude of the deficit as compared with the national income. When current expenditures cannot be reduced any more, the deficit should be covered as far as possible by genuine borrowing from the public, and only as a last resort should borrowing from the central bank be undertaken.

2. ECAFE/I&T/FED.2/5, issued by the ECAFE Secretariat, October, 1954

selected economic indicators with a view to facilitating speedy revision of policy. This section deals with the second category of measures designed to keep inflation suppressed and to provide sufficient resources to the needed fields although taxation serves the purpose of both categories of measures.

Fiscal policy

Fiscal policy can reduce or modify private consumption and investment and consequently the inflationary pressure. For example, income-tax exemptions on life-insurance premium, etc. can increase the incentive to save. Exemption of depreciation funds from taxation and other measures of tax differentiation, if applied to selected industries, can help to channel private investment into desirable fields.

With government deficits, the tax structure should be such that revenue will expand with greater economic activity arising from deficit financing so that a large proportion of the marginal income can be mopped up by the government; it is desirable that new fields of economic activity be not ignored for the purpose of taxation. For example, if deficit financing applied to development expenditures on irrigation works and agricultural extension increases the output and incomes of the agriculturists, then the tax structure should enable the government to tax the increase in their income.[1] This can be supplemented by direct borrowing from these sectors. Windfall profits from inflation should be especially taxed. To enable the tax to fall on the sector or persons the income of which is increased, emphasis should be placed on direct taxes. But, because of the difficulty in administration, lack of systematic accounts for most enterprises, especially in rural areas, and the high exemption limits relative to per capita income, direct taxes are less important than indirect taxes in most countries of the region except Japan. However, to mop up marginal purchasing power, both direct and indirect taxes can be applied. Needless to say, attempts to mop up marginal income by commodity tax on wage goods may increase wages, intensify inflation and retard production.

Economic controls

Controls on consumption

In countries with an efficient administration, (e.g. Japan) or a fair concentration in the sources of supply of consumption goods (e.g. Ceylon), rationing can be effectively applied to check the increase in consumption arising from an increase in income. Control on consumption is important especially in the case of wage goods, if their supply does not increase in accordance with the increase of income. However, in countries where food is produced in numerous small farms, and consumed largely in the rural area, effective rationing of food is difficult. The method used in mainland China is to require the farmers to sell their surplus crops to the supply and marketing co-operatives controlled by the government. This, however, calls for extensive administrative machinery with a high degree of efficiency.

Quantitative import control without rationing will result in a rise of price. Price control without rationing, if effective, may result in poor distribution; if ineffective, it will result in black market prices, thus defeating the purpose of price control. Countries where effective rationing cannot be introduced run a greater risk of inflation from deficit finance.

For countries not dependent on imports of consumer goods, or when consumer goods are produced by scattered small units rather than a few large producing units, such as India, it is more difficult to restrict private consumption. Since consumer credit is not important even in Japan, it is rather difficult to restrict consumer demand through credit control. Sales tax on consumption items has been used in many countries, but its effectiveness has been limited because of its application mainly to the cities. Furthermore, levying of sales tax tends to increase the price of consumer goods and a rise in the prices of wage goods tends to cause wages and therefore other prices to rise.

Controls on investment

One of the effective means to control private investment is the credit policy of the central bank. Central bank control over commercial bank credit through raising of reserve requirements, larger margins of collateral for lending, higher interest rates, etc., may diminish private investment especially if it is financed by bank credit. Reduction of bank credit in ECAFE countries, except possibly in Japan, affects mainly inventory investment, but a reduction of working capital through reduction of bank credit may also force entrepreneurs to reduce investment in equipment. The rise of interest rate in the investment market through open market operation, etc. will reduce the incentive to invest. In Japan, the tight money policy introduced towards the end of 1953 has retarded the growth of private investment in 1954. Furthermore, in April 1954, as part of the disinflationary policy, the Ministry of Finance issued a directive to

1. Efforts to increase taxes on agriculture may seem inconsistent with stated government objectives to improve the economic condition of agriculturists It should be remembered, however, that agriculturists in post-war years are already better off than before war, through reduction in incidence of land tax, control of rents and land reform. Therefore, governments could justifiably attempt to tax away a large part of any additional agricultural income, which may be generated by government expenditures for improvement of agriculture through budget deficits.

city banks that they should not make loans for the construction of office building, restaurant and other luxurious structures, or additional loans for financing projects such as shipbuilding and electric power development which the government has decided to post-pone for the time being.[1] In India credit restriction has been applied since 1951/52 and the Reserve Bank's policy is gaining influence.

Within the region direct control on private investment not dependent on government finance or requiring foreign exchange is limited. In Ceylon, India and Pakistan, funds are made available to the private sector through the development corporations controlled by the government. In Japan the private sector is dependent on government finance for long-term investment in electric power, shipbuilding, coal mining and iron and steel, which forms an important part of the total investment. In these countries the government exercises controls over a considerable amount of private investment financed by it in regard to the amount and direction of such investment.

Control, both in volume and in direction, over fields of investment where imported equipment or material is required can be exercised in the form of import duties, import quota, and rationing of foreign exchange. The Security and Exchange Commission in the Philippines, the Ministry of Justice in Indonesia, and the capital issues authorities in India and Pakistan are not concerned with restricting the level of private investment from the inflationary point of view, but with ensuring that only genuine promoters of private investment are given government approval. However, the existence of such authorities would facilitate institution of control over private investment should it become necessary to do so. For the establishment of factories in India, a license is issued after an examination in the light of the requirements of the development plan. In Japan during the second world war, there was strict control over investment in addition to consumption, including rationing of materials. Rationing of important raw materials was also effected in India. These controls were relaxed and practically abolished in the early post-war years. In most countries of the region, there is no control over the construction of buildings from the point of view of relieving inflationary pressure, as building permits have to be obtained from local authorities, merely to ensure minimum standards of safety.

1. This directive is not legally binding on the city banks, but the committee of city banks has passed a resolution to follow it. The directive, of course, does not cover investment financed by business enterprises out of undistributed profits.

Exchange control

When deficit financing creates domestic inflationary pressure, one of the inevitable results is to create pressure on the balance-of-payments position. An expansion of money income through budget deficit, if not matched by an increase in the output of domestic goods, will lead to an expansion of both consumer and producer imports. When this occurs, the planned programme of investment of both public and private sectors is likely to be endangered because of shortage of foreign exchange for capital goods, for the alleviation of which exchange control has to be used to limit the expansion of consumer goods import. When the programme of deficit financing is fairly large, it may cause domestic and foreign investors to lose confidence in the monetary and financial stability of the economy, and a consequent flight of capital, for the control of which it is even more necessary to have resort to exchange control.

Exchange restrictions on goods and invisible payments and capital transfers are currently applied in varying degrees by the ECAFE countries. While the main purpose of exchange control in pre-war days was to prevent the flight of capital, it is now primarily to conserve foreign exchange for development purposes. A prominent feature of exchange restrictions in most countries is relatively rigid control over capital transfer payments. This is applied practically in all countries. In Thailand, transfers of capital used to be freely available through the free market, but since March 1952 limited controls on capital transactions have been applied. Foreign exchange receipts arising from capital inflow have to be surrendered. In Japan and India investment of foreign capital requires prior approval, which carries with it certain benefits such as guarantee for repatriation of capital, profits, etc. As regards other invisible payments, foreign exchange is usually granted for expenses incidental to trade transactions, transfers abroad of dividends and other earnings due to non-residents. Most countries have basic travel quotas for residents travelling abroad. The effectiveness of these controls, however, varies in different countries.

Except in mainland China, and possibly Japan, strict economic controls which are too much against the free choice of the people can hardly be effective. Inefficient control may result in various kinds of abuse and injustice and yet may not achieve the objective. Each government should therefore evaluate the possible effectiveness of its controls under suppressed inflation before resorting to deficit financing. It is not advisable for countries which do not expect to have very efficient controls to incur large budget deficits for financing their expenditure.

Appeal for public support

War-time experience shows that in a number of countries much restraint by and co-operation from the private sector can be achieved through patriotic appeals. In these countries, consumers abided by the principle of austerity and reduction of consumption, and producers re-directed their investment to the fields desired by the government. They also tried to buy government bonds as much as they could or rendered voluntary service, permitting large transfers of real resources to the government by deficit financing without excessive inflation. It may be considered whether similar appeals can be applied to meet the requirements for economic development.

It is true that people are more responsive to appeals on matters which affect their life or death, and freedom or slavery; while the mere promise of a rise in the general level of living may be conceptually too vague to be appealing. Accordingly, such appeals are more effective when applied to individual projects, especially those having a direct bearing on the livelihood for a smaller group of people and producing immediate results, such as the community projects. Voluntary contribution of labour and money by those who will share in the direct benefits are more easily obtained than appeal for similar support on a general, nation-wide programme of development. Appeal to public support has been widely adopted in mainland China in the form of subscription to bonds, agreement to refrain from holding surplus stocks of consumption goods, reduction in the consumption of goods and services which are in short supply including the use of substitutes, contribution of free or partly paid labour to city work, community projects, sanitary improvement, flood control projects, etc. The same policy has also been applied in India and other countries to a more limited extent, in the form of community projects.

It is difficult to persuade people to reduce their present consumption voluntarily in favour of a possible increase in future consumption if the latter is not expected to materialize until after years, unless the people have great confidence in the government. People in the United States during the war reduced their consumption because they understood that immediately after the war there would be better and cheaper cars, radios, refrigerators, etc. for which it was worthwhile waiting. Similar assurance and confidence is necessary if a voluntary reduction of consumption is to be effected, so that real resources can be transferred from the private sector to the public sector for development. This is an additional reason why deficit financed projects must yield quick returns.

VI. Summary and conclusions

The extremely slow increase of production in the region, especially in the field of agriculture, coupled with the rapid population growth, has focussed the attention of governments on the threat of a further lowering of the living conditions of the masses. But efforts to speed up economic development seem always beset with financial difficulties. Not only are the available resources small, but the transfer of resources from the private sector to the government for development, in the form of taxation, has so far been insufficient; therefore, besides attempts to improve the tax system, deficit finance has been considered as one of the possible means of achieving the required transfer of real resources.

The purpose of employing any means to finance the budget deficit for economic development is to place real resources at the disposal of the government in addition to those which can be secured by regular government revenue. Among these means, use of foreign assets and foreign loans are most advantageous as they increase the present disposable resources without creating additional effective demand which is not met by the increase of goods and services. Domestic borrowing from the public will, in general, also be successful in transferring resources from the private sector to the government. Although there is a possibility that private spending in consumption and investment may not be reduced to the same extent as the amount borrowed, the increase in the effective demand is usually limited; and such an increase may, even after a time lag, be offset by an increase in production, especially if government borrowing is for productive purposes. Borrowing from the central bank and use of cash balance in national currencies increase production in so far as there are unemployed, but readily employable, resources. Provided the amount of government deficit is not excessive, the increase in effective demand may, after a time lag, be offset by the increase in production. Foreign exchange resources if available may be utilized to bridge the time gap. Even if such readily employable resources are not available, real resources may still be transferred to the government from the private sector, if the private sector is made to reduce its spending accordingly by means of rationing, control, or appeal for public support of the development programme. The desired transfer of resources can be effected through a rise of prices provided there is wage rigidity or if the price elasticity of demand is large and the income elasticity of demand, taking into consideration the redistribution of income arising from the government expenditure programme, is relatively small. Wage rigidity in a period of gradually rising prices

provides a transfer of resources not only to the government but also to the entrepreneurs. This may stimulate private investment, and would be suitable if private investment is mainly relied upon for development, and if resources are abundant. But it would not be suitable if resources are very much limited, for it would then reduce the possible utilization of the resources in the sectors especially to be promoted by the government. In addition, such re-distribution of income may not be favoured by governments adopting the principle of welfare economics. When prices continue to rise, there is also a limit below which wage workers will not tolerate any further reduction in real wages. With a small wage class in some of the ECAFE countries, the resources which can be transferred this way are small. On the other hand, in most ECAFE countries where the level of living is low, a low income elasticity of demand, coupled with a high price elasticity of demand, is not likely to exist, unless the people are sure that the rise of price is only temporary and that price will fall after a short period, with an increased supply of goods and services.

The most appropriate time to employ deficit finance for economic development is when there is a tendency for recession, when unemployed resources are available, and when people expect prices to fall. It then gives the government an opportunity to devote deficit-financed expenditures to long-term investment without obtaining immediate returns, and yet without the fear of creating excessive effective demand. Long-term investment, if made during a recession, serves to start a revival. However, unlike developed countries, many under-developed countries even in a recession cannot take a very large dose of expenditure based on budget deficit. Since the price of capital equipment and the rate of interest in developed countries are usually low in a recession, it would be most advantageous if the budget deficit for development purpose in under-developed countries were to be financed by foreign borrowing, in addition to domestic borrowing. In this way the development programme can be much enlarged. If a large number of the under-developed countries adopt investment programmes during a world recession, the increase in the world demand for goods arising from foreign loans will also help to check the world recession.

On the other hand, without a prevailing deflationary tendency, a development programme based on budget deficit should be concentrated on projects with immediate returns and with a fairly large output-capital ratio so that the increased production may meet the increase in effective demand without too much time lag. Community projects to increase productivity in agriculture are considered as one of the appropriate fields. Deficit finance for economic development is not appropriate when there is an inflationary tendency or when people expect prices to rise.

The magnitude of deficit finance which is considered to be safe for a particular country at a particular time depends on the deficit/income ratio, the money/income ratio, the credit/money ratio, the propensity to consume which is determined by the level of income and level of living, the extent of unemployed or under-employed resources available, the time lag between investment and the flow of final products, the availability of foreign-exchange resources which can be used as a cushioning factor, the habit of cash hoarding, the general state of expectation of the people, the effectiveness of the various controls, the response of the people to the appeal for public support, etc.

Budget deficit for economic development, if used indiscriminately, may not achieve the desired transfer of real resources from the private sector to the government. This may happen especially when a long-term development programme is adopted at a time when favourable conditions do not prevail, or when the magnitude of the deficit exceeds the maximum amount the social and economic conditions of a country can permit. In these cases, effective demand of the private sector may not fall to make room for government expenditure; in fact it may increase with the increase in the effective demand of the government, so that the private sector would be competing with the government for the existing level of production, or for the level of production which has increased insufficiently to meet the increased effective demand. Prices would rise and the government would have to increase its planned budget deficit to finance a given development programme. Balance of payments difficulties would increase and ultimately even the existing rate of exchange might not be maintained. This is especially true when the public expect a rise of price so that there is an increase not only in the demand for immediate consumption and investment, but also in the demand for hoarding goods, —both producer goods and consumer goods. The result would be a slowing down of the development programme as part of the real resources would be prevented from being utilized. In an extreme case, the effective demand may increase at such a rate that irrespective of how fast the government increases its deficits, little additional real resources would be transferred to the government by this means. Such a trend, once started, is difficult to check, and the government should take extreme care in planning its expenditures based on government deficit, together with suitable controls and appeals to prevent such a situation from arising.

THE APPLICATION OF MULTIPLE EXCHANGE RATES IN SELECTED ASIAN COUNTRIES

Introduction

The multiple exchange rates system has been widely used among the under-developed countries during the post-war years. Most Latin American countries and most non-sterling area countries in Asia[1] have practiced this system.

According to the International Monetary Fund, an effective buying and selling rate, which as a result of official action differs from parity by more than one per cent, constitutes a "multiple currency practice."[2] The exchange tax in the Philippines and the defence tax in China: Taiwan on most imports and outward remittances have raised the effective exchange rates respectively by 17 and 20 per cent above the parity. In Thailand, the difference between the official rate and the Bank of Thailand's free rate is more than 70 per cent. All these have resulted in the establishment of multiple exchange rates. In Indonesia, the multiple import surcharges, of which the lowest is 33⅓ per cent, resemble, to some extent, the multiple exchange rates for imports. Other ECAFE countries, including Afghanistan, Hong Kong and the Republic of Korea also have multiple exchange rates. In some countries differential effective exchange rates are applied to imports or exports or both.

The present article does not attempt to analyse different multiple exchange rate systems in all these countries in Asia, but deals with three major and rather typical ones. The exchange tax applied in the Philippines, the simplest, will be treated first; it will be followed by the cases of Indonesia and Thailand which are much more complicated.

The present article attempts to answer the following questions: (*a*) What were the causes for the introduction of multiple exchange rates in the Philippines, Indonesia and Thailand? (*b*) What have been the effects of such rates on their respective balance of payments? (*c*) What have been the effects of such rates on inflation and deflation? Comparison will be made with single-rate devaluation, quantitative restrictions and taxes and subsidies, and indication given on the prospects of the multiple exchange systems.

1. In Hong Kong, a sterling area country, multiple exchange rates also exist. See IMF, *Fifth Annual Report on Exchange Restrictions*, 1954, p. 171.
2. IMF, *First Annual Report on Exchange Restrictions*, p. 144.

The exchange tax in the Philippines

In the Philippines, in view of the inapplicability of alternative measures, the exchange tax was introduced in March 1951 in order to correct the actual and prospective disequilibrium in the balance of payments, which was caused chiefly by post-war inflation and by the sudden reduction in the United States disbursements beginning in 1950.

Nature of the payments problem

Owing to the war-time destruction of productive capacity and economic dislocation, production in the Philippine was very low during the early post-war years. This, coupled with the need for meeting domestic consumption, reduced considerably the availability of exports. In addition, the low level of production and export of non-monetary gold also reduced the capacity to import. The decrease in the volume of export was, however, largely offset by the improvement in the terms of trade in early post-war years. In 1948, while physical export was 26 per cent below that in 1937, the terms of trade rose above the 1937 level by 24.4 per cent.

While the country's capacity to import deteriorated slightly, its need for imports increased tremendously, for supplementing the meager production of foodstuffs, meeting the pent-up demand, replenishing the depleted inventories and rebuilding the country's productive capacity.

From 1946 to 1949, exports of merchandise and non-monetary gold financed less than one half of the imports. The heavy importation was made possible by the large dollar disbursements from the United States, including the US military expenditure, US pensions to war veterans, Philippine war damage claims, US surplus grants, etc. These amounted to about P700 million annually from 1946 to 1949, and more than financed the trade deficit except in 1947. The balance of payment disequilibrium was, therefore, temporarily concealed.

The balance of payments difficulties started to manifest themselves in 1949. In that year, although physical production and exports continued to increase, the terms of trade deteriorated by about 40 per cent on account chiefly of the substantial fall in export prices arising from the short recession in the United States. The total value of exports fell by about 25 per cent.

The total value of imports was maintained at a high level, although by the end of 1948, the extra-ordinary demand for imports seemed to have been largely satisfied. The excessive imports reflected the high level of money income and the high prices of home goods relatively to import goods, both of which were caused by inflation and reflected the over-valuation of the peso.

The inflation was attributed chiefly to large United States Government disbursements, Philippine Government expenditure, and private investment.[1] Moreover, a substantial portion of the increased private investment was diverted to commerce and real estate.[2] Production failed to expand rapidly and did not keep pace with high consumption, a substantial part of which was met by excessive imports, including non-essentials and luxury goods. Both the high level of consumption and investment were made possible by the large US disbursements which not only increased personal money income, but also financed largely the government deficit and the excessive imports.

In addition to inflating the money income, these disbursements also created demand for imports through their effect on relative prices. The increased income arising from these disbursements was spent on domestic products as well as imports. As the supply of domestic goods is much less elastic than the supply of imports and no control on imports was exercised, prices of domestic goods relatively to those of imports rose more than would have otherwise prevailed. The comparatively low prices of imports thus tended to stimulate substitution of imports for domestic products.

So long as these disbursements continued at this high level they provided foreign exchange receipts to meet the import demand resulting from income expansion. However, when they started to fall, and money income could not be reduced simultaneously to the desired extent so as to achieve a proportional reduction in import demand, the balance of payments difficulties emerged.

The inflation and increase in prices of domestic goods tended to reduce the competitive position of the Philippine exports. During 1947-49, with the exchange rate remaining unchanged while the wholesale-price and cost-of-living indices in the United States were respectively only 55 to 85 per cent higher than in 1937, those in the Philippines were respectively 400 to 450 per cent higher.

The expansion in money incomes could have been checked to some extent by levying of new taxes and greater officiency in tax collection. However, the government failed to siphon off a suitable portion of the gross national product in the form of taxes. In 1947 and 1948 government revenue from taxes (less subsidies) accounted for only 5 and 6 per cent respectively of the gross national product. Because of the trade agreement with the United States, import duties could not be imposed on goods from the United States, which accounted for nearly 70 per cent of all imports. Other taxes had not been designed to absorb adequately the great increase in profits during the early post-war years when the rise of wages lagged behind the price increases, and the increase in wealth of the business and land-owing classes.

TABLE 1

PHILIPPINES: BALANCE OF PAYMENTS, 1946-53 *(million pesos)*

	1946	1947	1948	1949	1950	1951	1952	1953
Export, f.o.b.	162	514	622	497	640	778	670	*772*
Import, f.o.b.	—601	—1,319	—1,189	—1,173	—685	—966	—862	*—971*
Balance of trade	—438	—805	—567	—676	— 45	—188	—192	*—199*
Non-monetary gold movement (net)	..	5	14	20	23	27	33	*34*
US Government disbursements and grants[a]	687	694	704	733	512	220	284	*306*
Private capital movement & net errors & omissions	— 50	106	—133	—152	—122	40	44	*12*
Other	— 24	—112	—147	—239	—169	—196	—149	*—168*
Capital and monetary gold of official and banking institutions (net)	155	112	129	314	—199	97	— 20	*15*
Gold and foreign assets of banking institutions at the end of period	928	996	926	568	740	632	634	614

Sources International Monetary Fund, *Balance of Payments Yearbooks and International Financial Statistics.*

a. Including US military expenditures, US pensions to war veterans, Philippines war damage claims from the United States, US surplus property grant, US Government services grants and ECA/MSA grants.

1. For statistics, see Central Bank of the Philippines, *Annual Report*, 1953, national account tables.
2. *Report to the President of the United States by the Economic Survey Mission to the Philippines* (Washington, D.C., 9 October 1950), p. 2.

The balance of payments difficulties in 1949 resulted in a large reduction in the foreign exchange reserves; the reduction was especially large during the last quarter of 1949. As the US disbursements were expected to decrease in 1950, the balance of payments difficulties would be more severe than in 1949. Thus, toward the end of 1949, an emergency measure in the form of strict import control was imposed.

Alternative measures

Import controls, first put into effect in January 1949, were relatively moderate and affected mainly luxury items. It was only when the balance of payments situation became critical from 1 December, 1949 onward that controls were extended to cover all imports, which were subject to licensing by the Import Control Board. Percentage cuts allowed by the new controls ranged, taking the average import value of 1946 to 1948 as the base, from not more than 40 per cent in the case of prime imports to 80 to 90 per cent in the case of luxury imports.

Exchange control was imposed on 9 December 1949. All transactions in gold and foreign exchange except those for merchandise imports (including costs, insurance and freight) covered by import licences, were subject to licensing by the Central Bank. Thereafter, profit and dividend remittances and foreign employers' transfers were restricted to certain portions of the net profits.

In order to avoid an unwarranted rise in the prices of imports because of these restrictions, price control was adopted in mid-1950.

The import controls produced an immediate effect in reducing imports. The total value of imports in 1950 fell by about 40 per cent from that in 1949 and the trade deficit was reduced from P676 million to P45 million, which was only less than 10 per cent of the total value of exports. The small deficit on current account and the outward movement of private capital were more than offset by the US disbursements (which were reduced) and foreign exchange reserves increased.

Although import controls have had an immediate effect in reducing imports, they are not a sufficient remedy by themselves. A large portion of the expenditure that had been cut off from imports would be diverted to domestic goods; this tended to raise their prices and make price control ineffective. The reduction in the supply of imported goods without a corresponding decrease of expenditure would also raise the prices of imported goods. The rise in the prices of imported goods resulted in windfall profits to the importer, which tended to induce favouritism in the granting of import licences. Thus, import controls, when unaccompanied by an adequate elimination of excessive effective demand, are unlikely to be successfully carried out and tend to produce ill effects on profits and real wages.

Neither is a purely deflationary policy desirable for dealing with the Philippines balance of payments. Deflationary monetary and fiscal policies take time to produce result, while the urgent need is for the country to safeguard its foreign exchange reserves. Moreover, an attempt to deflate money income to such an extent as to eliminate the balance of payments deficit would probably result in considerable unemployment, as a given reduction in imports must be brought about by a four or five-fold reduction in money income—taking the propensity to import in the Philippines to be around 0.20 to 0.25.[1]

Devaluation was a possible solution, but it was administratively difficult and economically undesirable. In accordance with the trade agreement with the United States no change in the par value of the peso shall be made by the Philippine Government without the approval of the President of the United States. The approval of the US President on a proposed devaluation of the peso might take time, as it would at least be difficult to agree on the extent and timing of the devaluation.

Economically, devaluation might produce undesirable effects in the prevailing situation. Undoubtedly, devaluation would be effective in reducing imports. However, it would raise local prices of all imports—whether essential or non-essential—to the same extent, and would not have a selective effect. Higher prices for major wage goods such as imported clothing materials, would have an unfavourable effect on the poor class.

On the export side, devaluation would probably have only a negligible effect in increasing production of export goods. With the notable exception of coconut oil, the difficulties of increasing production in the Philippines during the period were of a technical, rather than price, character. The production of export crop was very profitable as the wage rates in agriculture rose less than prices. The increase in profitability of exports might reduce some home consumption and increase export availability. However, such reduction would not be quantitatively significant because home consumption of export goods is relatively small in the country. Moreover, as time passes, the rise in the local prices of export goods would be transmitted to those of agricultural

1. Ratio of the total value of imports to the total available means for 1947 to 1949 when imports were not seriously affected by controls. For figures of imports and total available means, see Central Bank of the Philippines, *Annual Reports*.

commodities for domestic consumption, as the domestic agricultural commodities compete with export goods for labour. Thus, on the export side, devaluation would result in a slight increase in export quantity and a large increase in export profits without appreciable increase in foreign exchange earnings, if any. Such increase in profits, combined with the unselected rise in all import prices, would produce ill effects on the distribution of income.[1]

The exchange tax and its effects

As neither quantitative restrictions nor deflationary policies were found adequate in coping with the Philippine balance of payments problem, the Economic Survey Mission sent by the President of the United States in 1950 to the Philippines recommended the imposition of a special emergency import levy, a heavy excise tax, or an exchange tax, while at the same time maintaining quantitative controls.[2] The mission thought that the simplest way of solving the Philippine balance of payments problem would be the imposition of a special emergency import levy of 25 per cent on all imports except rice, corn, flour, canned milk, canned fish, and fertilizer for a period not to exceed two years. Such a levy would have many advantages. It would have little effect on the prices of home-produced agricultural goods, whether for local consumption or for export. It, therefore, would not inflate the incomes of exporters and would be unlikely to reduce much the real income of the poor. Moreover, such a levy would, by transferring from importers to the government much of the windfall profits, increase the government revenue, and reduce the inflationary pressure generated from the public sector. However, it would not raise much the local prices of imports which were chiefly determined by the limited supply on account of the import control. Furthermore, by reducing the excessive importers' profit margins, import control would be easier and more efficient and might even be somewhat relaxed.

The mission recommended further that if such a special emergency import levy could not be imposed because of legal limitations of the trade agreement with the United States, heavy excise taxes, particularly on luxury imports, might be one alternative. Another alternative recommended was a tax of 25 per cent on all foreign exchange remittances.

The Philippine Government chose to levy the exchange tax, being 17 per cent of the value in pesos of foreign exchange sold by the Central Bank and its agencies effective 28 March 1951. As a result of rising world prices for the Philippine exports after the outbreak of the Korean war and continuous application of stringent exchange and trade controls, the balance of payments position of the Republic showed substantial improvement from mid-1950 and the exchange tax adopted by the Philippine Congress was somewhat lower than had been recommended by the mission.[3]

The principal difference between the import levy and the exchange tax is that the latter also applies to certain non-trade remittances—profits, capital outflow, travel, and personal remittances.

There are certain exceptions. The tax collected on the sale of foreign exchange and for certain essential imports and services are either exempted or refunded.[4]

The exchange tax thus imposed modified the exchange value of the peso and resulted in multiple exchange rates.

The most important effect of the exchange tax was to siphon off the importers' windfall profits[5] to the government, eliminate the budget deficits, and weaken the inflationary pressure, thus helping to remove the balance of payments difficulties. After the imposition of the exchange tax, government revenue increased considerably. The budget balance turned from a large deficit of P153 million in 1949/50 (the year preceding the outbreak of the Korean war) to a large surplus of P117 million in 1951/52. The exchange tax revenue, estimated at P150 million, accounted for about one-fourth of total tax revenue in 1951/52. In the 1953/54 budget the estimated revenue from the exchange tax was smaller, as it was based on the assumption that the tax rate would be reduced from 17 to 12½ per cent. As this revision was repealed and the rate remained at 17 per cent, actual revenue from this tax is not likely to decrease much. The revenue thus raised may be used at least partly for financing economic development.

1. E.M. Bernstein, "The Bell Report and the Philippine Payments Problem", 8 November 1950 (an unpublished paper).
2. *Report to the President of the United States by the Economic Survey Mission to the Philippines*, pp. 86-89.
3. See IMF, *Annual Report*, 1951, p. 55.
4. The tax collected on the sale of foreign exchange used for the importation of certain specific foodstuffs, drugs, medicines, and hospital supplies, books, book paper and newsprint, and articles or containers used in manufacture are refunded upon compliance with the regulations laid down by the Central Bank. The following items are exempted from the exchange tax. (*a*) payments for machinery and/or raw materials to be used by new and necessary industries; (*b*) expenses for the dry docking and repair abroad of Philippine vessels, (*c*) living expenses of students studying abroad not exceeding the equivalent of three hundred dollars per month, and payment of tuition and other school fees, and (*d*) premium on US veteran's life insurance policies, other non-peso life insurance policies contracted prior to 9 Decembr 1949, marine and aviation insurance and reinsurance contracts.
   Beginning July 1952, certain modifications were introduced Items (*a*) and (*b*) were changed from granting of refunds to outright exemption, and two other items were added for exemption from the exchange tax, i.e (1) supplies and equipment purchased directly by and for the Armed Forces of the Philippines and the Civil Aeronautics Administration, and (2) agricultural machinery aad implements and their spare parts and accessories.
5. It may be noted that the exchange tax, which gave a *de facto* devaluation of the import rate, kept the over-valued export rate unchanged. Thus in a way the exporter also had to bear implicitly some tax burden.

TABLE 2

PHILIPPINES: EXCHANGE TAX AS COMPARED WITH IMPORT DUTIES AND TOTAL TAX REVENUE

(million pesos)

	1948/49 A	1949/50 A	1950/51 A	1951/52 A	1952/53 A	1953/54 E
Exchange tax (I)	—	—	38[a]	150[a]	116[b]	65[c]
Import duties	26	26	26	32	28	25
Total tax revenue (II)	362	329	443	655	601	636
Total revenue (III)	428	381	510	752	700	706
Surplus or deficit	— 41	—153	—13	117	6	— 32
Percentage of (I) to (II)			9	23	19	10
Percentage of (I) to (III)			7	20	17	9

Sources. United Nations Fiscal Division and Central Bank of the Philippines, *Annual Reports.*

Note. A=actuals, E=estimate.

a. Actual net collection from 29 March 1951 to 30 June 1952 amounted to P.188 million. Yearly figures are estimated
b. Actual net collection, budget estimate was P.96 million.
c. Draft estimate based on reduced rate of the tax.

The direct effect of the imposition of the exchange tax on the balance of payments is difficult to determine quantitatively. However, the exchange tax seems to have made the task of quantitative restriction much easier and more effective. Since the imposition of the exchange tax, import control was gradually relaxed, owing partly to the increase in export earnings during the Korean-war boom. But after the boom abated, the Philippines did not feel it necessary to tighten its import control. This fact might serve as a proof that the gradual disappearance of inflation, the imposition of the exchange tax, and the existence of limited import control contributed to the achievement of a workable balance of payments equilibrium.

The Report of the Economic Survey Mission anticipated that the imposition of the exchange tax would not raise much the prices of imports but would reduce substantially the importers' profit margin, since under the quantitative import control, prices of imports were chiefly determined by the degree of scarcity and price control was generally ineffective. This argument could be supported statistically by a comparison of rough indices of c.i.f. prices and retail prices of imported goods by quarters during 1951 and 1952, which does not show a significant widening of these two indices after the imposition of the exchange tax.[1]

If the exchange tax had negligible effect on the increase of local prices of imports, it could not have any effect of protection for domestic industries competing with imports. Whatever protection those industries enjoyed might be said to have been derived from quantitative import control. However, the exemption of exchange tax on the importation of agricultural machinery and capital goods and raw materials for new industries encouraged the establishment and expansion of such industries. There have been very light quantitative restrictions on such imports. The conspicuous expansion in industrial capacity and output during recent years was, to a large extent, due to the import control and the selected exemption clause of the exchange tax.

Conclusion

The exchange tax has become an integral part of the Philippine economy. Its contribution to government finance and the maintenance of a balance in international payments is so important that its removal or even reduction is difficult, if it is not adequately replaced by some other taxes, particularly the import duty. The government intended to reduce the rate from 17 to 12½ per cent as from 1 July 1953 and to eliminate it altogether from 1 January 1954. However, the decision was reversed on 16 June 1953 and the rate of 17 per cent was restored until 30 June 1954. The rate has subsequently been further extended for another year.

It seems highly likely that the exchange tax will be maintained, pending the institution of more satisfactory measures through a revision of the Bell Trade Act. The most logical solution seems to be that of absorbing the exchange tax into the tariff system. An adequate tariff system will not only provide the government with sufficient revenue which is now derived from the exchange tax, and check the over-all import demand by an increase in the local cost of imported goods, but will also offer selective protection to domestic industries not possible under the exchange tax, although tariff would not effect non-trade transactions in the balance of payments. In case the Philippine Government will also, by a revision of the Bell Trade Act, obtain the autonomous power in changing the exchange value of the peso, it might also, in due course, consider the establishment of an equilibrium rate of exchange in connection with the setting up of a new tariff system.

1. Central Bank of the Philippines, *Annual Report*, 1952, p. 14.

Multiple exchange rates in Indonesia

The immediate post-war economic situation in Indonesia was somewhat similar to that in the Philippines. Productive capacity had been seriously destroyed and export availability, especially that of sugar, considerably reduced. Import demand was extraordinarily large for rehabilitation and reconstruction and for meeting the pent-up consumers' demand. Meanwhile, money supply had increased tremendously; it was, at the end of 1947, 6 times the pre-war figure (end of March 1938). The great expansion in money income increased considerably the demand for import as the exchange rate was depreciated by only 44.6 per cent on 7 March 1946.[1]

Owing to these unfavourable factors, the pre-war trade surplus changed into a substantial trade deficit in early post-war years. This, together with the usual deficit on services account, resulted in a large deficit on the goods and services account, which amounted to Rp 500 million in 1946 and Rp 600 million in 1947. Indonesia, in this regard, was not so fortunate as the Philippines which received large US disbursements immediately after the war ended. In Indonesia, on account of changes in the political situation, there had been substantial outflow of private capital. Meanwhile, large Dutch and United States grants and loans, which did not come in until 1948, helped only in 1948 and 1949 to halt temporarily the rapid depletion of foreign exchange reserves. However, the fundamental disequilibriating factors still existed and once these grants and loans stopped, the imbalance on international accounts re-emerged.

The September 1949 devaluation contributed very little to the rectification of the imbalance. The devaluation of the Indonesian rupiah in terms of US dollars was carried out in line with the devaluation of the Dutch guilder and the pound sterling. A depreciation of the exchange rate of 30.2 per cent was too limited in comparison with a six-fold rise in prices in Indonesia, while prices in the United States rose by only 50 per cent as compared with the pre-war period. Moreover, as the Dutch guilder was also devalued to the same extent, no adjustment in the exchange value of the rupiah was made in relation to the Dutch guilder, although inflation in Indonesia was much more severe than in the Netherlands, the major trading country with Indonesia.

To correct the over-valuation of its currency and the disequilibrium in its balance of payments, Indonesia chose a differential devaluation of the effective buying and selling rates through the establishment of an exchange certificate system in March 1950. The multiple exchange rates thus introduced had to be changed several times later on.

The exchange certificate system, Mar. 1950—Feb. 1952

On 13 March 1950, an exchange certificate system was introduced, according to which the exporters, in addition to the official exchange value (i.e. Rp.3.81 to the dollar), would receive certificates in Indonesian currency from the Foreign Exchange Fund for one half of the exchange value that was submitted to the fund. For the other half of the exchange value, for which the fund did not issue certificates to the exporters, the fund itself sold certificates of an equal amount on the market, through the intermediary of a bank. In addition, the fund might create new certificates without basing on the foreign exchange surrendered by the exporter. Those who had to make foreign payments had to purchase such certificates in order to obtain foreign exchange from the fund. The rate of the certificate was fixed by the fund at 200 per cent of the face value. Thus what the exporter could obtain from one dollar of exports was twice the official exchange rate, i.e. Rp 7.62, which was the *effective* export rate, and what the importers had to pay for one dollar was thrice the official exchange rate, i.e. Rp 11.43, which was the *effective* import rate. In other words, there was a *de facto* devaluation of the export exchange value by one half and a *de facto* devaluation of the import exchange value by two-thirds. The spread between these two rates thus constituted the main feature of the Indonesian multiple exchange rate system. Indonesia chose to devalue its import and export rates differently, chiefly for the following reasons.

On the export side, the *de facto* devaluation was intended to adjust the unfavorable cost-price structure of the export industries. Minimum wages in estate agriculture increased more than five-fold from December 1941 to December 1949, while the currency was devalued by about one-half as much during the same period. Thus local currency proceeds of the foreign exchange at the official rate in relation to the cost appeared to be insufficient, especially for the marginal producers.[2]

1. Before the war, the Indonesian guilder was at par with the Dutch guilder; 1.80 Indonesian guider was equal to one dollar. On 7 March 1946 it was devalued at the rate of 2.66 Indonesian guilder to the dollar; it was still at par with the Dutch guilder which had been devalued a week earlier. On 21 September, it was further devalued to 3.81 Indonesian guilder to the dollar, along with the devaluation of the Dutch guilder to the same degree.

2. Even before the introduction of the certificate system, some inducement measures had to be used in order to keep the flow of export goods remuneratively, which meant in reality a correction of the export rate. However, these measures seemed to have been too complicated in practice and insufficient in amount, and a general effective devaluation of one half of the rupiah exchange value was thought necessary to bring in line the cost-price structure in the export industries. The system of inducement for certain exports was essentially still maintained after the devaluation, although certain simplification was made. For details, see *Java Bank Report, 1950-51*, pp. 40-43.

If the over-valued currency was to be maintained, considerable deflation had to be carried out. The latter was almost impossible especially because government expenditures could hardly be reduced in the then prevailing circumstances.

Whether the devaluation of the export exchange would increase the foreign exchange earnings from exports depended on many factors, among which the most important were the elasticity of foreign demand and the elasticity of home supply of exports. While the elasticity of foreign demand for Indonesian exports might have been greater than unity, the supply of Indonesia's exports which consisted mainly of agricultural and mineral products, was not very elastic, at least during the first few years after the end of the war when physical limitation and insecurity were the major handicaps. A larger devaluation of the export exchange, while it might increase exporters' profits, might not increase much the exchange earnings. However, on the import side, it was thought that to devalue the import exchange to the same degree, might not be sufficient to check imports.

The operation of the exchange certificate system, which gave rise to a spread between effective import and export rates, brought profits from private importers to the Foreign Exchange Fund for the government, at a rate of Rp 3.81 to every dollar of imports. This profit might be regarded as a tax on international trade, which had a disinflationary effect, as compared with unitary devaluation. As the profits realized from the sales of exchange certificates were part of the government revenue, they helped to reduce the government deficit.[1]

To what extent the foreign exchange certificate system which resulted in more realistic effective import and export rates contributed to the improvement in the balance of payments is difficult to determine. On the export side, its effect was over-shadowed by the sudden increase in foreign demand for Indonesian products in connexion with the Korean war. It was difficult to distinguish how much of the increase in exports was due to the autonomous increase in foreign demand and how much of it was due to the more favourable exchange rate, although it was more or less certain that the former was much more important than the latter.

On the import side, the value of imports in 1950, for the first time in the post-war period, ceased to expand temporarily. However, a number of factors other than the effective devaluation of the rupiah import exchange value might also have contributed to this result. For instance, the pent-up demand seemed to have disappeared by 1949, the demonetization measure had tended to reduce the purchasing power of the private sector, and there had been some time-lag between the creation of the exchange certificates and their actual use for imports which halted temporarily actual imports.[2]

TABLE 3

INDONESIA: TAXES ON INTERNATIONAL TRADE COMPARED WITH TOTAL REVENUE,[a] 1949-53

(million rupiah)

	1949	1950	1951	1952	1953
A. Exchange certificates and import surcharges ..	—	881	4,122	2,082	1,650
B. Additional export duties	—	—	—	1,066	503
C. Export duties	120	499	1,309	753	547
D. Import duties	208	544	1,404	1,396	1,295
E. Total tax on international trade (A+B+C+D)	328	1,924	6,835	5,297	3,995
F. Additional tax on international trade (A+B) ..	—	881	4,122	3,148	2,153
G. Total net revenue	2,602	4,093	10,303	9,684	9,707
H. Total net expenditure	3,907	5,829	9,108	13,192	11,947
I. Over-all balance	—1,305	—1,736	1,195	—3,508	—2,240
J. Percentage of E to G	12.6	47.0	66.3	54.7	41.2
K. Percentage of F to G	—	21.5	40.0	32.5	22.2

Sources: Economics and Finance in Indonesia, September 1953 and July 1954 issues; *Java Bank Reports*, 1950-51 to 1953-54.

a. Provisional results.

1. However, such a disinflationary policy was considered insufficient by the Indonesian Government, and a parallel measure of demonetization was undertaken. The reason was that while the rupiah import exchange value was devalued to about 1/6 of the exchange value in 1938, the money supply should rise by no more than 6 times over that in 1938, if an equilibrium were to be maintained. Counting in this manner, there was in February 1952 an excessive money supply of Rp. 1,500 million which the demonetization measure adopted on 19 March 1950 was intended to reduce. Paper money bearing a denomination exceeding 2.50 guilders were split into two halves. The left halves had the force of legal tender for one half of the printed value until 9 April 1950 from thence they should be exchanged for new notes. The right halves might be used up to one half of the face value for the acquisition of 3 per cent Government bonds. Similar measure applied to bank deposits. From 18 March 1950, the banks had to transfer one half of the deposits to a blocked account to be opened as subscription to the three per cent Government bonds.

2. *Java Bank Report, 1950-51*, p. 35.

As a result of these developments the trade balance turned from a deficit of about $15 million in 1949 to a huge surplus of about $334 million in 1950. The country's foreign exchange reserve therefore also increased considerably.

The monetary effect of the exchange certificate system was apparent. In 1950, as the level of import was comparatively low, the profit from the sales of exchange certificates was also low. However, as it amounted to Rp 881 million[1] and accounted for 22 per cent of the total revenue, it was a valuable contribution to government finance. Had there been no profits from the sale of exchange certificate, the deficit in 1950 would have been much larger.[2]

In 1951, the Korean-war boom further raised Indonesia's export earnings which enabled the country to finance larger imports and relax to some extent the import restrictions. Meanwhile, import demand also expanded on account of an increase in money income arising from the large government expenditure and exports. Thus the total value of imports increased from $443 million in 1950 to $855 million in 1951. In order to meet the increased import demand without at the same time allowing too great an amount of non-essential goods to enter the country, the Indonesian Government introduced the import certificate in March 1951. The certificate was not issued to the exporters but must be obtained, in addition to the exchange certificate, by importers for importation of non-essential goods not included in the government import scheme. The price of the import certificate was fixed at 200 per cent of the official exchange rate. Thus the effective exchange rate for importing such commodities was 5 times the official rate, i.e. Rp 19.00 per dollar.

The high level of imports and the introduction of an import certificate yielded large profits to the government through the sale of the import and exchange certificates; such profits increased to Rp 4,100 million and accounted for 40 per cent of the total government revenue. Thus, for the first time during the post-war period, Indonesia achieved a surplus in its budget. Had not the certificate system siphoned off a part of the windfall profits of private traders for transfer to the government, inflation would have developed more severely. In appeared in 1951 that while the extraordinary increase in foreign demand accounted chiefly for the improvment in the balance of payments, the operation of the exchange and import certificate system, resembling an additional export and import tax, contributed significantly to reducing the inflationary pressure, although additional anti-inflationary measures might be still necessary.

The abolition of exchange certificates and the unification of the exchange rates, February—August 1952

The exchange certificate system, while operating rather successfully during the Korean-war boom, was found to be defective after the abatement of the boom and was abolished.

It was true that the *de facto* devaluation of the rupiah export exchange value by one half had corrected generally the unfavourable cost-price structure of the export industries which existed before the introduction of the exchange certificate system. However, while this adjustment had gradually lost its force it had been distorted by a more depreciated rupiah import exchange value. The more depreciated import exchange and the rising world prices raised the local prices of rice and cost of living. This resulted in the demand for higher wages which the export industries had to pay. Moreover, while the exporter earned only Rp 7.60 per dollar's worth of his commodity, he had to pay Rp 11.40 per dollar's worth of his import requirements for production.

This difficulty was generally not felt by the export industries during the Korean-war boom, for world prices of Indonesian exports rose tremendously and brought in extraordinary profits despite the unfavourable import rate. However, as the export prices started falling steeply early in 1951, the difficulty began to emerge, and was aggravated by the continuous rise in world rice prices.

This difficulty, which differed for various industries according to the extent to which they were affected by the boom, was not much felt by the rubber and tin industries in 1951, as the rubber and tin prices, though falling sharply in 1951, still remained at comparatively high levels. For other industries, whose products were not in very great demand abroad even during the boom, the effect of the price fall was immediately felt to be very serious. The most obvious examples were the tea and tobacco industries which at first, by virtue of the introduction of the certificate system, were once more in a position to operate on a reasonably profitable basis in 1950 were for the most part in 1951 working at a loss again.[3] The different effects on different export

1. *Ibid.*, p. 32.
2. Meanwhile, the demonetization measure converted compulsorily some Rp.1,600 million currency and deposits into a 3 per cent government loan. The total money supply fell from Rp.3,850 million at the end of February 1950 to the lowest level of Rp.3,180 million at the end of May 1950. From May onward, however, it rose again and passed the February level in September.

3. Java *Bank Report, 1951-52*, p 110.

industries proved that the exchange certificate system, which was equivalent to the application of an additional uniform *ad valorom* duty of 33-1/3 per cent on international trade, lacked the selective power.

To remedy these defects, the exchange certificate system was abolished on 4 February 1952 and the wide spread between the effective import and export rates eliminated. In other words, the export exchange was devalued by one-third, while the import rate remained unchanged; thus resulting in a unification of the import and export rates.

Meanwhile, an extra export duty was introduced of 25 per cent for the export of rubber and copra, and 15 per cent for the export of palm oil, palm kernels, tin, tin ore, petroleum, pepper and coffee. The imposition of the differential extra export duties, which retained a part of the profit formerly received by the government from the foreign exchange certificate system, also took into account the different adjustments in cost-price structure required by different export industries. To those export commodities for which foreign demand was weak, the full benefit of the one-third devaluation of the export exchange accrued, as no additional export duty was imposed; exporters' income in rupiahs increased by approximately 50 per cent. In the case of rubber and copra, the foreign demand for which was still strong, the advantage of devaluation was largely offset by the imposition of an extra export duty; the net result was an increase of rupiah export proceeds by about 12½ per cent. For those articles with less strong foreign demand but liable to the 15 per cent extra export duty, the net increase in rupiah export proceeds was about 27½ per cent. The differential changes which either reduced the unprofitability or increased the profitability of various exports, tended to stimulate exports or prevent them from falling.

With the abolition of the foreign exchange certificate system, the wide disparity between the effective exchange rates for incoming and outgoing remittances on account of "invisibles" likewise disappeared. Outward remittances for transfer of profit and redemption, family and other allotments of foreign workers, and for other non-import purposes, could be effected within the framework of the foreign exchange licence system at the new official bank selling rates for foreign currencies. With regard to inward remittances and payments for exports and other purposes, settlement was effected at the new official bank buying rate.

With the unification of the import and export rates, the multiple exchange rates almost disappeared. However, the existence of various inducement schemes and the introduction of the "dollar certificate" still resulted in multiple exchange rates which were applied to a limited number of fields.[1]

The combined effect, on the total value of exports, of the devaluation of the export exchange and the imposition of extra export duties is difficult to determine, as other factors, of which the most important on the export side during 1952 was the continuous decline in foreign demand, were also at work. The total value of exports fell from $1,257 million in 1951 to $886 million in 1952—a 40 per cent decline.

With the abolition of the exchange certificate system, government revenue from the sale of such certificates disappeared. However, as a large number of foreign exchange contracts entered into by the Exchange Fund with importers prior to the date of discontinuance of the system were settled in the course of 1952, the government received Rp 2,082 million from such settlement. Revenue from the additional export duty levied as from 4 February 1952 amounted to Rp 1,066 million during 1952, which probably compensated largely for the loss in revenue from the sale of exchange certificates.

The import surcharges system since August 1952

Although the adjustment of the export rate (taking into consideration the imposition of extra export duties) undertaken by the government in February 1952 enabled the Indonesian export products to compete more favourably in the international market, it did not succeed in preventing the balance of payments from deteriorating because of the continuation in the decline of foreign demand and world prices for these products. In order to keep the export industries from being further adversely affected, the extra export duties had to be gradually reduced or eventually removed as shown below:

1. The "import certificate" was still required for the importation of certain non-essential and luxurious goods and the rate was quoted somewhat higher than before. A dollar certificate system was introduced on 4 February 1952. Under this system exporters whose proceeds were dollars received, in addition to rupiah at the official rate, 70 per cent of such proceeds in negotiable dollar ctrtificates at a certain rate per dollar. Importers of dollar goods were required, on the other hand, to submit, in addition to the required sum in rupiah at the applicable rate, such certificates for the full amount of the exchange required, also at a certain rate per dollar. The rate per dollar, for these certificates was established initially in free market trading but shortly after the introduction of the system the exchange authorities began stabilizing operations and gradually reduced the rate until on August 26, 1952 it reached .25 rupiah per dollar. Thus for each dollar of export, the exporter received Rp. 0.25 x 70/100, i.e., Rp. 11.530 and for each dollar of import, the importer had to pay Rp. 11.445 (official selling rate) plus Rp. 0 25, i.e., Rp. 11.695. The arrangement was intended to make exports to the dollar area more profitable than to the soft-currency areas, and imports from the dollar area more expensive than from the soft-currency area, thus improving the country's balance of payments position with the dollar area. It also resulted in official broken cross-rates which were more or less in line with the cross-rates on the world free exchange markets. The rate of the dollar certificate was maintained at Rp. 0.25 per dollar until December 31, 1953 when it was abolished, with the authorities paying exporters a premium on the basis of this rate without the issue of certificates, and charging importers a 0.25 rupiah per dollar surcharge, without requiring the presentation of a certificate *Java Bank Report, 1951-52*, pp. 110-111, IMF, *International Financial Statistics*.

TABLE 4

INDONESIA: RATES OF EXTRA EXPORT DUTIES

(percentages)

	4 Feb., 1952	1 June, 1952	1953	1954
Rubber	25	15	10	—
Copra	25	25	10	10
Palm oil & palm kernels	15	15	—	—
Coffee, pepper . . .	15	15	15	15
Tea	15	15	—	—

Some ordinary export duties were also abandoned. In general the rate of ordinary export duties was 8 per cent, but for several small-holders' crops the rate was lowered to 3 per cent. In October 1953 rubber was exempted from the ordinary export duty; other commodities such as tea, hard fibres, coal, petroleum products, cinchona and sugar had been exempted earlier.

It appeared that Indonesia as a competitive seller on the world market had no control over the world prices for its export commodities. Confronted with falling export prices, it could hardly prevent its balance of payments position from deteriorating simply by taking measures on the export side. Moreover, the reduction of export duties contributed to the budget deficit. On the other hand, imports continued to expand after the abatement of the boom, reflecting the high level of money income generated from the previous export boom and the large government expenditures. This expansion, together with the falling exports, accounted largely for the considerable decrease in Indonesia's gold and foreign exchange reserves. The adjustment, therefore, had to fall chiefly on the import side and the government introduced a system of import surcharges in August 1952.

The new regulation divided import commodities into four main categories: group A composed of essentials which could be imported free of surcharge; group B composed of non-essentials charged with 100 per cent of surcharge; group C consisting of luxiries charged with 200 per cent; group D consisting of articles for which no foreign exchange was provided. Shortly after the new regulations went into effect, it was discovered that there had been a considerable shift of demand from other groups to group A commodities. Meanwhile, the government considered it necessary to increase its revenue. In February 1953, therefore, a new group B1 was added, consisting of the greater part of former group A articles on which a surcharge of 33-1/3 per cent was levied. The former B group became group B2. Meanwhile, all prohibited items in group D were transferred to group C. Thus was completed the import surcharge system which still prevails today. As to invisible items, a 66-2/3 per cent surcharge has been imposed since 2 March 1954.

The main purposes of the import charges were to reduce imports and increase revenues without raising the workers' cost of living and the labour cost of production, thus achieving a better balance in international payments as well as government finance. Group A articles, consisting of essential imports (such as basic foodstuffs, the simpler kinds of textiles, raw materials and equipment needed by agriculture and industries producing for the export market or producing non-luxuries for the Indonesian market), are admitted into the country free of import surcharges in order to avoid a rise in prices to the consumer or a rise in production costs to vital undertakings.

Group B1 includes two types of commodity. The first type is semi-necessities the demand for which is considered to be inclastic; on those articles a 33-1/3 per cent surcharge is levied so as to yield a substantial revenue to the government. The second type includes a number of "infant-industry" items which, given a limited period of moderate protection, can be produced efficiently in Indonesia. It was felt that the protection afforded such "infant-industries" should not be too high, as the ultimate aim is to expose them to competition once they are "grown up," and too high a protective wall would encourage the establishment of industries which, not really suitable to the Indonesian economy, could not withstand open competition from foreign exporters.

Group B2 consists of a number of doubtful cases, in which some commodities are not obviously luxuries of the sort that should be put under group C, and yet not obviously semi-necessities that, whether for revenue or for protection purposes, should be put under group B1. They are, in effect, semi-luxuries which are important to particular individuals or firms and are put on an intermediate 100 per cent list. In this way the government hopes to reduce the volume of such imports substantially, while making it possible for those who badly need them to import them, at a price providing the government with an amount of revenue equal to the import price.

The 200 per cent surcharge imposed on group C items aims simply at discouraging their imports. It was felt that an extremely high surcharge was better than out-right prohibition. By permitting imports at the 200 per cent rate, the few cases of genuine need for these

items can be taken care of. Also, the elimination of the former group D of prohibited items simplified the administration of the system to some extent.[1]

The restrictive effect on imports of the import surcharges worked both directly through the price mechanism and indirectly through the income mechanism. On the whole, the raising of prices of non-essential and luxurious imports reduced the demand for them. It is true that such imports might also have been checked by quantitative restrictions. However, the Indonesian Government did not do so for two main reasons. Firstly, quantitative controls require an efficient and honest administrative machinery which takes time to develop in an under-developed country.[2] Secondly, quantitative controls would raise the prices of imports and bring windfall profits to the importers and would not contribute to the reduction of government deficit. Import surcharges, on the other hand, siphoned off the purchasing power from the public to the government and thus reduced the budget deficit and the private demand for imports.

The economic effect of the multiple import surcharges is somewhat equivalent to differential devaluation of the import exchange for different import groups, while the export rate is kept unchanged. The Indonesian Government did not choose a unitary devaluation of import and export rates for various reasons.

On the import side, a unitary devaluation would raise the rupiah price of all imports—necessities as well as luxuries. It would raise the cost of living, especially that of the working class, and thereby cause a demand for high wages. It would also raise the prices of imported materials and capital goods needed for industries. Moreover, the differential import rates can take into account the different elasticities of demand for various group of commodities and thus cover both revenue and import reduction purposes.

On the export side, the difficulties faced by the export industries arising from falling prices and rising costs have already been largely alleviated by the gradual reduction of various export duties. A further devaluation would, within a short period, only raise the profits to exporters and would not increase much, if at all, the country's foreign exchange earnings. In the long run, of course, the export industries must be made really profitable. However, with the uncertainty in the world price movements, it is difficult to tell whether eventually the adjustment should be made through a variation of the exchange rate, a reduction in costs, or an increase in productivity. Moreover, rising cost of living and higher profit for exporters in connexion with devaluation would result in a redistribution of income unfavourable to the working class. As an emergency measure, therefore, the import surcharge system appears to be preferable to a straightforward unitary devaluation.

The import surcharges produced immediate effect in the reduction of imports. The total value of imports fell from $924 million in 1952 to $753 million in 1953—a 12 per cent reduction. The balance of trade turned from a deficit of $8 million in 1952 to a surplus of $67 million in 1953.

The import surcharges yielded Rp 1,650 million to the government in 1953. Had not the government received this amount, its deficit would have been much larger, as revenue from additional export duties had been reduced by one half and that from exchange certificates had almost entirely disappeared.

The import surcharges also modified the commodity structure of imports. The share of consumption goods import fell from 53 per cent of the total import value in 1951 to 46 per cent in 1953, while the share of capital goods imports increased from 17 per cent to 21 per cent.[3] This change, which was to have favourable effect on economic development, would not have been made possible by a unitary devaluation, a uniform import surcharge, or a uniform exchange tax.

Conclusions

Although violent fluctuations in the world prices of Indonesia's major exports were somewhat responsible for the frequent and drastic changes in the post-war exchange system of Indonesia, inflation had also been a major cause of its international disequilibrium. The adjustment in the exchange rates could help to adjust the cost-price structure and bring about a balance in international accounts only if inflation were stopped. If inflation were allowed to develop further, the cost-price structure would sooner or later again fall out of line and the imbalance in international payments would again emerge. Further devaluation, whether unitary or differential, would again become necessary.

The exchange certificate system, while doubtlessly contributing to a favourable adjustment of the cost-price structure initially, became ineffective subsequently

1. Benjamin Higgins, "The Rationale of Import Surcharges", *Economics and Finance in Indonesia*, July 1953.

2 Cf. Sadli, "The Background of the Modified Import Regulations", *Economics and Finance in Indonesia*, April 1953.

3. *Economics and Finance in Indonesia*, July 1954.

because of the continuous inflation. It even became undesirable because the wide spread between the effective import and export rates distorted the cost-price structure. The high import rate contributed to the high rice prices, as a result of which money wages and cost of production to export industries also rose, while the unit rupiah export proceeds were comparatively low partly because the export exchange rate was much lower than the import rate. Moreover, the complicated nature of the exchange certificate system, together with other inducment schemes, became burdensome to the business community. It appears that other alternative measures, e.g. a unitary devaluation together with differential and flexible export duties, might be a better solution, especially for meeting the 1950-51 export boom.

The import surcharge system, resembling more the tariff than the multiple exchange rates, was probably the best measure under the present circumstances. However, inflation generated chiefly by the budget deficits must be put under control and measures for increasing productivity undertaken. Otherwise, the cost of production would soon be out of line with the present exchange rate. The grading of the import surcharges might prove to be too broad to be economically desirable for each individual article. However, once inflation is arrested, the establishment of an equilibrium rate of exchange would be quite practical and such surcharges might be modified and eventually integrated with ordinary tariffs and other taxes.

Multiple exchange rates in Thailand[1]

The development of the multiple exchange rates system

Unlike what happened in Indonesia and the Philippines, the multiple exchange rates system in Thailand was not planned from the beginning but developed gradually.

The new exchange rate, fixed at 40 baht to one pound sterling in early 1946, appeared to be over-valued.[2] In order to maintain an over-valued currency, a system of trade and exchange control was established.[3]

However, the trade and exchange control quickly proved to be a failure and the official exchange rate could not be successfully maintained. The considerable relaxation of controls and the official recognition of the black-market exchange rates in 1947 thus resulted in multiple exchange rates, which have been maintained with subsequent modifications.

The most important cause of the failure of the control was the large-scale smuggling of rice out of the country. In addition to the unfavourable official exchange rate, the disparity between the internationally fixed price of Thai rice in terms of foreign currency[4] and the price of rice in neighbouring countries stimulated smuggling. The smuggling reduced considerably the supply of foreign exchange to the central pool, as part of the foreign exchange earned from illegal export was either left abroad or sold in the black market.

While the exceptionally low export price of rice affected rice only, the over-valuation of the baht adversely affected all export commodities including rice. According to the Bank of Thailand, "as exporters had to surrender foreign exchange proceeds of their exports at the official rate, their baht income was low in comparison with the internal price level."[5] This would either encourage illegal export or affect adversely the production and export of export commodities, or both.

On the other hand, the demand for foreign exchange to purchase imports was extraordinarily strong as the baht prices of imported goods, calculated at the official exchange rate, were much lower than actual domestic prices which were chiefly determined by the degree of scarcity, and yielded a huge profit margin to the importers. There tended to exist an excess demand for foreign exchange at the over-valued official exchange, a demand which could not be satisfied from the current export earnings. Importers who could not obtain official exchange would have to buy foreign exchange in the black market.

The black market developed quickly to a significant magnitude because of loopholes in the control measures and ineffectiveness in their execution. The black market rate in 1946 was generally about twice the official rate

1 Based on *Thailand's Experience with Multiple Exchange Rates*, a doctoral dissertation submitted to the University of Wisconsin, by Dr. Shu-Chin Yang, a member of the Research and Planning Division of ECAFE Secretariat.

2 The index of cost of living in 1945, with 1938 as base, was 905 in Bangkok and 152 in the United Kingdom. The relative rise during 1938-1945 in the cost of living in Bangkok, as compared with that in the United Kingdom, was therefore six times. Applying this to the exchange rate in 1938 of baht 11 to £1, the "purchasing power parity" of the baht in 1945 might appear to have been, roughly calculated, approximately 66 to the pound

3. Imports were restricted to necessities and scarce goods while exports of surplus goods were permitted. Foreign exchange proceeds from exportation and other transactions had to be sold to the Bank of Thailand through authorized commercial banks. Such foreign exchange proceeds were allocated by a system of priorities assigned to various imported goods.

4. The exceptionally low export price of Thai rice, as fixed by the Formal Agreement between Thailand and the United Kingdom and India, was a sort of indemnity paid by Thailand on account of its association with Japan during the war. Kingdom of Thailand, *Report of the Financial Adviser, 1941-50.*

5. *Bank of Thailand, Annual Report, 1947*, page 2.

for sterling and about 2½ times for dollars.[1] To remedy this unfavourable situation controls had to be either tightened so as not to allow any leakage to the black market or relaxed so as to give more scope to the working of market forces. Owing to the lack of organization, tightening of control could hardly be expected to work out automatically. In addition, the big difference between official and black market exchange rates provided a strong incentive for black market activities. The Thai monetary authorities thus chose to relax controls and ushered in a multiple exchange rate system.

In January 1947 licences were no longer required for either importation or exportation of goods except for the export of rice and a few other commodities which were in short supply, for the import of certain commodities which were luxuries or were related to security measures, or for protection of certain government monopolies.[2] Foreign exchange earnings by individuals or companies no longer had to be surrendered to the Bank of Thailand except from the export of rice, tin, rubber and teak.[3] For exporters of tin, rubber and teak, the Bank of Thailand guaranteed that 50 per cent of the fully surrendered amount of foreign exchange would be reserved in each case for the importation of any goods by the respective exporters. In June 1947 exchange controls on tin, rubber and teak were further relaxed, as only 50 per cent of the exchange proceeds from tin and teak and 20 per cent from rubber (or 25 per cent if shipped from Bangkok) had to be surrendered to the Bank of Thailand. The exporters of these three commodities were allowed freely to utilize or dispose of the remaining portion for any purpose whatsoever.[4]

On the import side, the official rate was applied to sales of exchange by the Bank of Thailand only for the requirements of the government and government-controlled enterprises, for importation of petroleum products and a few other goods specified in the "first priorities" list of imports, and for the expenses of Thai students abroad. For a wide range of permissible imports not on these lists, foreign exchange had to be obtained in the free market.

Beginning March 1947, the commercial banks authorized to deal in foreign exchange were permitted to buy, sell and transfer foreign exchange without restriction. This was tantamount to giving official recognition to the free market.

The legalization of the black market and the requirements of partial surrender of foreign exchange proceeds from certain export commodities at the official rate had given rise to a system of multiple exchange rates. Besides the two basic rates, the fixed official rate (40 baht to the pound) and the fluctuating open market rate, there existed implicitly also mixed rates applied to certain exports. In addition the Bank of Thailand made available as of March 1947 sterling and Indian rupees to commercial banks for re-sale to clients in payment of direct imports into the country, at a rate slightly lower than the open market rate.

The various exchange rates to the pound sterling and their application may, taking June 1948 as an example, be illustrated as follows:

Kinds	Rates	Imports	Exports
Official rate	40.00	For the government and for favoured private imports and remittances	Rice, cement
Free market rate	60.00	All other imports and invisible payments	All exports except rice, cement, rubber and tin
Bank of Thailand's free rate	59.40	Most imported goods (as specified by the bank)	
Mixed rates:			
50% of official rate and 50% of free market rate	50.00		Tin
20% of official rate and 80% of free market rate	56.00		Rubber

To this rate structure must be added the exchange rate applicable to trade with Japan which was conducted under trade agreements negotiated and concluded periodically.

Effects on the balance of payments, 1947-51

After the relaxation of control and the introduction of the multiple exchange rates (which involved partial devaluation), Thailand's balance of payments improved and the open market exchange appreciated substantially. This improvement was the result of a considerable increase in export earnings and a slow expansion of imports. To what extent it was due to the application

1. Bank of Thailand, *Annual Report, 1947.*

2. US Department of Commerce, *Foreign Commerce Weekly,* 29 29 March 1947.

3. Persons selling rice to the government were allowed to purchase pounds sterling from the Bank of Thailand at the official rate to the extent of 10 per cent of the value of their rice sales.

4. In September 1947 cement was added to the list. All foreign exchange proceeds from cement export had to be surrendered to the Bank of Thailand. However, effective 31 March 1948, exporters of teak were released from this obligation of surrendering their exchange proceeds to the bank and from 11 June 1949 exporters of cement were also released from such obligation.

of multiple exchange rates is difficult to determine quantitatively, as other factors, such as the increased production and the rising foreign demand, were also at work.

Exports: According to their relations to the basic exchange rates, exports may be grouped into three classes. Firstly, commodities exported entirely at the official rate were not directly affected by the open market rate. Rice was the only commodity in this group. Secondly, commodities exported partly at the official rate and partly at the open market rate were partially affected by any change in official or open market rate. Rubber and tin and sometimes teak belonged to this group. Thirdly, commodities exported entirely at the open market rate had no connexion with the official rate but were affected fully by changes in the open market rates. To this group belonged all other exports.

Rice accounted for about 60 per cent of Thailand's total export earnings, whose increase during 1946-51 was attributed largely to the increase in quantity and prices of rice exports. The increase in rice exports was not due to the change in the exchange rate system in 1947. The export of rice had been a government monopoly, conducted by inter-governmental negotiations in terms of foreign currencies irrespective of the exchange rate of the baht. Moreover, all exchange earnings from legal rice exports were to be surrendered to the Bank of Thailand at the official rate. The baht receipts from both government and permitted private exports had, with minor exceptions,[1] not been affected by the open market rate. Furthermore, the government had fixed its internal procurement prices of rice in baht without reference to the open market rate. The prices had been kept almost unchanged irrespective of changes in official or open market rates. The general increase in export earnings from rice after 1951 was chiefly due to the rising world prices and the increase in domestic production.[2]

Tin and rubber constituted about 30 per cent of Thailand's exports in 1938/39. In 1946, their exports were 60 and 66 per cent respectively below those in 1938/39. This extremely low level of exports was due partly to war-time dislocation of production and partly to over-valuation of the currency. The differential devaluation in 1947 made it possible for tin exporters to retain 50 per cent and rubber exporters 80 per cent of their exchange proceeds for disposal at the free-market rate and substantially raised the baht receipts per unit of exports. As stated in the *Bank of Thailand Report, 1948*, this policy "gives strong incentive to private enterprise and to productive efforts and enables Siamese products to compete more successfully in the world market in which the export price, if based on the official rate of exchange, would be too high in terms of foreign currency, for the internal price of baht was more in harmony with the free-market than with the official converted rate." It appeared that the differential devaluation of the effective exchange rates, as applied to rubber and tin exports, not only contributed to the stimulation of investment in and production of these two commodities, but reduced smuggled exports which were active in 1946 and early 1947.

Along with the differential devaluation, the recovery of production and the generally high level of world prices also contributed significantly to the increase in exchange earnings from the exports of these two commodities. During 1950-51 the extraordinarily strong foreign demand and the high world prices in connexion with the Korean-war boom further increased the exchange earnings from those exports. Their contribution to the improvement of Thailand's balance of payments position was very substantial.

As exporters of products other than rice, rubber and tin had been allowed, with minor exceptions, to retain all foreign exchange earnings for free disposal since mid-1947, they should have reaped the full benefits from the open market rate of exchange which averaged 70 per cent more than the official rate. The favourable effect, however, gradually diminished, partly because of the fact that the baht had appreciated on the open market during 1948-51, by as much as 13 per cent. Moreover, the expansion of these minor exports depended on the amount of exportable surplus. Certain items, including timber other than teak, cattle and hides and skins, had been banned from export because of the possibility of domestic shortage.

Imports and current invisible items: While the value of export almost doubled in 1948 (the first year after the application of the multiple exchange rate), the value of imports levelled off and a sizeable export surplus resulted. The levelling-off of imports however could not be attributed entirely to the application of the open market exchange rate to a large part of private imports. It was quite possible that the pent-up demand for imports

1. In order to produce sufficient rice the government used inducement schemes and allowed those who sold rice or paddy to it (1) to retain 10 per cent of the foreign exchange accruing from the sale of rice and (2) to export privately a quantity of rice equal to 3 per cent of the amount sold to the government.
2. For details of post-war Thailand's rice trade, see Kingdom of Thailand, *Report of the Financial Adviser, 1941-50*, and Lee, S. Y., "Post-war Rice Trade of Trailand ", *Far Eastern Economic Review*, various issues in May and June 1954

had been largely satisfied by 1948 so that import demand after 1948 would have decreased in any case. However, the effects on imports of the exchange depreciation were by no means insignificant.

The larger the price elasticity of demand for imports, the more an exchange depreciation would reduce imports. The price elasticity depends, in turn, to a great extent on the possibility of substitution of domestic for imported goods. The more likely the possibility, the greater is the price elasticity of demand. In Thailand, as in many other primary-producing countries, the production pattern is such that there is very little room for substitution of imports by domestic products. Moreover, a large part of imports are necessities. Thus any price change arising from exchange rate variation would not induce a significant shift to domestic substitutes. However, if the rise in prices of imported commodities was large enough to reduce substantially the real income of the people, the quantity of imports would be reduced, even with a rather inelastic demand. The application in Thailand in 1947 of the open market rate in place of the official rate to almost all private imports meant a depreciation of about 70 per cent. This would of course be regarded as a large depreciation and its income effect on import demand, although not ascertainable, should not be small. By this adjustment, the prices of imports in the home currency and the level of money income which was considerably inflated during the war were brought into line with each other.

Moreover, exchange profit realized by the Bank of Thailand, in absorbing money from circulation, had a deflationary effect and thus contributed indirectly to keeping imports from expanding. Meanwhile, the low internal prices of paddy and rice, as maintained by the government monopoly, also helped to keep farmers' income and expenditure on imports from rising.

The change in the exchange system in 1947 did not affect the demand for government imports, invisible requirements and certain private imports. Foreign exchange was supplied at official rate for government imports, private imports of fuel and lubricating oil for scheduled companies (subject to maximum quota each year), certain educational and public-health requirements and such other purposes as the government or the Bank of Thailand might deem to be of national advantage. The principle followed was to make such cheap exchange available for payment of imports required for rehabilitation and reconstruction of the country, and for other expenditure abroad which were necessary or calculated to be of benefit to the country.[1]

In short, the improvement in the balance of payments position of Thailand during 1947-51 was due not only to the application of the generally appropriate effective exchange rates to various kinds of imports and exports, but also to the strong foreign demand for major Thai exports, the increase in their production and the comparative monetary stability.

The internal effects

Under the multiple exchange rate system, the Bank of Thailand supplied exchange at the official rate to the extent of about 25 per cent of the country's total current international payments, and received exchange at the official rate to the extent of more than 60 per cent of the country's total current international receipts. As Thailand's annual current receipts consistently exceeded its annual current payments during 1948-51, there was always a sizeable excess supply of foreign exchange on the official market. A substantial part of this excess supply, largely sterling, was sold by the Bank of Thailand on the free market, while the balance, valued at the official rate, was transferred to the reserves. Since the bank bought foreign exchange at the official rate and sold it at near the open market rates, it made a profit out of the difference between these two rates. These profits were credited to the Stabilization Account held by the Bank of Thailand. The size of the realized exchange profit was determined by the amount of foreign exchange sold by the Bank of Thailand in the open market and the difference between the bank's selling rate and the official rate. The amount sold by the bank was determined by the availability of open market exchange from sources other than the bank and by the difference between the open market exchange rate and the bank's free selling rate.

Owing to the existence of the multiple exchange rates and exchange profit, considerable caution is necessary in interpreting the monetary impact of the balance of payments on the domestic economy. Under a single exchange rate system the balance of payments, in terms of either foreign or local currency, would show at the same time both the external exchange position and the internal monetary effect. Under a multiple exchange rate system, however, the balance of payments in foreign currencies, while showing the external exchange position, does not indicate correctly the internal monetary impact. Thus, in the case of Thailand, while each dollar of import absorbed about 21 baht from circulation, each dollar of government rice export put only 12.5 baht into circulation.

1. Since 1949 foreign exchange at the official rate, particularly dollars, has no longer been made available to state-owned enterprises except for the purchase of essential equipment for development.

It is not impossible that the balance of payments, though positive in terms of dolalrs, may be negative in terms of baht. In this case it will be erroneous to say that the surplus in the balance of payments is inflationary. Taking into account the exchange profit, the balance of payments under a multiple exchange system like Thailand's has a deflationary bias.

In Thailand, although exchange profit does not accrue directly to the government as revenue, it is equivalent to a tax on international transactions. It is difficult to determine to what extent the tax is split between exports and imports. However, there are indications that a major part of the burden falls on the exporters of rice, a smaller part on those of rubber and tin, very little on the importers. The realized exchange profit, regarded as a tax revenue, may be compared with other government revenues in order to appreciate its significance. During 1949-52 exchange profits accounted for 10 to 18 per cent of the total government revenue and were in general much nigher than the revenue from export duties.

Taking into account the function of the exchange profit, the total monetary effects of both the balance of payments and the budget may be ascertaained by first converting the balance of payments surplus (or deficit), in terms of dollars, into baht at the official rate and then substracting the exchange profit and adding the budget deficit (or substracting the budget surplus). The importance of the exchange profit as an anti-inflationary or deflationary factor during 1948-53 may be seen from the following table:

TABLE 5

THAILAND: MONETARY EFFECTS OF THE BALANCE OF PAYMENTS AND GOVERNMENT ACCOUNT

(million baht)

	Balance of payments goods and services account[a]	Exchange profits[b]	Government account
1948 . . .	760	162	28
1949 .	523	336	29
1950 .	756	226	—132
1951 .	728	227	—714
1952 . .	—105	580	—931
1953	—759	478	—932

Sources: Bank of Thailand, *Current Statistics* and IMF, *International Financial Statistics*.

a Net balance in dollars converted at official exchange rates.

b For 1948, 1949 and 1950, figures are derived from "Other deposits" of the Bank of Thailand, which consist largely of the stabilization deposit. From 1951 onward, figures are derived from the Stabilization Account figures.

c. Annual rate on the basis of the first ten months' figures

Apart from its effect on the level of money income, the multiple exchange rates have also affected relative prices and through these production and income distribution. Data are not sufficient for a study of the price structure of Thailand. There is no time series of wage statistics, while published indices of cost of living and wholesale prices are not very representative. The cost of living of the low-salaried class depends chiefly on the prices of domestic goods, especially rice and other food items, as imported goods account for only 5-10 per cent of the cost of living. The money wage of labourers depends chiefly on their cost of living.

The penalty exchange rate as applied to rice and the government's policy to maintain the internal price of rice at a low level have contributed greatly to the maintenance of a relatively low level of cost of living and wages. However, production does not depend entirely on labour; capital equipment, tools and raw materials are also needed which are mostly imported at either the Bank of Thailand's selling rate or the open market rate. Thus, whether the price-cost structure of an export industry would be competitive on the world market or not depends on what percentage of the exchange must be surrendered to the Bank of Thailand at the official rate and what percentage of imported producers' goods enters into the cost of production. It is probable that because rice production requires very little imported producers' goods, the low internal prices arising from the government's rice and exchange policy could be fairly compatible with the cost of production.

The comparatively low money wages tended to favour industrial production and development. In addition, the government enterprises benefitted from the cheap imports of machinery and parts financed by exchange obtained at the official rate. During early post-wai years the rehabilitation of war-damaged industries and transportation equipment was facilitated by this arrangement.

As regards income distribution multiple exchange rates and low rice prices injured the rice producers but benefitted the entrepreneur class with the possible exception of entrepreneurs in the rubber and tin industries. The penalty export rate and the low government procurement price of rice have prevented Thai rice producers from reaping the full benefits from the price increase in the world market. On the other hand, rice producers have to buy imported goods at the market exchange rate. Thus, although the country as a whole benefits by a considerable improvement in the terms of trade rice producers suffer from a worsening in their terms of trade. The difference accrues to the government.

In short, so far as the internal effects are concerned, the main contribution of the multiple exchange rate, during the period of rising export earnings and favourable balance of payments, was to alleviate substantially the inflationary impact thereof and make possible the accumulation of exchange reserves. Its favourable effects on industrial development seem not to have been fully realized.

Exchange policy during a period of declining foreign demand, 1952-54

After 1952, the balance of payments of Thailand turned unfavourably and it is interesting to see how the multiple exchange rate system reacted to the adverse balance of payments.

The unfavourable development in the world markets toward Thai exports had not been foreseen by the Thai authorities. The Government adopted unfortunately a policy of appreciation of the baht in the free market at a wrong time when the balance of payments was about to turn adversely. In February 1952, the bank's free selling rate was lowered from 51 to 45 baht to the sterling (or by 11.33 per cent), and was subsequently maintained.

The currency appreciation was possibly designed to lower the cost of living and to some extent was based on the consideration of national prestige as well as on an over-estimation of the true exchange value of the baht. It might also have been a device to dispose of the excess sterling reserve.

The effect on the open market rate of the appreciation of the bank's free rate was almost instantaneous. The commercial banks' selling rate dropped from 51.37 baht to the pound in February to 46.12 baht in March and further to 45.73 baht in May. Since the Bank of Thailand did not supply dollars on the free market before 30 April 1953, the free market dollar rate adjusted itself to the new sterling rate by arbitrary transactions which created a heavy demand for and accelerated the drain on the bank's sterling reserves. Besides arbitrary transactions there appears to have been a certain amount of capital flight, which by forcing up the free market rate imposed another heavy drain on the bank's sterling reserves, as the bank was trying to maintain the new rate.

The appreciation of the free baht had affected Thai exports unfavourably. It is true that rice exports were almost not affected. However, the effective export rate (dollar in terms of baht) for rubber was lowered by 9.1 per cent and that for tin by 7.3 per cent. Minor exports were affected to the full extent of the appreciation. Thus the loss of export earnings in baht to Thai producers and exporters arising from the currency appreciation placed them in a very unfavourable position in their competition with those in other countries.

After the appreciation, despite the fall in the prices of imported commodities, the index of the cost of living of the low-salaried class did not show any decline, as imported goods consisted of a very small portion of the family expenses.

The currency appreciation apparently failed to achieve its main objective. It appears that the money wage closely followed the cost of living. The lowering of the prices of imported goods, coupled with the sticky nature of the cost of living and of money wages, thus placed local industries in a less favourable competitive position. It rather seems that in Thailand the exchange rate does not affect the cost of living but the cost of living affects the exchange rate, through its influence on wages and the cost-price structure of export and import-competing industries.

The government's venture of appreciating the free market exchange value of the baht unfortunately coincided with the decline in foreign demand for major Thai exports which resulted not only in a fall in exchange earnings but also in a reduction of government revenue. The world rice market for the first time in the post-war period changed from a seller's to a buyer's market, and the prices of rubber and tin also fell considerably after the abatement of the Korean-war boom in 1951. Meanwhile inflation, intensified by large government deficits, contributed to the increase of imports through a higher level of money income.

The decline in exports of rubber, tin, teak and other commodities reduced the supply of foreign exchange to the open market, and the decline of foreign exchange receipts of rice reduced the availability of foreign exchange which the Bank of Thailand could use for supplying to the commercial banks. The bank's sterling reserves had apparently fallen considerably. To meet this unfavourable situation, the Thai authorities started to tighten exchange and import controls.

In March 1952 exchange transactions on invisible items were put under control aiming at the prevention of capital flight. Later on, the Bank of Thailand scrutinized more strictly the applications for exchange for permissible imports at the Bank of Thailand's selling rate and the time required for obtaining foreign exchange from the bank was also lengthened. Meanwhile, the

range of imports financed by the bank at its selling rate had been significantly reduced. In March 1953 the bank announced that it would not sell exchange at its preferential rate for imports of nine groups of non-essential commodities. Thereafter, the scope was further reduced and on 5 March 1954 only four groups of selected essentials were covered, including milk and milk products, a few kinds of cotton textiles, medicine and petroleum products. Since mid-1954 only milk and milk products and medicine have remained on the list.

As the range of imports for which exchange could be supplied by the bank at its preferential rate was considerably reduced, importers had to resort to the open market and the open market rate rose rapidly. The depreciation of the open market baht, which might stimulate exports of rubber, tin and other minor products, raised the prices of imported commodities. In order to prevent a rise in price, the bank has since 8 March 1954 made available to commercial banks foreign exchange which could be sold to importers for the direct importation of other essential commodities at exchange rates considered proper by the bank. Thus on the import side, an additional exchange rate has emerged.

Import control which had been of limited application has been tightened since September 1953 when 17 kinds of non-essential imports were prohibited and all other imports licensed.

As the rate of baht 45 to the pound is applied to the imports of only two kinds of commodities, its significance is considerably reduced. The present exchange policy of the Bank of Thailand is practically back to what it was before the February 1952 depreciation, i.e., to finance permissible imports at rates fluctuating with the open market rates.

Conclusion

The fluctuating open market rate together with the fluctuating Bank of Thailand's selling rate provides a mechanism of adjustment for the balance of payments and to some extent, insulates the impact on domestic money income of changes abroad. The unfavourable balance of payments causes a depreciation of the open market baht. The depreciation of the open market baht, in turn, tends to stimulate exports and discourage imports, thus reversing the unfavourable tendency in the balance of payments. However, this adjustment is not perfect as, among other factors, rice export is very little and rubber and tin partly affected by the open market rate. Moreover, the balance of payments is also affected by the government's financial position. With the emergence of a buyer's market, some adjustment in the exchange rate policy and the government's rice trading and price policies appears to be necessary. If the multiplicity of the effective exchange rates applied to exports can be simplified and the open market rate allowed to expand its scope of application, a flexible exchange rate, with the occasional intervention by the Bank of Thailand, may emerge.

1. It also yields premium to certain other international transactions, which is, however, on the whole, less important.

SUMMARY

Causes for the introduction of the multiple exchange rates

The multiple exchange rates system was generally introduced as an emergency measure. During the immediate post-war years, it was extended as a means to safeguard the balance of payments, and was considered to be of a transitional character.

In Thailand, the over-valuation of the baht in 1946 and the failure of trade and exchange controls were followed by partial relaxation of controls and the legalization of the free market rates. Thus a multiple exchange rates system was developed.

The exchange tax in the Philippines and the exchange certificate system in Indonesia were introduced with definite objectives of improving the balance of payments and combating inflation. The exchange tax was adopted in March 1951 in the Philippines chiefly because alternative measures were not possible; under agreements with the United States, the Philippines cannot vary the exchange value of the peso and increase unilaterally import duties on imports from the United States. The exchange certificate system in Indonesia was introduced in March 1950, but abolished in February 1952. Six months later, multiple import surcharges were introduced with the same objectives in view.

Effects of the multiple exchange rates on balance of payments

The wide spread between the buying rate and the selling rate imposes penalty on the bulk of international transactions.[1] It is most likely that in Thailand the penalty has been much greater on rice export than on imports and that in Indonesia the penalty has been greater on exports than on imports under the exchange certificate system and greater on imports than on exports under the present import surcharge system.

It seems that the penalty export rates had not had much adverse effect on the volume of exports, as most exports to which such rates have been applied are primary products whose supply appears to have been inelastic,

especially during the early post-war years when physical obstacles to production were important. These rates have been applied to the staple exports, control and supervision over which can be readily exercised. However, when foreign demand declines, and the cost of production tends to be out of line with the prices, the effective export rates have been adjusted to reduce the difficulties of the export industries concerned. Thus, Indonesia devalued its export exchange in February 1952 and Thailand varied the proportion of foreign exchange proceeds to be surrendered at official rate in the case of tin, teak and cement according to prevailing circumstances.

In Thailand, in 1947, the change from strict control over imports to admission of almost all imports at the free market rate meant a shift from quantitative to cost restriction. The application of the free market rate to most imports appeared to have had restrictive effect on imports. It appears that in Indonesia, differential import surcharges have been fixed according to the intensity of the country's demand for the different types of imports. The highest surcharge is applied to those goods whose imports would be significantly reduced so as to conserve foreign exchange. The lowest surcharge is applied to semi-essentials, the demand for which is rather inelastic. In the Philippines, the exchange tax has been used in combination with quantitative import control. The latter brought importers windfall profits which the former siphoned off into the hands of the government. In all three countries, the realization of profits and tax receipts had deflationary effects and contributed to the reduction of import demand.

It is difficult to ascertain to what extent multiple exchange rates have contributed to the improvement in the balance of payments of these three countries, as other factors which have little connexion with the exchange rates have also to be taken ino account, e.g. recovery and progress in production, changes in foreign demand (both commercial and non-commercial), inflation and deflation, government controls, etc. However, a comparison in this regard can be made among the alternative measures, including quantitative restriction and devaluation.

The internal effects of multiple exchange rates

In Indonesia, the profits from exchange certificate sales and the revenue from import surcharges have accrued completely to the Government, and so also the exchange tax in the Philippines. In Thailand, however, the exchange profit has been sterilized to constitute a special "stabilization account" in the Bank of Thailand. In general, the exchange profit arising from the multiple ratae operation has had a deflationary effect.

Multiple exchange rates also affect the price structure and therefore income distribution, just like taxes with different rates imposed on exports and imports. In the three countries, it is most likely that the income of producers of major export commodities to which penalty rates have been applied has been kept relatively lower than would have been otherwise. Higher income groups are taxed by the high import surcharges on luxury goods heavily in Indonesia, and much less heavily in Thailand, and the Philippines.

Comparison with other alternative measures

To assess the advantage and disadvantage of a multiple exchange rate system, comparison must be made with other alternative measures.

Firstly, it may be compared with quantitative control. The system of multiple exchange rates may be the most readily workable type of exchange restriction in a country which is lacking in effective administrative organization and staff necessary for quantitative control. It has also the advantage that the monopolistic profit arising from the restriction accrues to the State, not to the private trader.

Secondly, it may be compared with straightforward devaluation. Uniform devaluation would raise the prices of all imports in terms of local currency, including necessities, and might result in large windfall profits to exporters. On the other hand, it would not ordinarily bring about a significant increase in volume of exports of the primary exporting countries.

Thirdly, it may be compared with a corresponding set of taxes and subsidies. Duties and subsidies on international trade generally affect merchandise transactions, while multiple exchange rates also affect invisible transactions. The imposition of other duties and subsidies generally requires legislative action, while multiple exchange rates are generally determined by administrative orders. Multiple exchange rates generally conceal from the public the true nature of taxes and subsidies which they imply and are more easily tolerated by public opinion. (The import surcharge system in Indonesia, is, nevertheless, closer to tariffs than to multiple exchange rates). However, duties and subsidies in the form of multiple exchange rates are likely to have undesirable effects on the patterns of production and consumption, as the classification of thousands of import and export

goods into a few broad categories to which markedly different exchange rates and import surcharges are applied must necessarily be highly arbitrary.

A multiple exchange rate system may be replaced by a corresponding set of taxes and subsidies and thus achieves unification in the exchange rate. Just how for it is practical to shift successfully from the former to the latter depends on many institutional factors, including the improvement of the fiscal system. While the latter take a long time to change, the multiple exchange rates could still be maintained during the transitional period, during which they would probably serve a primary exporting economy better than either purely quantitative control or unitary exchange depreciation.

ASIAN ECONOMIC STATISTICS

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UNITS AND SYMBOLS EMPLOYED

Unless otherwise stated "tons" relate to metric tons, and "dollars" relate to United States dollars.

The following symbols have been used throughout:

* = average of six to eleven months.
‡ = 12 months beginning April of the year stated.
† = 12 months ending September of the year stated.
ø = 12 months ending June of the year stated.
§ = end of period.
I, II, III, and IV for quarters of years.

Mn = million.
. . = not available.
— = nil or negligible.
r = revised figures from this issue.
Figures in italics are provisional.

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

H. = Hwan (Republic of Korea, one Hwan is equivalent to 100 Won)
HK$ = Hong Kong dollar
K. = Kyat (Burma)
M$ = Malayan dollar (Federation of Malaya, Singapore, North Borneo, Brunei and Sarawak)
NT$ = New Taiwan yuan or dollar
P. = Peso (the Philippines)
Pr. = Piastre (Cambodia, Laos and Viet-Nam)
Rp. = Rupiah (Indonesia)
Rs. = Rupees (Ceylon, India and Pakistan)
Y. = Yen (Japan)

The term Malaya includes the Federation of Malaya and Singapore.

SOURCES

To ensure comparability, data compiled or published by the United Nations Statistical Office have been incorporated wherever possible; material supplied by governments, publications of governments, of the United Nations and its specialized agencies and of international commodity study groups have been used as additional sources.

PRODUCTION

1. INDEX NUMBERS OF PRODUCTION

1948 = 100[a]

	Weight	1949	1950	1951	1952	1953	1953 II	1953 III	1953 IV	1954 I	1954 II	1954 Apr	1954 May	1954 Jun
CHINA (Taiwan only)														
Industrial production[b]	100.0	157	175	184	238	323	301	310	339	344	380	373	391	375
Public utilities	8.6	124	168	192	202	214	209	211	228	236	240	242	246	233
Electricity	3.8	101	123	152	168	186	179	181	202	213	217	222	222	206
Mining and Quarrying	3.7	87	86	106	138	121	117	104	128	139	152	126	211	119
Coal	1.8	98	85	100	139	145	153	132	150	125	122	129	121	118
Manufacturing[b]	87.7	166	182	189	249	348	336	349	380	383	427	421	433	426
Food[b]	29.1	221	215	147	198	336	364	369	324	370	381	350	362	430
Textiles	14.6	193	276	421	660	918	888	888	1,073	1,070	1,246	1,214	1,267	1,257
Chemicals	8.1	104	130	216	238	263	231	298	332	265	297	291	296	305
INDIA[c]														
Manufacturing and mining	100.0	98	97	108	119	125	125	124	127	127	133	134	130	135
Mining (coal)	12.0	106	107	115	122	120	126	113	117	123	120	124	118	118
Chemicals and allied trades	4.9	114	129	145	204	260	238	267	274	281	283	278	277	294
Metal manufactures (other than machinery)	9.3	108	114	119	121	114	101	100	135	134	122	126	119	122
Engineering and electrical goods	5.6	121	146	189	170	190	189	202	204	214	249	242	248	256
Textiles	61.4	90	82	90	100	102	104	103	100	103	106	107	103	108
Cotton textiles	43.5	91	84	93	104	110	112	112	108	112	115	116	113	117
Jute	16.5	85	77	80	87	80	81	80	78	78	81	84	77	83
Paper	1.5	105	111	135	140	142	136	156	138	129	161	171	153	158
Manufacture of non-metallic mining products (other than coal and petroleum)	1.7	107	149	171	173	229	204	193	271	266	193	220	176	182
Manufactures of wood (plywood)	0.2	89	93	132	168	114	111	98	106	138	136	158	136	113
Food (sugar)	3.5	83	91	104	139	120	334	4	96	87	49	109	37	—
INDONESIA (1938=100)														
Export products														
General[d]	.	69	89	105	106	*108*								
Estate	.	46	49	63	71	*75*								
Peasantry	.	103	194	228	184	*156*								
Mining	.	85	93	103	116	*132*		..	.	.				
Estate products of 7 items	..	63	69	86	100	102	103	102	101	..				
JAPAN														
Industrial production	100.0	124	142	193	213	261	256	257	282	274	278	282	276	275
Public utilities	4.3	113	122	134	146	160	159	160	171	173	173	173	175	171
Manufacturing & mining	95.7	130	153	210	232	284	278	279	307	298	303	308	300	299
Mining	12.9	115	121	138	142	153	156	137	149	140	149	154	145	147
Manufactures	82.8	131	156	219	244	304	297	302	332	323	327	332	325	323
Non-durable	47.8	134	190	254	298	375	378	380	418	406	416	421	413	414
Textiles	17.1	128	186	261	298	345	332	369	385	361	355	359	350	357
Chemicals	16.7	140	203	277	332	426	437	411	482	482	507	511	503	507
Durable	35.0	134	147	220	230	281	261	270	298	291	288	294	288	282
Metals	12.9	176	242	360	386	459	459	474	507	502	494	502	499	482
Machinery & transport equipment	14.6	124	117	184	191	248	210	221	253	243	236	241	234	232
PHILIPPINES (1952=100)														
Manufactures	..		.	..	100	113	112	112	118	*120*	*119*			
Non-durable manufactures	.			.	100	111	110	109	118	*115*	*119*			
Tobacco products	.	..			100	114	117	110	127	*138*	*151*			
Textiles	.				100	96	92	84	111	*77*	*89*			
Footwear and wearing apparel	.				100	116	111	120	122	*115*	*119*			
Chemicals	.				100	111	111	114	120	*115*	*92*	..		
Durable manufactures			.		100	118	118	119	119	*138*	*139*			
Stone, clay and glass products (including cement)					100	108	96	119	123	*120*	*97*			
Metal products					100	152	148	157	143	*170*	*148*	..		
Electrical appliances		.	.		100	96	95	91	100	*112*	*95*			..

a Original base: *China*, 1951, *India*, 1946, *Japan*, 1934-36.

b. Sugar production is excluded from the monthly and quarterly index but included in the annual index. Weights relate to annual index.

c Group indexes compiled by the ECAFE Secretariat on basis of the Interim Index of Production published by Ministry of Commerce & Industry. For details, see footnote *b* to table 1 in the Section on Asian Economic Statics, *Economic Bulletin for Asia and the Far East*, Vol. IV, No. 3 or 4.

d. Relate to 18 products, including forest products (jungle-wood and rattan).

2. PRODUCTION OF SELECTED COMMODITIES

Monthly averages or calendar months

Thousand tons

	1938[g]	1948	1951	1952	1953	1953			1954				
						II	III	IV	I	II	Apr	May	Jun
COAL													
China (Taiwan only)	183	138	138	191	199	210	181	207	172	169	177	167	164
India	2,400[h]	2,551	2,915	3,067	3,035	3,167	2,869	2,973	3,058	3,014	3,086	3,025	2,931
Indonesia	121	45	72	81	75	73	74	74	73	69	64	70	72
Japan	3,484	2,822	3,610	3,613	3,877	4,026	3,365	3,682	3,440	3,692	3,855	3,580	3,642
Korea (South)	19	67	20[r]	48	72	70	76	82	67	71	71	66	75
Malaya[a]	40	32	32	27	24	27	24	20	18	19	22	17	18
Pakistan[b]		20	43	51	49	48	33	51	60		61	41	
Viet-Nam	195	30	53	72	70	65	59	93	82	88	99	99	66
ELECTRICITY (Mn kwh)													
Cambodia	1	1	1	2	2	2			2	2	2	2	2
Ceylon	3	5	9	11	12	12	12	13	*13*	*13*	*12*	*14*	*13*
China (Taiwan only)	.	70	107	118	130	126	128	142	150	152	156	156	145
Hong Kong	.	13	30	33	36	36	38	38	38	40	38	41	42
India	211[hi]	381	488	516	560	547	584	583	578	627	613	640	629
Japan	2,276	2,965	3,977	4,304	4,641	4 685	4,822	4,892	4,747	5,180	5,111	5,253	5,175
Korea (South)		41	28	53	61	62	66	61	67	71	71	72	70
Malaya	36		76	80	86	87	88	92	92		95	101	
Pakistan		11	19	25	34	34	35	36	39		37		
Philippines (Manila)	12	30	41	46	52	51	54	56	56	57	54	58	59
Thailand[c] (Bangkok)	3‡	4	5	5	7	6	7	8	8				
Viet-Nam	8	8	16	19	25	24	26	26	*26*	27	26	28	27
PETROLEUM, CRUDE													
Brunei	59	224	415	423	407	396	414	415	403		*395*		
Indonesia	616	361	620	710	852	854	875	890	835	864	803	915	874
Japan	29	13	28	25	25	23	26	26	26	25	25	25	24
Pakistan[d]		5	13	15	16	16	15	18	21				
Sarawak	17	4	4	4	5	4	4	5	5				
IRON ORE[e]													
Hong Kong	—	—	14	11	10	10	12	6	8	8	10	8	6
India	232	193	310	332	326	347	284	341	363	331	346	338	310
Japan	51[j]	47	97	116	128	117	150	153	135	140	147	139	135
Malaya	137	—	72	89	90	119	124	61	77	108	117	112	96
Philippines	77	1	75	97	101	108	114	89	117	126	114	134	130
TIN CONCENTRATES (tons)													
Burma	419	97	138	93	*80*	*80*	*80*	*80*	*80*	*80*	*80*	*80*	*80*
China	906	406	*400*	*450*	*525*	*525*	*525*	*525*	*625*	*625*	*625*	*625*	*625*
Indonesia	2,517	2 592	2,624	2,964	2,864	2,905	3,091	3,069	2,579	2,827	2,727	2,920	2,835
Japan		10	37	54	62	63	66	60	58	64	63	61	67
Laos & Viet-Nam	135	3	8	12	22	22	22	22	*17*	—		—	—
Malaya	3,673	3,794	4,840	4,812	4,763	4,567	4 701	5,026	4,864	5,139	5 105	5,180	5,131
Thailand	1,255	359	805	802	885	853	779	1,007	785	*730*	*782*	*728*	860
TIN METAL (tons)													
Malaya	5 456	4,209	5,581	5,320	5,284	4,706	5,481	5,114	5,935	5,979	6,387	6,334	5,216
NATURAL RUBBER[f]													
Cambodia	1 4	1 4	1 3	1 5	1 9	1 7	2 0	2 6	1 2	1 8	1 6	1 9	2 0
Ceylon	4 3	8 0	8 9	8 2	8 3	7 3	8 2	11 9	7 1	6 9	7 4	5 4	7 8
India	1 3	1 3	1 5	1 7	1 8	1 8	1 7	2 4	1 2	1 7	2 0	2 1	1 1
Indonesia	27 0	36 6	69 0	63 4	58 6	58 7	62 0	57 2	58 3	57 1	59 1	56 6	55 5
Malaya	30 4	59 1	51.3	49 5	48.6	45 1	50 6	50 9	45 7	43 9	40 9	47 0	43 9
Sarawak	1 5	3 4	3 6	2 7	2 0	2 2	2 2	1 6	1 5	2 6	1 9	1 5	1 9
Viet-Nam	3 6	2 3	3 1	3 4	4 2	3 4	4 5	6 1	2 9	3 7	2 9	3 9	4 3
COTTON YARN													
China (Taiwan only)	—	—	0 6	1 1	1 6	1 7	1 6	1 9	1 6	1 9	1 8	1 9	2 0
Hong Kong			2 4	2.5	2 7	2 6	2 8	3 2	3 0	3 1	3 1	3 2	3 1
India	49 3‡[h]	55 0	49 0	54 7	56 9	56 1	58 4	58 0	57 3	53 4	58 5	58 5	58 1
Japan	54 5	10 4	28.1	29 4	34 5	32 1	37 4	40 4	39 5	40 2	40 9	39 5	40 2
Korea (South)		0 5	0 5	0 8	1 1	1 3	1 2	1 1	1 2	1 5	1 3	1 5	1 8
Pakistan		0 2	0 7	0 8	4 5	4.1	4 8	5 8	6 4	6 5	6 6	6 4	6 6
COTTON FABRICS (Mn metres)													
Ceylon (Mn sq metres)	0 6	0 5	0.6	0 7	0 6	0 7	0 5	0 5	0 5	0 4	0 4	0 4	0 4
China (Taiwan only)		1.0	4 7	7.1	10 9	9 7	10.6	13 3	12 6	15 0	14 6	15 4	15 0
India	325[h]	337	319	350	372	382	380	361	372	392	390	390	395
Japan (Mn sq metres)	243 6	64 4	151 9	156 0	195 8	202 2	201 8	211 8	216 0	229 9	231 9	226 7	231 2
Korea (South)		2 1	2 4[r]	5 0[r]	9 9[r]	8 9[r]	11 1[r]	11 9[r]	9 8[r]	9 3	9 3	9 3	9 4
Pakistan		6 7	9.7	13 3	18 1	17.3	19 1	23 7	25 8	24 7	25 0	23 9	25 2
Philippines		0.6	0 8	0 5	0 9	0 4	1 3	1 2	1.2	1 6	1 5	1 1	2 1
CEMENT													
Ceylon			5.3	5 1	5 2	5 7	7 3	5 9	6 8	6.9	4 4	8 4	7 9
China (Taiwan only)	0.2	19.6	32.4	37.1	43 3	43 4	43 7	44 2	46 6	44 7	39 6	46 3	48 1
Hong Kong	.	4.4	6 0	5 8	5 3	4 7	5 5	6 3	8 6	5 7	5 9	5 7	5.7
India	119 0[h]	131 0	271.0	299.5	320 0	313 9	325 0	351 3	373 8	367 7	365 6	379 4	358 2
Japan	473.6	154.9	545.6	593.1	730 7	768 9	776 9	825 5	764 2	939 9	953 0	924 3	942 4
Korea (South)		1.9	0.6	3 0	3 7[r]	6 2[r]	4 3[r]	3 2	3 0	6 9	8 6	5 1	7 0
Pakistan		27.4	42.2	44 9	50 3	54 5	45 4	52.8	52.8	58 3	54 9	61 0	58 9
Philippines	13.9	10.0	26.3	26.4	26 5	26.3	28.0	25 4	26 3	25 0	23 6	24 6	26 9
Thailand	7.7‡	6.9	19 1	20.6	24 0	22.1	22 1	28 9	27.1	31.7	34 7	31 3	29 1
Viet-Nam	22.2	8 1	17.7	18 5	24 2	21 9	24 8	26 0	23 0	21 7	20.3	23 9	21 0

a. Lignite.
b. Including lignite.
c Relates only to the consumption of electricity generated by the Bangkok Electric Works.
d Beginning 1954, original data in units of capacity.
e Approximate metal content of ores as follows *Hong Kong*, 45%, *India*, 65%, *Japan*, 55%, *Malaya*, 60% and the *Philippines*, 55%.
f Including latex
g 1986 for Japan, unless otherwise indicated
h Former British Provinces and Indian States
i 1939
j 1937

TRANSPORT

3. VOLUME OF TRAFFIC: RAILWAYS, SEA-BORNE SHIPPING AND CIVIL AVIATION

Monthly averages or calendar months

	1938[k]	1948	1951	1952	1953	1953 II	1953 III	1953 IV	1954 I	1954 II	1954 Apr	1954 May	1954 Jun
RAILWAYS[a]													
Passenger-kilometres (Mn)													
Burma‡	59	40	29	34	47	56	43	52	55	65	68	70	55
China (Taiwan only)	69	166	166	146	157	151	157	166	173	173	175	173	172
Cambodia & Viet-Nam	74	8	9	10	13	12	15	14	12		13	11	
India‡	2,385	4,925	5,078	4,601	4,741	5,141	4,567	4 285	4,969				
Japan‡	2,185	6,595	6,421	6,707	6,963	7,053	6 936	6 923	6,939	7 503	7,769	8,070	6,671
Korea (South)‡		236	125	219	262	228	280	286	255	322	306	334	326
Pakistan‡		65[b]	827	790		724	735	720			801	697	
Philippinesø	40	24	32	31	32	43	29	30	32	31	40	44	40
Thailand	24	109	152	188	191	207	166	179	201	212	248	209	181
Freight ton-kilometres (Mn)													
Burma‡	95	52	17	24	36	41	38	41	47	43	48	44	36
China[b] (Taiwan only)	71	52	78	96	108	112	110	113	113	121	119	126	117
Cambodia & Viet-Nam	28	7	16	18	19	20	17	21	22		18	18	
India‡	2,968	3,040	3,820	3,879	4,102	3 781	4 232	3,973	4 422				
Japan‡	1,305	2,109	3,073	3,227	3,377	3,290	3,143	3,624	3,316	3 317	3,466	3,362	3,124
Korea (South)‡		87	229	256	229	272	250	220	172	181	191	190	163
Malaya	22	26	33	31	31	31	31	31	30	32	30	33	32
Pakistan‡		319	418	447		514	422	531			458	414	
Philippinesø	14	10	12	11	12	11	11	10	13	12	12	13	11
Thailand	38	25	45	46	54	53	53	52	55	64	66	66	62
INTERNATIONAL SEA-BORNE SHIPPING													
Freight Loaded (L) and Unloaded (U) in External Trade (1,000 tons)													
Ceylon[c] L	54	63	60	67	73	65	71	76	10	85	68	72	119
U	109	141	178	174	182	137	163	142	218	175	128	205	192
China (Taiwan only) L		13	48	78	121	134	106	118	91	149	96	129	221
U		22	79	117	109	121	107	115	91	161	129	164	189
Hong Kong L		104	162	128	126	130	110	127	126	119	107	126	125
U		236	317	284	289	261	276	278	261	332	308	346	343
Indonesia[d] L	916	432	749	821	1,016	1,076	1,098	1,117	951	959	812	1,126	939
U	167	160	212	367	347	371	420	354	315	390	303	270	296
Japan[e] L	1,092	165	303	414	420	468	430	414	387	467	515	469	416
U	2 771	563	1 728	1,978	2 607	2 587	2,579	2 956	2,957	2 967	3,241	3,040	2,621
Malaya[f] (Singapore) L		121	217	198	419	408	432	410	406	440	448	417	456
U		163	410	401	675	656	745	744	717	735	657	719	829
Pakistan‡[g] L			152	137	140	137	133	156	135	124	145	121	105
U			292	335	287	243	303	346	256	230	198	272	220
Philippines L	257	50[m]	260	368	350	397	354	291	402	413	440	405	394
U	194	193[m]	220	215	253	377	274	258	227	178	207	215	112
Viet-Nam (Saigon) L			39	23	17	10	22	33	52	83	92	74	84
U			74	100	106	125	89	103	130	176	169	150	210
Thailand L			165	149	143	152	139	151	117	126	149	114	114
U			75	94	107	106	104	114	107	125	119	136	121
Entrances (E) and Clearances (C) of Vessels with Cargo in External Trade 1,000 net registered tons)													
Burma[h] E	311	118	106	98	104	88	123	117	146	133	136	136	126
C	361	157	138	132	146	150	134	110	152	164	161	170	161
India E	760	646[n]	777	773	750	804	724	744	763	689	546	746	776
C	793	567[n]	649	739	884	901	870	924	794	771	791	778	744
CIVIL AVIATION[i]													
Passenger-kilometres (Mn)													
Burma			4.15	3 26	3 64	3 90	2 89	3 78	3 92		4 92	5.27	
Ceylon	–	0 36	2 76	2 47	2 19	3 94	0 85	0 82	0 85	0 88	1 14	0 81	0 69
China (Taiwan only)			1 61	2.49	3.52	3 49	3 80	3 72	6 43		5.52	7.62	
India	0 11[m]	23 65	34.49	32 46	32 15	30 20	28 70	35.14	34 54	35.81	36 57	37 13	33.72
Indonesia		8 49	13 30	13 28	14 03	14 57	14 43	13 57	14 27	14 43	14.90	14 30	14 10
Pakistan			5 41	5.81	3 46	3 04	2.92	3 48	3 46				
Philippines[j]	0 21	14.57	17.47	17 78	18.97	21 54	20.09	18 21[p]	15 33	10.42	10.74	10 49	10 03
Thailand	—	0 93	2.01	2 26	2 60	2 64	2 45	3 21	2 86	3 75	4 06	3 96	3.24
Freight ton-kilometres (1,000)													
Burma			132	118	148	136	123	150	182		144	162	
Ceylon	—	2	196	159	89	163	19	17	14	12	17	12	8
China (Taiwan only)			217	260	340	321	570	208	277		352	329	
India	34[m]	475	2,204	2,180	2,203	2,078	2,060	2,287	2,190	2,099	2,047	2,200	2,050
Indonesia		389	595	595	620	617	621	640	617	615	585	665	586
Pakistan		.	98	167	152	142	173	139	142				
Philippines[j]		540	793	809	778	683	734	850[p]	531		257	244	
Thailand	1[m]	17	59	85	140	131	128	162	162	153	157	127	175

a Railway traffic coverage. *India* and *Pakistan*, class I railways, *Indonesia*, postwar data relate to Federal area only, *Japan*, State Railways only, *Philippines*, Manila Railroad Company

b Including service traffic.

c 1937-53, port of Colombo only

d Postwar data relate to Federal area only

e Cargo carried by steel vessels only, excluding military goods.

f Including coastwise traffic of Malaya

g Including coastal and transit cargo at Karachi

h Total number of entrances and clearances made during each voyage but excluding sailing vessels Annual figures relate to 12 months ending September of postwar year stated.

i Scheduled domestic and international routes

j From 1954, figures relate to the Orient flights only

k Pre-war data relate to 1936 for Japan, 1939 for Malaya, and April 1938 to March 1939 for Burma and Thailand; pre-war figures for India include former British Provinces and Indian States for both railway traffic and sea-borne shipping

m Including non-revenue traffic

n Manila only

4. VALUE OF IMPORTS AND EXPORTS AND BALANCE OF TRADE

Monthly averages or calendar months

Millions

	1938	1948	1951	1952	1953	1953 II	1953 III	1953 IV	1954 I	1954 II	1954 Apr	1954 May	1954 Jun
BURMA (K.)													
Imports	18‡	49†	54	76	70	65	80	76	70	80	72	78	91
Exports	41‡	63†	82	105	84	129	99	59	101	113	129	115	95
Balance	+ 23	+ 14	+ 28	+ 29	+ 14	+ 64	+ 19	− 17	+ 31	+ 33	+ 57	+ 37	+ 4
CAMBODIA–LAOS–VIETNAM (Pr.)													
Imports	16	197	523	770	929	885	1,118	999	948	986	955	1,065	938
Exports	24	98	232	201	231	175	267	313	270	251	208	290	254
Balance	8	− 99	−291	−569	−698	−710	−851	−686	−678	−735	−747	−775	−684
CEYLON (Rs.)													
Imports	20	83	130	142	134	147	131	137	112	122	117	101	148
Exports	24	84	159	125	131	126	128	135	143	139	122	147	147
Balance	+ 4	+ 1	+ 29	− 17	− 3	− 21	− 3	− 2	+ 31	+ 17	+ 5	+ 46	− 1
CHINA (Taiwan only, NT$)													
Imports[a]			99	147	138	123	143	162	153	129	145	108	133
Exports			90	122	165	114	224	191	91	206	149	261	209
Balance			− 9	− 25	+ 27	− 9	+ 81	+ 29	− 62	+ 77	+ 4	+153	+ 76
(in dollars)													
Imports			7 1	9 4	8.8	7 8	9 1	10 4	9 8	8 2	9 3	6 9	8 5
Exports			8.2	9 7	10 6	7 3	14 4	12 3	5 8	13 3	9 6	16 8	13 4
Balance			+ 1.1	+ 0 3	+ 1 8	− 0 5	+ 5 3	+ 1 9	− 4.0	+ 5 1	+ 0 3	+ 9.9	+ 4 9
HONG KONG (HK$)													
Imports	52	173	408	316	323	346	292	291	261	284	276	275	302
Exports	51	134	372	243	228	259	189	207	194	194	186	202	194
Balance	− 1	− 39	− 36	− 73	− 95	− 87	−103	− 84	− 67	− 90	− 90	− 73	−108
INDIA[b] (Rs.)													
Imports	131	485	712	669	481	565	502	413	435	483	478	517	454
Exports	141	381	653	516	443	400	435	496	440	377	315	387	429
Balance	+ 10	−104	− 59	−153	− 38	− 165	− 67	+ 83	+ 5	−106	−163	−130	− 25
INDONESIA[c] (Rp.)													
Imports	41	94	266	878	715	742	811	691	676	632	655	568	674
Exports	57	87	398	871	779	741	839	804	721	726	707	794	677
Balance	+ 16	− 7	+132	− 7	+ 64	− 1	+ 28	+113	+ 45	+ 94	+ 52	+226	+ 3
JAPAN[d] ($)													
Imports	87	57	170	169	201	205	197	219	241	230	253	239	196
Exports	84	22	113	106	106	107	105	118	114	126	127	126	123
Balance	− 3	− 35	− 57	− 63	− 95	− 98	− 92	−101	−127	−104	−126	−113	− 73
KOREA (South, H.)													
Imports[e]		7	102	587	1,859	2,483	2,102	1,865	2,639	1,994	1,698	2,004	2,279
Exports[f]		6	41	167	327	342	396	356	653	676	716	884	428
Balance		− 1	− 61	−420	−1,532	−2,141	−1,706	−1,509	−1,986	−1,318	−982	−1,120	−1,851
MALAYA (M$)													
Imports	46	149	396	323	270	268	272	262	245	254	252	265	244
Exports	50	147	506	326	252	256	241	232	234	250	240	266	243
Balance	+ 4	− 2	+110	+ 3	− 18	− 12	− 31	− 30	− 11	− 4	− 12	+ 1	− 1
NORTH BORNEO (M$)													
Imports	0.5	2 1	5.9	5.9	5.5	6 3	5 4	4 9	6 3	5.9	5 9	5 8	5 8
Exports	0 8	2.5	9 6	5.4	4.7	4 4	4 6	5 3	5 8	6 1	6 3	6 4	5 8
Balance	+ 0.3	+ 0.4	+ 3 7	− 0.5	− 0.8	− 1 9	− 0 8	+ 0 4	− 0 5	+ 0 2	+ 0 4	+ 0 6	-
PAKISTAN[g] (Rs.)													
Imports		71	146	168	97	68	100	110	94	70	58	79	72
Exports		77	210	147	121	104	110	105	116	99	121	97	79
Balance		+ 6	+ 64	− 21	+ 24	+ 36	+ 10	− 5	+ 22	+ 29	+ 63	+ 18	+ 7
PHILIPPINES (P.)													
Imports[h]	22 1	97 6	80 2	70 1	71 3[r]	78 7[r]	64 4[r]	71 0[r]	74 9	84 0	80 3	84 7	87 0
Exports	19 4	53.0	68 3	58.7	65 4[r]	66.5	70 4	62 1	71 8	68.0	80 8	58 7	64.7
Balance	− 2 7	−44 6	−11 9	−11 4	− 5.9	−12.2	+ 6 0	- 8 9	− 3.1	−16 0	+ 0 5	- 26.0	−22 3
THAILAND (Baht)													
Imports	11‡	146	309	473	552	505	499	605	557	600	586	597	618
Exports	17‡	174	373	487	488	491	486	500	451	440	474	408	439
Balance	+ 6	+ 28	+ 64	+ 14	− 64	− 14	− 13	−105	−106	− 160	−112	-189	−179
(in dollars)													
Imports	4 8‡	12 0	22.7	25 5	30.2	28.3	27 5	29 5	26 6	27.8	27.4	27 0	29 2
Exports	7 5‡	18.6	30.6	25.8	26.9	28 0	27 0	24 4	21 9	20 7	22 4	18.6	21 0
Balance	+ 2.7	+ 6 6	+ 7 9	+ 0 3	− 3.3	− 0 3	- 0 5	− 5.1	− 4 7	− 7 1	− 5 0	− 8 4	− 8 2

GENERAL NOTE Trade Statistics of Cambodia-Laos-VietNam, China, Indonesia and Korea (South) are based on "Special" trade system while all other countries compile their statistics on basis of "General" trade system. Multiple rates of exchange apply in China and Thailand, figures in national currencies are based on exchange rates appropriate for individual transaction.

a Excluding FOA/MSA/ECA imports.

b For 1938 former British Provinces and Indian States. For 1948, figures on sea-borne and air-borne relate to Apr-Dec only, overland, twelve months commencing Apr 1948. From Feb 1953 onwards, imports include value of special imports of grain, pulse and flour.

c From 13 Feb 1950 to 31 Dec 1951, excluding value of exchange certificates. For 1 Jan—8 Feb 1952, import and export values are based on 3 times of official exchange rate and from 4 Feb 1952 onwards they are based on official exchange rate of the Bank of Indonesia.

d Figures under column for 1938 relate to 1936. they have been adjusted to include trade with Korea and Taiwan. Postwar imports include aid imports.

e Excluding Government imports, military supplies and various aid goods. Up to Mar 1951, valued c i f., from Apr 1951 valuation based on local market prices excluding distributive margins and net of import duties and excise.

f Up to Mar 1951, valued f.o.b., from Apr 1951 valuation based on domestic market prices.

g For 1948, figures exclude overland trade.

h Imports valued f.o.b.

5. DIRECTION OF

Quarterly averages

TRADE WITH	Year and Quarter	BURMA		CAMBODIA-LAOS-VIET-NAM		CEYLON		CHINA (Taiwan only)		HONG KONG		INDIA[a]	
		Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
All countries	1948	57 2	45.0	23.0	47.0	76 4	75.1			99.7	130.8	342.8	507 4
	1950	39.4	28.6	19.8	52 6	82 0	61.4	18 1	22.9	162 6	165 7	293 0	284.2
	1951	51.6	34 4	33 7	76.2	100 0	82.0	24.6	21.4	193.9	213 1	411.4	453.6
	1952	66.0	48.0	29.2	112 1	78.8	89 6	29.1	28.2	127 4	165.7	324.9	419.2
	1953	52 7	44.2	23 8	98 6	78 0	84.4	31.9	26.4	120 8	170 6	277.3	297.3
	1952 IV	73.4	55.7	23.8	102.6	83 1	89 9	23 2	30 3	145 0	176 1	283 1	293.2
	1953 I	32.2	36.9	24 3	104 1	79.4	77.4	25.5	23 7	135.9	190.6	272.3	273.8
	II	92 7	42.6	21.3	108.7	75 8	92.5	22.0	23 5	135 9	181.7	249.8	343.9
	III	62 3	50.7	22.9	85 9	76.5	81.5	43.3	27.4	99 1	153 6	275.9	311.1
	IV	23 7	46.8	26.8	85.6	80.2	86.2	36 8	31.1	112.5	156 4	311.3	260.3
	1954 I	*63.6*	*44.4*	23 1	81.2	83.2	70.5	17 5	29 3	115.5	152 0	265 1	270.6
	II	*71 1*	*50.6*	*18.1*	*79 1*	82 6	76 6	39 8	24 7	119 2	167.5	238.4	305.0
ECAFE Region (including Japan)	1948	50 0	14 4	7.8	5.5	4.6	26.3			60 7	53.8	95.2	121.5
	1950	33.2	17.5	4.6	4.2	4.5	28.8	11.6	12.9	116 9	88 0	68.3	47.7
	1951	42 4	20.0	4.9	5 2	7 6	31.2	19 9	14.4	149 2	103.6	78.7	110.6
	1952	51.6	28.7	11.2	8.7	11.9	32 6	24.6	17.5	100 2	90.2	82.6	67.6
	1953	41 1	22 9	11 1	8.4	15.6	34.4	20 7	15.2	90.0	93.4	52.9	40 3
	1952 IV	55 5	37 1	16.9	10.2	33.1	38 4	19 5	19.2	115.2	94 3	63.8	53.3
	1953 I	19 0	19.5	12 7	8 1	2.2	30 9	19 4	13 0	103 8	99.5	54.6	28.9
	II	76 9	22.0	11.4	7.5	26.4	35.3	13.6	12 7	105 8	101.4	56.3	55.6
	III	46.9	27 3	9.8	8 4	16 1	34 2	19.0	15 9	73 2	89.6	51 0	45.3
	IV	21 6	22.7	10.6	9.4	17.5	37.1	30 9	19 4	77 4	83.1	49 6	30.4
	1954 I	*53.1*	*20 9*	8 7	7.2	16 9	28.3	12 8	19 7	69.6	62.0	51 7	36 1
	II	*58.7*	*25.1*	*8 0*	*8 3*	8.1	33 9	33.3	15 0	72.2	74.6	41 0	45 7
Japan	1948	0.1	0 3	0.6	0.2	0.1	1.0			3 1	5.0	3.4	4 8
	1950	5.1	3.0	0.2	0.6	—	1.6	6.6	7.2	5.3	10.0	3.9	3.9
	1951	7.2	5.9	0 6	2 4	0 4	4 2	12.3	10 6	8 4	17.2	9.6	11.6
	1952	8.2	7.2	0.9	2.7	0.5	5.8	15.9	12.6	5.4	21.1	13.4	10.2
	1953	7.3	7.3	3.6	2.1	0.5	3.6	14.5	11.7	9.7	16.8	14.1	8.5
	1952 IV	15.3	10 8	1.0	3.5	0 5	6.7	16.1	14.7	6.1	20.6	13.0	7.7
	1953 I	3 1	6.4	0.5	2.3	0.4	3.4	13 2	9.9	10.2	13.9	17.6	5.5
	II	9.5	6.0	1.1	1.4	0.3	4.0	5.0	9.9	13 7	18.0	18.5	8.9
	III	12.6	7.0	5 1	2.2	0.6	4.4	14 8	13.3	7 2	19.4	8.0	5.6
	IV	4.0	9 9	7.5	2 6	0.6	2 8	25.1	13.9	7.6	15.9	12.3	6.1
	1954 I	*25.3*	*9.1*	6.2	2.3	0 5	2.7	6 6	15.3	5.3	13.3	10.6	6.8
	II	*28 6*	*11.2*	*1.0*	*2.2*	0.2	3 1	21 1	12 4	4.2	19.6	6.2	5 7
Western Europe	1948	5.8	23 9	10 2	32 9	30.7	16.4			8 5	32.5	106.8	159 5
	1950	2.5	8.0	9.4	42.4	32.1	15.6	1.6	1 5	14.9	32.4	95.4	90.2
	1951	5 4	11.6	17.0	61.8	50 4	25 5	0.7	1 6	16.6	70.0	147 8	129 9
	1952	8 4	14.6	9 5	92.4	32 4	27.2	1.3	2.6	9.8	50.6	98.9	126.2
	1953	6 4	16 9	5 2	77 2	28 9	25.9	3.8	3.1	10.5	50.9	102.2	126.4
	1952 IV	9.9	15 1	11.6	98 0	32.1	29.4	0 4	2.3	12 4	57.9	102.8	117.6
	1953 I	6.9	13.2	7 7	83.3	28 7	22 1	0.2	3 5	14 0	66.0	98.0	114.2
	II	6 3	17.4	3.9	85.3	31 1	28.0	3.9	2.2	11.0	53.4	75.1	127.6
	III	9.0	19 8	4.3	76 0	24 7	25.8	10 3	2 9	7.7	40.4	103.1	131.3
	IV	3 4	17.1	4.8	64 0	30.0	27 6	0.8	3.9	9.2	43.8	132.5	132.5
	1954 I	*7.6*	*20.0*	3.1	59 5	25.9	24.6	0 4	2.6	11.3	43.4	99 6	132.1
	II	*3.7*	*18.1*	*3 3*	*61.4*	37.0	21 3	1 1	3 3	9 4	40.4	98.8	131 9
United Kingdom	1948	5.1	21 1	—	1.2	22 9	13 2			4.7	19 0	74.2	115.6
	1950	1.4	6 7	0.2	0.4	19.3	12.2	0.2	0.8	7.4	17.7	64.4	81.7
	1951	3 3	8 4	1.3	0 5	30.8	18.1	0.5	0.8	9.4	27 1	103.9	75.0
	1952	6.2	10.8	0.2	0.6	21.9	20.2	1.1	0.9	3.6	20.6	66 4	78.4
	1953	4 5	11.8	—	—	20.2	18.8	2 1	1.2	5.2	20.8	78.0	73.8
	1952 IV	9.0	10.6	1.0	2.5	19.8	18.0	0.1	0.8	3.2	21 8	71.2	65.6
	1953 I	5.7	10.1	—	—	20.2	16.6	0.1	0.8	5.1	23.7	72.1	73.1
	II	3.5	11.2	—	—	23.1	22.2	2.2	1.0	5.8	22.2	55 1	71.3
	III	6.3	13.8	—	—	17.0	18.0	6.1	1.4	4.7	18.2	80.9	76.0
	IV	2 5	11.9	—	—	20 4	18 6	0.2	1.6	5.2	18.9	104 1	74.6
	1954 I	*5 1*	*13.2*	—	—	18.6	15.3	0.2	1.2	7.8	17.2	72 6	77.6
	II	*2.6*	*12.0*	—	—	32 2	15.2	0.8	1.3	6 0	16.4	62.8	78 0
Eastern Europe	1948	—	0.1	—	0.1	0.5	0.2			0.9	0.1	6.4	5.3
	1950	—	0 1	—	0.2	0.1	0.4	—	—	—	0.9	1.5	3.0
	1951	—	0.1	—	—	0.4	0.9	—	—	—	1.5	5.0	3.9
	1952	0.1	0.1	0.1	0.2	0.8	0.6	—	—	—	0.3	1.9	2.7
	1953	—	0.2	—	—	—	—	—	—	—	1.0	1.7	2.0
	1952 IV	—	0.1	0.4	1.0	3.0	2.5	—	—	—	0.6	0.7	1.9
	1953 I	—	0.1	—	—	—	—	—	—	—	1.3	1.3	2.2
	II	—	0.2	—	—	—	—	—	—	—	0.6	2.1	1.9
	III	—	0.2	—	—	—	—	—	—	—	1.1	1.5	2.1
	IV	—	0.2	—	—	—	—	—	—	—	0.8	2.0	1.9
	1954 I	—	*0.4*	—	—	—	—	—	—	—	1.0	4.1	2.4
	II	*0.6*	*1.0*	—	—	—	—	—	—	—	1.0	3.1	2.2

INTERNATIONAL TRADE

EXTERNAL TRADE

or quarters

Million dollars

INDONESIA		JAPAN		MALAYA		PAKISTAN[a]		PHILIPPINES		Year and Quarter		TRADE WITH
Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports[b]			
98.7	116.2	64.6	170.6	203.2	210.4	79.0	89.4	79.4	146.5		1948	All countries
180.4	100.4	205 0	242.5	328.0	238.1	100.4	87.8	84.3	85.6		1950	
307.7	201.5	338.6	498 8	496.3	388.4	190.9	133.7	102.4	120.1		1951	
227.8	231.0	318.2	507.0	320 0	316.3	133.1	152.4	88.0	105.2		1952	
204.9	188.2	318.7	602 4	246 6	263 6	109.7	87.5	97.6	103.9		1953	
239.4	258.6	300.7	537.7	297.6	308.9	135 7	105.3	86.0	90.4	IV	1952	
188.3	161.8	275.5	547.5	263.9	269.5	150 4	98.1	93.8	101.5	I	1953	
195.2	196.0	328.6	613.9	257.3	262.4	94 3	61.6	99.8	115.2	II		
221.1	213.4	316 3	590 4	236.4	266 4	99.5	91.1	99.7	89.7	III		
215.0	181.7	354.4	657 8	229.0	256.0	94 6	99.3	97.2	109.1	IV		
189.8	177 9	343 0	723 1	229.1	239 9	104.7	84.2	107.6	112.4	I	1954	
191.0	166.2	*376 7*	*688.8*	244.8	248.7	*89.8*	*63 2*	102 1	125 9	II		
25 0	33.7	26.4	23.0	49 8	96.9	24.0	44.6	7.2	14.9		1948	ECAFE Region (including Japan)
73.4	39 0	88.9	73.2	83 9	153.7	25.4	33 7	7 3	9.6		1950	
121.4	83.6	156.2	122.2	118.0	242.0	85.0	49.5	9.0	19.3		1951	
75.1	91.6	143.1	129.2	91.3	181.6	61.0	57.7	10.8	14 7		1952	
70.2	77 3	139 1	160 3	77.2	153.0	36 9	11.9	13.4	11.7		1953	
87.3	109.8	129.9	138.5	88.3	181.0	50 6	25.4	8.8	12.3	IV	1952	
56.4	62.1	107.3	148 5	78.8	152.6	41.6	15.2	9.6	11.4	I	1953	
66 7	92.1	141 8	172.8	87.3	148.5	38.2	7.8	13.8	12.6	II		
79 7	85.5	142.2	160.6	72.6	158.9	39 1	10 6	15.6	9 2	III		
78 2	69 5	165.0	159.3	71.9	152 0	28 8	14.0	14.6	13 7	IV		
78.7	86.3	154.4	150.7	65.8	136.2	32.1	11.1	13.7	16.7	I	1954	
75.4	75 5	*168.1*	*156 5*	73 5	137 9	*33.8*	*14 7*	13 5	15 3	II		
2.4	18.0	—	—	2.3	1.6	0.9	0 7	3.9	0.5		1948	Japan
2.5	10.5	—	—	9.4	7.6	11.0	13 1	5.5	3.6		1950	
10.0	37.7	—	—	12.8	19.9	19.2	19.5	7.5	8.2		1951	
6.1	31.7	—	—	12.6	20 4	22.0	27.9	9.8	4.6		1952	
9.3	31.7	—	—	12.8	10.5	21.4	4.5	12.0	5.1		1953	
9.9	35.2	—	—	12 0	13 0	25.3	11.4	8.0	3.9	IV	1952	
10.6	16.3	—	—	13.0	8.7	30.9	7.6	8.8	5.5	I	1953	
9.0	29.4	—	—	11.0	12.1	21.1	2.3	12.4	5.6	II		
8.6	45.7	—	—	12 9	10.5	20 5	2.8	14.0	2 7	III		
8.9	35.5	—	—	14.3	10.7	13 1	5 3	13.0	6.6	IV		
8.2	41 7	—	—	14 8	7.9	7 9	3.5	12.8	7.0	I	1954	
8.0	45.9	—	—	11.2	10.6	*12.2*	*7.7*	11.1	6.8	II		
43.6	41.7	6 8	4.8	58.6	49.6	33.4	26.6	13.2	4.8		1948	Western Europe
60.6	36.0	23.8	9.2	103.2	56.7	50.3	34.8	11.0	4 9		1950	
110.0	66.8	35.4	40.1	185.6	100.1	77.3	47.4	22.1	7 0		1951	
72.2	80.8	44.1	34.4	120.7	90.7	49 2	52.5	13.1	5.9		1952	
71.4	64.0	28.9	50.8	81.7	72.9	53 6	25.4	13.8	5.8		1953	
71.2	97.5	31.2	36.6	108.2	85.9	58.5	32 7	15 8	4.6	IV	1952	
67.9	58.2	39.5	30.3	94.2	78.1	73 7	32 9	11.3	5.4	I	1953	
59.1	57.8	25.0	56.1	78.3	78 8	41.2	13.5	8.3	5.5	II		
75.8	75.9	30.1	59.3	78.3	66.9	49.1	23.9	16 7	4 0	III		
82 7	64.0	21.1	57 7	75.9	67.7	50.2	31.4	18.9	8.3	IV		
65 6	51 6	20.6	61.6	81.6	70.0	50.4	38 6	21 8	9.4	I	1954	
62.6	53.2	*29.7*	*67.3*	75.9	75.5	*36.6*	*35 4*	15 7	12.0	II		
2.0	10.8	4.2	1.3	28.2	40.5	13.4	20.4	0 8	1.3		1948	United Kingdom
6.5	7.4	6.5	1.6	44.6	41.3	17 2	23 1	1.3	1.3		1950	
19.5	13.0	13.5	8.0	99.3	64.4	23.9	27.6	3.2	1.6		1951	
6.1	16.5	18.3	9.2	66.6	66.9	17.0	30.9	1.4	1 2		1952	
4.2	13.2	8.3	12.2	39.6	53.5	21 1	14.4	1.3	1 1		1953	
4.2	22.0	8.0	10.0	54.0	63.4	14.9	19.7	1.2	0.8	IV	1952	
3.6	13.2	14.3	8.5	51.0	59.4	29.4	21.0	1.8	0.9	I	1953	
4.5	11.3	6.9	11.0	41.3	57.9	16.9	7.1	1.1	1 2	II		
4 5	16.1	9.5	14.1	36.7	48.2	16 4	12.2	1.2	0.9	III		
4.3	12.4	2.4	15.4	29.3	48.5	21 6	17.1	1.0	1.5	IV		
3.1	9.1	5.3	12.5	32.1	47.6	17.4	20.6	1 6	1.9	I	1954	
5.5	9.0	*8.9*	*9 0*	30 8	51.3	*12.5*	*20.7*	0.9	2.7	II		
0.4	1.1	1.1	0.6	14.5	1.6	6.2	1.1	2.0	0 1		1948	Eastern Europe
0.2	0.7	0.4	0.9	14.0	1.0	7.3	2.0	0 1	0 1		1950	
0.6	1.5	0.5	0.5	17.2	1.5	8.1	2.2	—	—		1951	
2.4	1.6	0.6	0.7	8.3	0.9	9.0	1.8	—	0.1		1952	
1.1	1.4	1.0	1.4	4.2	1.6	3.2	0.4	—	—		1953	
7.1	1.2	0.5	0.6	4.5	1.1	12.8	1.2	—	0.1	IV	1952	
1.1	1.1	0.7	1.2	4.7	2.1	8.4	0.7	—	—	I	1953	
1.0	1.4	0.5	0.4	5.4	1.3	1.3	0.3	—	0.1	II		
1.4	1.9	1.5	2.2	4.2	1.6	1.6	0.1	—	—	III		
0.9	1.3	1.4	2.0	2.7	1.3	1.5	0.4	—	0.1	IV		
0.3	1.7	0.7	2.1	4.3	1.4	2.9	1.2	—	—	I	1954	
1.0	2.1	*0.4*	*0.7*	2.9	0.9	*4.4*	*0.3*	—	—	II		

EXTERNAL TRADE

DIRECTION OF

Quarterly averages

TRADE WITH	Year and Quarter	BURMA		CAMBODIA-LAOS-VIET-NAM		CEYLON		CHINA (Taiwan only)		HONG KONG		INDIA[a]	
		Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
North America	1948	0 6	1.7	0 5	6 0	16 0	6.4	.		10.0	26.7	60.9	89 4
	1950	0 9	0 8	3.7	3.0	23 2	2 9	0 9	4.9	14.0	30.8	61.8	58.6
	1951	0.2	0 9	3 6	4 1	14.8	5.3	1 2	3 8	7.8	20 2	85.9	118.1
	1952	0.6	2 6	3 1	5 7	12.2	9.9	0.9	6 8	5.8	13.1	70.9	159 5
	1953	1 1	1 8	4 0	4 4	10 6	3.6	1.4	4.9	4.3	12 5	57.9	56.9
	1952 IV	0 5	1.7	4 2	4 5	11 5	11 1	1 0	7.2	3 5	12 0	58.6	54 8
	1953 I	1 3	1 6	2.7	4 5	14 5	3.4	1.7	5.8	4 6	11.5	63 8	64.2
	II	1 3	2 0	1 7	5 3	8 9	6.3	1 4	4.8	4 0	14.1	54.2	67.7
	III	1 7	2 0	4 9	3.7	9 5	2 4	1 3	4 4	3 9	12 4	56 2	53.6
	IV	0 2	1 6	6 8	4 0	9.5	2 3	1 0	4 6	4 8	11.9	57.3	42.2
	1954 I	*0 9*	*1.6*	4.6	5 1	12 9	2.5	1.1	4 9	4 2	13.5	49 6	33 6
	II	*0 3*	*1 8*	*4 0*	*7 0*	10 2	2 4	1 0	3 7	4 7	16 4	48 5	48 6
United States of America	1948	0 6	1.6	0.5	6.0	12.6	5 7			9 6	24 4	54.3	82.2
	1950	0 1	0 8	3.7	3 0	17.6	1.8	0 9	4 3	13 5	28 6	54 8	52.9
	1951	0 2	0 8	3.6	4 1	10 5	4.3	1.2	3 4	7 1	16 3	75.1	105 9
	1952	0 6	2 5	3 1	5 6	8 3	7.8	0 9	6 3	5 0	9 6	63.3	143 8
	1953	1 1	1 8	4 0	4 4	6.2	2 7	1.3	4 5	3 3	9 9	50.5	47 0
	1952 IV	0 5	1 7	4.2	4 3	7 4	9 4	1.0	6 5	2 6	8 8	53.6	49 6
	1953 I	1 3	1 6	2 7	4 5	8 7	3 1	1 7	4 9	3 4	8 6	55 4	52 4
	II	1 3	2 0	1 7	5.3	5 7	3 9	1 3	4.5	3.0	11.3	48.0	61.8
	III	1 7	2 0	4 9	3 7	5 9	1 9	1 3	4 2	3 1	10 8	47 7	40 0
	IV	0 2	1 5	6 8	4 0	4 5	2 0	1 0	4 3	3 8	9 0	51.0	33 8
	1954 I	*1 6*	*0 8*	4 6	5 1	9 1	2 0	1 1	4 4	3 4	10 9	43 0	30 8
	II	*0 3*	*1 7*	*4 0*	*7 0*	6 2	1 8	1 0	3 3	3 8	14 3	40 9	47 1
Latin American Republics	1948	0 2	—	—	0 2	1 0	1 1			0 1	—	24 0	12 6
	1950	—	—	—	0.3	1 1	0 6	0 4	—	-	—	12 4	1 8
	1951	—	—	—	—	1 1	—	0 4	—	—	-	24.5	2.8
	1952	—	—	0.2	0 8	0 7	0 1	—	—	—	--	14 2	0 7
	1953	—	—	—	—	0 2	-	0 4	—	—	0 1	16 1	0 4
	1952 IV	—	—	1.0	3 1	1.6	0.2	—	—	—	—	18.9	0 6
	1953 I	—	—	—	—	0 1	—	—	—	—	—	9.4	1 2
	II	—	—	—	—	0 2	—	—	--	—	—	12 4	0 2
	III	—	—	—	—	0 2	—	1.6	—	--	0 5	22.0	0 2
	IV	—	—	—	—	0 3	—	0 1	--	—	—	20.7	—
	1954 I	—	—	—	—	0 1	—	—	—	—	—	5 2	2 0
	II	--	-	-	—	0 5	--	0 1	0 1	—	—	5 0	0 7
Oceania	1948	—	1 4	0 5	0 6	8 3	10 8			1.7	4 2	18 0	20 9
	1950	0 1	0 6	0 1	0 1	8 0	4 2	—	1 2	1 9	3.5	16 9	23 7
	1951	—	0.8	—	—	9 0	6 5	0.2	0 5	3 5	4 0	28 8	10 6
	1952	—	0.9	0 2	0 1	5 8	6.5	0 1	0 3	0 9	2 4	14 4	8 7
	1953	—	1 1	—	—	8 6	9 2	—	1.2	2 1	2.5	10.2	14.6
	1952 IV	—	0 7	0 9	0 2	5 1	5 3	-	0 6	0 8	2 9	5.5	5.6
	1953 I	--	1 3	—	—	6 9	8 2	--	1 6	1 5	2.6	8 6	6.3
	II	—	0 6	--	—	9 9	11 8	0 1	0 8	2 1	2 2	12 6	24 0
	III	—	0 9	—	--	9 6	9.2	—	1.3	2 3	2 1	9 1	21 3
	IV	—	1 7	—	--	8 1	7.5	--	1.0	2 6	3.2	10 3	6.7
	1954 I	—	*0 7*	—	-	9 8	6 7	0 1	0 5	2 2	3 0	12 6	5.8
	II	-	*0 7*	—	—	10 4	5 8	0 2	0 5	2 9	2 8	15 0	7.3
Sterling Area	1948	49 5	36 5	5 8	2.8	41 0	53 8			26 2	36 3	191 6	264.2
	1950	24 0	21.0	4 1	1.3	36 9	43 6	4 7	7.2	44 3	49 7	164 6	141.6
	1951	32 9	22 4	8 8	1 4	51 2	57.3	7 8	4 9	61 0	67.9	218 0	190 1
	1952	43.0	32 2	8 5	1 7	38 1	57 0	7 1	5 9	32 0	44.8	168 4	154 1
	1953	32 5	28 2	5 6	0 8	36 1	53.2	7 9	5 1	32.2	45 4	146 0	144 5
	1952 IV	42 9	35 5	12 4	4 3	39 7	51 9	1 5	5.9	27 8	47 4	142 3	135 4
	1953 I	21.4	24 4	7 3	0 4	33 6	49 1	6 1	4 3	33 1	49 6	134 2	125 7
	II	53 5	27.8	7 8	1 3	38.7	59 3	10 4	4 2	31 5	47 4	122 7	168 4
	III	38 2	33 5	4 2	0 8	36 0	50 5	10 3	4 6	30 8	39 8	150 1	159 1
	IV	17 0	27 3	3 0	0 9	36 0	53 9	4 6	7 4	33 3	44 7	177 2	124.8
	1954 I	*16 3*	*25 1*	2 5	0 9	37 1	41.6	3 5	5 2	34 8	37 5	147 9	129 4
	II	*33 5*	*25 5*	*3 0*	*0 7*	51 6	45 6	12 0	4 0	34 2	38 4	128 4	155 9
ECAFE Sterling Countries	1948	43 9	13.8	5 8	1 0	4.4	24 2			17.0	10.5	81.6	110.2
	1950	22 3	13 6	3 9	0 7	4.3	23 5	4 4	5.3	32.5	25.9	58.6	38 3
	1951	28 5	13 0	3.6	0.7	5 0	25 2	7.1	3.6	44.5	32.3	57 4	83.0
	1952	33.8	20 2	6 6	1 0	4 8	22.9	6.0	4 6	24.8	18 0	61 0	43.4
	1953	26 0	14 9	5 6	0 8	2 4	19.2	5 5	3 3	20 1	18.5	32 0	32.4
	1952 IV	28.7	24 2	4 9	1.3	6 0	21 6	1.5	4 4	20.9	18.9	43 7	33 9
	1953 I	15.4	12 7	6 6	0.2	1 8	17 0	6.0	2 9	23.2	20 0	30.7	23.4
	II	46.5	15.8	8 5	1.5	1 3	19 3	8.2	2.6	19 7	19.9	31.1	44.7
	III	29 0	18.8	4 2	0 8	4 6	18.0	3.5	2 4	18.5	16.8	36.4	38 4
	IV	13 3	12 4	2 9	0 8	1 9	22 7	4.5	5 1	19 0	17 4	29 9	23.1
	1954 I	*10 9*	*11.1*	2 5	0 8	2 8	16.5	4.4	4.1	18 3	14.1	33 6	27 4
	II	*30.0*	*12 7*	*3 0*	*0 7*	3 6	20 7	11 1	2 3	19 6	16.4	28.9	38 4

GENERAL NOTES

1 Countries included in the total for ECAFE region are the following

i) Sterling countries—Burma, Ceylon, Hong Kong, India Malaya, British Borneo and Pakistan

ii) Non-sterling countries — Cambodia-Laos-Viet-Nam, China, Indonesia, Japan, Philippines, Thailand and Korea

2 Annual data are based on calendar years except for 1948 figures in the case of Burma India and Pakistan, which are based on the twelve months ending September 1948 in the case of Burma, and ending March 1949 in the case of India and Pakistan

3 Having regard to the considerable volume of trade of Cambodia-Laos-Viet-Nam and Indonesia with France and French Eranc Area and the Netherlands respectively, these figures are shown separately below —

or quarters

Million dollars

INDONESIA		JAPAN		MALAYA		PAKISTAN[a]		PHILIPPINES		Year and Quarter		TRADE WITH
Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports[b]			
17.8	28.4	16.9	112 4	60.0	27.4	12.4	6.6	53.8	120.2		1948	North America
29.5	21.5	50.3	114.8	94 9	8.8	11 4	8.8	62.7	66 1		1950	
51.9	41.6	52.0	217.7	113.0	20.9	8.3	8 0	65.8	88.8		1951	
58.7	41.2	63.8	237.4	60 1	18.0	5 6	10.1	60 4	80 3		1952	
42.7	34.1	65.2	242 4	45 1	12.7	7.4	4.2	66 4	83 4		1953	
55.9	39.0	78.3	242.1	57 9	14.6	7 3	6.7	59 4	71 6	IV	1952	
45.5	34.9	61.6	233 1	55.5	13 1	12 4	6.1	69.7	82 9	I	1953	
50.5	34 8	73 3	213.0	42 9	12.6	6 7	3 4	73 2	94 9	II		
42.9	34.4	66 5	216 3	44.3	12.5	3.8	4.0	62 5	72 3	III		
31.9	32.3	59.6	307.0	37 6	12.5	6.8	3.5	60.4	83 4	IV		
28.8	23.9	62 6	351 1	40.8	13 3	7.1	5 2	69.5	80 5	I	1954	
36.4	22.8	*70 3*	*310 1*	47.6	12 0	*5 7*	*4 1*	69 9	90.8	II		
17.2	26.9	16 4	110.4	53 8	24 6	12.0	6 0	52.4	117 7		1948	United States of America
29.4	20.8	45 8	106 8	85 6	7 2	11 0	8 2	61.6	63 9		1950	
51.6	40 2	47 4	171.8	97 5	17 8	7 9	7 6	64 6	85 4		1951	
58.3	39 6	58 6	192.1	53 6	14 9	5 6	9 1	59 5	76 6		1952	
42 3	33 8	58 5	189 4	39 2	11 4	7.2	4 1	65 9	80 6		1953	
55.6	38 4	72 8	166 0	51.2	12 8	7 3	6 2	58 3	68 4	IV	1952	
45.2	34.5	57 0	181 4	48 5	11 7	12 3	5 9	59 5	80 4	I	1953	
50 1	34 3	66 9	177.2	37 6	11 4	6.5	3.2	73.0	91 6	II		
42 4	34.2	59 4	175 1	37.6	11 4	3 6	4 0	61 3	70.5	III		
31.5	32 0	50 6	223 8	32 9	11 3	6 6	3 4	59 7	79 7	IV		
28 6	23 7	53 9	273 3	35 1	11 9	7 0	4 8	68 8	77 4	I	1954	
36 1	22 6	*57 0*	*262 8*	41 0	10 7	*5.5*	*3 5*	68 5	85 6	II		
0 1	0 7	0 4	20 9	0 8	1 0	1.8	0.2	1.3	3 0		1948	Latin American Republics
0 4	—	10 4	16 8	5.4	0.4	1.8	0.6	1 9	0.2		1950	
1.2	0.4	22.3	64.8	16 2	0.3	—	—	2 0	1 1		1951	
1 1	7.1	12.5	42 0	4 7	0.3	—	—	1 6	0 4		1952	
0 4	0.2	26.1	66 2	4 7	0.2	0 5	—	2 8	0.2		1953	
0 4	0 2	11.5	76 4	1 8	0 4	—	—	1 2	0.5	IV	1952	
0 1	—	14.8	49 8	5 0	0 2	0 2	—	1 9	0.3	I	1953	
0 4	0.4	21 7	64.6	4.2	0 1	0.5	—	3 3	0.2	II		
0.5	0.3	25.3	65.8	4.2	0 4	0 7	—	3 8	0 1	III		
0 5	0 1	42.6	84.5	5 5	0 2	0 7	-	2 2	0.2	IV		
0 6	—	44.8	82 9	3.2	0 1	1 7	—	1 6	0 1	I	1954	
0 7	—	*42.4*	*64 9*	7.2	0 3	*0 4*	—	2 1	1 1	II		
1.2	8 5	1 1	2 1	14 1	22 4	0 5	0 3	0 2	1.8		1948	Oceania
4 0	0 7	6 4	20 3	14 2	9 4	1 8	0 2	0 1	0 5		1950	
8 6	2 6	25.4	36 7	28 2	12 0	2 2	0 3	1 4	0 2		1951	
7 1	3 3	9 7	37 9	15 8	13 6	1 0	0 6	0 2	0 4		1952	
6 0	4 4	3 6	50 2	16 4	13 2	1.4	0 5	0 2	0 3		1953	
7 2	3 6	4 5	45 5	16 5	14 7	1 2	0 3	0 1	0.3	IV	1952	
6.4	1.6	1 6	57.3	10 8	14 5	1 2	0 1	0.1	0.2	I	1953	
5.0	3 7	2 5	66.9	21 9	12 5	1 0	0 1	0.1	0 2	II		
6.9	7 4	3 6	43 0	15 6	11 9	1 6	0.3	0 2	0 3	III		
5 8	4.8	6 6	33 7	17 2	14 0	1 8	1 5	0 3	0 5	IV		
6.9	4 8	5 1	41 4	14.4	10 5	2 5	0 1	0 3	0 7	I	1954	
8 5	3 1	*6.2*	*36.2*	18.6	12 3	*1 4*	*1.0*	0 2	0 6	II		
24 4	29.7	17 4	15 3	61 0	89 4	34 8	60 5	2 4	5 4		1948	Sterling Area
79 2	34.9	74.2	55 4	100 4	98 4	32 1	41 2	2 6	7 6		1950	
137 2	57.3	153 1	111 6	182 6	139 1	81 8	54 9	5 2	7 6		1951	
77.4	66 9	134 8	125 1	116 0	131 2	36.8	61 7	2 8	7 5		1952	
65.7	61.9	79.0	150 6	91 9	110 6	37 0	23 4	2 3	6 0		1953	
81.9	93 8	91 7	134 3	103.5	132 6	41.9	35.5	2.2	5 4	IV	1952	
50 8	50 9	73 3	166 8	95 8	119 3	41 7	30 1	2.6	5 7	I	1953	
61.7	77.0	74 1	174 3	102 3	115 2	31 9	13 9	2 1	7 0	II		
75.7	64.5	81.6	143 1	86 8	104 7	37 8	21 6	2 3	4 9	III		
74 6	55.2	87 1	118.3	82.6	103 4	36 6	27 9	2 1	6 4	IV		
72.9	60.0	85.3	121.6	78 9	91 8	36 1	30 5	2 3	10 2	I	1954	
75 5	40.6	*109 3*	*138 8*	90 4	93.6	*26 8*	*30 0*	2 0	9 7	II		
20.9	9.5	8.8	10 9	15 5	20 8	20 6	38 7	1 4	2 2		1948	ECAFE Sterling Countries
67.4	25.4	42 7	29 6	35 1	45 6	12 4	16 0	0 8	4 7		1950	
106.9	37.4	83.6	63 4	45 6	58 4	54 4	25 8	0 8	4 8		1951	
63 0	43 2	84 3	68 1	28 6	46.0	18 0	29 2	0 6	5.8		1952	
54.6	38 8	47 8	82 1	30.8	38 1	13 2	6 6	0 6	4.5		1953	
69 7	61.8	60 3	71.9	28.2	51 8	25 3	13 5	0.5	4 5	IV	1952	
40 5	33.5	42.6	91.6	28 8	39.0	9.5	7.3	0 5	4.6	I	1953	
51.2	57.2	48 0	90.0	33 7	38 7	13 1	4.7	0.5	4.9	II		
63.4	35.7	48 7	79 7	28 9	37 8	18 3	7 0	0 9	4 2	III		
63.5	29.0	51 8	67.0	31 6	36 9	11 8	7.3	0 7	4 2	IV		
62.6	38.1	50 0	63.8	27 0	27 9	12 7	7 3	0 3	6 8	I	1954	
61.2	20 1	*67 4*	*82.1*	35 4	24 8	*10.1*	*6.5*	0 8	6 0	II		

		Cambodia-Laos-Viet-Nam with France		*with French Franc Area*		*Indonesia with Netherlands*	
		Exp	Imp	Exp	Imp	Exp	Imp
1952		8 8	88.0	11 7	95 5	48 3	29.7
1953		5 2	77.2	7 0	80 7	46 1	22.1
1953	II	3 9	85 3	6 8	94 0	39.3	21.2
	III	4 3	76 0	6 3	78 9	43 6	24.7
	IV	4.8	64 0	7 2	66 7	58 8	23 2
1954	I	3 1	59.5	6 2	62 7	48.5	17.6
	II	*5.3*	*61.4*	*6.1*	*63 9*	39 8	17 7

a For 1948, year beginning 1 April

b Imports valued f o b

EXTERNAL TRADE

6. VALUE OF IMPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS

Monthly averages or calendar months

Millions

	1938[1]	1948	1951	1952	1953	1953 II	1953 III	1953 IV	1954 I	1954 II	1954 Apr	1954 May	1954 Jun
BURMA (K.)													
Cotton yarn and fabrics (incl. thread)	3 4‡	9 2†	13.3	14.1	16 9	16 0	18 6	16.9	15 9	13 7	13.5	15.3	12 4
Base metals and manufactures thereof	2.1‡	5.9†	3.1	6.0	7.3	7.4	7.7	8.4	8.0	9.6	8 8	9.4	10.7
Machinery and transport equipment	1.8‡	9.3†	3.9	6.7	8 1	6.8	9.9	7.2	9.7	10 0	10.3	10.3	9.5
CAMBODIA–LAOS–VIETNAM (Pr.)													
Live animals and food[a]	1 0	15 6	83.4	83.5	133.0	110.6	168 6	119.1‖	138.4[r]	141.9	119 9	166.2	139.5
Textiles and apparel, incl. yarn and thread	4 4	42 5	167.9	176.3	240 8	186 4	253 6	306 5	229.5[r]	189 0	201 9	208 9	156.3
Machinery and vehicles (incl. electric machinery and fittings) and base metals and manufactures thereof	3 3	56 8	128 0	171.5	237 3	198 6	308.2	227 7	240.0	274.2	269.5	292.4	260.8
CEYLON (Rs.)													
Food and drink	8 7	42.5	57.0	64.5	65.1	71.0	62.8	69.7	51.6	62 1	59.8	49.0	77.5
Raw materials and articles mainly unmanufactured	2.8	8.8	13.5	14 3	13.6	15.2	13.9	10.9	12 6	10.9	10.5	7 7	14 6
Articles wholly or mainly manufactured	7 8	29.9	58.2	61 7	53.9	59.3	53 2	54.5	46 1	47 7	45 5	42.5	55.0
Cotton yarn and manufactures	1.4	10 3	11.8	10 4	9.1	9 6	8 1	9.9	8 0	2.4	8 1	8.5	7.3
Machinery and vehicles	1.0	5.2	11.0	14.1	12 7	18.0	12.5	10.9	8 4	8.7	7.7	8 4	10.0
Base metals and manufactures thereof	0 9	2 6	6 1	6.2	5 5	6 2	5.3	5.6	4 6	4.4	3 9	3 9	5 5
Electrical goods and apparatus	0 3	0.9	2 3	1 8	2 0	2 0	2 2	2.5	1 9	1 7	1 4	1 8	1.9
CHINA[b] (Taiwan only, $)													
Beans and peas			0.6	0.7	0.3	0.3	0.3	0.2	0.2	0.2	0 2	0 1	0.2
Wheat flour			0.1	0 7	0 4	0 3	0 9	0 1	0 2	—	—	—	—
Cotton piecegoods			0 4	0 2	0 1	—	—	—	—	—	—	—	—
Chemical Fertilizers			0 4	1.1	0 4	—	0 2	0.8	1.0	0.7	0 7	—	1.3
Medicines and drugs			0.5	0 6	0 5	0.5	0 6	0 5	0.5	0 4	0 5	0 3	0.5
Iron and steel manufactures			0.8	1.0	0 7[r]	0 8[r]	0.8[r]	0.5	0 6	0.6	0 6	0.6	0.6
Machinery and vehicles			0.9[r]	1.3	1.2[r]	1 2[r]	1 2[r]	1 0	1 0	1.2	1 3	1.0	1.2
INDIA[c] (Rs.)													
Food and drink	14 9	73.7	175 8	188.1	90 7	144.3	86.0	46 6	28 9	40.1	15.9	48 6	55 6
Raw materials and articles mainly unmanufactured	30 5	88.3	186.9	186.1	132.4	159 1	149.7	110.2	144.6	202.5	219.2	221.0	159.1
Cotton, raw and waste	9.2	38.8	94.3	95.8	41 5	64.2	46.3	20 1	45 2	74 2	79.2	89.5	54.0
Mineral oils	13 6[d]	26.7	53.2	65.0	65.7	71 8	72 1	65 8	71.7	95 8	118.5	96 7	71.8
Articles wholly or mainly manufactured	78.0	224.5	270.7	247.1	227.5	228.1	225.1	233.6	232.5	223 6	227.9	227 7	223.2
Machinery and vehicles	22.1	89.4	104.1	104.5	91 9	90.8	87.4	91 1	95.9	81.9	85.5	78.4	81.8
Implements and instruments	4 9[h]	7.7	10.5	8.5	8.3	8.1	8.2	8.7	8.3	14 2	14 8	14.5	13.2
Electrical goods and apparatus	2.8	8.0	7.6	10.8	11.9	13.3	12.1	8.2	9.5	9.3	10 7	8 9	8.3
Base metals and manufactures thereof	8.9	26.4	33.2	37.4	32 3	29 7	34 6	32 0	30.5	39.0	33 5	46.2	37.5
INDONESIA (Rp.)													
Food	7.3	9.5	27.0	162.3	118.5	143.5	106.1	88.4	127.8	72.4	67.8	62.8	86.8
Textiles	10.3	23.5[p]	89.0	217.8	212.9	230 1	262 1	207.5	214 6	214.9	232 5	207.4	204.7
Base metals (incl ores) and manufactures thereof	4.9	4.2	12.1	89.9	67.9	58.6	90.9	63 7	60.7	74.7	73.8	69 6	80.7
Machinery and appliances (incl. electrical material)	5.1	6.8	8.6	36 4	50.7	44.4	60.6	49.4	74.8	86.7	90.4	76.3	93.1
Transport equipment	3 0	3 7	6.6	19 7	62.5	49 6	59.7	79.7	41.1	30.2	33.6	27.3	29.8

6. VALUE OF IMPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS (*Cont'd*)

Monthly averages or calendar months — *Millions*

	1938[i]	1948	1951[q]	1952	1953	1953			1954				
						II	III	IV	I	II	Apr	May	Jun
JAPAN ($)													
Food	19 5[m]	26.7[m]	41.5	49.6	50 4	56.0	42.7	57.6	69.2	67 8	80.5	68.0	55.0
Cereal and cereal preparations		..	31.3	36.1	36.1	39.8	28.8	44.2	57.0	54.6	69.5	53.6	40.7
Sugar and sugar preparations		.	8.0	9.8	10.5	12.5	10 5	8.7	8.9	9 7	6.8	11.4	10.8
Crude materials (inedible) other than fuels			87.2	80.6	96 2	96.7	99.9	100.3	109.2	107 6	111.2	116 4	95.3
Oil-seeds, oil nuts & oil kernels			5.1	3 2	6.7	7.5	6.0	4.7	12.5	8.1	6.2	11.1	6.9
Crude rubber, including synthetic and reclaimed			4 5	4 1	4.2	3 9	4.3	4.2	3 7	3.0	4.3	2.4	2.2
Textile fibers, raw			48.7	49 7	55 5	54.8	58.8	57.1	56 4	62.7	64.2	67.0	56.9
Metalliferous ores and metal scrap	.		10.7	12 1	14 4	15.3	14.1	16.5	18 0	17.1	18.2	18.5	14.7
Mineral fuels, lubricants and related materials		.	16 4	19.5	24.1	22.8	22.7	25 4	24.3	22.0	24.8	23.4	17.7
Chemicals	4 2	3.9	3.8	3.7	5.8	6.2	6 2	5.8	6 6	6.5	8.2	6.4	5.1
Machinery and transport equipment	3.5	0.1	7.0	7.6	13.4	12.1	14.0	18.6	17.8	15.5	16.1	15.2	15.2
Other manufactured goods	..		7.0	4.9	7.5	7.3	8 4	8.6	9.0	*8.3*	9.5	7.6	*7.7*
MALAYA (M$)													
Food	11 9	48.2	82.0	84 2	79.4	71.2	91.3	77.9	63.3	59.8	63.2	64.8	51.8
Cotton yarn and manufactures	2.2	17.9	30.0	18.2	17.8	19.8	17.6	17.3	14.4	14 3	16.2	13.7	12.8
Machinery and vehicles	3.1	9.9	22.9	27.9	18.2	19.1	14.3	14.2	14.3	18.0	17.9	21.2	15.0
Base metals and manufactures thereof	1.6	4.7	15.0	14.8	12.6	15.3	10.4	9.7	11.2	12.5	13.1	11.9	12.5
Electrical goods and apparatus	0.5	2 4	5.2	5.6	5 4	6.0	4.4	4.4	5.1	5.5	6.7	4.4	5.3
PAKISTAN (Rs.)													
Mineral oils	.	2.3‡	6.1	8.5	8.3	7.4	11.8	8.8	8.3	2.6	3.0	3.1	1.8
Cotton piecegoods		22.4‡	27.5	23.0	1.2	0.3	—	—	0.3	0.7	0 1	0.3	1.8
Cotton twist and yarn	.	9.4‡	18.0	16.3	4.0	2.3	5.3	6.5	4.4	4.1	2 9	4.6	4.9
Machinery and vehicles	.	8.6‡	17.2	21.6	12.0	8.5	11.1	12.6	20 0	20.6	16.4	21.3	24.2
Iron and steel manufactures	.		7.2	14.0	4.9	3 3	2.7	7.7	6.7	5.7	2.5	12.2	2.5
PHILIPPINES[d] (P.)													
Grains and preparations[e]	1.3[n]	7.0	7.5	6.1	3.4[r]	3.3	3.9	3.0	3.4	4.5	4.6	3.7	5.3
Cotton and manufactures[f]	3.6	11.4	12.2	9.2	12.3	14.6	7.4	9.8	12.2	14.1	13.1	15.6	13.4
Rayon and other synthetic textiles[f]	0.4	8.8	2.3	3.9									
Mineral oils (petroleum products)[g]	0.9	5.7	6.0	6.6	7.6[r]	5.6	6.9	7.2	9.1	9.0	7.4	6.9	12.8
Machinery and vehicles (incl. spare parts)	2.7	8.9	7.0	9.7	9.7	10.1	7.9	11.4	12.6	11.9	11.4	12.8	11.5
Iron and steel manufactures[h]	1.8	4.7	6.0	4.0	7.7[r]	8.6	6.1	7.2	7.3	*3.6*	*3.2*	*3.7*	*3.9*

a. From 1954, figures relate to food only
b. Excluding FOA/MSA/ECA imports.
c. For 1938, former British Provinces and Indian States.
d. Imports vallued f.o.b.
e, f, g, h. From 1953 onwards, changed respectively into cereals and preparations; textile yarn, fabrics and made up articles; mineral fuels, lubricants and related materials; and base metals and manufactures.
i. 1936 for Japan, 1939 for Indonesia
j Including vegetable and animal oils.
k. Including cutlery and hardware.
m Including drink.
n. 1937
p. Comprise cotton yarn and cotton piecegoods
q Average of Jul-Dec for Japan.

EXTERNAL TRADE

7. VALUE OF EXPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS

Monthly averages or calendar months — *Millions*

	1938[c]	1948	1951[e]	1952	1953	1953			1954				
						II	III	IV	I	II	Apr	May	Jun
BURMA (K)													
Rice and products	18.2‡	48.7†	60 3	82 6	70 7[r]	111 1[r]	60 3[r]	43 4[r]	78 4	95 4	108.9	98 3	78 9
Raw rubber	0.5‡	0 5†	2 4	2.2	2 0	3.0	0 3	0 7	2 2	1 8	1 8	0 8	2 7
Teak	2 5‡	4.6†	4 0	3 0	2 4	2 2	2 4	2 5	2.2	1 7	2 5	1 0	1 4
Metal and ores	4 8‡	1.8†	3 5	5.0	3 9	4 2[r]	4 8	1 2	3 0	1 0	1 5	0 9	0 5
CAMBODIA–LAOS–VIETNAM (Pr)													
Food	13 4	52 2	110 0	77.1	99 6	73 8	110 7	138 0	161 0[r]	137.4	103 7	169 7	138 9
Rice	8.2	37 7	73 9	66 3	86 8	64 4	101 8	115.3	150 8	125 8	89 8	158 4	129 2
Rubber	4 2	25 8	102 7	71.8	88 6	55 4	106 2	124 3	78 7	74 7	65.6	86 1	72 4
Mineral products	1 2	2 6	6 1	6 8	13 1	6 0	21 1	21 3	14.1	15 2	16.9	11 3	17 3
CEYLON (Rs.)													
Tea	14 4	49 2	66 7	60 3	68 8	72 6	69 1	66 9	81 1	98 6	80 4	106 6	108 7
Coconut and products	2 3	12 8	26 9	19.5	20 5	17 9	21 1	24 4	15 0	15 5	15 0	15 6	15 8
Rubber	3 8	12 0	48 5	31.1	28 1	23 7	25 6	29 0	28.3	2 2	12 8	11 5	6 6
CHINA (Taiwan only, $)													
Rice			1 3	1 2[r]	1.1	--	0 4	2 2	—	2 3	3 5	3 2	—
Fruits, fresh, dried and preserved			0 5	0 6[r]	0 5	0 6[r]	0 5[r]	0 5	0 3	0 8	0 6	0 9	0 8
Tea			0 6	0 5	0 6	0 6	0 6	0 6	0 3	0 8	0 2	1 1	1 1
Sugar			4 2	4 6[r]	7 1[r]	5 2	11 9	7 7	4 1	8 7	4 4	10 7	10 9
Essential oils	.		0 3	0 2	0 2	0 1	0 1	0 1[r]	0 1	0 2	0 2	0 1	0 3
INDIA[a] (Rs)													
Food and drink	30 6	58 9	119 6	109 1	117 2	73 4	123 9	161 2	104 9	82 3	47 2	73 0	126 6
Tea	19 6	46 5	78 7	66 7	85 5	40 5	97 4	131 6	70 6	44 8	23 6	41 5	69 2
Spices	0 7	4 0	24 9	19 0	13 8	14 6	8 1	11 1	17 5	10 2	14 4	9 8	6 4
Raw materials and articles mainly unmanufactured	59 5	90.3	127 7	116 4	97 4	100 3	73 9	91 2	79 2	75 9	77 3	75 1	75 4
Cotton raw and waste	19 9	18 6	21 4	20 3	16 7	21 4	9 2	15 1	18 7	10 5	13 8	10 1	7 7
Hides and skin raw or undressed	3 0	5 0	8 3	4 9	4 9	5 2	4 8	4 7	5 5	6 2	7 2	6 3	5 0
Vegetable oil other than aromatic	0 7	10 9	25 4	20 0	7 8	10 5	2 7	1 7	1 0	4 8	4 5	4 4	5 4
Articles wholly or mainly manufactured	40 2	192 3	347 6	244 6	201 5	195 2	210 0	218 3	218 6	194 6	174 1	205 6	204 2
Cotton yarns and manufactures	6 3	30 8	78 4	60 4	52 8	57 3	53 6	58 4	70 0	52 2	48 3	60 9	47 4
Jute yarns and manufactures	21 8	126 3	200 3	135 6	92 1	82 2	103 9	102 7	90 8	95 8	86 0	90 1	111 1
Hides and skins tanned or dressed and leather	4 4	9 9	27 8	14 6	21 1	21 6	17 7	20 2	23.3	15 1	11 2	20 2	13 9
INDONESIA (Rp)													
Tea	4 7	1 8	11 6	20 9	22 3	23 8	20 4	23 4	31 1	36 4	34 2	36 9	37 3
Copra	3 2	13 1	40 7	43 2	54 1	39 3	59 9	72 2	59 3	58 2	47 7	79 4	47 5
Rubber	13 0	21 3	206 9	344 7	256 6	284 0	272 2	204 1	189 2	204 2	215 3	207 4	190 4
Tin (and tin ore)	2.8	12 3	25 7	78 0	77 2	66 8	87 5	86 1	50 1	50 1	63 6	38 3	48 2
Petroleum and products	13 5	21 7	52 8	162.1	191 0	195 9	218 0	200 0	209 5	189 2	154 7	225 1	188 0
JAPAN ($)													
Food	7 3[d]	0 9[d]	5 6	8 0	10 4	10 8	10 9	8 0	9 6	9 5	10 7	9 1	8 7
Fish and fish preparations	.		3 6	3 8	5 1	5 1	5 8	5 2	5 8	5 5	6 1	5 7	4 7
Crude materials (inedible) other than fuels			7 9	7 0	5 9	5 5	6 5	5 2	5 8	6 6	5 6	6 9	7 4
Textiles fibers			5 4	4 1	3 9	3.7	4 5	4 0	3 7	4 0	3 3	4 1	4 5
Chemicals	3 6	0 9	3 4	3 3	5 2	6 5	2 6	4 3	4 3	8 0	8 1	8 7	7 2
Fertilizers, manufactured			0 5	1 3	2 7	4 0	0 6	3 4	1 4	5 0	5 5	5 6	4 1
Textile yarn, fabrics, made-up articles and related products			41 3	30 5	31 3	28 6	34 1	39 9	42 3	42 7	44 5	42 2	41 3
Base metals and manufactures of metals	7 5	1 0	27 7	28 4	15 6	15 7	13 2	16 0	16 7	16 0	19 1	15 0	13 8
Machinery & transport equipment	6 2	1 3	8 4	9.7	16 2	18 3	14 4	15 5	13 8	17 0	13 5	18 3	19 1
Other manufactured goods			18 1	17 1	19 1	19 4	20 3	21 7	19 7		22 8	23 6	
MALAYA (M$)													
Food	4 7	11 2	28 4	27 9	21 0	17 9	24 8	21 8	22 7	26 5	26 8	27 6	25 2
Rubber	23 2	73.2	330 1	157 6	103 2	98 9	88 8	91 6	94 8	100 5	87 1	108 1	106 2
Tin (block, ingots, bars or slabs)	8 0	17 9	48 2	43 0	32 6	34 6	28 1	25 0	31 6	33 2	36 2	35 2	28 1
PAKISTAN (Rs)													
Raw jute		59 3†	96 9	58.0	47 6	34 1	48 5	43 3	51 2	42 4	39 0	55 0	33 3
Raw cotton		31 6‡	80 2	72.0	52 7	52 5	42 0	39 7	46 1	37 7	62 5	27 0	23 6
Raw wool		2 8‡	4 9	4 1	4 3	4 5	3 9	4 9	2 0	4 8	3 5	5 1	5 7
Hides and skins		3 1‡	4 9	2.8	3 3	3 2	3 1	2 8	3 9	2.6	2 6	1 8	3 5
Tea		3 1‡	5 0	2 7	2 9	1 7	4 5	4 3	0 6	1.2	0.5	1 0	2.2
PHILIPPINES (P)													
Abaca (unmanufactured)	1 7	5 0	11 2	6 8	6 5	6 9	5 8	5 3	5 4	4 2	3 9	4 5	4.1
Coconut products	4 9	34.6	32 8	20 2	25 5	20 5	29 4	30.4	26 3	25 3	24 9	22 1	28 8
Sugar centrifugal	7 7	3 5	11 4	15 0	15 6	19.1	14.5	10.4	23 0	21 3	32 5	17 0	14 3
THAILAND[b] ($)													
Rice	3 6‡	10.6	16.5	18 0	17 8	21 8	19 0	14 0	12 5	10.4	12 5	9 2	9 5
Tin ore and concentrates	1 1‡	1.2	1 9	1 9	1 7	1 5	1.2	1 9	1.0	1 7	1.8	1 5	1.6
Rubber	0 9‡	2 8	8 1	4 2	3 1	2 6	3 0	2 5	3 1	3 2	2 8	2 5	4.2
Teak	0 2‡	0.4	0 6	0 4	0.6	0 4	0 7	0 8	0 8	0 9	0 9	1 0	0 7

a For 1938, former British Provinces and Indian States
b Value in dollars as supplied by the Bank of Thailand
c 1936 for Japan
d Including drink.
e Average of Jul-Dec for Japan.

8. QUANTITY OF EXPORTS OF SELECTED COMMODITIES

Monthly averages or calendar months — *Thousand tons*

	1938	1948	1951	1952	1953	1953 II	1953 III	1953 IV	1954 I	1954 II	1954 Apr	1954 May	1954 Jun
RICE													
Burma	273 3‡	105 9†	110 2	109 4r	86 9r	134 4r	72 7r	57 7r	119 6r	147.3	169 7	149.4	122.9
Cambodia–Laos–Viet-Nam	76.4	19 4	29.7	20.4	17.3	14.9	16.1	20.4	33 0	34.4	25 4	41 8	35 9
China (Taiwan only)			7.1	8 8	4 9	—	1.7	10.3	—	11.0	17 2	15.9	—
Thailand	125.8	67.7	131 4	118.8	111.7	138 2	118 7	88 1	84.6	77.1	88 3	62 3	80 6
SUGAR													
China (Taiwan only)			23 6	38 3	66 8	56 8	130 5	48.3	41.9	83 0	43 1	103 9	102 0
Indonesia	89 3	5.3	0 5	0.1	7.8	0 1	9.5	21.4	4.9	6 2	8 8	3 4	6.3
Philippines	68 2	18.1	47 2	66.1	64 3r	76 0	56 9	47 8r	95.1	86 0	131 5	68 7	57 8
TEA													
Ceylon	8 9	11 2	11 5	11.9	12.8	13 5	13 2	12.9	13 3	15 5	10 7	17 0	18 7
India	13 4c	13 2	17 0	15.5	18 8	9 0	20 7	27 8	13 4	7 4	4 2	6 9	11 1
Indonesia	6 0	0 7	3.3	2 7	2 4	2 5	2 1	2 5	3.1	3.3	3 1	3 4	3 6
Japan	1 4d	0 3	0 7	0 8	1.1	0.8	1.3	1 6	0.7	0.5	0 4	0.3	0.7
Pakistan		1 2	1.8	0 9	1.0	0 6	1.5	1 4	0.1	0 7	*0 1*	*0 7*	1 3
COPRA AND COCONUT OIL[a]													
Ceylon	8 7	9 2	10 3	11 1	9 0	7 4	8.1	10 7	6 7	6 6	6 4	6 8	6 8
Indonesia (copra)	25 8e	12 1g	23.1	17.1	15.3	10.3	18.1	20.2	13 9	15 8	12 4	22.1	12 9
Malaya	13.4	7 1	10.4	8 7	8.7	7 4	8 5	12 6	11 3	9.0	7 2	10 0	9 8
N Borneo	0 4	0.3	0.9	0 6	0 7	0.6	0 7	0.8	1 0	1 2	1 2	1 3	1 2
Philippines	28 9e	35.3	45.0	40 3	35 1r	25.8	45.0r	42.7	36 0	39 8	39.4	34 5	45.4
PALM KERNELS AND OIL[a]													
Indonesia (palm oil)	14 2	3.3	8.1	10 1	11 0	6 7	11 1	16 4	9 1	9.1	6.7	12 0	8 6
Malaya	3 1	4 4	4.5	4.3	4 6	4 5	5 4	4 9	4.5	5 4	4 5	5.9	5 7
GROUND NUTS AND OIL[a]													
Hong Kong	1.2	0 4	0 7	0 8	0 5	0.4	0 1	0.2	0 3	0 3	0 3	0 3	0 2
India	22.0c	5 5	5 8	5.6	1.7	1.0	—	—	0.2	0 8	1 8	0.7	—
NATURAL RUBBER													
Brunei	0 1	0.2	0.2	0 2	0.1	0 1	0 1	0 1	0 1	0 1	—	0 1	0.1
Burma	0.6	0.8	0.8	1 2	0 9	1 0r	0.2r	*0.8*	*1 1*	*0.9*	*1 0*	*0 5*	*1.4*
Cambodia and Viet-Nam	5 0	3 5	4.4	5 1	6.0	3 4	6 6	7.9	*5 9*	*5.9*	*5.3*	*7.4*	*5.0*
Ceylon	4 2	7.8	8.8	7.6	8.2	6 6	7.9	8.8	9.5	3.9	3.4	5 6	2.9
Indonesia	25.5	36.6	67.2	61.8	57 1	59 9	63 0	54.1	54 5	55.4	60.5	55.4	50.2
Malaya (net export)	31 4	57.5	51.5	48 4	48.2	44.6	45.9	52.5	48 1	46 7	36 7	50.9	52.5
N Borneo	0.8	1.7	1.8	1.6	1.4	1.5	1.4	1.4	1 4	1 3	1 4	1.2	1 4
Sarawak	1.5	3 4	3.6	2 7	2.0	2 4	2.2	1 4	1 5	1 7	1 6	1 7	1 9
Thailand	3 5	8.1	9 2	8 3	8.1	6 4	8.1	7.8	10 3	8.7	7.9	6.8	11 4
COTTON, RAW													
India	38.6c	8 0	2.3	4 4	3.8	5 5	0.9	2 3	3.2	1 3	2 0	1 2	0.8
Pakistan		13.6	18.3	20 4	23.6	23 4	19.6	17.9	18.9	15.0	24.1	10 8	10.1
COTTON YARN (metric tons)													
Hong Kong			1,732	1,300	1,190	1,448	883	1,505	1,087	752	766	530	960
Japan	2,084d	458	1,025	1,117	801	579	1,195	1,098	804	988	979	1,183	803
Malaya	197	22	167	119	113	130	92	143	95	42	18	30	77
COTTON PIECE GOODS (Mn metres)			b										
Hong Kong[b]	..	..	12.2‖	10.1	9.3	15.5	6.4	10.0	11.6	14.4	16.0	17.1	10.1
India	14.6c	23.5	59.1	45.7	50.0	52 0	49.4	58.5	73.4	59.4	53.0	69.9	55.4
Japan (Mn sq. metres)	200.2d	28.2b	75.3	52.0	63.7	57.1	67.9	77.8	91.2	84.1	89.4	83.4	79.5
Malaya[b]	2.0	7.5‖	14.5	9 6	8.0	14 7	5.7	4.0	3.5	3.1	3.3	3.2	2.7
JUTE													
Pakistan (raw)		28.1†	88 7	70 0	81.7	62 4	83.5	75.9	79.6	70.9	64.8	92.2	55.6
India (bag and cloth)	78.9f	78.4	67.1	60.0	60.3	55.2	67.7	68 6	60.2	64.4	58.5	60.3	74.4
HEMP, RAW													
Philippines	11.8	6.2	10.3	9 1	9.3r	9 2r	8.7	7.9	8.6	7.4	7.0	7.8	7.4
TIN CONCENTRATES (tons)													
Burma	171	155	125	118	*81*	*81*	*81*	*81*	*81*	*81*	*81*	*81*	*81*
Indonesia	1,160	2,753	2,604	2,929	2,771	2,385	3,155	3,143	2,364	2,670	3,344	2,024	2,643
Thailand	1,145	479	746	825	863	733	662	1,085	*762*	*873*	*998*	*775*	*844*
TIN METAL (tons)													
Malaya	5,180	3,998	5,500	5,429	5,228	4,695	5,326	4,966	5,980	5,617	6,309	5,849	4,692
PETROLEUM AND PRODUCTS													
Indonesia	506	321	506	618	800	877	877	855	762	718	574	885	694
Malaya	84	82	163	204	225	215	222	262	214	236	296	200	212

a. Expressed in terms of oil equivalent. figures under column for 1938 relate to averages for the period 1934-1938.

b Unit for cotton piecegoods changed from metres to square metres beginning 1950 for Malaya and beginning 1952 for Hong Kong.

c Former British Provinces and Indian States.

d. 1936.

e Average of 1935-1939

f Converted at 2.25 lb. per bag and 0.50 lb. per yard of cloth

g. Excluding exports to Singapore from Indonesia.

EXTERNAL TRADE

9. INDEX NUMBERS OF UNIT VALUE, QUANTUM AND TERMS OF TRADE

1948 = 100[a]

	1938	1950	1951	1952	1953	1953 II	1953 III	1953 IV	1954 I	1954 II	1954 Apr	1954 May	1954 Jun
A. Unit Value													
BURMA[r] (Oct 1947–Sep 1948 = 100)													
Imports	29‡	134†	96†	82	71	63	71	82	70	64	69	67	55
Exports	17‡	108†	168†	163	174	173	176	168	151	.	137	136	
CAMBODIA–LAOS–VIET-NAM[b]													
Imports	8	122	140	129	172	153	205	207	202	204	203	204	205
Exports	11	147	182	113	139	138	157	143	139	130	127	130	134
CEYLON													
Imports: General	23	98	116	125	114	122	120	121	116	112	110	115	110
Food, drink & tobacco			116	133	124	131	130	129	121	117	115	119	117
Raw materials & semi-manufactures	.		126	140	109	120	102	117	121	119	120	122	115
Manufactures		.	114	116	105	109	109	108	108	103	101	108	100
Exports: General	32	144	175	136	139	141	135	138	144	146	148	146	143
Tea	37	127	132	116	124	125	120	125	139	147	148	146	146
Rubber	56	222	367	255	223	226	217	206	177	169	169	179	158
All coconut products	14	144	169	105	126	131	125	125	134	122	131	117	117
INDIA[c] (Apr 1948–Mar 1949 = 100)													
Imports: General	28‡	104	128	130	116	119	110	112	115	115	115	114	115
Food, drink & tobacco	..	104	118	139	118	129	110	117	120	137	130	147	134
Raw materials & semi-manufactures	..	113	154	139	130	123	125	134	133	124	126	121	125
Manufactures	..	97	118	121	109	112	103	104	106	104	104	104	105
Exports: General	24‡	110	160	131	111	112	112	112	109	109	106	109	111
Food, drink & tobacco	..	127	149	141	141	151	140	137	155	164	162	166	165
Raw materials & semi-manufactures	.	114	151	138	142	138	145	155	144	143	147	147	136
Manufactures		103	169	124	91	92	92	89	87	87	87	88	86
INDONESIA[d]													
Exports: General	31	177	265	537	*424*	*435*	*392*	*362*	*402*	*403*	*398*	*398*	*412*
Estate produce	38	185	273	615	*498*	*507*	*469*	*438*	*451*	*452*	*446*	*446*	*463*
Peasant produce	27	171	219	487	*374*	*388*	*337*	*307*	*367*	*369*	*365*	*364*	*377*
Forest produce	12	99	148	358	*378*	*366*	*378*	*382*	*425*	*418*	*411*	*432*	*410*
JAPAN[e] (1934-36 = 100)													
Imports: General	..	303	432	382	331	326	326	326	321	322	320	322	322
Food		302	353	364	347	347	343	333	320	308	312	311	301
Crude materials, inedible	.	343	538	418	349	340	346	351	352	360	355	362	363
Textile fibers	..	297	478	367	310	300	308	318	319	326	322	328	328
Metalliferous ore	..	218	420	441	341	343	329	326	327	317	316	314	320
Mineral fuels	.	254	352	433	345	355	341	350	328	332	339	314	342
Chemicals	.	220	368	364	325	291	274	292	272	275	245	282	297
Machinery & transport equipment	..	297	279	299	283	291	305	317	304	307	330	315	277
Exports: General	.	295	459	431	384	385	397	398	391	382	388	381	377
Food	..	341	342	360	366	364	379	388	402	403	402	405	403
Chemicals	.	345	413	409	398	410	448	467	485	453	454	459	446
Manufactured goods	..	296	474	425	360	364	370	374	363	364	365	366	360
Textiles	..	324	475	404	330	332	341	365	335	334	335	332	336
Base metals	..	231	471	450	380	387	384	390	388	382	382	395	370
Machinery & transport equipment		303	392	372	375	401	396	368	359	347	398	337	304
MALAYA[f]													
Imports	36	115	144	129	121	121	119	115	110	*110*			.
Exports	43	173	258	188	150	156	141	131	129	*138*			.
PAKISTAN[g] (Apr 1948–Mar 1949 = 100)													
Exports		89	119	88	62	60	62	61	68	65	67	65	64
PHILIPPPINES (1948-1949 = 100)													
Imports[h]	.	95	108	106	101	104	99	99	98	100	100	101	99
Exports	30	93	99	78	95	99	90	93	94	85	87	84	85

9. INDEX NUMBERS OF UNIT VALUE, QUANTUM AND TERMS OF TRADE (*Cont'd*)

1948 = 100[a]

	1938	1950	1951	1952	1953	1953 II	1953 III	1953 IV	1954 I	1954 II	1954 Apr	1954 May	1954 Jun
B. *Quantum*													
BURMA[r] (Oct 1947–Sep 1948 = 100)													
Imports	197‡	94†	102†	155	149	143	164	152	146	191	162	172	240
Exports	254‡	68†	71†	99	85	106	88	70	112		141	127	
CAMBODIA-LAOS-VIET-NAM[b]													
Imports	85	151	189	166	158	165	159	142	143	143	136	149	143
Exports	259	88	132	126	133	98	129	186	147	147	133	178	150
CEYLON													
Imports. General	89	121	135	138	144	159	144	153	127	145	138	116	180
Food, drink & tobacco			115	114	124	134	117	133	107	131	125	95	172
Raw materials & semi-manufactures			133	114	152	219	218	176	181	175	141	130	254
Manufactures			163	177	172	187	170	177	146	160	156	145	180
Exports· General	80	110	112	117	120	117	123	123	119	122	104	131	130
Tea	80	101	103	106	113	119	118	109	119	137	111	149	152
Rubber	56	127	110	100	103	86	92	111	124	52	65	56	35
All coconut products	132	131	149	172	158	137	171	183	111	132	115	139	141
INDIA[c] (Apr 1948–Mar 1949 = 100)													
Imports General	106‡	88	108	105	84	97	90	75	78	89	87	94	83
Food, drink & tobacco		73	146	137	75	111	77	40	25	28	12	32	41
Raw materials & semi-manufactures		123	112	124	96	124	110	75	101	150	165	168	117
Manufactures		79	92	84	83	79	87	90	89	85	84	87	85
Exports General	172‡	115	114	106	109	99	106	121	111	95	81	97	107
Food, drink & tobacco		109	122	117	124	79	130	167	101	78	42	76	115
Raw materials & semi-manufactures		103	114	101	83	89	62	69	70	63	62	61	65
Manufactures		122	111	103	114	109	117	126	131	115	104	120	122
JAPAN[e] (1934-36 = 100)													
Imports General		33	48	54	74	77	74	82	92	87	97	91	74
Food		48	66	76	82	91	70	99	123	125	146	124	104
Crude materials, inedible		33	47	48	69	71	72	74	77	74	78	80	65
Textile fibers		40	51	53	70	72	75	71	69	76	78	80	68
Metalliferous ore		25	65	95	147	155	149	176	191	188	200	204	160
Mineral fuels		32	69	82	127	117	121	133	136	122	134	136	96
Chemicals		35	28	34	59	70	75	65	81	80	110	75	56
Machinery & transport equipment		5	47	70	131	116	130	164	163	140	136	132	152
Exports General		30	31	31	35	36	34	38	37	42	42	42	42
Food		20	26	36	45	47	46	42	38	38	42	36	35
Chemicals		12	24	27	43	53	20	43	30	58	60	62	53
Manufactured goods		36	40	38	37	36	36	42	45	46	49	45	44
Textiles		28	31	25	31	28	33	38	41	42	43	42	40
Base metals		128	123	157	95	97	79	89	98	95	118	84	82
Machinery & transport equipment		43	51	58	93	102	71	94	85	111	74	119	138
MALAYA[f]													
Imports	81	137	182	162	130	127	133	130	128	*131*			
Exports	73	127	134	114	101	99	104	102	107	*108*			
PHILIPPINES (1948-1949 = 100)													
Imports[h]		61	76	69	70	76	66	69	77	85	81	84	89
Exports	157	134	151	169	150	149	164	146	169	177	205	156	170
C. *Terms of Trade*													
Percentage of unit value index of exports to unit value index of imports													
BURMA[r]	59‡	81†	175†	199	245	274	249	205	209		*199*	*203*	
CAMBODIA—LAOS—VIET-NAM	138	117	123	84	81	90	77	69	69	64	63	64	65
CEYLON	139	147	151	109	122	116	112	114	124	130	135	127	130
INDIA	86‡	106	125	100	96	94	101	100	95	95	92	96	97
JAPAN		97	106	113	116	118	122	122	122	119	121	118	117
MALAYA	120	151	179	146	124	128	118	114	117	*125*			
PHILIPPINES		97	92	73	94	95	91	93	96	85	87	83	85

a Original base· *Burma*, 1 Oct 1951-30 Sep 1952, *Cambodia-Laos-Viet-Nam*, 1938 for quantum index and Jan-Jun 1939 for unit value index prior to 1952, *Ceylon*, 1934-38 for period prior to 1950 and 1948 since 1950; *Indonesia*, 1938, *Malaya*, 1938 for period prior to 1953 and 1952 since 1953; *Philippines*, 1937.

b Beginning from 1952, new series with 1950 as 100.

c Overland trade excluded.

d Weighted index numbers of 18 export products at f.o.b. prices. Figures from Apr 1950 to Feb 1952 exclude the value of exchange certificates. The rise beginning Feb 1952 is principally due to the change in the conversion rate of the rupiah from 3.80 (excluding the value of exchange certificates) to 11.40 per dollar

e The commodity groups are abridged titles of selected SITC sections and divisions. Unit value index based on prices in terms of dollars.

f Figures from 1953, though linked to previous figures, have different treatment in imports and exports of petroleum products

g. Index of f.o.b. export prices

h. Based on f.o.b. import prices

PRICES

10. INDEX NUMBERS OF WHOLESALE PRICES

1948 = 100[a]

	1949	1950	1951	1952	1953	1953 II	1953 III	1953 IV	1954 I	1954 II	1954 Apr	1954 May	1954 Jun
BURMA													
All agricultural produce	123	115	133	114	111	104	117	122	108	108	109	110	113
Cereals	96	98	104	99	93	91	97	98	84	92	92	90	95
Non-food agricultural produce	161	196	205	155	144	128	158	163	165	165	158	163	172
CHINA[b] (Taipei, Jan-Jun 1950 = 100)													
General index	58	111	183	225	245	240	251	257	258	255	260	258	247
Food	58	104	140	173	222	216	236	242	250	242	251	246	230
Clothing	78	124	330	392	364	359	350	374	352	340	349	340	331
Fuel & light	51	118	156	190	214	214	218	220	221	228	227	228	228
Metals & electrical materials	49	115	218	270	259	261	254	261	258	260	258	260	261
Building materials	52	105	154	234	249	235	275	257	260	276	270	290	267
INDIA													
General index	104	109	120	105	107	108	111	107	108	107	110	108	104
Food articles	104	110	110	96	102	102	108	101	100	97	102	98	92
Industrial raw materials	108	117	141	105	107	109	112	104	110	107	110	108	102
Semi-manufactured articles	104	108	119	109	113	113	115	112	113	114	114	115	112
Manufactured goods	101	102	116	111	108	108	108	107	108	112	112	112	111
INDONESIA (Djakarta)													
General index (imported goods)	123	253	349	331	352	359	355	347	350	366	360	365	373
Provisions	90	180	295	368	438	433	453	458	455	459	459	460	458
Textile goods	194	351	319	260	292	303	290	272	273	288	283	284	296
Chemicals	88	221	373	341	377	391	380	369	383	392	390	392	394
Metals	95	220	381	388	369	381	367	351	343	366	360	367	372
JAPAN													
General index	163	193	268	273	277	274	278	282	288	280	284	280	277
Edible farm products	178	207	258	286	307	307	310	310	344	351	352	349	352
Other foodstuffs & tobacco products	164	159	175	180	178	174	176	183	186	184	185	184	184
Textiles	215	262	364	290	280	276	285	285	285	264	275	266	251
Chemicals	138	180	250	269	249	255	242	241	239	239	240	239	238
Metal & products	143	214	426	415	391	394	389	388	387	375	379	376	370
Building materials	141	165	243	266	323	306	339	357	362	338	352	334	328
Fuels	150	170	203	257	262	261	256	263	261	248	249	248	248
Producers' goods	155	200	308	317	316	314	317	321	322	308	314	308	302
Consumers' goods	172	185	225	227	235	232	236	240	252	251	253	250	249
KOREA (Pusan, Seoul, 1947 = 100)[c]													
General index			2,194*	4,751	5,951	5,858	6,070	5,970	6,059	6,388	6,065	6,369	6,730
Food grains			2,064*	7,305	7,567	8,034	8,292	5,812	4,896	5,140	4,576	5,125	5,717
Textile raw materials			1,795*	2,478	3,741	3,311	3,641	4,328	4,971	5,672	5,065	5,734	6,217
Textiles			1,763*	2,052	3,048	2,432	2,855	4,248	4,150	4,592	4,212	4,497	5,067
Building materials			2,616*	3,923	7,683	7,499	7,363	9,819	10,054	11,294	11,134	11,235	11,512
Fertilizers			6,136*	7,987	8,449	8,449	8,449	8,449	8,449	8,449	8,449	8,449	8,449
PHILIPPPINES (Manila, 1949 = 100)													
General index	100	97	109	100	99	98	97	99	95	93	92	93	94
Food	100	89	98	95	90	88	90	90	86	86	84	86	87
Crude materials	100	108	113	90	112	110	104	112	108	96	96	97	96
Mineral fuels	100	100	107	113	108	109	107	106	106	106	106	106	106
Chemicals	100	101	130	111	108	110	105	104	105	105	106	106	102
Manufactured goods	100	119	156	125	114	115	113	113	111	111	111	111	112
Domestic products	100	93	101	93	93	92	92	94	90	87	86	88	88
Exported products	100	110	113	90	110	110	101	110	107	96	97	97	95
Imported products	100	122	153	136	129	130	127	127	126	126	126	126	127
THAILAND[d] (Bangkok)													
General index	94	96	104	109	102	103	104	100	100	100	101	101	98
Agricultural produce	92	112	131	117	97	102	102	91	90	92	92	94	91
Foodstuff	93	88	88	106	108	108	109	106	106	106	109	107	101
Clothes	92	87	102	93	71	70	70	70	70	70	70	70	70
Fuel	90	96	103	105	104	103	105	106	105	101	98	98	106
Metal	139	122	143	137	102	101	101	104	103	98	99	99	96
Construction material	111	121	138	149	153	151	152	156	156	155	154	155	155
VIET-NAM (Saigon-Cholon, 1949 = 100)													
General index	100	98	117	132	152	142	168	168	157	155	157	155	154
Rice & paddy	100	84	90	141	157	149	167	163	130	120	123	122	116
Other food products	100	101	112	127	166	149	188	190	197	189	193	189	186
Fuel & mineral products	100	113	117	118	144	129	161	168	171	171	173	170	171
Raw materials	100	141	201	152	168	159	186	178	176	192	190	187	198
Semi-finished products	100	95	117	125	145	128	165	171	170	167	166	167	167
Manufactured products	100	84	113	99	116	108	130	133	137	143	143	143	143
Local products	100	101	119	142	160	150	174	171	155	152	154	151	150
Imported products	100	93	113	112	138	126	158	160	161	163	163	163	163

a. Original base: *Burma*, 1938-40, *India* Sep 1938-Aug 1939, *Indonesia*, 1938; *Japan*, 1934-36; *Thailand*, Apr 1938-Mar 1939.
b. New Taiwan dollar has been introduced since 15 Jun 1949. Index for 1949 relates to average of Jul-Dec.
c Figures from 1949-1953 relate to Pusan, from 1954 onwards Seoul
d Agricultural produce includes paddy, rice meal, copra, rubber, etc.; foodstuff includes milled rice, pork, banana, etc.

11. INDEX NUMBERS OF COST OF LIVING

1948 = 100[a]

	1949	1950	1951	1952	1953	1953			1954				
						II	III	IV	I	II	Apr	May	Jun
BURMA (Rangoon)													
All items	135	114	112	107	104	105	107	102	96	103	99	104	106
Food	142	120	120	115	111	112	116	111	103	113	108	114	117
CEYLON (Colombo)													
All items	99	105	109	108	110	109	113	110	109	110	108	110	111
Food	104	112	112	110	117	115	122	118	116	117	115	118	119
CHINA (Taipei, Jan-Jun 1950 = 100)													
All items		106	139	179	211	207	223	219	218	218	220	219	214
Food		100	109	139	176	180	192	183	185	185	189	188	178
HONG KONG													
All items	112	117	128	129	130	127	135	135	129	125	126	124	127
Food	119	127	136	136	143	136	152	152	142	134	136	133	135
INDIA													
All-India (Interim index)													
All items	103	103	107	105	108	109	113	107	105	105	105	105	104
Food	104	105	108	107	112	113	119	111	107	106	106	107	106
Bombay													
All items	101	103	109	111	120	120	123	120	117	118	117	117	121
Food	105	109	115	118	130	132	135	129	123	126	123	123	130
Delhi													
All items	100	100	108	108	106	105	109	108	105	106	107	108	102
Food	101	101	112	110	110	108	114	113	107	108	110	112	103
INDONESIA (Djakarta)													
Food	97	113	189	199	211	212	214	215	221	220	219	220	220
JAPAN (Urban)													
All items	132	123	143	150	160	157	162	167	170	171	171	170	171
Food	125	112	130	134	142	139	145	149	153	154	155	153	155
KOREA (Seoul, 1947 = 100)													
All items	195	565	.	4,841	7,384	6,925	7,782	8,273	8,701	8,506	8,961	8,270	8,288
Food	178	612		5,969	7,797	8,105	8,169	7,429	8,294	8,194	8,977	7,861	7,744
LAOS (Vientiane, Dec 1948 = 100)[r]													
All items	106	105	113	157	212	198	236	238	251	269	269	269	269
Food	103	99	102	153	218	196	254	247	257	278	278	277	279
MALAYA (Federation)													
Chinese													
All items	94	101	133	138	133	134	133	133	131	126	128	125	125
Rice & rice equivalents	90	84	89	95	100	100	100	100	97	91	92	90	90
Indian													
All items	94	99	132	136	131	132	131	128	123	118	119	119	117
Rice & rice equivalents	95	90	98	105	112	112	113	114	106	101	102	101	100
Malay (Jan 1949 = 100)													
All items	98	108	136	138	134	134	134	134	130	126	127	126	125
Rice & rice equivalents	98	97	104	110	118	118	120	120	112	106	108	106	105
PAKISTAN (Apr 1948–Mar 1949 = 100)													
Karachi													
All items	98‡	95	99	101	112	112	112	112	112	109	111	109	107
Food	.	93	99	103	111	111	111	111	110	106	109	106	103
Narayangan)													
All items	103‡	98	102	110	109	106	118	109	92	90	91	88	91
Food		97	101	112	109	105	119	108	84	87	84	79	84
PHILIPPPINES (Manila)													
All items	94	91	97	93	87	86	87	87	84	85	83	85	86
Food	93	86	94	90	81	80	81	80	76	78	76	79	79
THAILAND (Bangkok)													
All items	96	99	110	123	135	131	141	140	140	140	143	141	138
Food	95	97	106	119	131	125	137	136	134	135	138	136	131
VIET-NAM (Saigon, 1949 = 100)													
All items	100	102	116	142	181	166	197	201	203	198	198	197	200
Food	100	96	104	141	178	171	190	187	188	182	180	181	184

GENERAL NOTE All figures are applicable to working class except the following countries: *China*, public servants, *Hong Kong*, clerical and technical workers, *Indonesia*, government employee, *Japan*, whole population, *Korea*, urban working class, *Laos*, middle class, Thailand, low salaried workers and civil servants

a Original base: *Burma*, 1939; *Cambodia*, Jan-Jun 1939, *Ceylon*, Nov 1942 for 1943-52 and 1952 since 1952, *Hong Kong*, Mar 1947; *India*, 1944 for All-India and Delhi, Jul 1933-Jun 1934 for Bombay; *Indonesia*, 1938, *Japan*, 1951, *Malaya* (Chinese and Indian), Jan 1947, Philippines, 1941, *Thailand*, Apr 1938-Mar 1939

12. EMPLOYMENT AND WAGES

Base for index Numbers, 1948[a]

	1948	1950	1951	1952	1953	1953 II	1953 III	1953 IV	1954 I	1954 II	1954 Apr	1954 May	1954 Jun
CEYLON													
Index of wages													
Tea and rubber estate workers[b]	100	119	147	149	151	149	152	152	150	150	149	149	151
Government workers (Colombo)[c]	100	106	115	115	116	116	116	116	116	116	116	116	116
Index of real wages													
Tea and rubber estate workers[b]	100	112	132	134	133	134	131	134	134	133	134	132	133
Government workers (Colombo)[c]	100	102	106	106	98	99	96	98	99	98	100	98	97
CHINA (Taiwan only)													
Employment[d] (1,000)													
Mining	78 9	43.0	50 4	56 1	57.3	55 7	58 5	57.3	54 4	51 4	53.9	53.7	51.4
Manufacturing[e]	113 5	130 3	162 6	208 5	237.6‖[q]	76.1	72.4	77.3	78 0	78.6	78.3	78.3	78.6
Index of earnings[f] (1950 = 100)													
Mining		100	172	282	288	285	285	306	296	290	292	289	288
Manufacturing		100	168	246	307	315	294	328	358		347	344	.
Index of real earnings[f] (1950 = 100)													
Mining		100	116	146	132	129	128	140	134	138	132	137	144
Manufacturing		100	113	127	140	142	132	150	162		157	164	.
INDIA													
Employment[g] (1,000)													
Factories under Factory Act	2,360	2,504	2,537	2,443	*2,508*[u]								
Cotton mills		677	714	741	744	743	753	748	735		733	734	
Coal mines[h]	308	350	339	342	338	341	328	328	338	325	330	324	320
Central government[i]													
Office workers		184	198	209	213	214	214	213	215	218	218	218	218
Manual workers		394	393	406	403	403	404	403	403	408	405	405	408
Wages or earnings (Rs)													
Cotton mills[j] (Bombay)		83.56	87.28	89 26	95 96	95 63	99 04	97.28	94 75	93 79	92 75	94 31	94.31
Coal mines[k] (Jharia)	2.41[s]	2 40[s]	12.67	13 03	13 18	13 77	12.25	13 59	13 94	14 53	14 81	14 51	14.28
JAPAN													
Employment[m] (Mn)													
All industries	34 60	35 72	36.22	37.28	39.25	39.83	39.75	40 28	36 79	40.91	39.99	41 68	41.08
Agriculture, forestry & hunting	16.37	17 41	16.17	16.37	17.13	18 23	18 21	17 76	13 81	18.07	16 46	19 01	18 75
Other industries	18.22	18 31	20 05	20.92	22.12	21 60	21 54	22.32	22 98	22.84	23.53	22.66	22.32
Mining	0.60	0.49	0.51	0.61	0 62	0.62	0.66	0.59	0.55	0.57	0 58	0.59	0.55
Manufacturing	6.32	6.23	6.29	6.53	6 74	6 64	6 47	6.68	7.14	6.94	7.14	6 86	6.81
Index of earnings[n]													
Mining	100	166	212	263	299	281	302	319	270	294	292	281	308
Manufacturing	100	208	267	315	357	333	361	420	346	361	340	334	410
Index of real earning[n]													
Mining	100	135	148	175	187	180	186	192	159	173	171	166	181
Manufacturing	100	170	187	210	222	212	223	252	204	212	199	197	240
Daily money wages of agricultural labour, male (Y.)	185	201	209	230	257	258	263	276	260	292	271	281	323
KOREA													
Index of earnings[f] (Seoul)													
All industries	100	489	2,691	7,157	11,735[r]	11,273	12,816	15,965	17,277	19,589	17,759	19,339	21,668
MALAYA (Federation)													
Employment[p] (1,000)	461	462	499	505	497								
PHILIPPINES													
Index of employment[q] (1949 = 100)													
Mining		120	143	150	138	142	144	121	110	109	110	109	109
Manufacturing		98	99	99	109	108	106	109	118	116	118	116	113
Index of wages[s] (Manila)													
Skilled	100	102	96	97	99	99	99	99	100	99	99	99	99
Unskilled	100	91	99	105	108	108	108	109	107	106	107	106	107
Index of real wage (Manila)													
Skilled	100	110	97	102	111	112	111	111	115	115	116	114	114
Unskilled	100	99	101	112	122	123	123	123	125	123	126	122	123
THAILAND													
Employment—Mining[p] (1,000)	10.42	13 46	14.37	14.94	16.07	16.66	15 77	14.94	14.02	14.18	14.15	14.22	14.17
VIET-NAM													
Daily wages§ (Saigon-Cholon, Pr.)													
Skilled	.	29 10[t]	36.30	41.20	54.45	47.80		54.45		.	.	.	.
Unskilled (male)		14.40[t]	20.50	22.80	31.75	25.50		31.75				..	

a. Original base for wage or earnings index: *Ceylon*, 1939, *Japan*, 1947, *Korea*, 1936, *Philippines*, 1941.
b. Daily rates of minimum wages (basic wage plus special allowance).
c. Monthly rates of wages for unskilled manual workers in government employment.
d. Staffs and permanent workers employed by government-owned and private enterprises. Figures relate to end of period.
e. Private manufacturing industries is excluded from the monthly and quarterly index but included in the annual index.
f. Daily average of wages and allowances including payment in kind.
g Daily averages
h. Average daily emplyoment in all coal mines governed by the Indian Mines Act. Monthly figures are slightly short of total coverage.
i. Employment in Central Government establishments excluding railways. Office workers comprise administrative, executive and clerical staffs; manual workers comprise skilled, semi-skilled and unskilled workers. Figures relate to end of period.
j Monthly minimum wages (basic wage plus dearness allowances)
k. Average weekly earnings (basic wage plus dearness allowances and other payments) of underground miners and loaders in coal mines
m Before August 1950, average for calender week beginning first Sunday of each month. From August 1950, average for the week ending on the last day of the month, except for December when the week prior to holiday seasons was chosen.
n. Average monthly cash earnings per permanent worker
p. Number employed by government departments, estates, mines, factories and some miscellaneous establishments. Figures for 1950-53 relate to end of June.
q Comprises all full and part-time employees of 734 cooperating establishments in the Philippines who were on the payroll, i.e., who worked during, or received pay for, the pay period ending nearest the 15th of the month. Excluding proprietors, self-employed persons, domestic servants and unpaid workers.
s Daily average wage rates of all classes of workers.
t. Average daily earnings in December.
u First half only

13. CURRENCY AND BANKING

	1948	1950	1951	1952	1953	1953 II	1953 III	1953 IV	1954 I	1954 II	1954 Apr	1954 May	1954 Jun
BURMA (Mn. K.)													
Money supply	505	552	607	641	828	934	868	828	1,010	964	1,000	987	964
Currency: net active	335	358	398	413	506	583	537	506	688	624	677	658	624
Deposit money	169	194	210	228	322	351	331	322	323	340	323	328	340
Loans, advances and bills discounted (commercial banks)	68	130	159	151	142	130	130	142	164	144	153	155	144
Bank clearings	151	138	151	181	234	247	242	217	261	225	250	215	210
Foreign assets of the Union Bank of Burma[a]	358	556	748	920	991	1,129	1,045	991	920	864	922	861	864
Rates of interest (% per annum)													
Call money rate	.	.	1 04	1 64	1 10	1 08	0 75	0.58	0.92	1 00	1 00	1.00	1.00
Yield of long term gov't bonds		3.00*	3.00	3.00	3.00	3 00	3 00	3.00	3.00	3.00	3.00	3.00	3.00
Internal gov't debt[b] held by													
Union Bank of Burma	16	20	22	16	6	6	6	6	6	6	6	6	6
Commercial banks	8	27	31	25	68	52	71	68	61	86	63	81	86
Gov't deposits and cash in hand													
Central gov't deposits with the Union Bank of Burma	2	57	77	50	4	81	4	4	53	2	41	—	2
Cash in Government Treasury	15	5	5	3	11	4	4	11	9	8	9	8	8
CAMBODIA, LAOS AND VIET-NAM (1,000 Mn Pr.)													
Money supply	.	..	.	10.92	12.52	12.26	11.56	12.52	14.02	13 75	13.70	13.66	13 75
Currency: in circulation	..	.	..	7.67	9.19	8 13	8.55[r]	9.19	10.25	10.61	10.30	10.41	10.61
Deposit money (commercial banks only)[c]	.	..	..	3.25	3.32	3.12	3.01	3 32	3.76	3 14[r]	3 40	3.25[r]	3.14[r]
Loans and advances (commercial banks)	..	..	.	1.01	1.67	1 49	1 48	1.67	1.71	1.68	1.83	1.77	1.64
Foreign assets of l'Institut d'emission	..	..		0.68	1.67	0.91	0.89	1.67	2.39	2.39	2 38	2.67	2.39
Rate of interest (% per annum)													
Treasury bill rate	..	..	.	2	2	2	2	2	2	2	2	2	2
States treasury bills outstanding[d]	..	..	.	0.30	1.20	0.93	1.05	1.20	1.25	1.28	1.25	1.25	1.28
CEYLON (Mn Rs.)													
Money supply	607	911	1,006	894	827	878	824	826	810	856	803	828	856
Currency: net active	241	326	377	357	335	362	350	335	325	334	324	329	334
Deposit money	366	585	629	538	492	516	474	492	485	522	479	499	522
Loans, advances and bills discounted (commercial banks)	..	182	257	241	253	244	223	253	258	289	253	258	289
Bank clearings	391	549	691	688	671	645	723	642	648	625	573	650	651
Foreign assets													
Central Bank of Ceylon	460	565	668	401	245	294	302	245	329	446	392	417	446
Government[e]	380	342	367	376	294	314	295	294	289	274	274	270	274
Commercial banks	174	233	209	114	110	111	97	110	107	118	100	110	118
Rates of interest (% per annum)													
Call money rate	..	..	0.50*	0.50	0.96	0.50	1.33	1.50	1.50	1.33	1.50	1.25	1.25
Treasury bill rate[f]	0.22	0.87	0 48*	0.72	1.91	1.74	2.47	2.48	2 46	1 75	2.38	2.17	1.75
Yield of long term gov't bonds[g]	2.94	3.04	2 81	2.93	3.85	3.60	4.38	4.38	4.07	3 65	4 07	3.99	3.65
Internal government debt held by													
Central Bank of Ceylon	..	19	17	161	223	255	216	223	126	48	79	61	48
Commercial banks	184	271	235	302	284	284	283	284	280	271	268	273	271
Gov't deposits and cash in hand													
Government deposits with the Central Bank of Ceylon	..	12	31	6	—	—	—	—	—	15	—	6	15
Currency held by government	4	6	6	5	6	4	4	6	4	5	4	4	5
CHINA (Taiwan only, Mn NT$)													
Money supply	.	690	790	1,129	1,469	1,127	1,239	1,469	1,394	1,623	1,390	1,437	1,623
Currency outstanding	..	288	473	705	943	724	768	943	870	926	857	895	926
Deposit money	..	402	317	424	526	403	471	526	524	697	533	542	697
Loans, advances and bills discounted (banks other than the Bank of Taiwan)[h]	..	84	138	342	625	476	520	625	723	779	751	768	779
Bank clearings	..	138	418	862	1,740	2,087	1,813	1,598	1,468	1,596	1,534	1,575	1,679
Rate of interest (% per annum)													
Call money rate	..	16.42	10.80	10.80	9.0	10.80	7.20	7.20	7.20	7.20	7.20	7.20	7.20
Government deposits held by the Bank of Taiwan	.	349	626	776	1,173	930	1,130	1,173	1,337	1,301	1,375	1,352	1,301
HONG KONG (Mn HK$)													
Money supply													
Currency outstanding (notes)	783	808	800	802	802	801	803	802	804	726	724	724	726
Bank clearings	689	1,199	1,506	1,195	1,035	1,033	933	1,065	1,036	1,104	1,121	1,092	1,098

	1948	1950	1951	1952	1953	1953 II	1953 III	1953 IV	1954 I	1954 II	1954 Apr	1954 May	1954 Jun
INDIA (1,000 Mn Rs.)													
Money supply	18.84[z]	18.34	17 73	16.83	17.15	17.40	16 70	17.15	18.45	18.10	18.49	18.40	18.10
Currency net active	12 17[z]	12.03	11 70	11.22	11.53	11.66	10.99	11.53	12.18	12.10	12.49	12.40	12.10
Deposit money	6 67[z]	6.30	6 03	5 61	5 62	5 74	5 71	5 62	6.27	6.00	6.01	6 00	6.00
Advances and bills discounted[i] (scheduled banks)	4.42	4.45	5.54	4.85	4.61	5.10	4.60	4.61	5.38	5 28	5 63	5.52	5 28
Bank clearings	5.55	5.25	6 56	5.71	5.49	5.50	5.28	5 55	6 01	5.68	6.26	5 61	5 17
Gold and foreign assets of the Reserve Bank of India	10 67	8 74	8 21	7 46	7 63	7.53	7 39	7 63	7 93	7 84	7 92	7 91	7 84
Rates of interest (% per annum)													
Call money	0.50	0.58	1 01	2 02	2 12	2 62	1.46	1 54	2 88	2 83	2 88	2 88	2 75
Yield of long term gov't bonds[j]		3 11	3 39	3.69	3 64	3.64	3 65	3 65	3 63	3 65	3 64	3 67	3 65
Internal government debt held by													
Reserve Bank of India[k]	4 38	5 40	5 77	5 53	4.98	5 44	5 08	4 98	4 88	5 07	4 89	4 98	5 07
Scheduled banks	4 26	3.57	3 06	3 23	3.36	3.14	3 34	3.36	3 19	3 27	3 23	3 24	3.27
Non-scheduled banks	0.11	0 10	0 09	0 21	0 14	0 18	0 20	0 14	0 20	0 21	0 21	0.21	0.21
Government deposits held by the Reserve Bank of India	2 14	1 64	2 10	1 75	1 10	1 30	1.37	1 10	0 66	1 64	0 87	1 01	1 64
INDONESIA (Mn Rp.)													
Money supply	3,008	4,392	5,132	6,719	7,642	7,204	7,467	7,642	8 014	8,814	8,083	8,510	8,814
Currency net active	1,643	2,582	3,328	4,349	5,218	5,021	5,084	5,218	5,335	6,115	5,534	6,123	6,115
Deposit money	1,365	1,810	1,804	2,370	2,424	2,184	2,383	2,424	2,680	2,698	2,549	2,387	2,698
Loans, advances and bills discounted (all banks)[m]	266	682	2,152	2,445	2,394	2,624	2,482	2,394	2,605	3,661	2,719	2,813	3,661
Gold and foreign assets of the Java Bank[n]	547	1,349	1,939	1,780	2,397	3,233	2,521	2,397	2,143	1,752	1,897	1,860	1,752
Advances to government by the Java Bank		2,761	1,317	4,555	5,272	3,678	4,716	5,272	6,126	7,249	6,374	6,628	7,249
Gov't deposits with the Java Bank		.	..	496	495	495	495	495	495	495	495	495	495
JAPAN (1,000 Mn Y)													
Money supply	696	966	1,266	1,636	1,826	1,475	1,589	1,826	1,685	1,634	1,644	1,624	1,634
Currency: in circulation	338	409	492	554	610	484	487	610	499	505	516	490	505
Deposit money	357	557	774	1,082	1,216	991	1,102	1,216	1,186	1,129	1,128	1,134	1,129
Loans, advances and bills discounted (all banks other than the Bank of Japan)	385	997	1,526	2,022	2,563	2,257	2,417	2,563	2,567	2,628	2,580	2,606	2,628
Bank clearings	236	808	1,232	1,624	2,080	1,913	1,944	2,367	2,347	2,366	2,411	2,327	2,360
Gold and foreign assets													
Bank of Japan	..			18	18	18	18	18	18	18	18	18	18
Government		204	334	379	304	312	321	304	249	246	245	243	246
Other banks		2	1	23	44	38	44	44	38	35	36	35	35
Rates of interest (% per annum)													
Call money rate (Tokyo)		6.40	7 12	8.05	7 82	8 15	7 67	7 30	7 30	8 03	8 03	8 03	8 03
Yield of long term gov't bonds[p]		.	5 50	5 50	6 68	5 50	6 71	9 03	9 05	6 32	6 32	—	6 32
Internal government debt held by													
Bank of Japan[q]	331	200	166	324	326	184	176	326	191	204	211	230	204
All other banks	80	37	38	39	46	36	38	46	46	46	46	46	46
Government deposits with the Bank of Japan	14	48	32	92	60	116	129	60	108	63	42	66	63
KOREA (South, 1,000 Mn H.)													
Money supply	0.53	2 52	6.50	12.13	26 51	15.10	21.34	26.51	30.35	38.07	33.28	35 22	38 07
Currency in circulation	0.41	2.23	5.39	9.74	22.43	12.28	17 31	22.43	24 17	30 31	25 27	27 46	30 31
Deposit money	0.12	0.29	1.10	2.39	4 08	2.82	4 04	4.08	6 18	7 76	8 01	7 76	7 76
Loans, advances and bills discounted[s]	0.43	0 46	1.93	5.78	15.41	9.96	12.28	15.41	16.62	13 03	11.02	11.82	13 03
Bank clearings	0.21	0.41	2.40	13.69	21.37	17.97	21.19	30 90	34 51	46.43	47.65	44 05	47 59
Gold and foreign assets													
Bank of Korea	.	0.78[r]	2.34	4.79	18.38	6.24	6 12	18.38	18.77	19.07	19 48	19.34	19 07
Government[t]	.	0.58	1.79	2.64	2.68	1.28	1.08	2.68	1.99	3.02	2 62	2 51	3 02
Internal government debt held by													
Bank of Korea[r]	.	3.76	8.42	11.96	24.11	18.36	23.48	24.11	34.12	41 82	40 43	38 76	41 82
All other banks			0 06	0 14	0 54	0.32	0 44	0 54	0.60	0.77	0.57	0.74	0 77
Treasury deposits with the Bank of Korea	0.11	0 85	1.86	6.01	12.32	11 41	14 04	12.32	17 51	11.95	15 67	11 95	11 95
MALAYA (Mn M$)													
Money supply	899	1,402	1,731	1,620	1,486	1,500	1,451	1,486	1,503	1,488	.		1,488
Currency notes net active[u]	302	515	654	630	651	613	620	651	621	622			622
Deposit money	598	887	1,077	989	835	887	831	835	882	867	873	855	867
Loans and advances of commercial banks	259[r]	461[r]	451[r]	484	437	450	466	437	469	461	477	477	461
Debits to current deposit accounts		.	4,167	3,396	2,946	2,902	2,850	2,829	2,682	2,766	2,671	2,941	2,686
Federation Treasury bills held by banks	30	23	26	14	10	12	11	10	10	10	10	10	10

	1948	1950	1951	1952	1953	1953 II	1953 III	1953 IV	1954 I	1954 II	1954 Apr	1954 May	1954 Jun
PAKISTAN (Mn Rs.)													
Money supply	2,698	2,964	3,755	3,220	3,568	3,387	3,382	3,568	3,706	3,671	3,732	3,704	3,671
Currency: in circulation	1,708	1,992	2,467	2,151	2,372	2,239	2,172	2,372	2,496	2,418	2,474	2,448	2,418
Deposit money[v]	990	973	1,288	1,069	1,196	1,149	1,210	1,196	1,211	1,253	1,258	1,256	1,253
Loans, advances and bills discounted (scheduled banks)	410	770	919	792	781	656	640	781	826	789	849	832	789
Bank clearings[w]	326*	460	551	534	536	491	517	582	615	492	460	449	567
Gold and foreign assets of the State Bank of Pakistan[x]	1,629	1,188	1,627	933	935	931	935	935	1,065	945	1,029	993	945
Rates of interest (% per annum)													
Call money rate	.	0.99	0.94	2.10	1.01	0.77	0.25	0.68	2 04	0 86	1 50	0 81	0.28
Yield of long-term gov't bonds[y]	..	2.96*	2.98	2.98	3.06	3 01	3 10	3.14	3.14	3 13	3.14	3 13	3.13
Internal government debt held by the State Bank of Pakistan	176	811[r]	864	1,214	1,250	1,228	1,153	1,250	1,300	1,419	1,312	1,363	1,419
Government deposits with the State Bank of Pakistan	923	661	582	377	216	371	417	216	325	172	146	130	172
PHILIPPINES (Mn P.)													
Money supply	1,145	1,148	1,053	1,089	1,105	1,045	1,049	1,105	1,124	1,070	1,103	1,088	1,070
Currency: net active	571	669	639	624	661	592	608	661	655	630	652	644	630
Deposit money	574	479	414	465	444	453	440	444	470	440	451	444	440
Loans, advances and bills discounted (all banks other than the Central Bank)	511	533	685	694	773	727	733	773	769	792	767	794	792
Bank clearings	381	462	457	480	520	519	623	528	568	558	556	567	553
Debits to checking accounts	772	674	733	686	743	766	727	732	806	830	763	862	865
Gold and foreign assets													
Central Bank of the Philippines	800	592	488	472	481	486	486	481	482	493	476	491	493
Other banks	126	148	145	162	134	135	144	134	175	128	162	141	128
Internal government debt held by													
Central Bank of the Philippines	.	158	242	235	230	232	228	230	240	240	263	248	240
Other banks	13	41	35	56	58	58	55	58	57	87	58	74	87
Gov't deposits and cash in hand													
Deposits with Central Bank	.	19	153	98	45	130	92	45	48	50	47	59	50
Deposits with Philippine National Bank	..	81	46	59	95	74	89	95	100	124	101	118	124
Cash in Treasury vaults	.	4	6	7	5	4	3	5	4	4	4	4	4
THAILAND (Mn Baht)													
Money supply	2,881	3,967	4,907	4,932	5,438	5,062	5,145	5,438	5,686	5,420	5,736	5,540	5,420
Currency. net active	2,205	3,043	3,756	3,678	4,016	3,782	3,823	4,016	4,172	4,039	4,133	4,079	4,039
Deposit money	676	924	1,151	1,254	1,422	1,280	1,322	1,422	1,514	1,381	1,603	1,461	1,381
Loans, advances and bills discounted (commercial banks)	414	592	741	1,202	1,649	1,575	1,659	1,649	1,781	1,846	1,814	1,970	1,846
Bank clearings	774	1,544	2,057	2,270	2,366	2,328	2,326	2,250	2,367	2,367	2,083	2,247	2,150
Debits to sight deposit accounts		1,973	2,786	2,989	3,196	3,208	3,098	2,999	3,432	2,980	2,884	2,951	3,104
Gold and foreign assets of the Bank of Thailand	2,180	3,641	4,511	4,434	3,782	4,126	4,123	3,782	3,641	3,320	3,584	3,437	3,320
Rates of interest (% per annum)													
Treasury bill rate	1.32	2.02	2 10	2.17	2.25	2.25	2.24	2.30	2.27	2 25	2 24	2.26	2.24
Internal government debt held by													
Bank of Thailand	18	155	166	261	247	251	220	247	281	278	263	288	278
Commercial banks	150	116	118	102	174	83	120	174	129	151	133	94	151
Government deposits with Bank of Thailand	392	317	423	396	698	540	615	698	642	671	547	700	671

GENERAL NOTES· All figures, other than bank clearings and rates of interest, relate to the end-of-month, end-of-quarter and end-of-year respectively. bank clearings relate to monthly totals and their averages. *Net active currency* Total currency outstanding less holdings in all banks including the central bank and in government treasuries. *Currency in circulation* Total currency outstanding less holdings in all banks including the central bank. *Deposit money*· Deposits in all banks (including central bank) withdrawable by cheques but excluding inter-bank liabilities and central government deposits. *Bills discounted:* Excluding treasury bills. *Bank clearings:* Total value of cheques and other collection items cleared through clearing houses. *Gold and foreign assets* Gross holdings of gold, foreign exchange and other liquid foreign investments *Rates of interest* All rates are those prevailing in the capital city of each country except in India where rates in Bombay have been taken. *Call money rate* Relates to inter-bank rate on money at call

a. Beginning July 1952 includes foreign assets of the Burma Currency Board.
b Treasury bills and 3 year and 5 year government bonds.
c. Includes in addition to deposits by business concerns and individuals, the deposits of Indochinese branches of the French National Treasury, and of the Autonomous Amortization Fund.
d. Treasury bills of Cambodia and Viet-Nam only.
e. Includes War Loan re-lent to U.K. Government, less the part by Central Bank.
f Weighted average of tender rates on bills issued within the period.
g. Yield of a per cent national development loan 1965-70 calculated to earliest redemption date.
h. Includes the Land Bank, Cooperative Treasury and three commercial banks.
i Includes bills purchased.
j. Yield of 3 per cent paper (running yield) to earliest redemption date
k. Includes loans & advances to government.
m. The Java Bank, Bank Negara Indonesia, Bank Industri Negara and seven commercial banks
n Devaluation took effect on 4 Feb 1952 but foreign assets and gold holdings were not revalued until 6 Feb 1952 and 13 May 1953 respectively.
p Weighted yield (simple rate of interest) to latest redemption date of medium dated government bonds issued during the period stated Figure for 1951 relates to average of 4 months Sep-Dec.
q Includes advances to government.
s. Excluding the Bank of Korea, Reconstruction Bank and trust account of the trust Bank
t Figures shown are on a net basis.
u Figures include British Borneo.
v. Prior to April 1952 includes inter-bank liabilities
w Figures relate in 1948 and 1949 to 3 clearing houses in principal towns, from Jan 1950-Jan 1952 to clearing houses in 4 towns and from Feb 1952 in 5 towns
x Including outstanding assets receivable from the Reserve Bank of India, under the partition agreements, but excluding foreign assets of Banking Department.
y. Yield to maturity of 3 per cent bonds 1968
z. March.

TRADE AGREEMENTS NEGOTIATED AND/OR FINALIZED DURING THE THIRD AND FOURTH QUARTERS 1954

I. ECAFE INTRA-REGIONAL TRADE AGREEMENTS

Contracting parties	Period valid	Value of trade and principal exports	Methods of payment	Remarks
Burma—China (Mainland)	Not specified	Burma will export 150,000 long tons of rice to China probably during 1955 in addition to other commodities specified in the agreement signed on 22 April 1954 (See *Bulletin* Vol. V, No 1)	Payment is to be made in pound sterling	Signed in November 1954. This is a supplementary trade protocol to the Three-Year Trade Agreement which is valid until April 1957
Burma—Indonesia	Through 1954-56	Burma to export 20,000 long tons of rice during 1954, and a minimum of 10,000 tons and maximum of 50,000 tons during each of the next two years The prices per long ton FOB of Ngasein SMS rice were agreed as follows (a) K 666 67 for 1954, (b) K 640 00 for 1955 and (c) K 613 13 for 1956 Prices for other qualities would be reduced proportionately in relation to the above prices	Not specified	Signed in Rangoon on 25 June 1954. A sale contract for 1954 was also signed on the same day Shipment would commence in July
Ceylon—China (Mainland)	Not specified	Ceylon 50,000 metric tons of rubber at 27 pence per lb China 27,000 metric tons of rice, at £39 per metric ton	Payment is to be made in pound sterling	Signed in Peking in October The price agreed on is 7 pence higher than the world market Ceylon produces about 100,000 tons of rubber annually and half of the production has been going to China for the past three years
India - China (Mainland)	1954-56	Total not specified India tobacco, ores, chemicals, drugs, medicines, electrical appliances, machinery, and machine tools, etc China soybeans, machine tools, machinery, medical apparatus, antimony, graphite, teakwood, wool, hides and skins and paper	Payment is to be made either in pound sterling or in Indian rupees	Signed in New Delhi on 14 October 1954 This is the first trade agreement concluded on the governmental level (See *Bulletin*, Vol V, No 2)
Indonesia—China (Mainland)	1 September 1954—31 July 1955	Total 6 million pound sterling ($17 million) each way Indonesia copra, coconut oil, sugar, coffee, quinine timber, pepper, palm oil, citronella oil, rattan, sisal and forestry products China cotton piecegoods, weaving yarn, cotton knitted goods, rayon, textile machine engines, machine tools and other machinery, chemicals, newsprint, paper and stationary sport articles glass and chinaware, salted fish, food and drinks	Open account based on pound sterling The People's Bank of China and the Bank of Indonesia will open sterling accounts with each other to cover imports and exports between the two countries Any deficit at the end of any trading period will be settled in pound sterling	Signed in Djakarta on 1 September The agreement provides for automatic extension for another year if neither party gives notice of termination three months prior to the date of expiry
Indonesia—Japan	Till end of November 1954	Total $15 million Indonesia to export 125 000 tons of sugar to Japan at $115 c i f per ton	Payment is to be made in U S dollars	Japan's imports from Indonesia which has been sluggish are expected to be boosted by this agreement
Pakistan—Japan	15 September 1954—14 September 1955	Total £28 million worth of goods each way Pakistan cotton, jute, hides and skins, cotton linters rock salt, etc Japan textiles, cotton yarn, iron and steel, non-ferrous metal, chemicals and other manufactures	Payment is to be made in pound sterling	Signed on 30 September 1954 The agreement, being retroactive from 15 September, will be valid for one year and is subject to ratification by the two governments (See *Bulletin* Vol IV, No 3)
Pakistan—Philippines	Till end of December 1954	Pakistan to export 30,000 tons of rice to the Philippines before the end of the year	Payment is to be made in U S dollars	Signed in Karachi on 4 September 1954
Thailand—Japan	1 September 1954—31 August 1955	Total $65 million each way Thailand rice, agricultural produce, salt, timber, rubber, tin and other minerals, sticklac, hides and skins, etc Japan textiles, machinery, electrical appliances, metals, construction materials, chemicals, Diesel engines, transport equipment, etc	Open account based on U S dollars A "swing limit" of $5 million and payable on demand of the creditor party remains as provided in the previous agreement (See *Bulletin*, Vol IV, No 3)	Notes expressing the desire to extend the 1953 agreement for another year were exchanged on 11 September 1954. The negotiation which was initiated by Thai Delegation on 26 October 1954 resulted in Japan agreeing to purchase during the trading year 1954/55 no less than 400,000 tons rice from Thailand

II. ECAFE COUNTRIES—EXTRA-REGIONAL COUNTRIES

Ceylon—Egypt	Under negotiation	Total not specified Ceylon tea Egypt vegetables, phosphates, textiles, cotton yarn, etc	Payment will be made in pound sterling	Egypt imports annually about 60,000 lbs of tea
India—Germany (East)	One year	Total Not specified India tea, coffee, tobacco, iron ore, raw cotton, cotton piecegoods, jute manufactures, silk, wool, shellac, leather manufactures Germany mining and textile machinery, tractors, chemicals, unexposed film, newsprint and machinery, equipment for chemical industries, etc	Not specified	An exchange of letters was effected on 16 October 1954

TRADE AGREEMENTS NEGOTIATED AND/OR FINALIZED DURING THE THIRD AND FOURTH QUARTERS 1954

II. ECAFE COUNTRIES—EXTRA-REGIONAL COUNTRIES—(Continued)

Contracting parties	Period valid	Value of trade and principal exports	Methods of payment	Remarks
India—Italy	Till 31 December 1954	Total. not specified India tea, tobacco, coal, mineral ores, lac and shellac, raw goat and sheep skins, hydrogenated oils, essential oils, raw cotton waste, silk waste, drugs, medicines and pharmaceutical products, turpentine, leather footwear, carpets, bristels, glassware, handicrafts, etc Italy foodstuffs, artificial silk yarn and fabrics, clothing and accessories, rolling stock, ball bearings, agricultural machinery, industrial and electrical machinery, office equipment, motion picture equipment, raw and refined sulphur, etc.	Payment will be made in pound sterling	Exchange of letters expressing desire to extend the 1952 agreement was effected in New Delhi in August During the fiscal year 1953/54 ending on 31 March, India exported goods to the value of 51 2 million rupees and imported goods to the value of 230 7 million rupees
India—Sweden	Till 31 December 1954	Total not specified India raw cotton, cotton textiles, jute goods, hemp, cotton waste, leather goods, essential oils, tea, coffee, tobacco, shellac, iron ores and coal Sweden cement, chemicals, tallow, forest products, iron and steel, machinery and equipment, office equipment, precision instruments, radios and phonographs	Payment will be made in pound sterling	Exchange of letters expressing desire to extend the existing agreement was effected on 8 June India will continue to treat Sweden on the same footing as any other country within the soft currency group (See *Bulletin*, Vol II, No 1)
Indonesia—France	Through 30 September 1955	Total Indonesia will export 12,000 million francs worth of goods France will export 8,400 million francs worth of goods Indonesia rubber, tin, copra, coffee and tobacco, etc France machinery, chemicals, pharmaceuticals, metalwares, textiles, and transport equipment	Method of payment or currency medium has not been specified It is probable that trade will be conducted on a credit basis France has agreed to grant credit facilities to Indonesia up to the equivalent of Rp 400 million ($35 million) Part of this credit will be devoted to industrial development	Signed in June 1954 and the agreement will be valid through 30 April 1955 (See *Bulletin* Vol IV, No 2)
Japan—Germany (West)	1 October 1954—30 Sept 1955	Total Japan will export $56 5 million worth of goods and $10 million in transit trade Germany will export $46 5 million worth of goods Japan textiles raw silk, chemicals, whale oil, possibly a certain quantity of steel, etc Germany machines, fertilizer, pharmaceuticals, motor cars, etc	Open account based on U S dollars	Signed in Tokyo on 22 October 1954 In 1953/53 trading which ended on 31 July 1954, Japan exported to Germany $19 million and imported $47 million worth of goods

CORRIGENDUM TO ARTICLE ON

"GAINS FROM TRADE IN ECAFE COUNTRIES, JULY 1950 TO JUNE 1953"

ECONOMIC BULLETIN FOR ASIA AND THE FAR EAST,

Volume V, No. 1, May 1954

For the figures in the columns under the headings "total" of table 4 on page 28,

please substitute figures in table 3-A on page 27.

UNITED NATIONS

ECONOMIC SURVEY OF ASIA AND THE FAR EAST 1954

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February, 1955

UNITED NATIONS

DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS

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LETTER OF TRANSMITTAL

Bangkok, Thailand
8 February 1955

Sir,

In November 1947 during its second session the Economic Commission for Asia and the Far East adopted a resolution E/CN.11/63 which recommended that the secretariat publish a comprehensive annual survey of economic conditions and problems of the countries within the scope of ECAFE.

In accordance with the above resolution, I have the honour to transmit to you the eighth *Survey* prepared by the secretariat on its own responsibility. The Commission is aware that the views expressed in the *Survey* should not be attributed to the Commission or to its member governments.

This *Survey*, following the pattern set in the 1953 Survey, gives for the second time time an analysis of recent economic developments in individual countries of the region, in addition to a regional treatment of these developments. It includes a chapter on Afghanistan which has, in accordance with the Commission's terms of reference amended by the Economic and Social Council, come within the geographic scope of ECAFE.

I have the honour to be, Sir
Your obedient servant,
(*signed*) P. S. LOKANATHAN
Executive Secretary
Economic Commission for Asia and the Far East

The Honourable Dag Hammarskjöld,
Secretary-General,
United Nations, New York.

GENERAL EXPLANATORY NOTES

Fiscal Year

Fiscal years in force in ECAFE countries: Afghanistan: year ending March; Burma and Ceylon: year beginning 1 October; Hong Kong, India, Japan, Korea (Republic of), Nepal and Pakistan: year beginning 1 April; China (Taiwan only) and the Philippines: year beginning 1 July; British Borneo (Brunei, North Borneo, Sarawak), Cambodia, mainland China, Indonesia, Laos, Malaya (Federation of), Singapore, Thailand and Viet-Nam: calendar year.

Special Tables

In order to avoid duplication, statistical tables on national income, population, agriculture, transport, public finance and balance of payments are generally not reproduced in the text of the 1954 *Survey*, since they are published in special tables in the section on "Asian Economic Statistics" at the end of the *Survey*. For these and other tables components do not always add up to totals because of rounding.

Charts

For statistics used in preparing the charts, please refer to relevant tables in the section on "Asian Economic Statistics".

United and Symbols

Unless otherwise stated "tons" relate to metric tons, and "dollars" to United States dollars.

The following symbols have been used throughout:

* = average of six to eleven months.
‡ = 12 months beginning April of the year stated.
† = 12 months ending September of the year stated.
ø = 12 months ending June of the year stated.
I, II, III, and IV for quarters of years.
§ = end of period.

Mn = million.
.. = not available
— = nil or negligible.
r = revised figures.
Figures in italics are provisional

Currencies

The following table shows symbols and exchange rates at the end of September 1954 of national currencies of countries in the ECAFE region except Nepal. Official rates are given for these countries except China (Taiwan only) for which the certificate rate is used, and Thailand for which the free market buying rate is used.

Country	Currency	Symbol	U.S. cents per unit of currency at end of Sept 1954
Afghanistan	Afghanis	Afg.	5 882
Burma	Kyat	K	21.00
Cambodia, Laos and Viet-Nam	Piastre	Pr	2.857
Ceylon	Rupee	Rs.	21.00
China			
Taiwan	New Taiwan Dollar	NT$	6 43
Mainland	People's Bank Yuan	PBY	4.27 per thousand
Hong Kong	Hong Kong Dollar	HK$	17.50
India	Rupee	Rs	21.00
Indonesia	Rupiah	Rp.	8 772
Japan	Yen	Y	0.2778
Korea (Republic of)	Hwan	H.	0.5555
Malaya and British Borneo	Malayan Dollar	M$	32.67
Pakistan	Rupee	Rs.	30.22
Philippines	Peso	P	50.00
Thailand	Baht	Bcht.	4.613

Sources

Unless otherwise stated, figures used in tables of the 1954 Survey are from the United Nations Statistical Office, other international sources or official national sources.

ECONOMIC SURVEY

OF

ASIA AND THE FAR EAST 1954

INTRODUCTION

I

The substantial economic progress achieved by most countries of the region during 1954 has been recorded in the *Survey* in the regional section as well as in the individual country chapters. Increases in agricultural production in those countries have been most significant in the case of foodgrains for which the 1954 figure was 11 per cent above the 1934-38 level. This progress was not merely the result of adventitious causes like favourable weather conditions, but reflected to some extent the success of efforts to increase the yield and extend the area under foodgrains.

Increased domestic availability of foodgrains in deficit countries reduced import needs for current consumption and enabled them to save considerable foreign exchange on imports. The demand for rice export from the region was kept down not only by the improved supply position in deficit countries, but also by the relatively higher export prices of rice vis-a-vis other foodgrains and the availability of foodgrains on concessional terms from the United States. As a consequence, the traditional rice-exporting countries of the region, which had on hand greatly increased exportable surpluses in the beginning of the year, faced problems of sales abroad and falling government revenues and foreign exchange earnings as also large carry-ever stocks at the end of the year. Of greater concern from the long-term point of view is the fact that in the rice-deficit countries, the gap between domestic availability and requirements is being steadily reduced through increasing outlays on domestic production, sometime regardless of cost. Reduced rice exports from the traditional exporting countries could result ultimately in their reduced capacity for absorbing export products of some of the rice-deficit countries. Obviously the situation calls for closer understanding between the traditional rice exporting and importing countries with a view to conserving and even expanding the demand for reasonably priced rice. This could pave the way for re-orientation of development plans in the countries of the region with a view to ensuring the best possible use of factors of production.

In marked contrast to rice, of which supplies exceeded effective demand and price showed a marked decline, most other agricultural export commodities fared appreciably better. Owing to improved export demand, prices of tea, rubber, cotton and jute were, during the major part of 1954, well above the levels of 1953. Although these price increases came as a welcome relief to the exporting countries and production too was stimulated, yet from the long-term point of view the uptrend of tea and rubber prices carries with it its own dangers. For owing to competition of substitute products, technical progress or other factors, this upswing might at some stage be followed by a sharp drop with its attendant problems of adjustment for the exporting countries. Two commodities that were affected by price declines were copra and sugar. However, increases in the volume of exports of copra and copra products from the major producing countries and of sugar from the Philippines were redeeming features.

Progress in industrial production has been more rapid than in agricultural production and was the result both of a fuller utilization of existing capacity and of the addition of new facilities and new lines of production. While total consumption of cotton piecegoods of the region (excluding mainland China) had risen from 5,600 million metres in 1951 to 7,500 million metres in 1954, increase in their total production during this period was even more pronounced, from 5,900 million metres to 8,100 million metres thus making it possible to increase their net exports. In the case of steel ingots production, which is concentrated in Japan, mainland China[1] and India, the region's output is estimated to have approached 11 million tons in 1954 as compared with 4.6 million tons in 1949. Cement production in the region is estimated to have exceeded 22 million tons in 1954, recording an increase of 15 million tons over the 1949 level. The emphasis being laid on the development of electric power and chemical fertilizers is again reflected in the increase in their production. Tangible results have also been achieved in the field of transport as a result of heavy development expenditure, and are reflected in increases in rolling stock, in length of railway networks, in road mileage and in the handling capacity of ports.

On the other hand, the region's international balance of payments has not been equally satisfactory. The aggregate foreign exchange assets of countries[2] for which data are available were 11 per cent lower in June 1954 than at the end of 1952, though there was some improvement in the second half of 1954. The unsatisfactory foreign exchange position was due to factors affecting both exports and imports. Some exports, especially rice and sugar, face a buyers' market and owing to strategic, technical and other factors, some others find increasing difficulties and uncertainty in respect of markets and prices. The constant fluctuations in the prices of the region's major exports render export earnings highly unstable and readjustment of imports obviously cannot be quick or effective. On the other hand, the level of imports of many countries of the region was substantially higher than before the Korean-war boom. This, together with the usual deficit on service account, was in excess of export earnings, with many countries in the region necessarily drawing upon their exchange reserves, in addition to utilizing external aid.

With export earnings of twelve ECAFE countries[3] running at about $5,400 million in 1954 and with no large prospects of securing higher export earnings except under conditions of unstable export prices, the limits to essential imports are soon set. The efforts to increase development

1. On the nature of official statistics and estimates emerging from mainland China and quoted throughout this *Survey*, see *infra*, chapter 10 on China, section II on the mainland, sub-section on 'Nature of statistics and estimates.'
2. Includes Burma, Cambodia, Ceylon, India, Indonesia, Japan, Korea (south), Laos, Pakistan, the Philippines, Thailand and Viet-Nam.
3. Includes Burma, Cambodia, Ceylon, China: Taiwan, Hong Kong, India, Indonesia, Japan, Laos, Pakistan, the Philippines and Viet-Nam.

expenditures run up against serious difficulties, and unless large foreign aid becomes available they are bound to be frustrated. The ratio of exports to imports in these countries, which was 1.1 in 1950, declined to 0.78 in the first half of 1954. The terms of trade, which during the Korean-war boom had become exceptionally favourable, could offer no permanent solution, even if they were more favourable than in 1954. In 1954, while the terms of trade of Ceylon improved substantially and those of India and Pakistan slightly, those of the rice exporting countries, Malaya and the Philippines grew considerably worse.

This chronic shortage of foreign exchange resources led to severer import and payments restrictions in several countries, accompanied by several measures for export promotion in almost all countries of the region. The desire to relax import controls, expressed by most of the countries, has not been translated adequately into action on account of the imperative needs of expenditure for development and other purposes. The inadequacy of foreign exchange earnings in the face of an expanding volume of import requirements is a pressing foreign trade problem thrown up by economic development.

Central government expenditure continued to expand even after the collapse of the Korean-war boom. In 1954, government expenditure in most countries of the region except Ceylon and Japan continued to increase, owing mainly to larger developmental expenditures. It is worth noting that, in spite of declining financial resources and other difficulties almost all countries of the region either maintained or increased development expenditures as compared to previous years. Total expenditure of the governments of Burma, Ceylon, India, Malaya and British Borneo and Pakistan on development programmes has shown an increase in 1954/55 of more than 30 per cent over 1952/53. In recent years, with greater emphasis on rapid economic development, government expenditure for investment purposes has increased in importance and is now larger than defence expenditure in Afghanistan, Burma, Ceylon, mainland China, Hong Kong, India, Japan, the Federation of Malaya, Pakistan and the Philippines. Many countries of the region experienced fluctuations in government revenue during and after the Korean-war boom. During the boom, the relative importance of customs duty as a source of revenue increased in most countries because of the rapid increase of exports and imports as well as the increases in export duties levied by several countries. With the collapse of the boom, revenue from this source declined and by 1953 or 1954 was relatively less important than before the boom in Ceylon, the Federation of Malaya and Pakistan. Governments are increasingly aware of the necessity of having a suitable tax structure with some stability to meet the needs of economic development and at the same time some flexibility to counteract economic fluctuations.

Comparatively, monetary stability prevailed in more countries of the region in 1954 than in any other post-war years. In most of the raw-material exporting countries, the process of adjustments to the decline in export earnings at the end of Korean-war boom appeared generally to have been completed by 1953. In 1954, these countries benefited generally from an improvement in the food situation which contributed to the price stability and an increase in real income. The Philippines witnessed a trend toward monetary contraction through government financial operations in 1953 and 1954, while there has been a comparatively large budget deficit, in Indonesia since 1952 and in Pakistan since 1952/53.

In India, the rather high rate of growth in real income was explained partly by record food crops and partly by the normal rate of increase in industrial production. Although money supply increased during 1953/54 in accordance with the growing requirements of a developing economy—the increase being sustained over the calendar year 1954—the wholesale-price index fell rather sharply during 1953/54 as a result of the decline in food prices. Cost-of-living index also fell, in response to the fall in the wholesale price index. In Japan a policy of monetary restriction was adopted before the end of 1953 with a view to correcting the balance-of-payments deficit. The inflationary trend was halted in early 1954. While the money supply levelled off and the wholesale-price index fell slightly, industrial production continued to increase through the year.

The general improvement in the food situation has brought about a decline in export earnings of the rice-exporting countries. The world market price of rice fell substantially in 1953 and 1954 and this tended to affect unfavourably the domestic income of the rice-exporting countries. In Cambodia and Viet-Net internal prices of rice fell more than export prices, while in Thailand and particularly in Burma the fall was appreciably less. Further, in both Burma and Thailand, the government deficit largely offset this deflationary effect. In Hong Kong the deflationary influence came from the decline in entrepot trade but was, to some extent, compensated by an increase in exports of domestic products.

With the cease-fire in mid-1954 the inflationary economic situation in the three states of Cambodia, Laos and Viet-Nam had eased somewhat. This, coupled with the possible decline in farm income and larger foreign aid, contributed to the levelling off of inflation in these countries. In the Republic of Korea, however, the aftermath of war and the continuing large defence expenditure have accounted mainly for the sustained inflationary trend. In China: Taiwan, although defence expenditure is still large, price levels have shown remarkable stability since 1953 mainly on account of increased production, improved tax revenue and continued foreign aid.

II

Further evidence of the progress achieved is given by the fact that the *per capita* real income in several ECAFE countries has shown increases since the end of the war. There were, of course, special favourable conditions to accelerate the increase in income, some of which are not of a recurrent nature. Among those countries whose *per capita* incomes have shown large increases since the end of the war are Burma, Japan, the Philiippines and China: Taiwan, all of which had suffered heavy losses during the war, and the comparatively rapid increase is largely a recovery through reconstruction. In addition, they all received foreign aid; and Japan also benefited from foreign military expenditures and United States off-shore purchases.

Nevertheless, despite the considerable efforts made in the post-war years to increase output and raise the levels of living, most of the countries of the region find themselves, nearly a decade after the end of the war, either with lower *per capita* real incomes than before the war or with real incomes which are barely at pre-war levels. In 1953 the *per capita* real income in Japan exceeded the pre-war (1934-36) level by about 5 per cent, while in Burma it was still 30 per cent below it. For other countries of the region, such as Ceylon, Malaya and Thailand, the *per capita* real income increased

rapidly during the Korean-war boom, but declined after the boom. The recent estimated increase in the *per capita* real income in India is due to a large extent to the poor weather conditions in previous years which lowered the base for comparison. Taking the region as a whole and judging from the *per capita* production of foodgrains, the most important consumption item in the region, *per capita* real incomes are still probably below the pre-war level, suggesting a state of relative stagnation. Other evidence based on such data as are available in regard to consumption of non food items also confirms this general conclusion.

There has been no marked shift in the occupational distribution of the population in ECAFE countries. The percentage of population still dependent upon agricultural occupations remains as high as before. In spite of the marked increase in development expenditures, there has been no evidence that the economy has undergone any appreciable diversification. Even within the agricultural sector the specialiation that has been characteristic of the economies of some of the countries continues; the efforts to bring about a better balance between food and non-food items have not been attended with marked success. This is due in part to a legitimate doubt as to whether, under the special economic conditions of some of these countries, a policy of diversification would prove more profitable than specialization, except as a distant goal.

The problems of development in the countries of the ECAFE region are in some respects different from those of certain other under-developed areas and present features characteristic of old countries with rich tradition but with social and other mores that cannot be rapidly altered. The region is by and large an area of high population pressures and high density of population per cultivated square kilometre. Unemployment and under-employment are widely prevalent in ECAFE countries and governments must therefore have recourse to labour intensive projects with a view to maximum utilization of their huge manpower resources and economizing on capital. The training of labour of all grades, not the importation of skills, is their main pre-occupation. Owing to a number of causes the inflow of private capital from outside has greatly diminished in the post-war period and there is no immediate prospect of a large inflow of foreign private capital. During the brief period of the Korean war boom they enjoyed the benefits of highly favourable terms of trade, but these were short-lived and could not be effectively availed of. Above all, several countries of the ECAFE region were heavily damaged by the war, and most of the efforts of governments have only resulted in restoring and reconstructing their war damaged economies so that even as of today their *per capita* real incomes have shown no marked increases.

III

While the growth of population is one of the major factors affecting economic development it cannot be regarded as the fundamental cause of the slow progress of it. With the exception of Ceylon, the Republic of Korea and mainland China, whose rates of increase are estimated respectively at 3, 3 and 2 per cent per annum, the rate of increase of population in ECAFE countries, contrary to the widely-held belief, is not greater than in the developed countries. Its significance, however, lies in the fact that even the normal increase in population over already high levels adds to the gravity of the problem. For example, in countries where there is already a high pressure of population on land, even the efforts to maintain existing levels of living involve a large programme of industrialization with correspondingly large capital investments.

Not all countries in the ECAFE region, however, are confronted with this problem, but even among those in which the population pressure is not acute, the need for considerable capital investment in agriculture and industry is urgent if they are to raise the standards of living of the people, which are at present very low. To satisfy the need of the farming community for manufactured goods and to sustain the demand for increased agricultural output industrialization is required. In both sets of circumstances, therefore, industrialization and agricultural improvement have each to be pursued, though there are differences in emphasis. The capital required for rapid economic development to maintain, and if possible to increase, the levels of income is thus a major problem.

Several estimates have been made concerning the capital requirements of ECAFE countries. The amount of capital required for development depends on the present income levels, the desired rate of growth and the various factors affecting the capital/output ratio of investment. Statistics of capital stock are not available in ECAFE countries and a reasonable estimate of the capital—output ratio is therefore more difficult. However, on the basis of the limited knowledge of the technical coefficients of certain industries some estimates have been made of the amount of additional investment required in a given period to bring about a defined increase in annual income. The marginal capital/output ratio, according to the target of the draft Indian five-year plan, is 3, and that of the draft eight-year plan of Burma is 2.5. Recent national income statistics from Burma and Japan show that the marginal capital/output ratio is about 2. These ratios cannot be considered as decisive for planning, for during a period of recovery after destruction or dislocation small capital investments may be statistically associated with large increases of income. However, the average capital/output ratio of Latin American countries is between 1.9 and 2.3, while the marginal capital/output ratio averages 2.5 excluding Argentine and 3.0 with Argentine included. The manufacturing census of India also shows that the average ratio between capital and value added in factory manufacturing industries, even taking into consideration the under-valuation of capital, may not be larger than 2.5.

The capital/output ratio depends not only on the methods of production, but also on the nature of the sectors which have been or are to be developed. Further research in this field is likely to be highly rewarding. There can be no doubt that the agricultural sector in this region usually requires less additional capital investment per unit of additional output; so does the development of cottage and small-scale industries on which the region has laid much emphasis. Indeed, when the *per capita* income is low and when it is found undesirable to let the people sacrifice too much, planners in countries with large surplus labour may sometimes, in the initial period of development, put special emphasis on those sectors or projects which have lower capital/output ratios. However, to serve and facilitate these economic activities, related fields of development requiring higher capital/output ratios, such as transport and power, will have to be developed. Thus, with a given technology, there is a limit to lowering the capital/output ratio in development planning.

At the present stage of statistical knowledge in the ECAFE region, estimates of capital/output ratios and estimates of national and *per capita* income (especially when expressed in a single currency unit) must be treated with great reserve. However, if for purposes of illustration we assume an over-all capital/output ratio of 2.5, at least a rough estimate of capital requirement for the region may be made. With an average *per capita* income—taking into consideration the under-estimation especially in the non-market sectors—of about $100 for the region, capital required to maintain the same level of income for each additional person in the population may be about $250. With a population of 1,200 million increasing at an annual rate of 16 per thousand, total net new capital requirement to maintain the present level of living is $4,800 million per annum, equivalent to 4 per cent of the total national income or $4 per person. A rate of increase of 2 per cent per annum in the *per capita* income would require in the initial period a capital investment of about $10,800 million per annum, equivalent to 9 per cent of the national income or $9 per person. The amount required for subsequent years would increase as population and national income increased. If a higher capital/output ratio, say 3.5, is assumed, the same rate of increase of income would require net new capital investment of about $15,000 million, equivalent to 12.5 per cent or $12.50 *per capita* of the national income. At a constant rate of increase of 2 per cent per annum, it would take 35 years to double the *per capita* income, which is by no means an ambitious target. If the capital/output ratio of 2.5 is assumed and if Japan and mainland China are excluded, the net new capital requirement in the initial period for the rest of the region to provide growth of income at the rate of 2 per cent per annum may be estimated at $5,000 million.

However conservative the estimate of capital requirement may be, the current rates of capital formation in the ECAFE region are insufficient for the desired economic development. Statistics of capital formation are meagre or are not available for most of the countries. Net capital formation in recent years is highest in Japan where it is more than 20 per cent of the national income. This is high even in comparison with countries in other regions, but much of it is induced by inflation. Net capital formation in Burma, which was 14 per cent of national income in 1953, may also be regarded as satisfactory, but it is doubtful if this rate can be maintained. In other countries, however, gross and net savings are much lower. In spite of the rapid growth of national income in the Philippines after the war, net capital formation was only 6 or 7 per cent of the national income in 1947-49 and about 2 per cent in 1951-53. Unofficial estimates for India for 1949-50 have placed the gross capital formation at about 10 per cent of national income; net capital formation may be as low as 5 per cent. Hong Kong's estimate of net capital formation is about 8 per cent of the national income in 1949-50. In Indonesia capital formation has been negligible in recent years. The same seems to be the case in the three States of Cambodia, Laos and Viet-Nam.

In the countries of the region, excluding mainland China and Japan, the gap between the needed $5,000 million and the available savings which may be estimated at less than $2,000 million per annum must, therefore, come from external sources. At present the total annual amount of external financial resources from all sources may be estimated at less than $1,000 million. There is thus an investment gap of over $2,000 million per annum in the initial years; but thereafter, as income increases, domestic capital formation may be expected increasingly to fill the gap. From the point of view of foreign aid and investment, therefore, an assured annual inflow of foreign capital of about $3,000 million (instead of the present $1,000 million) for a period of five to seven years might make all the difference between a stagnant economy and an expanding one.

The inflow of private foreign capital has not been large; there had been a net outflow of private foreign capital if account be taken of the transfer of interest and profit in some countries. But there has been a welcome trend in the right direction during the last two years. With a view to facilitating the inflow of private foreign capital and improving the climate for private foreign investment, most countries in the region have reviewed during the last one or two years their laws and regulations governing private foreign investment. Special efforts have also been made to ensure the participation of private foreign capital in particular ventures, for example in the Sui gas project in Pakistan, in the manufacturing fields in Burma, in the oil refineries in India, and more recently in the establishment of an industrial credit and investment corporation in India. But private foreign capital alone cannot fill the gap.

IV

The major domestic sources of finance for government developmental expenditures have been the current surpluses in the government budget, receipts from flotation of bonds and small savings made available to the government through savings certificates, postal and other financial institutions, etc. During the Korean-war boom in 1950 and 1951 more than half of government development expenditures in most countries of the region was financed by budget surpluses on current account. In some countries, such as Afghanistan, Burma, the Federation of Malaya, Pakistan, the Philippines and Singapore, current surpluses were even larger than development expenditures. With the collapse of the Korean-war boom, the proportion of government development expenditures financed by current surpluses declined rapidly and were less than half in most countries of the region by 1954. In some countries, such as Laos (1953), Nepal (1951/52 and 1952/53), the Federation of Malaya (1954), Pakistan (1952/53—1954/55), Thailand (1953) and Indonesia (1952-54), there were deficits even on current account. In Ceylon and the Philippines, however, although the share of development expenditures financed by current surpluses was reduced during the collapse of the boom, the current surpluses had by 1954 increased again and financed most of the development expenditures.

One way of securing larger current surpluses to finance government development expenditures is to raise additional revenues through improved tax administration and collection and by finding new methods of taxation. A second way is by reducing non-development expenditure. Here again, in recent years, greater emphasis has been laid on development expenditure in many countries and the proportion of defence expenditure to total expenditure has been diminishing.

Except in a few countries, receipts from bond sales have not been of much importance in financing government development expenditures. Net subscriptions to government bonds by non-central bank sources have financed less than 10 per cent of government development expenditures in many

countries including Burma, India, Indonesia and Pakistan. In Japan, however, they have financed between a quarter and a half of government development expenditure. In Thailand they were important only between 1951 and 1953, while in 1954 about 90 per cent of the increase in public debt was absorbed by the Bank of Thailand.

Small savings, including postal savings and savings certificates, have financed a significant part of government development expenditures in some countries such as India and Pakistan. In India, in the first two years of the plan (1951/52—1953/54), small savings contributed Rs 1,145 million towards financing government development expenditure out of available total domestic financial resources of Rs 5,716 million consisting of budget surpluses on current accounts, rupee loans, small savings and other miscellaneous receipts. In Pakistan, the total sale of savings certificates during 1953/54 was Rs 23.5 million as against Rs 19.2 million during 1952/53.

Corporate savings to finance private capital formation have been adequate only in Japan and to a lesser extent in India and Pakistan, though in India some difficulties have been experienced in mobilizing equity capital for risky ventures. Private ploughing back of profits has financed the textile industry in Afghanistan and Pakistan. Issues of shares in capital markets have financed private capital formation mainly in Japan, India and Pakistan. In Pakistan, because of the recent growth of savings habits, a number of security flotations were over-subscribed in 1954. In India, the net increase in paid-up capital of all joint-stock companies between 1951/52 and 1953/54 amounted to Rs 1,388 million.

Time deposits in commercial and savings banks have helped to increase personal savings in most countries of the region, but the amounts collected have been rather meagre and only a part of such savings has been mobilized to finance private capital formation. Life insurance premia are also another way of mobilizing savings, but these again have not been of much significance.

Many new financial institutions have been established for channelling both private and governmental savings into investment, especially during the last two years. Thus in Afghanistan, the government in 1953/54 established the State Agricultural Bank with a capital of Afg 150 million to supply cheap credit. It also established the State Commercial Bank with a capital of Afg 120 million and a Construction and Loan Bank with Afg 60 million. In Burma, the State Agricultural Bank which opened in June 1953 expanded its operation in 1954, while the State Commercial Bank was opened in July 1954 with an authorized capital of K 50 million. The Government approved the establishment of a State Co-operative Bank with a share capital of K 1.5 million. In India, two new corporations for industrial financing, namely the Industrial Development Corporation and the Industrial Credit and Investment Corporation, have been established. In Pakistan, the House Building Finance Corporation commenced operation during 1953 and by June 1954 it had sanctioned 308 loans totalling Rs 4.1 million. The Agricultural Development Finance Corporation set up in 1952 commenced business in March 1953.

V

The limited capital resources available for investment, together with other limiting factors, have certainly influenced the pattern of economic development in the region. In countries where the pressure of population on land is very high and under-employment is a chronic problem, the criterion for selection of projects is not merely the growth of income, but the absorption of labour. Hence cottage and small-scale industries are receiving due attention. Even if capital were relatively more abundant than now, the pattern of industrial development in the region would still be different from that in other developed countries.

The weight of cottage and small-scale industries in the total industrial production in the countries of the region is likely to be maintained even when industrialization grows. Western technology, which is generally based on labour-saving devices, is not always suitable for the under-developed but over-populated countries in this region. What is needed is adaptation of machinery and equipment to suit the special needs of the under-developed countries with scarce capital and abundant labour. Increasing research is essential both in the countries exporting small machines and tools and in importing countries. State aid to cottage and small-scale industries has grown significantly and taken several forms—organizational, financial and technical.

Another method of economizing on capital and fuller utilization of man-power resources is the organization of community projects designed to promote agricultural and economic development, particularly in rural areas, through the utilization of the voluntary free labour of the people. This policy has been carried out most extensively in India, Ceylon, Burma, Pakistan and mainland China. Provided the labour is really surplus and voluntary, the results would be highly favourable. In India land-owners contribute land for building roads, and wage-earners contribute free labour for various constructions. In many countries minor irrigation works are repaired and other small projects are carried out. The whole community is interested in these projects, enjoys the work and has a sense of satisfaction. Probably significant additions to the national income have accrued from numerous little projects developed under the community schemes, although no precise estimates are possible. The movement is growing in the region and the development of community projects may perhaps be a partial answer to the scarcity of capital and to the abundance of manpower.

Unlike mainland China, which has concentrated its efforts on the establishment of heavy industries and the rapid creation of necessary transport and power facilities, even at the cost of lowering the present consumption level, or at least delaying its increase, most of the countries of the region have, in addition to basic services such as transport and power, concentrated their development programmes on irrigation and flood control measures designed to increase the output of agriculture and on expanding the capacity of agricultural export and other industries. They have followed a policy of maintaining current consumption and therefore have naturally proceeded slowly with the programme of industrialization. The development of consumer goods industries has generally been left to the private sector. This emphasis on basic services, agriculture and consumer goods industry, while it may not bring about rapid economic development, has laid foundations for future progress by increasing national income and future savings. Naturally, once savings grow and foreign resources become available, the emphasis will have to be shifted, as soon as the bases of the economies have been sufficiently strengthened, in order to bring about accelerated economic development.

Countries like Ceylon, Malaya and the Philippines, which are dependent upon the export of raw materials, have been confronted with the problem of diversifying their agricultural economies with a view to reducing the heavy dependence upon a few export crops. Because of the fluctuations in world demand and prices of certain export products and therefore in national income, and occasional difficulty in obtaining essential imports (including rice), these countries naturally desire to turn to diversification and industrialization as a means of reducing their excessive dependence on the world's markets. But the advantages of diversification may sometimes be secured at too high a price, if the alternative fields of production lack long-run comparative advantages. This is specially so for small countries whose domestic demand is not sufficient to maintain many industries at their optimum size. On the other hand, industrialization and diversification cannot be avoided as a long-term policy.

Another limiting factor in the economic development of countries of the region is the lack of an entrepreneur class. The small business community found in some countries of the region consists more of traders and financiers than of industrialists. The growth of an entrepeneur class is necessarily a slow process. Further, there is still a certain amount of opprobrium attached to the activities of the business class in some countries of the region. The development of a sound business organization, the spirit of enterprise and the growth of technology are as important as the availability of capital. At present the environment offered for industrialization is not sufficiently favourable. Skills in business management are also scarce and will only grow along with industrialization.

Owing to these limitations, the role of the State in speeding up development programmes in the ECAFE countries has been very significant. No country is at present relying solely on private enterprise for economic development. Special considerations also reinforce the role of the State, *e.g.* the desire to avoid concentration of wealth and power in a limited section of the community and to secure social justice, and also to direct limited resources to the most desirable fields of economic development.

On the other hand, there is also a desire in many countries to leave to private enterprise on competitive lines as large a field as possible. The private sector accounts for the bulk of capital formation in Japan, the Philippines and Malaya, but even in other countries, as in Ceylon, the Republic of Korea and Pakistan, the growth of private enterprise has been definitely faster than that of public enterprise. In India, where the government is investing directly in a number of industrial fields, much scope is still left for private enterprise. In China: Taiwan the government has adopted a policy of selling public enterprises to private interests.

Ideology apart, most of the countries in the ECAFE region have in practice adopted a system of mixed economy, in which the public sector includes basic facilities—technical training, housing, public ownership and development of forest and mineral resources, and transportation and other public utilities—while the remaining industrial sectors, especially consumer goods industries, are left to private enterprise. In the economy of Japan, Malaya and the Philippines, private enterprise prevails where the motive force is profit. But the role of the State is growing. India is a classic case of a mixed economy system, although recently there has been an official statement in favour of socialism.[1] While public welfare is the avowed objective of all the countries, the difficulties of balancing profit incentive with the non-economic motive of social welfare and social justice are found in a marked degree in the mixed economy system. However, these difficulties in practice are being resolved. In countries where a definite role is assigned to the private sector, the profit incentive is permitted to operate within the limitation set by the welfare State ideology. While high profits may be taxed off, special incentives are given for making use of profits for research and for other socially desirable purposes. Price and fiscal policies are developed to encourage private investment, and financial assistance is provided by government for private enterprise, in defined sectors. For the public sector, the mobilization of resources is encouraged by special methods. A capital market is sought to be developed with a new type of securities such as industrial bonds, housing bonds, etc.

The reconciliation of the divergent needs of the public and private sectors is a task for the planners in the region. While it is not an impossible task, it may present considerable difficulties, particularly when private enterprise does not feel sufficient confidence to pursue its own activities. A basic requirement for the success of the mixed economy is, besides political stability, a large measure of public support for the economic development programme, a willingness of private enterprise to accept the implications of the mixed economy and the welfare State and an equal willingness of the government to allow private enterprise to function in its allotted sphere with reasonable efficiency and adequacy.

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1 *Infra*, chapter 12 on India, in the concluding section on "Propects and policies", p 126.

Part I. THE REGIONAL SITUATION

Chapter I. AGRICULTURAL PRODUCTION

FOODGRAINS[1]

For the second year in succession, favourable weather conditions and continuing grow-more-food efforts of governments have enabled the ECAFE region to share in the increase in world food production. The 1953/54 regional production of foodgrains (excluding mainland China) at 117.5 million tons is 8 per cent above the 1952/53 level and 10 per cent above the pre-war (1934-38) level, though on a *per capita* basis it still remains 12 per cent below the pre-war level.

TABLE 1
INDEX NUMBERS OF TOTAL AND PER CAPITA PRODUCTION OF CEREALS[a]
1934–38 = 100

	FAR EAST			TOTAL WORLD		
	Cereal production	Population	Cereal production per capita	Cereal production	Population	Cereal production per capita
1948/49 . . .	98	119	82	108	113	96
1949/50 . . .						
1950/51 . . .						
1952/53 . . .	102	124	83	117	117	100
1953/54 . . .	110	125	88	119	119	101

Source. FAO
a. Excluding mainland China and USSR.

More important, however, is the fact that rice production has exceeded by 9 per cent the record output of 1952/53 and now stands at 13 per cent above the pre-war level. Almost all countries of the region, with the main exception of Japan, have shared in this increase.

TABLE 2
FOOD PRODUCTION IN THE ECAFE REGION[a]

million tons

	1934/35 to 1938/39 average	1948/49 to 1950/51 average	1951/52	1952/53	1953/54	1954/55
Cereals . . .	105.6	102.7	102.8	108.8	117.5	..
Wheat[b] . . .	13.8	13.0	13.7	12.7	12.6	15.1
Rice (milled)[c] .	65.5	65.5	64.3	68.1	74.3	74.3
Barley . . .	5.1	5.3	5.7	5.4	5.7	6.2
Maize . . .	6.1	5.6	6.0	7.0	7.1	..
Millets and sorghums . .	14.9	13.1	12.9	15.4	17.6	..
Oats	0.2	0.2	0.2	0.2	0.2	0.2
Starchy root crops	20.2	24.5	25.2	28.1	27.0	..
Potatoes . . .	4.0	4.3	4.5	4.8	5.0	..
Sweet potatoes and yams. .	7.7	11.8	10.8	13.0	12.0	..
Cassava . . .	8.5	8.4	9.9	10.3	10.0	..
Pulses[d] . . .	9.1	10.3	10.3	9.8	..	..

a. Excluding Afghanistan and mainland China unless otherwise stated.
b. Includes the production of Afghanistan.
c. Milled rice derived from paddy using 70 per cent as the conversion factor.
d. Comprise dry beans, dry peas, broad beans, chick peas, and lentils.

The reaping of two good grain harvests in succession created psychological conditions that favoured restrained buying by consumers and discouraged hoarding by producers and consequently, the impact of production increases on the food situation was felt more fully. In many deficit countries the improvement in the food situation was substantial.

Increased supplies of locally produced foodgrains in deficit countries resulted in reduced import needs and significant declines in domestic prices. Besides, the relatively high price of imported rice compared with that of imported wheat also tended to restrict the import demand for rice. This restrictive influence was most marked in the earlier part of the year. Subsequently, two new factors having potentialities for increasing demand for foodgrains also became discernible. One of these was the possibility of demand for rice developing from considerations other than those of meeting current consumption needs, e.g. building up reserve stocks and maintaining outlets for export products in rice surplus countries.[2] The second was the emergence of the problem of relaxing restrictions on consumption either as a corrective measure for domestic price declines considered too sharp or the improvement of offtake of government stocks requiring quick disposal. In a number of countries these paved the way ultimately towards reversion to free trading in domestic foodgrains (particularly rice). The stimulating effect of these measures on consumption did not result in increased demand because of the improvement in domestic supplies and the relatively higher prices of imported foodgrains particularly rice; thus regional demand for meeting current needs derived strength largely from Japan, which had harvested a poor price crop in 1953.

Food importing countries

In *India*, the 1953 rice crop was 20 per cent larger than the record crop of 1952 and the outturn of millets was also better. Owing to marked improvement in the supply of foodgrains,[3] market prices tended to decline sharply, particularly in producing areas. One symptom of the change-over from the period of acute post-war shortages to a period of abundant supplies was the concern felt occasionally among producers and government circles over the decline in market prices. In these circumstances, the policy of removal of restrictions on consumption, trade, etc., proceeded at a quickened pace. Domestic trade in millets was made completely free in the beginning of the year and restrictions on consumption, prices and trade in rice were removed in July. As a result, prices in deficit areas showed some decline while prices in producing areas rose. However, the increase in consumption, if any, resulting from such relaxations, was

1. The term "foodgrains" generally covers cereals, starchy root crops and pulses, though in some cases only cereals are covered, depending on the purpose for which the statistics are compiled.
2. One example was the Indo-Burmese agreement. This was, however, of a special nature and might have been influenced a good deal by non-economic considerations.
3. With the coming into the markets in the spring of 1954 of a wheat crop 6 per cent larger than the previous good crop, the supply position improved further.

barely noticeable in view of larger domestic supplies. Imports for current consumption were hardly required. In view of various other considerations, however, the government decided to import 900,000 long tons of rice from Burma for building up reserve stocks. Actual imports of foodgrains from January to October amounted to only 550,000 tons including 450,000 tons of rice. Total imports of foodgrains in 1954 were estimated at 800,000 tons as against the corresponding figure of 2 million tons for 1953.

Ceylon and the Federation of Malaya were faced with the problems of larger carry-over stocks, limited or falling offtake and increased supplies.

Thus, in *Ceylon* the initial stocks of rice in January 1954 at 103,000 tons were nearly twice the initial stocks in 1953. Offtake at the current price of 27.5 cents per lb (2.2 times the price before 20 July 1953) was, however, expected to be well below the contracted imports aggregating 470,000 tons. The government was, therefore, anxious to dispose of part of its surplus stock (estimated at around 90,000 tons in the beginning of the year), but had succeeded in selling only 61 per cent of this quantity by the middle of 1954. A factor that added to the government's difficulties in dealing with the surplus problem was the significant decline in domestic market prices following the harvesting of a record spring crop and the consequent increase of paddy sales to the government[1] at the guaranteed price of Rs 12 per bushel as against the average market price of Rs 8 per bushel. Actual imports of rice in the first three quarters of 1954 amounted to 289,000 tons as against 294,000 tons in the corresponding period of 1953. Imports of other foodgrains during 1954 (Jan.–Sept.) were lower by 34,000 tons than in 1953.

In the *Federation of Malaya*, the rice stocks accumulated by the government in the beginning of 1954 at 147,000 tons were nearly 40 per cent larger than the corresponding figure for 1953, but offtake was showing a steady decline and was not considered sufficient to permit the normal turnover of stocks. To improve offtake, the government had to reduce prices on a few occasions and imports on commercial account were also reduced. With the coming into the market of the new rice crop, offtake showed a further sharp decline and the market prices tended to fall below the level guaranteed to producers. To deal with the situation, the government curtailed drastically imports on commercial account and reduced further the sale price of government rice. Finally, in August, rationing of rice was abolished.[2] Total imports of rice in the Federation of Malaya, in the first nine months of the year, amounted to 189,000 tons as against 440,000 tons imported in the corresponding period of 1953. Imports of other foodgrains amounted to about 94 per cent of the corresponding figure for 1953.

In *Indonesia*, the annual offtake of rice has, since 1952, tended to be around 600,000 tons while domestic procurement has been increasing steadily owing to better crops, increased efficiency of procurement machinery and higher procurement prices. During 1954, the initial stocks with the Food Foundation at 428,000 tons were nearly 21 per cent larger than in 1953; with domestic procurement expected to exceed 400,000 tons, the government managed with imports of only 211,000 tons of rice[3] (32 per cent lower than in 1953). The prevailing prices of rice, though lower than a year earlier, are still sufficiently high to help limit consumption around its present levels, and significant increases could hardly be expected without marked downtrend in world rice prices.[4]

Japan had harvested in 1953 a rice crop 17 per cent smaller than in 1952 and a wheat crop smaller by 11 per cent. Consequently, import needs were larger. The total imports of foodgrains during the first nine months of 1954 amounted to 3.85 million tons as against 2.4 million tons in 1953. However, the impact of this increase in demand was felt largely by countries outside the region, the increase in rice imports from within the region being only 207,000 tons in the first three quarters of 1954. Apart from the relatively high prices of imported rice vis-à-vis wheat, two other factors also played an important part in diverting the import demand to countries outside the region. The first was the purchase against payment in yen of 700,000 tons of wheat and barley from the United States under a special agreement. The second was related to Japan's desire to stimulate its export trade particularly with certain countries. Thus, the trade agreements concluded with Brazil, Canada, Italy, etc. provided among other things for import of foodgrains. However, the rice crop harvested in the autumn of 1954 is estimated at 9.1 million tons in terms of brown rice or about 0.9 million tons more than in 1953. If actual procurement exceeds the target quota of 3.3 million tons by about 25 per cent,[5] the import needs in 1955 may come down to the usual level.

The *Philippines*, which managed without rice imports in 1953, became an importer towards the close of 1954. The 1953 crop was better than the previous crop and prices in the first quarter of 1954 were lower than in any of the previous three years. However, in August, there were reports of serious damage to the 1954 rice crop and the resulting speculation pushed up rice prices to levels well above those of the preceding three years. In these circumstances, government decided to import 100,000 tons of rice and also allowed the National Rice and Corn Corporation (NARIC) to sell its stocks at a price nearly 40 per cent lower than the prevailing market price. Moreover, an advance of P 30 million was granted to NARIC to start purchases of the 1954 crop directly from the producers in co-operation with the Agricultural Credit and Co-operative Financing Administration and Agricultural Department, with a view to assuring reasonable prices to producers and preventing any hardship to consumers.

Thus, with the main exception of Japan, the downtrend in import needs for current consumption, noticeable in 1953, continued during the period under review and resulted for many countries of the region in considerable savings of foreign exchange.

As mentioned before, the bulk of the increase in Japan's import needs was satisfied from countries outside the region; consequently total demand for the region's rice arising from current consumption needs tended to be lower than in 1953. However, India's demand for Burmese rice, which developed from considerations other than those of meeting current needs, maintained the total demand for regional rice at the same level as for the previous year,[6] but kept it still lower than in 1951 or 1952. In comparison with the impressive increases in rice supplies in the region, the improvement in total demand for rice looked very small indeed.

1. The quantity sold to the government amounted to 1.5 million bushels of paddy. The present guaranteed price is to remain in force until 1957.
2. In Hong Kong also rationing was abolished in August. In Singapore it had been abolished earlier.
3. Figures relate to January—September.
4. At present, operations of the Food Foundation involve fairly heavy losses every year. Reduction of domestic rice prices without a corresponding reduction in the price of imported rice would entail greater loss to the Food Foundation
5. In the light of past experience, this would be a reasonable expectation.
6. The total exports of rice from the main exporting countries in 1954 are estimated to have increased over those in 1953.

TABLE 3

IMPORTS OF CEREALS[a] INTO ECAFE COUNTRIES

thousand tons

	All cereals							Rice	
	India	Ceylon	Japan	Malaya	Hong Kong	Indonesia	Total	From ECAFE countries[b]	Total
1951	4,815	693	3,397	683	214	577	10,379	2,777	3,221
1952	3,994	688	3,682	632	281	955	10,398	2,584	3,648
1953	2,035	702	3,686	724	352	494	7,993	2,135	2,880
Jan–Sept	1,915	515	2,352	565	277	410	6,033	1,810	2,320
1954 Jan–Sept	429	475	3,850	305	103	297	5,459	1,646	2,350

Source Figures in respect of rice for 1954 and cereals are taken from national statistical publications Pre-1954 figures on rice are taken from Commonwealth Economic Committee, *Rice Bulletin*

a Cereals include rice, wheat, wheat flour, milled maize, barley etc
b Excluding mainland China

Rice exporting countries

The situation which faced the rice exporting countries of the region at the beginning of 1954 was far from satisfactory. Reduced effective demand for rice in 1953 had resulted in lowest exports on record since 1951 and large unsold stocks remained at the end of the year. The good 1953/54 rice crops increased the regional surpluses of rice to nearly 11½ times the highest actual exports in any post-war year. Increased exportable surpluses of rice and limited effective demand indicated the need for suitable price adjustments. Two other factors that reinforced the need for price adjustments were the decline of wheat prices on international markets[1] and the possibility of securing supplies of foodgrains from the United States either as outright grants or against payment in local currencies

Burma, which had an exportable surplus of nearly 2.6 million tons in 1954, reacted to the new situation with considerable speed and succeeded in securing long-term export contracts for nearly 600,000 tons, at a price 16.6 per cent lower than the 1953 price. Subsequently it sold 900,000 long tons to India at a price 20 per cent lower than the 1953 price and also agreed to adjust £14 per ton towards payment of an old debt to India. While the government price for basic quality rice remained unchanged at £50 per ton, the unit value of exports from June onwards was lower than in the preceding months, indicating probably an increased proportion of lower-grade rice in the export trade during the latter part of the year. The average monthly exports during the first eight months compared favourably with the best post-war year but because of price decline, Burma's total foreign exchange earnings during the first nine months of 1954 were smaller than in the corresponding period of 1953. The carry-over stocks at the end of 1953 were, however, expected to be larger than in 1953.[2]

In the case of *Thailand*, the 1953 rice crop was good and the exportable surplus[3] approached nearly 1.8 million tons. Price adjustments, however, were made only slowly, resulting in the lowest level of exports in the past four years. The price reductions announced in early 1954 were small and Thai rice remained comparatively more costly. Thus, in April, the f.o.b. price of W.R. 20 per cent was $154.7 per ton on commercial basis and £141.54 on government-to-government basis. On the other hand, No. 1 rice (25 per cent broken) f.o.b. Saigon was being quoted at $138.5 and S.M.S. 42 per cent f.o.b. Rangoon was also cheaper than the Thai rice. The subsequent price reductions in June, which related to W.R. 15 per cent and other lower grades, made Thai prices competitive with the Burmese prices but rice from Viet-Nam and Cambodia still remained cheaper.[4] Moreover, the reductions were made too late to influence the situation materially.[5] For, at that time, even Burma was finding it difficult to secure more export contracts at the prevailing prices. Besides buyers were then reluctant to enter into large commitments without knowing the prospects of their own 1954 crops. The net result, therefore, was that the total exports from Thailand aggregated about a million tons,[6] leaving a carry-over of nearly 600,000 tons.[7]

Both Viet-Nam and Cambodia had harvested better rice crops in 1953/54 and in 1954 the combined exportable surplus was estimated at around 500,000 tons. Owing largely to successive reductions and final abolition of the exceptional export tax[8] and favourable prices, the exports from *Viet-Nam* in the first half of 1954 amounted to 202,000 tons or more than twice the exports in the corresponding period of 1953. However, with a view to preventing too sharp a rise in domestic prices following influx of refugees after the cease-fire, exports from Viet-Nam were banned in July. Domestic prices eased somewhat in the latter part of October but resumption of exports before the arrival of the new crop appeared unlikely. In the case of *Cambodia*, exports from January to October 1954 amounted to 211,000 tons of rice and in consequence the major part of the surplus was reported to have been cleared.

1. Towards the close of August 1954. September/October shipments of Australian wheat were quoted at a price nearly 26 per cent lower than a year back.
2. Owing to a large increase in the exportable surplus, government had to provide greatly increased storage space at a considerable cost. At the same time operations of the State Agricultural Marketing Board had to be extended to assure reasonable prices oo the producers.
3. Including carry-over from the previous crop.
4. In June the f.o.b. Saigon price of No. 1 (25 per cent broken) was $129.8 per ton.
5. Exports of rice flour amounted to 200,000 tons
6. Demand is normally brisk in the earlier part of the year, but Thai rice was comparatively more costly during that part of the year
7. The increase in marketable surplus coupled with a low rate of exports brought about some reduction in the domestic prices of paddy. However, reduction in prices was offset in some measure by increases in production and incomes of producers were probably not affected materially. The government has formulated a scheme for undertaking direct purchases of paddy from producers in 1955 and a large expansion of storage capacity is also contemplated.
8. The tax which was originally imposed in the spring of 1953 amounted to 2,500 piastres per ton in Viet-Nam and 3,200 piastres in Cambodia. It was reduced on several occasions from the second half of 1953 onwards and was abolished in July 1954 in Cambodia and in August in Viet-Nam.

Of the other exporting countries, *Pakistan*, which had harvested record crops of rice and millets[1] in 1953/54, was expected to increase its rice exports to 170,000 tons in 1954 (an increase of 93 per cent over 1953). It also abolished all controls on prices, consumption and trade in rice towards the close of the year. In *China*, Taiwan harvested a slightly better crop of rice in 1954 (1.7 million tons as against 1.64 million tons in 1953), and reduced its exports from 59,000 tons in 1953 to 36,000 tons in 1954, in order to meet the requirements of an expanding population. In the mainland rice crop was adversely affected by the serious floods on the Yangtze and the Hwai rivers; during the first three quarters of the year rice exports to Ceylon were reduced to 141,000 tons, as against the corresponding figure of 199,000 tons in 1953. In addition, about 75,000 tons were shipped to Japan, part of which represented diversion of rice intended for Ceylon.

Thus, with the exception of Thailand and China, the rice exporting countries of the region generally succeeded in increasing their rice exports in 1954. In some cases (Burma and Viet-Nam) increases in the volume of exports were large enough to compensate for the decline in export prices. However, in spite of a 50 per cent increase in the volume of rice exports from Burma, its carry-over stocks at the end of 1954 were larger than a year earlier. In the case of Thailand, carry-over stocks at the end of 1954 were nearly twice the stocks at the end of 1953.[2]

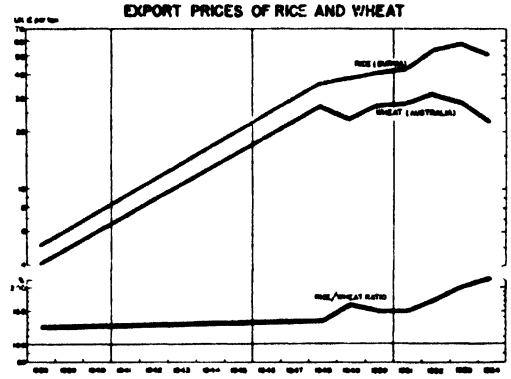
Prospects

Prospects of the 1954/55 crops are not precisely known at this stage, but present indications are that the export surplus of countries in the region will be about the same as in the previous year.[3] On the other hand, demand for rice at the prevailing export prices may be lower than in 1954. In particular, Japan, which has harvested substantially better rice and wheat crops in 1954 and has also negotiated an agreement with the United States providing for imports (in 1955) of rice, wheat, and other agricultural commodities amounting to $100 million, is likely to reduce rice imports from the region. While the abolition of rice rationing in Malaya, Hong Kong, etc. and possibly the throwing open of imports to commercial channels in a number of countries provide conditions favourable for expansion of consumption, no significant improvement in consumption may actually result without sizeable price cuts. In Ceylon, too, offtake is not likely to improve if present prices continue to prevail and because of specific prior commitments covering import of 470,000 tons, Ceylon may be faced with the problem of some unwanted rice stock. Although the Philippines may need some imported rice in 1955, the bulk of it is likely to come from the United States under the US Agricultural Trade and Development Act. The demand for building up reserve stocks could hardly be expected to develop at current prices.

Clearly, the rice situation in the region in 1955 is likely to be characterized by an excess of rice supplies relative to effective demand. This calls for quick and adequate price reductions, particularly with a view to bringing about a more reasonable relationship between the export prices of rice and wheat. An indication of this new trend towards lower prices may be seen in the Sino-Ceylonese agreement which provides for rice supplies to Ceylon in 1955 to £39 per ton f.o.b. China ports as against £47 per ton in 1954.

Chart 1

EXPORT PRICES OF RICE AND WHEAT



The persistence of relatively high export prices of rice is indeed creating an anamolous situation in the region. For, on the one hand, the exporting countries have had to carry increasing carry-over stocks and, in some cases, the problems of adjustment resulting from falling revenues have also assumed serious proportions.[4] On the other hand, the rice deficit countries of the region are still importing sizeable quantities of foodgrains other than rice from outside the region. In these countries shortfalls in rice production tend to be reflected, if at all, in larger imports of wheat, etc. The relative price advantage of these foodgrains, the possibility of outaining them on concessional terms and the advantages associated with having more trading partners, are tending to set upper limits to rice imports from the countries of the region. More important, however, is the fact that the gap between domestic availability and requirements is being continuously reduced. Indeed, the efforts to obtain self-sufficiency in foodgrains, initiated in a period of acute post-war shortages, have continued, often without much regard for costs, and present indications point to a quickening of effort in this direction.[5]

The situation obviously calls for long term trade arrangements and co-ordination of development plans between the traditional producing and consuming countries with a view to maintaining (and even expanding) the demand for rice

1. The wheat crop harvested in the spring of 1954 was 51 per cent larger than the previous crop, and as a consequence, the food situation in West Pakistan improved significantly.

2. However, the recent decision of the Thai Government to let traders handle almost all rice exports in 1955 creates favourable conditions for increasing the volume of exports.

3. Cambodia, which exported about 0.2 million tons in 1954, is likely to need some rice imports in 1955. However, this is not likely to alter the general position materially.

4. The problems of providing adequate storage facilities has become urgent as also that of preventing too sharp a decline in producers' prices.

5. Malaya and Ceylon re not only increasing the developmental expenditure on agriculture, but are also offering price incentives that appear quite costly in the light of the changed supply/demand situation. Thus, *Malaya* offered a minimum price of M$17 per picul of paddy (more than $49 per ton) during 1954. The developmental expenditure on irrigation and drainage in 1954 is expected to show an increase of 22 per cent over the 1953 level. In *Ceylon*, the government has had to buy nearly 1.5 million bushels of paddy during 1954 at the guaranteed minimum price of Rs 12 per bushel (more than £66 per ton of rice) which was nearly 50 per cent more than the market price. This price is to last till 1957. Developmental expenditure on agriculture (agriculture, irrigation and fisheries and estimated capital outlay) is expected to increase by about 13 per cent during 1954/55 over last year's level. Other deficit countries are also planning increases in production through larger outlays on development.

on the basis of lower export prices. A positive policy directed towards maintaining (and even expanding) rice trade can be of mutual advantage to exporting and importing countries. For the traditional rice exporting countries, it would mean preservation (and even expansion) of the demand for rice so vital to their economies. For the importing countries, it would mean provision of the favourite food to the consumers and retention of markets for export products in traditional rice surplus countries. Above all, it would provide an environment favourable for re-orientation of development plans in the countries of the region, with a view to ensuring the best possible utilization of the factors of production, and would thus help quicken the pace of development.[1]

OTHER COMMODITIES

In marked contrast to the somewhat easier trend of foodgrain prices, most other agricultural commodities—tea, rubber, cotton and jute—recorded significant, though far from uniform, price increases, generally due to improved export demand. During the major part of 1954, prices of these commodities were well above the corresponding levels for 1953 (see chart 2). Since a period of low prices had generally preceded these price increases, they came as a welcome relief to the exporting countries. Production too was stimulated, but actual increase varied as between individual commodities and individual countries.

Thus, while tea production showed a substantial increase, rubber production improved moderately towards the close of the year. The areas sown to the 1954/55 crops of cotton and jute also increased, but the effect of these increases was offset to a considerable extent by adverse weather. The position of a few selected commodities is examined below.

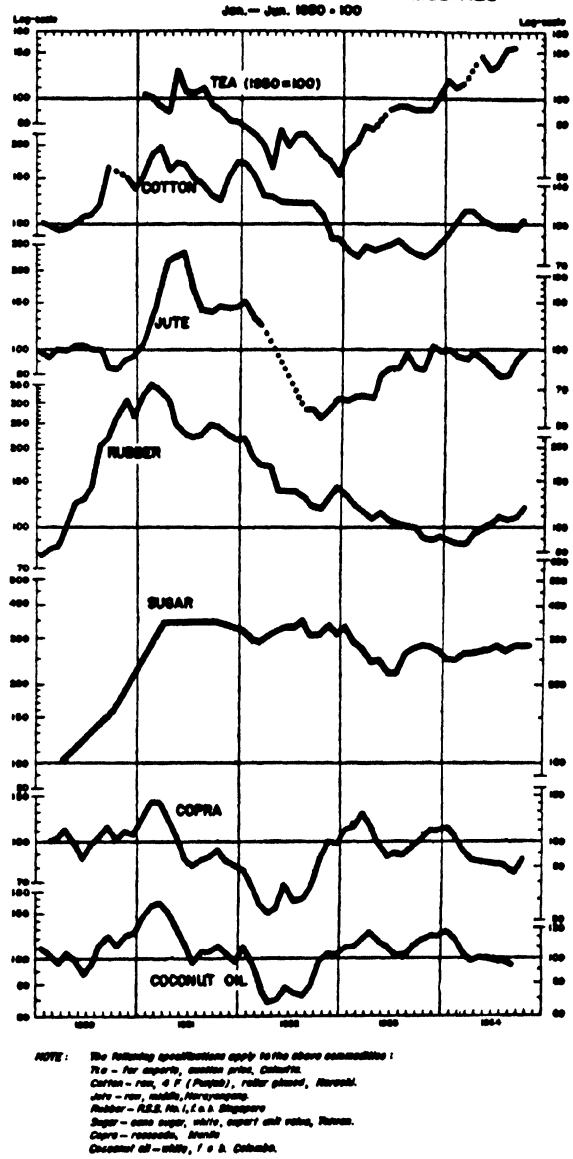
Tea

Increasing prices of tea in the world markets and favourable weather conditions helped bring about a significant increase in regional production during 1954. While all of the main producing countries shared in increased production, the rate of increase registered in the case of Indonesia (24 per cent) was relatively higher than that of Ceylon or India. Exports from Ceylon at 359 million lbs were nearly 7 per cent higher than in 1933, while those from Indonesia were expected to increase by about 32 per cent over the exports in 1953. However, expoprts of North Indian and Pakistan teas tended to decline.

Lower exports of North-Indian teas were attributable to reduced purchases by the United Kingdom and other buyers (particularly in the first few months of the year) in anticipation of price declines which usually follow the arrival of the new North-Indian crop. However, the disruption of communications due to floods in India delayed commencement of new crop arrivals in large quantities until the end of September, and, as a consequence, the earlier shortfall in exports was not made up. Total exports in 1954 were expected to be about 15 per cent lower than in 1953.[2]

Chart 2

PRICE INDEXES OF EXPORT COMMODITIES



Despite reduced volume of exports from India, the value of exports between January and September 1954 showed an increase of 14 per cent over the corresponding figure for 1953. In the case of Ceylon and Indonesia, the increases in value were relatively larger.

Under the influence of a strong export demand,[3] prices continued to rise almost throughout the year. Despite the increased supplies of the North-Indian crop, which became available from October, as also the increases in export duties[4]

1. Expansion of trade in rice between traditional producing and consuming countries, coupled with reorientation of development plans in these countries so as to allow for efficient use of factors of production, would create favourable conditions for expansion of trade between countries of the ECAFE region and the rest of the world.
2. It may be noted here that the present International Tea Agreement provides for regulation of trade in tea until 31 March 1955. The International Tea Committee has fixed export quotas for the year ending 31 March 1955 at the same level as for recent years, namely 135 per cent of 'standard exports'; in its view these quotas should allow for adequate production and export to meet world requirements.
3. In the case of India, two contributory factors were strong internal demand and speculation in export quotas. Thus, towards the close of November the right to export tea cost Rs 1/11/0 per lb.
4. Rates of export duties were enhanced with a view to check price increases and also to bring in more revenue. The Government of India increased the export duty from four to seven annas per lb towards the end of September. Ceylon increased the export duty from 45 cents to 60 cents per lb in May last and raised it to 75 cents in September. From November 18 it was increased to Re. 1. Indonesia has levied an export duty of 4 per cent of the fixed value of Rp 14 per kg for leaf and broken teas (about 56 cents per kg) from January 1955.

on tea, both in India and Ceylon, prices continued to rise. Thus, towards the end of October, the average wholesale price of North Indian tea at London was 6s-8.5d per lb or 72 per cent higher than a year earlier and 65 per cent higher than in January 1954. In the case of Ceylon tea, the October (end) price was 6s-9.7d. This was 67 per cent higher than the price a year earlier and 66 per cent more than the January 1954 price.

From the long-run point of view, the continuing uptrend of tea prices could hardly be considered a healthy feature. For while the large increases in coffee[1] and cocoa prices since the last quarter of 1953 had helped maintain the price advantage of tea during the major part of 1954, the demand for tea could be affected in the event of prices of coffee and cocoa going down.

Cotton

The regional cotton situation in the crop year 1953/54 was characterized by increases in over-all production,[2] consumption and imports as also reduction in export availabilities. The increase of nearly 18 per cent in the Indian cotton production over the 1952/53 level indicated reduced import needs for medium-staple cotton Exports of short-staple cotton[3] were restricted to less than one-third of the corresponding figure for the previous season with a view to preventing too sharp an increase in domestic prices. On the other hand, the short crop of Pakistan (about 20 per cent lower than the 1952/53 season), coupled with increased internal consumption, reduced considerably the export availability, particularly of medium-staple varieties.[4] Thus, total exports from Pakistan at 890,000 bales[5] were 30 per cent lower than in 1952/53 and the value of exports was also substantially lower.

The regional surpluses of cotton are normally suitable for the manufacture of medium and coarse varieties of cloth and long- and extra-long-staple cottons have to be imported from outside the region for the manufacture of fine and superfine cloth. During the 1953/54 season, imports from outside the region were larger than in the previous season partly because of increased mill consumption in Japan and partly because of the diversion of some of the demand for medium-staple cotton to countries outside the region. Two factors contributed to the diversion of demand. One of these was the reduced purchase by Pakistan of cotton textiles from Japan and the consequent desire of Japan to divert demand for cotton to countries that could provide outlets for its textiles. The second factor was the availability of Foreign Operations Administration (FOA) grants for purchases from the United States. Thus, grants for 1953/54 to the Republic of China, Cambodia, Laos, Viet-Nam, and the Republic of Korea aggregated nearly $34.5 million.

TABLE 4

RAW COTTON: SUPPLIES AND CONSUMPTION IN SELECTED ECAFE COUNTRIES

Thousand bales

	Production[a]	Initial Stock	Imports	Exports	Consumption
India					
1952/53	2,975	2,000	563	283	3,875
1953/54	3,770	1,370	486	91	3,985
1954/55	3,900	1,550	..	..	..
Japan					
1952/53	—	524	2,064	—	2,065
1953/54	—	523	2,443	—	2,566
1954/55	—	400	..	—	..
Pakistan					
1952/53	1,540	365	—	1,275	230
1953/54	1,200	400	—	897	450
1954/55	1,320	250	—	..	..
Total 3 countries					
1952/53	4,515	2,889	2,627	1,568	6,170
1953/54	4,970	2,293	2,929	988	7,001
1954/55	5,220	2,200	.	.	..

Source International Cotton Advisory Committee

a Production estimates for 1954/55 are provisional

Prices of export varieties of cotton started rising towards the close of 1953 and the upward trend continued till March 1954. Thereafter prices showed some decline, but on the whole prices in the 1953/54 season were higher than in the previous season. For instance, the March 1954 price of 4.F Punjab S.G.F. at Karachi (Rs 85.12 per maund of 82.3 lb) was 28 per cent higher than the December 1953 price. The closing price for the season (July 1954) at Rs 73.65 was nearly 20 per cent higher than the price of August 1953. The main factors which contributed to the rise in cotton prices during the 1953/54 season were lower supplies of non-dollar cotton (particularly from Egypt and Pakistan), the firm tone of the US cotton market on account of large sales of cotton to the Commodity Credit Corporation and the decision of the United States to curtail production in the 1954/55 season.

Final estimates of the 1954/55 crop are not yet available, but present indications are that, despite unfavourable weather conditions, production in India and Pakistan might show moderate increases over the respective figures of production for 1953/54. Export availability, particularly of medium-staple varieties, is, however, expected to be lower because consumption in Pakistan is expected to increase to nearly 700,000 bales.

While mill consumption in Japan may be lower during the 1954/55 season, total imports by ECAFE countries from outside the region might not be materially different from the total imports in the previous season. This is mainly because the factors responsible for diversion of regional demand during the previous season might assume greater importance during the current season. For Japan and a number of other countries of the region have already secured FOA grants aggregating $45 million[6] for purchases of cotton from the

1. The price of Brazilian coffee in October 1954 was nearly 66 per cent higher than a year earlier.
2. In mainland China raw cotton production in 1954 was reported to be slightly above the 1953 level, which represented a fall of 7 percent below the peak 1952 level.
3. India retains medium-staple cotton for domestic consumption.
4. Production of medium-staple varieties showed a decline of 380,000 bales in 1953/54.
5. Estimated for the crop year 1953/54.
6. The break-down is as under: Japan $35 million; Cambodia, Laos and Viet-Nam $5 million; and the Republic of Korea $5 million.

United States. Moreover, in the event of Pakistan reducing its purchases of cotton textiles from Japan, the latter might reduce its purchases of medium and short staple cotton from Pakistan. Mainland China, which accounted for nearly 19 per cent of the total exports of cotton from Pakistan in 1953/54, might continue to import from Pakistan in the 1954/55 season because of difficulties encountered in fulfilling the quota set for State purchases.[1] India imports at present mainly long-staple cotton available only outside the region and might not reduce its import demand further.

Although a substantial part of the regional surplus of cotton in 1954/55 might not be absorbed within the region, the over-all supplies of non-dollar cotton are not likely to be large enough in relation to demand and prices might move within a narrow range. Actually, prices at Karachi between August-October 1954 have been higher than in the corresponding period of 1953.

Jute

Production of jute in the 1953/54 season showed a sharp decline both in Pakistan and India,[2] but the deficiency was offset in some measure by the large carry-over stocks (nearly 2.8 million bales) with the Pakistan Jute Board. Total supplies available for the season amounted to nearly 9.6 million bales as against 13 million bales in the previous season. Exports of raw jute to India at 1.3 million bales were nearly 13 per cent lower[3] than in 1952/53, but exports overseas at 3.8 million bales were about the same as in the 1952/53 season. Total 1953/54 exports of raw jute from Pakistan at 5.1 million bales were only 3 per cent lower than the high level of the previous season, but the value of exports at Rs 548 million exceeded by 2 per cent the corresponding figure for 1952/53. On the other hand, exports of jute manufacture from India in 1953/54 at 792,000 tons were 15 per cent higher than in 1952/53 and exceeded slightly even the high level of 1951/52.

Increased demand for jute manufactures coupled with slightly reduced production in India helped bring about a significant reduction in mill stocks and some increase in the prices of jute manufactures. Prices of raw jute also tended to rise over the low levels of the previous season consequent on the narrowing of the gap between supplies of raw jute and demand. The improved export outlook for jute manufactures also exercised a stimulating effect on raw jute prices. Thus, the price of middle quality raw jute at Narayanganj averaged Rs 22/12/8 per maund of 82.3 lb in the third quarter of 1953 but improved to Rs 24/6/8 in the last quarter. In the first quarter of 1954, prices improved further but declined to Rs 23/7/4 in the second quarter.

During the 1954/55 season, production is expected to increase both in Pakistan and India,[4] although due to flood damage the total supplies might be somewhat lower than 9 million bales. Besides, the increased consumption needs of Pakistan might leave barely enough supplies to meet export demand at around last season's level. Import demand is, however, expected to increase because larger exports of jute manufactures in the 1953/54 season have resulted in a reduction in mill stocks of jute manufactures. In order to increase production working hours of Indian jute mills have been increased from 45 to 48 hours per week effective 18 October 1954. In addition, there is likely to be keener demand (both by Pakistani and Indian mills) for the relatively limited supplies of good-quality jute required for manufacturing hessians for the United States. These are factors that might lend strength to raw jute prices,[5] but much will depend on the actual size of the 1954/55 crop as also on the demand for jute goods. Should demand for jute goods slacken in the event of prices becoming unfavourable in relation to prices of paper or cotton bags, raw jute prices would also be affected.

TABLE 5

RAW JUTE: SUPPLIES AND DISPOSAL IN INDIA AND PAKISTAN

Million bales

	Production	Import (+) or Export (−)	Consumption
India			
1952/53	4.6	+1.3	5.5
1953/54	3.1	+1.5	5.4
1954/55	3.2	.	5.9
Pakistan			
1952/53	6.8	−5.3	..
1953/54	2.5 to 3.5	−5.1	.3
1954/55	2.7	..	.3

Sources India Jute Mills Association, *Monthly Summary of Jute and Gunny Statistics*, Government of East Bengal, Department of Commerce, Labour and Industries, *Monthly Summary of Jute Statistics*, and FAO.

Rubber

The process of adjustment of supplies to demand for natural rubber, in operation since 1952 in response to price declines, has proceeded at a quickened pace since the second half of 1953. Production of natural rubber declined by 3.6 per cent in 1953 compared to the production in 1952, while consumption increased by 11.4 per cent. Owing largely to the more favourable price of natural as compared with synthetic rubber, the consumption of the latter declined both absolutely and relatively to total rubber consumption.[6]

The downtrend in production noticeable since 1952 continued in the first half of 1954. Within the ECAFE region (which accounts for nearly 95 per cent of the world output) production declined by about 0.5 per cent in the first half of 1954 as compared with the corresponding figures for 1953. This was attributable to a 4 per cent reduction in the Federation of Malaya's production. Both estate and small holders' production shared in the decline, the respective reductions being 2 per cent and 6 per cent. On the other hand, in Indonesia, where production had contracted sharply in 1953,[7] the previous year's level was more or less maintained. In Ceylon, which has hitherto exported the bulk of its rubber to mainland China at prices well above the world level, production increased by 4 per cent.

1. According to the *People's Daily*, 7 December 1954 it was hoped that 70 per cent of the State cotton purchasing plan could be fulfilled.
2. In Pakistan the licensed area under jute was curtailed drastically to facilitate disposal of stocks accumulated with the Jute Board. In India unfavourable weather and lower prices brought about a reduction in area.
3. Reduced purchases by Indian mills were attributable to larger carry-over stocks at the beginning of the 1953/54 season.
4. In Pakistan preliminary estimates of area indicate an increase of 65 per cent while in India the increase is put at about 5 per cent.
5. The price in October 1954 were Rs 25/6 per maund or 16 per cent more than in October 1953. Prices in Dundee in December 1954 were 20 per cent higher than a year ago.
6. Production of synthetic rubber declined because of the decision of the United States Government to curtail production.
7. Production declined by 8 per cent in Indonesia in 1953 and by 2 per cent in the Federation of Malaya.

More important, however, is the fact that world consumption in the first half of 1954 exceeded production by 5 per cent and, as a consequence, prices tended to rise. The uptrend in prices continued in the third quarter and, by September 1954, the price of R.S.S. No. 1 at London was nearly 20 per cent higher than in January. In response largely to higher prices, production showed an increase in the third quarter but the total production between January and September 1954 exceeded consumption by only 38,000 tons or about one-third of the excess at the end of 1953.

In the first half of the year exports from the main exporting countries—Ceylon, Indonesia and the Federation of Malaya—tended to be lower than the corresponding figures for 1953. However, in the third quarter, exports increased in almost every case and the total for the period January-September exceeded slightly the corresponding figure for 1953.

While in 1954 production, exports and prices registered increases, the position in 1955 might depend on the competitive position of natural rubber vis-à-vis synthetic rubber. Should prices of natural rubber maintain their uptrend, demand might also be affected. In fact, the prevailing high prices of natural rubber have assumed special significance in the light of the recent transfer of some synthetic rubber plants to private concerns in the United States and the consequently anticipated decline in synthetic rubber prices.

The long-term interests of the natural rubber industry lie in maintaining the price advantage over synthetic rubber. This involves, in the final analysis, a reduction in the costs of production and, to this end, schemes are in operation in the Federation of Malaya and Ceylon to replace old trees by new high-yielding strains. In the case of Malaya, nearly one-third of the estate acreage has already been replanted with high-yielding strains.

Sugar

Unlike most of the other commodities referred to above, in the case of sugar, the problem facing producing countries during 1954 was one of preventing prices from falling too low. At the beginning of the year the International Sugar Agreement came into force, with the object of stabilizing prices at levels considered fair to producers and consumers through regulation of exports.[1] In the region, two of the important surplus countries—the Republic of China and the Philippines—and one important deficit country—Japan—signed and ratified the agreement. While the basic export quotas of the Republic of China and the Philippines under the agreement are 600,000 tons and 25,000 tons respectively, the effective quotas for 1954 are 485,819 and 22,742 tons. In the case of the Philippines, exports to the United States, though outside the scope of the International Sugar Agreement, are nevertheless subject to a quota of 864,000 long tons under the Bell Trade Act.

In order to conform to the export quotas under the International Sugar Agreement as well as the limits on stocks, the Republic of China found it expendient to reduce production. In the case of the Philippine, there was some scope for expansion of exports to the United States and therefore production of centrifugal sugar increased by about 25 per cent in the crop year 1954. Exports in the first three quarters of 1954 showed an increase of nearly 10 per cent over the corresponding figure for 1953. Unless, however, internal consumption can expand significantly, further increases in production in the Philippine may have to be avoided, at least in the immediate future.

In Indonesia (not a signatory to the International Sugar Agreement) production and exports have increased.

Prices on the international markets remained generally firm in the first four months of the year but a downward trend set in thereafter and in July prices of Cuban sugar (No. 4 contract) was nearly 4 per cent lower than the minimum price under the International Sugar Agreement. Price levels generally remained low until about the middle of September when there was some improvement following recommendation of voluntary reduction of exports by the International Sugar Council. These price declines on the international markets affected mainly the value of exports from the Republic of China and Indonesia, but in the case of the Philippines, which exports the major part of its surplus to the United States free of import taxes, prices, though lower than in 1953, maintained a firm tone.

Copra and coconut oil

Production of copra, which had shown a marked decline in 1952/53 owing largely to typhoon damage to the Philippine crop, increased appreciably in 1953/54 because of favourable weather conditions and relatively higher prices in 1953.

1. The minimum and maximum prices are 3.25 US cents and 4.35 US cents per lb free alongside steamer Cuban port.

TABLE 6

RUBBER: PRODUCTION AND EXPORT

thousand tons

	Production					Net export			World consumption
	Indonesia	Fed. of Malaya	Ceylon	ECAFE region[a]	World	Indonesia	Fed. of Malaya	ECAFE region[a]	
1951	827	615	107	1,808	1,915	806	619	1,771	1,524
1952	761	594	98	1,704	1,819	761	581	1,661	1,473
1953	703	584	100	1,635	1,753	685	579	1,584	1,641
1953 Jan.–Sep.	531	531	65	1,205	1,290	528	421	1,182	1,217
1954 Jan.–Sep.	552	432	66	1,238[b]	1,321	521	427	1,197[b]	1,283

Source: International Rubber Study Group.
a. Comprises returns for Cambodia, Ceylon, Federation of Malaya, India, Indonesia, Sarawak and Viet-Nam and estimated figures for Brunei, Burma, North Borneo and Thailand based on net exports.
b. For Combodia and Viet-Nam, estimates based on Jan-Aug.

The impact of a strong import demand on limited export availability of copra (as also of other vegetable oil-seeds and oils) had brought about sharp increases in prices during 1953. Thus, the average 1953 price of copra in the Philippines was nearly 50 per cent higher than the average price for 1952 and exceeded even the high level for 1951. In other exporting countries as well price increases were large. With the coming into the markets of larger supplies of copra in the early part of 1954, prices eased significantly.[1] Thus, the April 1954 price of copra was 27 per cent lower than the January 1954 price. In the following months, prices declined further, the September 1954 price being 19 per cent lower than the price a year back and 32 per cent lower than the January 1954 price. The prices of coconut oil showed a similar trend.

1. Other contributing factors were increased production of inedible tallow, large over-all supplies of fats and oils in international markets in 1954 compared to 1953 and the large sales from United States stocks of cotton-seed oil and linseed oil for export purposes.

The volume of exports from the main exporting countries increased substantially and offset in some measure the effect of price declines on foreign exchange earnings. Thus, the volume of exports of copra and coconut oil from the Philippines showed an increase of nearly 24 per cent in 1954 over the corresponding figure for 1953, while the corresponding increase in the case of the Federation of Malaya was nearly 18 per cent.[2]

Owing to increased need for oils and fats, mainland China became an important buyer of copra and coconut oil from the countries of the region in 1954. Thus, it took nearly 40 per cent of the exports of coconut oil from Ceylon and about 25 per cent of the coconut oil exports from the Federation of Malaya, and also contracted to buy some copra from Indonesia.

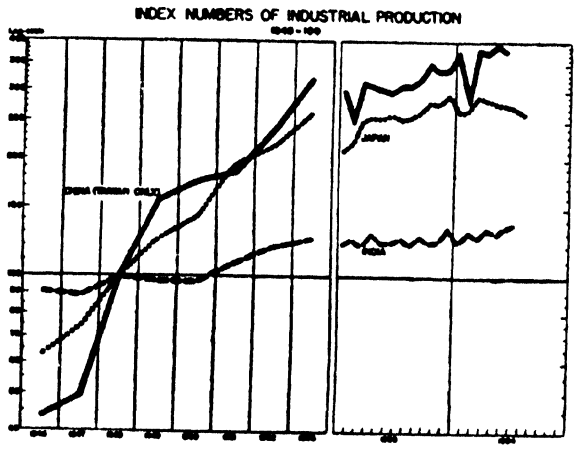
2 Philippines: annual rate based on January—October, Malaya: annual rate based on January—September.

Chapter 2. INDUSTRIAL PRODUCTION AND TRANSPORT

Industrialization is a major feature of the process of economic development; and those countries of the region which had long remained under-developed (or predominantly agricultural) have embarked in the post-war period, with varying degrees of speed and planning, upon the development of manufacturing industries and of basic facilities of the economy such as transport. Industrialization is a process which, for advanced western countries, was spread over a historical epoch involving often radical institutional adjustments and consisting typically of fairly well-marked stages related to technological advance.

Of the countries in the region, India was the first to introduce modern mechanized spinning (1854) and railway (1853), but its industrial development was arrested for some time. Subsequently Japan led the way in industrializing the economy in the last quarter of the nineteenth century, by which time it could telescope a long historical process into a short span of generation by benefiting from the accumulated knowledge and experience of the then advanced countries. China, too, started to establish modern industries towards the end of the nineteenth century, but its development was limited largely to cotton textiles and other consumer goods industries. For most other countries of the region, however, the process of industrialization is of quite recent origin and possibilities are greater for conscious planning of the pace and forms of its process. Nevertheless, there are limitations and handicaps which can be overcome only in stages and over time, and the types of industries which are actually being developed generally appear to follow a familiar historical pattern of light industries (textiles and food-processing) first, power generation, cement and simpler chemical industries (ammonium sulphate) and basic heavy industries (iron and steel) second, and then towards engineering industries and modern complex chemical plants.

Chart 3



For most countries of the region, the progress of industrialization has been especially marked after they were freed from dependent status in the post-war period. And the increase achieved in industrial capacities or production between, say 1949 and 1954, gives us a measure of such progress. India's progress in diversifying its industrial structure, while consolidating the economic base towards a high-investment economy under the Five-Year Plan, is quite noteworthy. Close on its heel is Pakistan which thus far, with emphasis on light consumer goods industries and basic facilities of the economy, has already succeeded in achieving a fair degree of self-sufficiency in a number of manufactured consumer goods. Burma, Indonesia and the Philippines, though still in the initial stage of industrialization, have drafted plans of economic development and created machinery for their implementation. Japan, too, hardly an under-developed country, witnessed in the postwar years a period of remarkable industrial rehabilitation after having been freed from the restrictions imposed under the terms of its surrender. In China the rapid pace of industrial development reportedly being achieved in the mainland under the system of socialist planning since 1949 appears notable. In aggregate quantum of production it surpassed India during 1953-54 in many lines of manufacturing industries.

With all the progress that has been achieved towards industrialization in the region, the relative weight of large scale factory manufacturing remains, with the exception of Japan, yet extremely meagre. Even in India, considered to be the second most highly developed industrial country in Asia on the *per capita* basis, the total labour force engaged in factory establishments is currently about 2.4 million or 1.8 per cent of the working population in the country.[1] Further, even when national aggregates of industrial output appear to be substantial, their relative importance per head is greatly reduced on account of the size of population in the region.

In fact, the factor of population density limits, in many countries of the region, the pace of introduction of labour-saving machinery; and measures to promote small-scale and cottage industries are adopted purposely by a number of countries like Burma, Ceylon, India and Indonesia. These industries constitute at present an important segment of the industrial picture in the region.

RECENT INDUSTRIAL DEVELOPMENTS IN SELECTED COUNTRIES

Of the less developed countries of the region, *China* has the most deliberate policy of rapid industrialization. In the mainland it launched the first Five-Year Plan in 1953, in which it was specifically laid down that the rate of growth of producer goods (and defence) industries should exceed that of consumer goods and that the development of the producer goods industry should be such as to allow "reproduction on an extended scale."[2] Necessary resources for the expansion

1. It is however true that the manufacturing industry provides indirect employment which may be many times as large as direct employment.
2. *Infra*, chapter 10 on China.

of economy are provided basically by the deliberate creation of gaps between the rate of growth in labour productivity and that in real earnings of the working population. The emphasis on industrialization is clearly indicated by the relative proportion in 1954 of the total public investment expenditure budgeted for industry and transport (63 per cent) as compared with those for agriculture, forestry and water conservancy (11 per cent). And within the manufacturing sector, basic heavy industries are receiving greatest attention as a pre-requisite for socialistic development. Tentative targets for next 5–10 years contemplate an expansion, as compared with 1952, of 100 per cent for electric power, 60 per cent for coal, 300 per cent for steel ingots and 250 per cent for machine tools. Actual achievement in the annual rate of over-all industrial expansion is reported to have been 28 per cent in 1953[1] and the rate of increase in the value of modern industrial production is estimated at 18 per cent in 1954,[2] by which time it is claimed that pre-1949 peaks have been surpassed in practically all the manufacturing industries.

In *India*, industrial expansion under the Five-Year Plan has rested largely on private initiative and resources, supplemented at certain key points by public funds as well as by foreign investment. Hence, outlay of public funds under the Five-Year Plan for industry amounted to only 8.4 per cent of the total, although expenditure for power and transport facilities would undoubtedly help industrial expansion. The major emphasis in industrial development in India during the past five years has been on consumer goods industries, while the development of basic producer and capital goods industries has lagged behind. Thus, while the index for cotton cloth (base 1946 = 100) increased by only 25 per cent from 99.7 in 1949 to 119.9 in 1953, that for crude steel increased by only 11 per cent from 104.6 in 1949 to 116.5 in 1953. Remarkable progress, however, was made in the field of engineering products and chemical fertilizers; for example, production of ammonium sulphate in 1953 was 14 times and that of superphosphate 10 times over the 1946 level. While both established industries, such as iron and steel and cotton textiles, and other less well-established industries, such as chemicals and pharmaceuticals, received a fillip from the increased demand immediately after the war, a whole range of new industries have come into existence, such as textile machinery, automobiles, locomotives, sewing machines, and bicycles. In recent years, however, the rise in over-all industrial production has slowed down somewhat with some industries producing below capacity, owing to lack of effective demand for domestic products. In the second Five-Year Plan (1956/57–1960/61), however, the Government of India is reported to be planning for large-scale expansion of basic industries such as steel, coal, cement, electric power and others, through which the rate of industrial output is expected to be doubled by 1972.

Within a short period since Partition in 1947, *Pakistan* has also achieved some degree of diversification in its industrial structure. Progress has been particularly rapid in the light consumer industries. This has been so because the emphasis in Pakistan's industrial policy was on production of and self-sufficiency in many consumer goods to alleviate the scarcity conditions and possibly also because it was easier to develop such industries. In recent years, however, Pakistan is also turning its attention to the development of heavy industries which will constitute a firm industrial base for the country. A significant development in this direction has been the formation of the Sui Gas Transmission Company[3] in 1954 with a capital of £4 million. Gas from Sui is expected to bring about a substantial saving in coal import by providing cheap power to industries. One estimate indicates that Pakistan's industrial output is expected to be doubled within the next few years. With the help of the Industrial Development Corporation, which is playing an important role in the industrialization, Pakistan has achieved or is likely to achieve self-sufficiency in the production of cotton piece-goods, jute manufactures, cement, ammonium sulphate, sugar, and other consumer goods.

Hong Kong's development of manufacturing industries has also been rapid owing to special post-war conditions, particularly the flight of capital and technicians from mainland China since 1949. Moreover, Hong Kong has always enjoyed good shipping and banking facilities, a stable currency, an efficient government, adequate labour force, and the presence of industrial entrepeneurs in addition to readily available capital and supply of skilled labour, which are the main advantage leading to the successful promotion of industries. It is especially noteworthy that Hong Kong's industries should have developed without exceptional encouragement like tariff protection.

Most other countries in the region, such as Afghanistan, Burma, Ceylon, Indonesia, the Philippines and Thailand, are still in the initial stage of industrialization, characterized by relatively large investments in economic overheads such as transport and power facilities and establishment of light industries such as textiles[4] and food processing, while basic capital goods industries, such as iron and steel or electrical engineering products, practically do not exist and such products constitute a major portion of their capital goods imports. Another notable feature in the young industrial countries is the relative importance of small-scale and cottage industries in the economies. It is not surprising that the spread of industries to other fields such as iron and steel, engineering and chemicals should be a slow process since it involves either the displacement of cheaper foreign supplies or the growth of local demand. Besides the general handicap of capital shortage, lack of technical skills and of an entrepreneurial class interested in industrial investment raises problems in these countries. Moreover, the narrowness and rigidity of the domestic market resulting from the low standard of living is another factor limiting industrialization.

The industrial development of *Japan* in the post-war period has been in the nature of rehabilitation from the devastation of war. The country had already attained a high degree of industrialization before the war and it further developed its heavy industries during the war. In 1943, for example, its production of steel ingots stood at 7.7 million tons, aluminium 108,000 tons and machine tools 60,000 units. A substantial part of the industrial plant and equipment was destroyed during the war, and the index of manufacturing production in the first full post-war year (1946) dropped as low as 16 per cent of the previous peak (1944) and 29 per cent of the pre-war average (1934-36). The recovery was rather slow until the middle of 1950 when the annual rate of manufacturing production was still more than 20

1. Teng Hsiao-ping (Minister of Finance), *Report on the 1954 State Budget*, in NCNA, Peking, 17 June 1954.
2. *Ta Kung Pao*, 23 June 1954.
3. In the initial stage Sui Gas is expected to supply 13,505 million cubic feet of gas per year, representing approximately 550,000 tons of coal.
4. Generally, the textile mills produce cotton yarn to supply the local handloom industry and cloth of coarse and medium quality.

per cent below the pre-war level. However, a remarkable period of expansion ensued under the stimulus of the Korean war boom. For example, actual capacities of production increased between the 1949 and 1953 (year-end) by sizable proportions for many industries, such as cotton spinning (by 107 per cent), pig iron (by 124 per cent), steel ingots (by 65 per cent), zinc (by 95 per cent), ammonium sulphate (by 32 per cent), caustic soda (by 50 per cent), cement (by 39 per cent), pulp (by 84 per cent), and synthetic fibres (by 195 per cent).[1] This expansion in the short period of four years, which is unusual for an already industrialized country, was largely financed by the profits from the Korean war boom. It made possible the rise in manufacturing production of more than 100 per cent in four years to bring the index by the spring of 1954 to a level very little short of the war-time peak. In 1954, the rate of expansion in manufacturing production slowed down considerably, –7.6 per cent over the previous year as compared with the annual rates of increase of 40, 11 and 24 per cent in 1951, 1952 and 1953 respectively. An outstanding feature of Japan's manufacturing industry is its dependence on foreign supplies for basic raw materials. In 1953, for example, the degree of dependence was 100 per cent for raw cotton, wool, rubber, bauxite, potash and phosphate rock, 95 per cent for petroleum, 86 per cent for zinc ores, 80 per cent for iron ores, 75 per cent for salt, 32 per cent for coking coal, 27 per cent for rayon pulp. Import of these goods in 1953 amounted to $998 million, of which countries of the ECAFE region (including mainland China) supplied only 21 per cent.[2]

1. The percentage figures for zinc, ammonium sulphate, caustic soda, cement, pulp and synthetic fibres are the increases between the end of fiscal year 1950 and the end of fiscal year 1953.

MAJOR DEVELOPMENTS IN SELECTED INDUSTRIES

Cotton textiles

Cotton spinning and weaving is the most extensively developed industry in the ECAFE region. Mechanized spinning is found in almost all the countries of the region; and the region as a whole is a net exporter of cotton piece-goods, with the two largest exporters of the world, Japan and India. Whereas in 1938 imports of cotton piece-goods into the region from outside amounted to 7.6 per cent of the region's total production, such a percentage declined to 6.8 in 1951 and further to 3.3 in 1954 (see table 7). Before the war Japan was the only significant exporter of the region, accounting for 90 per cent of the region's total exports in 1938. With India's rise as a major exporting country in the post-war period, Japan's share declined to 54 and 53 per cent in 1951 and 1954 respectively. China, Pakistan and Hong Kong have made significant progress in expanding the installed capacity of mechanized spinning during the past several years.

2. The ECAFE region supplied 100 per cent of Japan's imports in 1953 for rubber and bauxite, 53 per cent for salt, 46 per cent for iron ore, 29 per cent for cotton, 11 per cent for coking coal, 6 per cent for petroleum, and none or a negligible part of imports of rayon pulp, raw wool, phosphate rock and potash. Countrywise, Pakistan supplied 42 per cent of the total from the region, the Federation of Malaya 17 per cent, Indonesia 14 per cent, India 9 per cent, the Philippines 7 per cent, and the rest 11 per cent.

TABLE 7

COTTON PIECE-GOODS: PRODUCTION, EXPORTS AND IMPORTS IN ECAFE COUNTRIES

(*Million metres*[a])

	PRODUCTION	IMPORTS			EXPORTS		
		From countries of the region	From countries outside the region	Total	To countries of the region	To countries outside the region	Total
1938							
China: Taiwan	—	—	—	—	—	—	—
Mainland[b]	942	37[c]	5	42	—	—	—
India	3,937	388	204	592	117	53	170
Japan	3,015	..	..	21	986	1,056	2,042
Other countries	8	664	394	1,058	40	6	46
Total	7,902	1,089	603	1,713	1,143	1,115	2,258
1951							
China: Taiwan	56	58	1	59	—	—	—
Mainland	1,090[d]	..	..	..	..	..	..
India	3,830	—	8	8	317	392	709
Japan	1,993	..	..	1	630	372	1,002
Other countries	161	1,094	470	1,564	111	42	153
Total	7,130	1,152	479	1,632	1,058	806	1,964
1954[e]							
China: Taiwan	165	1	—	1	—	—	—
Mainland	1,960	..	..	..	..	..	..
India	4,579	—	4	4	286	515	801
Japan	2,926	..	..	—	768	384	1,150
Other countries	441	1,209	353	1,562	169	38	207
Total	10,071	1,210	357	1,567	1,221	937	2,158

Sources: For imports and exports, see Cotton Board, Manchester: *Quarterly Statistical Review* for years given, except 1954, for which national sources are used.

a. In converting statistics given in square yards into metres, it has been assumed that the width is one yard.

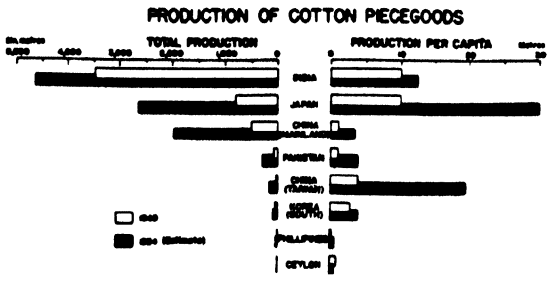
b. Imports in 1936 are used.

c. From Japan only.

d. Estimated figures.

e. At annual rate based on the first half year returns, except in the case of Indonesia for which the figures are based on the first quarter total of the year, and of mainland China for which the figures are based on an estimate in late September.

Chart 4



In *India* under the Five-Year Plan the private sector was expected to increase the rated capacity in terms of number of spindles from 10.9 million in 1950/51 to 11.3 million by 1955/56. This target was more than fulfilled by the beginning of 1954, when the number of spindles stood at 11.6 million.[1] The emphasis under the plan is placed on expansion of production by fully utilizing existing capacity rather than on large-scale expansion of capacity. Production of cotton yarn and cloth in 1953 was rated at 1,506 million lb and 4,486 million metres respectively, exceeding the planned target in respect of cotton cloth by nearly 4 per cent. The Kanungo Cotton Textile Enquiry Committee, in a recent report on the industry, recommended that no expansion should take place in the number of looms and that production of milled cloth should be pegged at the current level of 4,600 million metres per annum. It also recommended that every effort should be made to promote exports of cloth to the level of 914 million metres per annum. Such exports in 1954 are estimated at 801 million metres.

In *Japan*, the cotton textile industry at the end of the war had only 2 million spindles as compared with 12.2 million in the pre-war peak year (1937). During the occupation the total number of spindles was limited to 4 million. But rapid progress was achieved following the removal of this limitation in 1950, and the number increased from 3.7 million spindles at the end of 1949 to 6.4 million in 1951 and 7.6 million in 1953. The total production of milled-cloth stood at 2,350 million metres in 1953 and Japan became the world's largest exporter of cotton cloth in that year. The rapid increase in spindleage was accompanied by improvement in quality and rationalization of equipment and increase of labour productivity, with the result that production of cotton cloth increased by 205 per cent during the five-year period between 1948 and 1953. Of the major manufacturing industries of Japan the cotton textile industry appears to have maintained best its international competitive strength. Total exports of cotton cloth in 1954 are estimated at 1,150 million metres.

In *China* the United States Cotton Loan Mission estimated the total number of spindles on the mainland in 1948, excluding the North-East provinces, to be 4,764,000. Adding the estimated number of spindles of the North-East at the time, 223,000, brings the total in 1948 to nearly 5 million. Since the Central People's Government of the People's Republic of China came into power in 1949, the installed capacity of spindleage is reported to have increased by 22 per cent in five years, bringing the present total possibly above 6 million spindles. While the expansion in capacity is partly responsible for the increase in cotton textile production, other factors, such as the adoption of a three-shift system by the State-owned mills and the improvement in average productivity, have also contributed to the expansion. Thus although the production in 1949 is estimated to have been 686 million metres,[2] it is reported to have risen to above 1,893 million metres in 1953.[3]

As for Taiwan, its domestic requirements for cotton cloth used to be met almost entirely by imports from Japan. However, under encouragement from the National Government of the Republic of China the cotton textile industry has registered rapid expansion since 1945. The number of spindles increased from 10,000 in 1945 to 179,000 in 1954. The increase was most rapid in 1951 when the capacity doubled over the previous year, while between 1951 and 1954 it rose again by 82 per cent. *Pari passu* with this increase in capacity, production of cotton yarn and cloth also rose markedly, enabling Taiwan to reduce its imports of cotton textiles progressively. It can now look forward to having a margin for export of cotton cloth. Production of cotton cloth more than trebled during 1950-53 from 40 million metres to 130 million metres, while in 1954 the annual rate of production is expected to reach over 165 million metres.

Pakistan, since partition in 1947, made special efforts towards self-sufficiency in cotton textiles and achieved good progress. As against 177,000 spindles and 4,800 looms at the end of 1948, there were 724,000 spindles and 10,500 looms at the end of 1953, *i.e.* a four-fold increase in spindleage in five years. Production of cloth increased by 44 per cent during 1953 alone to 230 million metres, which met more than 70 per cent of the country's requirements of coarse and medium varieties of cloth. In these varieties Pakistan will become self-sufficient if and when the target of one million spindles under the Six-Year Programme is reached.

In *Hong Kong* automatic looms were brought into use only in 1948 and 1949. Until then the textile industry consisted mainly of weaving and knitting by machines entirely worked by hand on a cottage level. At present, there are about 13 cotton spinning mills equipped with modern-type machinery run on a factory basis and employing over 30 per cent of the total number of registered workers. The total number of spindles in operation is about 233,000 worked in three 8-hour shifts, an increase of 160 per cent over 1948. With a view to meeting the changing conditions in the market for textiles the industry is also endeavouring to install the latest type of machines for improving the quality and reducing the costs. In addition to spinning and weaving there is a considerable knitting industry which consists of about 273 knitting mills employing over 9,000 workers.

In the *Republic of Korea* the textile industry employs more workers than any other manufacturing industry, and it had in 1949 a higher cotton spinning capacity than Pakistan or Hong Kong. The industry suffered a great damage in the Korean war,[4] and its rehabilitation was given top priority in subsequent years. As a consequence, by 1954 the installed spindleage recovered to a level (268,000) only 16 per cent below that of 1949 and production of cotton sheeting increased by 40 per cent from 39 million metres in 1952 to 55 million metres in 1953.

1. It is estimated that 185,000 spindles remained idle.

2. Official source gives only the index number of 72.4 with pre-1949 peak as 100. The pre-1949 peak was 1937 when the production of 942 million metres was recorded.

3. *Infra*, chapter 10 on China.

4. The equipment destroyed was estimated at 226,000 spindles out of a total of 317,000. (*Report by the Office of the Economic Co-ordinator for Korea, Fiscal year 1954.*)

Capacities of lesser scale in cotton spinning can be found in most other countries of the region, a large part of which started their production in the post-war period. One of the largest is the mill in Nam-Dinh, located in North *Viet-Nam*, with 142,000 spindles, which is reported to have closed down in October 1954. In *Indonesia* the licensed spindle capacity stood at 66,500 at the end of 1953. But a new mill with a capacity of 30,000 spindles is under construction. In the *Philippines* the textile mills were all established in the post-war period, except the National Development Corporation Textile Mill with a capacity of 20,000 spindles and 504 looms and an annual production of 1.8 million lb of yarn. In 1950 installation of additional equipment and machinery for the Ilocos Textile Mill was designed for an annual capacity of 3 million lb of yarn. This mill had a capacity of 17,500 spindles as of June 1953 and was already operating at half the capacity. The draft Five-Year Economic Development Programme, covering the period 1 July 1954-30 June 1959, envisages the construction of eight new cotton mills with a capacity of 25,000 spindles each. *Afghanistan* which is now estimated to have a capacity of more than 30,000 spindles, is planning a big increase in its cotton textile industry, by devoting almost a quarter of its development funds in the revised Five-Year Plan to the expansion of the number of spindles and power looms; 45,000 spindles will be added in the first stage of the development programme. In *Burma* production of cotton yarn at the Government Cotton Spinning and Weaving Mill continued to expand in 1953/54 and it is expected to reach almost 4 million lb, or an increase of 36 per cent over the previous year. During the second quarter of 1954 the mill operated at about 70 per cent of the capacity and produced 968,000 lbs of yarn, the bulk of which is supplied to local handloom weavers. The construction of a new cotton spinning factory at Myingyan with a capacity of 20,000 spindles is under consideration. In *Thailand* the only cotton mill, i.e. the Bangkok Cotton Mill, resumed operations under different management in 1953. As in Burma it is designed mainly to supply cotton yarn to indigenous handloom weavers and it is estimated that the production from the mill will meet about 65 per cent of the country's requirements of yarn, although the quality of yarn is not up to the standard of the imported cariety. In *Singapore* a cotton mill, with a capacity of 10,000 spindles, was established during the last two years and is now working three shift.

Iron and steel

The region's output of steel ingots, which is concentrated in Japan, China and India, is estimated to have approached 11 million tons in 1953 as compared with 4.6 million tons in 1949.

Chart 5

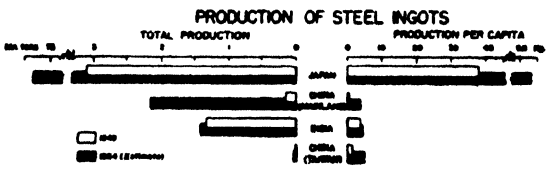
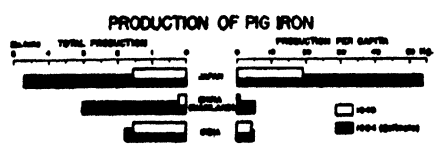


Chart 6



Japan is by far the leading steel producer in the region with 7.6 million tons or 70 per cent of the region's total output in 1953. The recovery of the iron and steel industry from the low ebb of 1945 and 1946 has been remarkable. The output of pig iron in 1949 was almost eight times that of 1946 and that of steel ingots six times. Such a rise, however, was only to be expected in view of the extreme dislocation of the industry in the immediate post-war period. At the end of 1949 the actual capacity of pig iron production stood at a little over 2 million tons and the steel ingot capacity at 6 million tons. More remarkable was the expansion witnessed in the wake of hostilities in Korea, as can be seen from the increase in actual capacities of pig iron and steel ingots by 124 per cent and 65 per cent respectively between the end of 1949 and the spring of 1954. Current actual capacities (4.5 million tons for pig iron and 9.9 million tons for steel ingots) are still below the war-time peaks, although the annual output in 1953 was the highest on record for both products. One of the basic weaknesses of the industry is its dependence on rather distant foreign sources of raw materials, particularly iron ore and coking coal. Recently the industry has passed through a three-year rationalization programme, which includes installation of modern equipment with a view to improving the yield and quality of iron and steel products.

By 1952, *China* became the second largest steel producing country of the region, and by 1954 it is claimed to have achieved in the mainland an annual rate of production of 3 million tons for pig iron and 2.2 million tons for steel ingots. Expansion has been extremely rapid since the People's Republic of China came into existence as it has been the policy of the government to place the greatest emphasis on heavy industries in its developmental programme. Schemes for further expansion of the industry are under way in a number of districts. For example, the Anshan Iron and Steel Company, by far the biggest in mainland China, planned to invest twice as much in 1954 as in 1953 and to build one steel smelting plant, one sheet steel plant, two steel blooming mills, two automatic blast furnaces, two coke ovens, etc. The completion of these plants would double the iron and steel output of Anshan.

In *India* the progress made towards targets of capacity and production was not so rapid as in Japan or mainland China. In spite of the natural advantages India's capacity for production of pig iron in 1950/51 was only 1.87 million tons, which is barely 50 per cent of the current domestic demand. Steps to increase capacity for pig iron by 1957/58 to 2.8 million tons and for finished steel to 1.65 million tons have been taken, and further plans for expansion are now under consideration.[1] However, production of steel ingots in 1953/54 remained at the level of about 1.5 million tons, that is, at about the same level as in 1950/51 and about 330,000 tons of steel had to be imported in 1953. Steel production in India is in the hands of three primary producers. Some of these companies ascribed to labour trouble during the major part of 1953 as the reason for their failure to reach the targets under the plan.

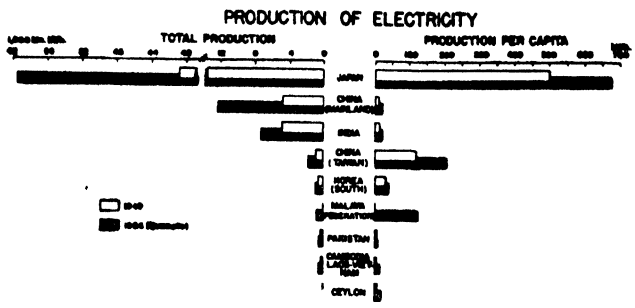
The 1954 production of pig iron and finished steel was below capacity and running at an annual rate of 1.7 million tons and 1.2 million tons respectively.

1. *Infra*, chapter 12 on India.

Electric power

While *per capita* generation of power in most western countries is about 1,000 kWh *per annum*, the ECAFE region is quite backward in this respect. Even Japan, which is the most advanced in the region,[1] generated in 1953 only 640 kWh *per capita*, and figures for most other countries or areas were less than one-twentieth of Japan's.

Chart 7



Since the second world war the ECAFE countries have faced great power shortages. Many industries work under restrictions or under a rationing system which, in many cases, tends to reduce production and increase costs. This post-war shortage is a necessary consequence of the lack of interest by the governments of many countries of this region before the war in the development of power production. It was mainly left in the hands of private enterprise and was naturally concentrated in urban areas. In the post-war period, however, governments have shown great interest in power development as part of their development programmes and a large number of new schemes for electricity generation are now under way. Fortunately the region has an enormous potential hydro-electric power. In the post-war period there has also been some degree of co-ordination between power development and industrial development which was lacking in the past. Besides, a number of governments have embarked on a programme of rural electrification during the last few years.

Japan has by far the largest *per capita* electricity output in the region. The industry is in the hands of 9 electric power companies which possess about 80 per cent of the total power generation facilities with a total maximum capacity of 9.2 million kW as of December 1952. As in the iron and steel industry, the post-war recovery of the electric power industry has been fairly rapid in response to demands of various industries, the annual rate of increase of output having averaged 9 per cent for the last five years. Despite such a progress a shortage was foreseen with the expansion of industrial activities, and the Electric Power Resources Development Company was established in 1952 by the government to concentrate on a rapid development of generating capacity with public funds. As the Five-Year Development Programme now stands, it is contemplated to increase the maximum capacity by 4.6 million kW during 1954-58. Electric power generation in the first half of 1954 averaged 4,980 million kWh monthly as against an average of 4,642 million kWh in 1953, of which 75 per cent was energy generated from hydro power.

In *China* the development of electric power in the mainland is considered to be a matter of high priority. By 1952 the total output of electric power was 64 per cent above that of 1949[2] and is claimed to have been higher than the pre-1949 peak.[3] Since then a fairly high annual rate of expansion was kept up, 26 per cent in 1953 and 20 per cent in 1954 (estimate), the output reaching 10,800 million kWh in the latter year. On the whole, the emphasis is mainly on thermal plants; but there do exist a number of hydro-electric power projects and it is worth noting that a power station now under construction for operation in 1955 at the Kuanting Reservoir on the Yungting River is using the turbo-generators manufactured by the new Harbin Electrical Machinery Plant.

In *India* also the expansion of the total electricity generating capacity has been fairly rapid, rising by 46 per cent between 1949 and 1953. At the beginning of the current Five-Year Plan, *i.e.* April 1951, the total generating capacity stood at slightly above 2.3 million kW, capacities in steam, hydro and diesel accounting for 58, 32 and 10 per cent respectively. The private sector then possessed 63 per cent of the electric power industry. However, under the Five-Year Plan electric power development would be stepped up by the public sector and by 1954 it was expected to have nearly 50 per cent of total generating capacity in the country estimated at 3.1 million kW (end of 1953). The long term target within the next 20 years is to treble the capacity to about 7 million kW. Among the recorded achievements are the Bokaro Thermal Power Station under the Damodar Valley project, completed in 1953 with an installed capacity of 50,000 kW, looking ultimately towards a capacity of 200,000 kW. In the private sector the major electric company will add about 120,000 kW during the planned period. In addition many State companies such as those of Madras, Mysore, Travancore-Cochin, have made substantial progress in rural electrification by 1953. Production of electric energy during the first half of 1954 averaged slightly over 600 million kWh monthly, as compared with an average of 552 million kWh in 1953 and 510 million kWh in 1952.

Other countries or areas of the region, none of which has a capacity larger than 500,000 kW, fall into three more or less distinct groups in terms of *per capita* power consumed. Singapore, China: Taiwan, Hong Kong and the Federation of Malaya[4] come first with the *per capita* annual consumption of 130 kWh or more. The Republic of Korea, the Philippines and Ceylon come second with a *per capita* consumption ranging between 17 and 53 kWh. (On the *per capita* basis both mainland China and India fall into this group). Cambodia, Laos and Viet-Nam, Indonesia, Pakistan, Burma, Thailand, Afghanistan and Nepal come third with the *per capita* consumption of less than 10 kWh.

Since in most of these countries, however, a large number of projects to expand the generating capacity have been in progress in recent years, the picture presented here cannot be considered enduring. In *Pakistan*, for example, the total

1. Accounding to the statistics published by the Bank of Korea (in the Republic of Korea) electric power generated in North Korea in 1944 can be estimated to have been 5,150 million wWh. This implies a *per capita* production of 735 kWh which is higher than that of Japan in 1954. See Bank of Korea, *Economic Review of Korea*, 1948, p. III-171-2.

2. State Statistical Bureau, "Communique on national economic, cultural and educational rehabilitation and development in 1952", in NCNA, 20 September 1953.

3. Wu Lung-hsi, "New China on the Road to Industrialization", in NCNA, Peking, 25 September 1953, stated that the 1952 power output was 148 per cent of the pre-1949 peak.

4. Including purchases from Singapore.

installed capacity of electric power was estimated to be 224,000 kWh in 1953/54. But in the field of hydro-electric power, work on the Karnafuli multiple-purpose project, with a generating capacity of 160,000 kW, is proceeding. The construction of the Warsak power project with a generating capacity of 150,000 kW, has also been taken in hand. Some of the important schemes for expansion of power are: (1) a thermal power station of 30,000 kW at Karachi, (2) improvement of the Sidhirgunj power station of 29,000 kW, (3) installation of a 10,000 kW diesel station at Lyallpore and also of two 4,000 kW diesel turbo-alternator sets at Lyallpore, which is at a fairly advanced stage of execution. Production of energy increased by 37 per cent in 1953 to a monthly rate of 34 million kWh, and in 1954 it was running at a monthly rate of 38 million kWh.

In *Burma* during 1954 the total area served by the existing power plants in 38 towns will be doubled and new generating plants and transmission lines will be installed in 25 towns. A few hydro-electric projects are being examined, of which Baluchaung project which will serve tin and wolfram mines with 21,000 kW (ultimately at 80,000 kW) appears most feasible.

In *Ceylon,* owing to financial stringency marked progress could not be made on Stage II of the Aberdeen-Laksopana hydro-electric scheme. It is expected, however, that with the assistance of the International Bank Loan (amounting to $19.1 million and approved in June 1954) the existing capacity of 25,000 kW will be doubled in 1954/55.

In the *Philippines* one of the major projects under construction is the multiple-purpose Ambuklao hydro-electric project, with an initial capacity of 75,000 kW. When the Ambuklao project is completed in mid-1955, it will have an average generating capacity of 366 million kWh annually. Part of this will go to Manila, where the power demand is the greatest and part to the mining centres and to some towns in Central Luzon. A national power corporation plan provides for 6 power plants in addition to the Ambuklao with a total ultimate power capacity amounting to 430,000 kW. The monthly average output of electricity in 1953 was 13 per cent higher than in 1952, and during the first eight months of 1954 it was 13 per cent above the 1953 level.

In *Thailand* the government decided in July 1954 to build in the provinces three thermal generating stations, taking advantage of the possibility of using lignite mined in Lampang. Hydro-electric power is being developed under the Yarn Hee project. It is expected to have an installed capacity of 320,000 kW. Electricity consumption in the Bangkok area has been steadily increasing; it was 18 per cent higher in 1954 than in 1953.

In *Indonesia* it is planned to develop about 100,000 kW in Asahan district during the next five years. As a result of the survey of the Asahan valley in north-east Sumatra, hydro-electric power from the surrounding regions shows the possibility of developing a capacity of 800,000 kW. This development could provide cheap power for a number of industries such as aluminium, fertilizers, pulp and paper, cement and iron and steel.

The *Republic of Korea,* which had the rated capacity of about 300,000 kW as of July 1953, set a three-year programme of increasing electric power.

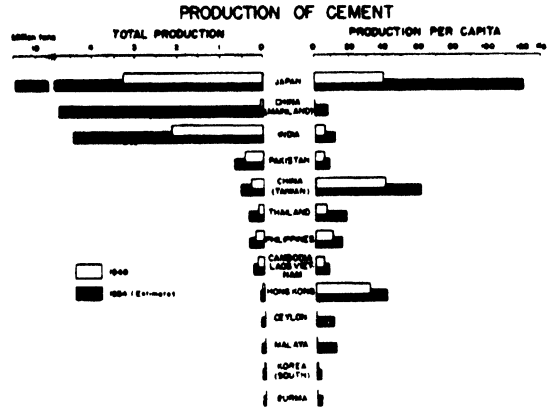
Afghanistan, which now possesses the generating capacity of 14,000 kW, has projects under construction totalling 31,000 kW, of which the Sarobie hydro-electric project, to be completed by mid-1956, is the biggest.

In *Singapore* the City Council started a new power development with a final capacity of 150,000 kW, of which one-third was completed in 1953 and the remaining two-third was expected to be completed in 1954-55.

Cement

Before the war the total quantity of cement produced in the ECAFE region including mainland China was around 10 million tons, of which 50-60 per cent were accounted for by Japan. After the drastic decline in the immediate post-war years, production began to pick up markedly after 1948 and a year later the total for the region is estimated to have gone above 7 million tons. The Korean war boom gave further impetus, and by 1954 the total production exceeded 22 million tons, a remarkable expansion in the short span of five years. Japan still accounts for about one half of the total, and mainland China and India for about 20 per cent each, followed by Pakistan, China: Taiwan, the Philippines, Viet-Nam and Thailand.

Chart 8



The cement industry in *Japan* in the post-war period has made rapid strides both in capacity and production and in quality. Production increased nearly six-fold between 1948 and 1954 from 1.8 million tons to 10.6 million tons as compared with the pre-war peak of 6.2 million tons (1939). Japan now ranks fifth in the world as a cement producer. The remarkable progress is attributable in part to the abundant availability of high grade limestone. In 1946, the operating capacity was only 2.5 million tons and output was less than 1 million tons on account of the coal shortage. From 1948, however, when coal was decontrolled, output rose rapidly, especially after mid-1950 with the outbreak of the Korean war. The annual rate of growth in production after 1949 was 36 per cent for 1950, 47 per cent for 1951, 9 per cent for 1952, 23 per cent for 1953 and 21 per cent for 1954. The outlook for the industry is promising with brisk construction demand from the domestic as well as foreign markets, but the expansion of new plants may be less rapid owing to rising costs.

In 1954, *China* became the second largest cement producing country of the region. The rate of increase in the mainland has been extremely rapid during the past five years; the current production is officially reported at an annual rate of 4.7 million tons, a level more than twice the pre-1949 peak of 2.1 million tons.[1]

The expansion of the cement industry in *India* has also been fairly rapid. Installed capacity increased by about 50 per cent between 1949 and 1953 from 2.8 million tons to 4.2 million tons. The expansion during 1953-54 (about one million tons in one year) which was brought about by the construction of three new cement plants and the expansion and modernization of seven existing ones, is especially notable. Actual production of cement more than doubled from 1.6 million tons in 1948 to 3.8 million tons in 1953, while in 1954 it was running at an annual rate of 4.3 million tons. Expansion schemes are in various stages of implementation which should raise the annual capacity of the cement industry to 6.6 million tons by 1955/56 as against the planned target of 5.3 million tons for that year.

At the time of partition in 1947 there were 4 cement factories in West *Pakistan* and one in East Pakistan with a total annual capacity of 430,000 tons. The government hopes to expand the annual capacity by 470,000 tons by expanding existing capacities and construction of new plants. Already the expansion of Wah Cement Works to 100,000 tons has been completed and the expansion of the Chattak factory to 75,000 tons is expected to be completed by the middle of 1955. In addition, the Pakistan Industrial Development Corporation is setting up one factory at Daud-Khel (Punjab) and another at Hyderabad (Sind) with annual capacities of 100,000 tons and 120,000 tons respectively. A private company has been given permission to set up a cement plant with a capacity of 600 tons per day. The completion of the plants at Hyderabad and Daud-Khel will raise the current production of cement to 650,000 tons per annum which will be still short of the domestic requirements by approximately 250,000 tons. Actual production of cement has increased from 530,000 tons in 1952/53 to 596,000 tons in 1953/54.

In *Thailand*, production of cement had increased steadily from 229,000 in 1951 to 288,000 tons in 1953 and 375,000 tons in 1954 (estimated). A new plant with an annual capacity of 60,000 tons will soon be constructed with a capital of 60 million baht, with technical and material assistance from the United States and Japan.

In *Viet-Nam* the 1953 output of cement, at 290,400 tons, exceeded the pre-war (1941) level by 9 per cent. Production in the first half of 1954 continued at about the same level as in 1953. The fate of the cement plant at Haiphong, in North Viet-Nam, with an annual capacity of 300,000 tons, remains to be decided along with that of other industries there.

The Burma Cement Company Ltd., the only producer of cement in *Burma*, had a rated capacity of 60,000 tons annually before the war. In the post-war period production rose from 36,000 tons in 1951/52 to 45,000 tons (or 75 per cent of rated capacity) in 1952/53 with occasional shutdown for overhaul and repairs. In 1953/54 production is estimated to have reached 58,000 tons or over 90 per cent of the rated capacity. Current production, however, is not sufficient to meet the growing demand of rehabilitation and reconstruction so that about 46,000 tons had to be imported in 1953. It is planned to erect a new cement plant in Rangoon with a capacity of 120,000 long tons.

At the close of the war in Korea there was only one cement plant in the *Republic of Korea* which, after rehabilitation, had an annual capacity of about 100,000 tons against annual domestic requirements estimated at 600,000 tons. With the assistance of UNKRA, construction has begun on a new cement plant with a capacity of 100,000 tons per year, to be situated in Mongyung county. Production from the existing plant in the fiscal year 1954 (July to June) amounted to 53,000 tons as compared with the annual rate of production of 23,000 tons in 1950.[2]

There is also one cement factory in *Ceylon* established in August 1950 with an annual capacity of 100,000 tons. Actual production in 1953 amounted to 66,000 tons while production in 1954 was running at an annual rate of 80,000 tons. The annual domestic demand, however, is estimated at 190,000 tons; and plans are under consideration to double the capacity of the cement factory by the installation of a second kiln.

Chemical fertilizers

The wide-spread use of chemical fertilizers in agriculture in the region is of rather recent origin. Even in Japan, which is most advanced in this respect, the output of ammonium sulphate in the early 1930's was less than 300,000 tons *per annum* and an extraordinary expansion took place only in that decade. A significant development before the end of the war was the construction in Hungnam (North Korea) of the largest nitrogenous fertilizer plant in Asia, with an annual capacity of 548,000 tons for ammonium sulphate and 132,000 tons for ammonium phosphate. The production of the former in this plant in 1944 is reported to have been 400,000 tons.[3] The fate of the plant in the course of the Korean war is not known. In the post-war period, mainland China and India have made rapid strides in expanding capacities for the production of chemical fertilizers.

In *Japan* the chemical fertilizer industry was, like coal, iron and steel, given priority by the government for the expansion of food production. It was given priority in loans, allocation of materials and many other respects, so that it recovered ahead of other industries and was able within a few years to exceed the pre-war level in the production of ammonium sulphate, calcium superphosphate and calcium cyanamide. Among nitrogenous fertilizers, the most important item was ammonium sulphate, production of which expanded from 917,000 tons in 1948 to 1.9 million tons in 1953, though the annual capacity reached 3 million tons. Other chemical fertilizers have also shown similar increases. Rationalization is being carried out in the nitrogenous fertilizer industry and there have been signs of overproduction in the last few years.

In *India* a notable achievement in the chemical fertilizer industry is the establishment of the government fertilizer factory at Sindri in 1951, producing ammonium sulphate. The production of this factory increased from 34,800 tons

1. For 1954 estimated production see *infra*, chapter 10 on China; for pre-war peak see W.W. Rostow and others, *The Prospects for Communist China*, (published by the Technology Press of Massachusetts Institute of Technology and John Wiley & Sons, New York, 1954), p. 239.

2. For 1950, only the production figure for the first six months is available. The annual rate figure is obtained by multiplying this by two.

3. Bank of Korea, *Economic Review of Korea, 1948*, p. I-106.

in 1951/52 to 249,000 tons in 1953/54, although it was still producing below capacity. An expansion programme is under way in the factory to produce other types of fertilizers, such as urea and ammonium nitrate. The significance of the factory is that it is designed to serve as a nucleus around which other chemicals and allied industries can develop. The installed capacity for superphosphate fertilizer in 1953/54 stood at 211,000 tons, but actual production declined from 57,000 tons in 1951/52 to 50,000 tons in 1952/53 owing to marketing difficulties. The total capacity of ammonium sulphate production at the end of March 1954 stood at 427,000 tons.

In *China* it is reported that annual supply of chemical fertilizers in the mainland through the State-trading organizations and co-operatives increased from 119,000 tons in 1949 to 500,000 tons in 1953. But the requirements of ammonium sulphate alone for the production of paddy rice, wheat and raw cotton are said to be as high as 6 million tons; and the capacity is being expanded rapidly.[1]

In *Pakistan* the Industrial Development Corporation has undertaken to help the fertilizer factory at Daud-khel which would provide 50,000 tons of ammonium sulphate by the middle of 1956. The plant is estimated to cost Rs 63.5 million and the United States will contribute $10.5 million in providing engineering, consulting and training services as well as machinery and equipment. In addition, the corporation, together with a private company, will convert the sulphuric acid plant at Lyallpore to produce 6,000 tons of superphosphate *per annum*. The total installed capacity of this plant by the end of 1954 would be 15,000 tons *per annum*.

Expansion of chemical fertilizer industries is planned in the *Philippines* and the Maria Cristina fertilizer plant started work in January 1954.

Engineering industries

The development of a well-rounded engineering industry is a mark of advance in the process of industrialization of a country; and here too Japan leads other countries of the ECAFE region by a wide margin, followed by China and India.[2]

In *Japan* the share of engineering industries in the total value of manufacturing products was already 13 per cent before the war (1934-36), exclusive of machinery, instruments, vehicles, etc. manufactured in the government-owned arsenals and factories. Such a share increased markedly during the war; but the post-war adjustment brought it down again to the level of about 15 per cent (1950-51), leaving in the wake excess capacities in many lines, in particular, steam locomotives, machine tools and ball-bearings. Thus recently strong efforts have been made to expand the market abroad, and the share of engineering products in the total export value of Japan has increased from 7 per cent before the war (1934-36) to 12 per cent in the post-war (1952-54) period. Considering that the quantum index of exports in recent years is lower than the pre-war index, the absolute level of exports of engineering products may not be as large as this comparison indicates. But the normal pre-war markets for Japan's engineering products, *i e.* China and Korea which together took more than 80 per cent of the total in the decade 1930-40, have been severely curtailed in recent years, while sales to other countries have increased many-times. It is worth noting that in the post-war period exports of cameras, machine tools, sewing machines and steel vessels have made big gains, while those of electrical machinery and vehicles have declined in comparison with the pre-war figures. In 1953 one-third of the vessels and one-fourth of the machine tools produced in Japan were exported. The vicissitudes of Japan's engineering industry are well indicated by the fact that whereas in 1954 the group index of production for that industry was the second highest (257) among all the industrial groups relatively to the pre-war base of 1934-36 as 100, it was the lowest (55) among all the groups relatively to the pre-1945 peak.

In *China*, rapid development of engineering industries in the mainland appears to be one of the top priorities at the present time. From the very first year of the Five Year Plan (1953), the rate of growth over the previous year was reported to have been 64 per cent in the State-owned sector.[3] Although such a high annual rate of increase is natural for any less developed sector of industry, the share of engineering products in the total value of manufacturing in the North-East (14 per cent) is already as high as that of Japan in 1952 and many types of machinery, vehicles and instruments have been produced for the first time in the course of the last two years. Among the latter type of machinery mention may be made of a 61-ton ore-crusher capable of crushing 500-800 tons of ores per hour, 6,000-kW turbo-generator, a 20,000 kVA transformer, a planer capable of processing 10-ton casts, etc.[4]

The progress made in *India* recently in the field of engineering industries is generally quite rapid, but is somewhat uneven relatively to the targets set in the Five Year Plan. The engineering product group in the index of industrial production has risen by 131 per cent between 1948 and 1954,[5] largely influenced by the expansion in the production of electric motors, diesel engines, and power transformers. From the developmental point of view, however, it is far more important to note the good progress made in the government locomotive and railway coach factories and also the manufacture, for the first time, of such products as multi-spindle drilling machines. Generally speaking, the development of engineering industries in India has not received special emphasis in the first Five Year Plan and remains a task for the future.

Other countries of the region are still in the infant stage so far as engineering industries are concerned. *Pakistan* has made some progress in light engineering fields, such as agricultural implements and electric fans, and with the aid of foreign capital and technicians it is planning to construct a telephone equipment manufacturing plant and a truck and bus assembly plant. *Hong Kong* has an annual capacity of 80,000 tons in shipbuilding and diesel engines are manufactured in the ship-building yards.

1. Data submitted to the First Agricultural Exhibition of the East-China Region. See also, *People's Daily*, 17 December 1953 and 3 March 1954. A significant portion of the chemical fertilizers required, especially ammonium sulphate, was inported in 1954
2. Korea had developed, even before the war, a number of engineering industries In 1940, for example, the over-all ratio of lomestic production to total supply of engineering products was 25 per cent, subsequently increasing to 52 per cent in 1944. In terms of value of production, the engineering industry occupied 6 per cent of the total for manufacturing in 1943, as against 14 per cent for metals, 29 per cent for chemicals, 17 per cent for textiles and 19 per cent for food-processing. Main engineering products at that time were: simple processing machinery, motors, ships and weights-and-measure instruments. See Bank of Korea, *Economic Review of Korea*, 1948, p. I-100-105.
3. *People's China*, 16 June 1954
4. *China Research Institute, Comprehensive Handbook on China, a special number of the China Economic Annual Report*, 1954 (in Japanese), Tokyo, p. 290 Also *People's China*, 16 June 1954.
5. The annual rate of production in the first half of 1954.

Cottage and small scale industries

Apart from the general desire to develop industry on modern factory lines, most countries of the region also emphasize the important role and position of small-scale and cottage industries in their economies. Such industries can be broadly classified into three types: (*a*) those which serve as a feeder to large-scale enterprises by manufacturing designated parts and components or by taking overflow orders in times of brisk demand, (*b*) light-mechanized or handicraft[1] industries which are generally under the management of individual proprietors, and (*c*) those which, organized on a co-operative basis, service generally the productive units engaged in any line of industry, through supply of processed materials and technical know-how, besides rendering such services as financing of the production and finishing and marketing of the products of the manufacturing units engaged in that industry. This centralization of certain vital operations of the productive units in "common facility" service organizations enables the operative units of that industry to achieve standardization and quality control in their products at low production cost. The first type of industry is highly developed in Japan and the second type is quite common throughout the region. The third type is again most developed in Japan and is progressively being encouraged in Indonesia, India and other countries in the region.

The centralization of the technical processing operations in the common facility service organizations in different countries of the region varies according to the needs of the industry in individual countries. In the hand-loom industry these operations generally cover the preparation of warp beams for supply to the productive units and the imparting of "finish" to the woven fabric produced by the units. In the ceramic industry clay compounds and glaze are prepared for supply to the ceramic manufacturing units. The productive units often utilize the common facility service kiln for firing their products. In the paper industry the production of pulp is centralized, and quite often glancing process is an additional facility afforded by the common facility service units to their affiliates.

Although precise data relating either to employment in the cottage and small-scale industries or to their relative share in the total manufacturing output are lacking in most countries, it is widely accepted that such industries do provide gainful employment especially to surplus rural population and under-employed masses which cannot be absorbed rapidly by large-scale industries.[2] For instance, it is estimated that in India at present more than 10 million people depend for their livelihood on the hand-loom industry (which is considered to be the most important and wide-spread cottage industry in the region). In Japan in 1951 about 41 per cent of all the employees of the manufacturing industry were occupied in establishments employing less than 30. In Ceylon it has recently been decided to put the emphasis on the promotion of small-scale industries rather than large-scale industries which have proved a costly failure. In mainland China 19.3 million workers are engaged in the handicraft and small-scale industries which together are reported to have accounted for 31 per cent of the total value of industrial production in 1952. These industries are considered especially important as suppliers of manufactured goods for farmers,[3] as institutions necessary for the training of skilled workers required in the process of industrialization, and as a transitional pool for solving the under-employment problem. Many countries of the region also take a clue from the example set by Japan[4] where small-scale and cottage industries persist side by side with modern large-scale factories.

Against these advantages, however, there are also inherent weaknesses in such industries, notably their weak competitive position in purchase of raw materials and marketing of finished products, credit availabilities, etc., and there is, therefore, a growing realization among the countries that in order to overcome these weaknesses, State aid in some form or other is indispensable to create favourable conditions for the growth of small-scale and cottage industries, at least in the initial stage of their development. On the other hand, many countries realize also that an indiscriminate policy of helping small-scale industries, should it perpetuate low *per capita* incomes, might be harmful.

State Aid

State aid to cottage and small-scale industries has in the past taken sundry specific forms; but recently there has been a trend towards comprehensive assistance which is best exemplified by the proposed establishment of a Small Industries Corporation in *India*. It is reported[5] that the corporation will be set up in early 1955, in pursuance of the recommendations of the Ford Foundation international planning team on small industries, as a private limited company with an authorized capital of about Rs 2 million to be augmented by additional financial assistance from the government as and when required. The primary purpose of the corporation will be to organize production by small industries for meeting government orders, (*a*) by rendering financial and other assistance to enable them to undertake the production of the required items, and (*b*) by providing engineering supervisors to assist with designs in order to ensure that production conforms to given standards and specifications. The corporation will also serve as a channel for the placing of orders by large-scale enterprises on small units for parts and components.

In *Indonesia* also a similar trend is seen in the Two-Year Urgency Industrialization Plan (1951-52), which is still in force, pending formulation of a long-term plan. The Plan includes the establishment of central production and processing units including ceramics, tiles, forging, tanning, porcelain etc. to be organized under modern techniques through mechanization, standardization and co-operative marketing with a view to strengthening the competitive position of small-scale industries.[6]

Apart from these comprehensive attempts to encourage cottage and small-scale industries, State aid may be classified under the following three headings: (*a*) organizational—creation of handicraft co-operatives for purposes such as purchase of raw materials and marketing of products, (*b*) financial—low interest rate credit available to such industries;

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1. The most important types of handicrafts in the region are: hand-loom weaving, ceramics, such as pottery, tiles, etc.; hand-made paper, bamboo and lacquerware; and wood and leather works.
   The general shortage of capital and technical skills in the region is used as a further economic justification for the promotion of such industries as are inherently capital-saving or labour-intensive and require relatively simple labour skills.
2. The general shortage of capital and technical skills in the region is used as a further economic justification for the promotion of such industries as are inherently capital-saving or labour-intensive and require relatively simple labour skills.
3. About 60 to 70 per cent of such goods are said to be supplied by handicraft and small-scale industries. See *People's Daily*, 18 July 1954.
4. A study tour of Japan by cottage industry experts, sponsored jointly by ECAFE and TAA, took place in April-May 1954.
5. *Times of India*, 31 December 1954.
6. *Infra*, chapter 13 on Indonesia

and (*c*) technical—operation of pilot plants, designing practical field and laboratory studies and dissemination of the methods and results obtained.

(*a*) *Organizational aid*

In *China* the mainland had 4,806 co-operatives with about 300,000 members at the end of 1953, and it is the policy of the government to increase the number of members to 5 million by 1957.[1] Production plans of "producers' co-operatives" are dove-tailed into the over-all Five-Year Plan of the Central People's Government and special facilities are given to them as regards supply of raw materials and marketing of products. In *India* the formation of industrial co-operatives is being encouraged by the government for purposes of credit, bulk purchases of raw materials and joint sales of finished products. A significant development in the marketing of hand-loom cloth was the recent opening of sales depots in rural areas and the formation of a central marketing organization with a special design section for promoting external marketing. In *Indonesia* the central production and processing system exists for the purchase and distribution of raw materials (it is similar to the common facility services available in Japan). In *Japan* the organization of co-operative associations has been the most effective way of overcoming certain inherent defects in the cottage and small-scale industries. Voluntary associations of manufacturers' organization formed industry-wise by areas are highly developed. In the *Philippines* the Industrial Development Department of the Price Stabilization Corporation (PRISCO) is attempting to promote cottage industries. At present PRISCO has a weaving project, a wood and bamboo project and a pottery project.

(*b*) *Financial aid*

Most countries of the region, with the exception of Japan, have neither proper machinery nor adequate funds for financing the requirements of small-scale industries and handicrafts, with the result that usurious money leaders have to be resorted to. Some progress, however, has been achieved by a few countries in setting up financial institutions to help small-scale industries. In *Burma* an Industrial Development Corporation was set up in 1952 and lending to co-operative institutions by the Co-operative Department has been liberalized. The Union of Burma Co-operative Bank, with a capital of K 1.5 million, was expected to begin operations in the fiscal year 1954/55. The share capital is to be purchased by registered co-operative societies, Burmese nationals and corporate boards while the government's financial contribution will be only in the form of loans. While the Co-operative Bank will have powers to engage in general banking business, the funds will be used primarily to grant loans to co-operative societies. To State governments in *India* have set up Industrial Finance Corporations under the State Aid to Industry Act, while subsidies are being given through budget allocations to industrial units supervised by various boards, such as the All-India Khadi and Village Industries Board (set up in 1953), the All-India Handloom Board (in 1952) and the All-India Handicrafts Board (1952). A sum of Rs 150 million was provided by the Central Government for the development of small-scale[2] and cottage industries of which only a fraction (Rs 4.3 million) was spent during the two years 1951/52 and 1952/53, partly owing to the delay in setting up the organizational bodies to help those industries. However, for 1953/54 the rate of expenditure was stepped up to Rs 7.9 million. Financial assistance to the khadi[3] and hand-loom industry has also been provided out of a cess fund,[4] resulting in the increase in production from Rs 7.1 million worth of khadi in 1952 to Rs 13.6 million worth in 1953. Further, a sum of Rs 2.2 million was spent during 1953/54 by the All-India Khadi and Village Industries Board on the development of village industries such as soap making, hand-made paper, village pottery, leather and oil industry, etc.

In *Ceylon* a budget allotment of Rs 1 million in 1953/54 has been sanctioned for the immediate development of at least 20 small-scale industrial units[5] including cast-iron ware, steel implements, non-ferrous metals, fabricated and machined products, roofing tiles and clay, plasters, electric goods, power-looms, small-scale sugar factories etc. It is estimated that the development of these industries will help to save foreign exchange to the amount of Rs 700 million out of Rs 1,700 million worth of imports annually. In *China* the People's Bank and other national banks in the mainland set aside a specified proportion of total annual loans for lending to "producers' co-operatives" and allowed special reduction in the rate of interest charged to them. The Government of *Indonesia* has appropriated certain large sums for aid to industries in this sector mainly for the purpose of mechanization of small enterprises though no corporate institution is being set up. In *Pakistan* an autonomous corporation is being set up to provide credit facilities to small-scale industrial projects, while in the *Philippines*, with the exception of a certain amount of financial assistance available from PRISCO, credit facilities for the cottage and small-scale enterprises are not well developed.

In *Japan* the establishment of the Smaller Enterprises Finance Bank in August 1953 was a significant event in the field of small-scale finance. The bank will meet the need for long-term loans for the promotion of certain enterprises which could not secure financial help from ordinary banking institutions. Its funds comprise the budgetary allocations made by the State. Those eligible for loans from this bank are enterprises with a capital of not more than Y10 million and employing not more than 300 workers. Individual loans are limited to Y10 million re-payable in one to five years. In addition, there are several other credit institutions such as the People's Finance Corporation, credit co-operatives, Central Bank for Commercial and Industrial Co-operatives, Mutual Loans and Savings Banks, etc. which finance small-scale industries. The Smaller Enterprises Credit Insurance, established in 1950, also serves as an important system in aid of small-scale industries by insuring, through appropriations in the special account of the government budget, loans advanced by commercial banks to smaller enterprises (defined as with capital of Y5 million or less and/or employees numbering 200 or less) and co-operatives of small-scale industries.

It must be noted, however, that the experience of many countries in the region shows that the weakness of small-scale industries is often due to complex causes involving many aspects of the economy and that financial assistance as such is not sufficient to make those industries prosper.

1 *People's Daily*, 13 July 1954.

2. In 1953/54 financial provision was made for intensive development of ten out of twelve selected small-scale industries, including foot-wear and leather goods, leather tanning, glass-ware, cutlery, cycle parts, locks, carpentry and working, blacksmithy, sports goods, etc.
3. Hand-woven cloth from hand-spun yarn.
4. A cess of 3 pies per yard is levied on mill-made cloth, which is expected to yield Rs 60 million a year.
5. The Minister of Industries defines small-scale industries as decentralized factory industries rather than enlarged cottage industries.

(c) *Technical aid*

In the field of technical aid by the government, the erection of pilot plants and the establishment of demonstration centres and research facilities to help small-scale industries are being carried out in Burma, mainland China, India and the Philippines. In 1953, the Government of *Burma* entered into a contract with the Armour Research Foundation of the Illinois Institute of Technology (USA) for the development of industrial research. Also, with the help of United Nations experts, concrete schemes to improve the production techniques have been evolved in respect of cottage industries such as pottery, textile screen printing, hand-made paper, power-loom weaving, sericulture, etc. In *Ceylon*, the Department of Industries helps in the design of simple-type equipment for small-scale industries and engineering details of each industry with a view to achieving maximum economy of capital. In *India* incentives such as preferential purchase of stores, reservation of spheres of production to different types of units, non-expansion of the capacity of large-scale units etc., have been given with the object of creating a favourable atmosphere for improved techniques of manufacture in the small-scale sector. Further, on the recommendation made by Ford Foundation Team in its report of March 1954, the government has decided the early establishment of four regional institutes of technology for small industries.

INLAND TRANSPORT

The vital role of transport as a principal factor in determining the pace of economic development is receiving increasing attention in the planning and implementation of national development programmes in all the countries of the region. However, taking the region as a whole, the overall shortage of transportation facilities of all types still persists. Besides, the progressive implementation of the various economic development projects and the consequent increase in agricultural and industrial production have continued to generate greater demands particularly for rail transport, especially in those countries which have embarked on large scale development programmes; but actual achievements are falling behind these demands. Also, the countries of the region are faced with the problem of planning a co-ordinated and economically rational development of the different means of transport so as to meet the present, and the increasing future demands.

Rail transport[1]

Except in the case of Burma and the Philippines, there has been a steady increase in the number of *locomotives* available for traffic. The increase in the number of motive power units in India is particularly noteworthy because, although at the time of the partition of the Indo-Pakistan sub-continent about one-eighth of the total stock was handed over to Pakistan, during the last few years the Indian Government Railways have not only steadily added to their stock but have actually passed the pre-war level. Other significant additions to power capacity were those in Ceylon and Indonesia. However, the Republic of Korea appears to have been operating with a steadily declining stock of locomotives since 1948.

Generally speaking, there has been a steady increase in all countries in the number of *freight cars* available for service as compared with both pre-war years and 1948. Ceylon and Thailand have recorded significant increases, while the upward trend is also noticeable in other countries, except Burma which has shown a considerable decline in freight car holdings.

Taking the region as a whole, the position in regard to *passenger cars* appears to be satisfactory. In all countries except the Philippines and the Republic of Korea, there have been additions to the passenger carrying capacities of railways.

As regards lengths of *railway networks*, an all-round increase in most of the countries is indicated. China, India, Indonesia and the Federation of Malaya, and to a lesser extent the Philippines and Thailand, have either by rehabilitation or new construction brought into service additional lengths of railways since 1950.

Difficulties encountered and measures to overcome them: In nearly all countries, apart from the general inadequacy of carrying capacities to meet traffic demands particularly in the busy seasons, one of the principal difficulties is the limitations on traffic movements imposed by insufficient operating capacities on many sections of single track,—which make up most of the railway networks in the region,—and at important junctions. Consequently, the main effort, apart from rehabilitation and opening of new lines or restoration of facilities abandoned earlier, has been concentrated on increasing such operating capacities either by introducing improved techniques or by providing new facilities.[2]

Other more important steps taken by the railways of the region to break bottlenecks include the opening of new lines, provision of missing links, double tracking of busy lines; remodelling of yards and increase in transhipment facilities at junctions; modernization of operations such as signalling etc.; electrification of busy sections and dieselization of motive power. For example, the inauguration in March 1954 of the 300 km rail link between Hingoli and Khandwa, India, has established direct connection between the northern and southern metre gauge systems of the country, facilitating greatly transhipment capacities at break-of-gauge junctions. In Pakistan, the most important project in this connexion is the proposed remodelling at Rohri, which includes provision of separate and more adequate facilities for handling freight and passenger traffic. In Thailand the regrading of the Kaotao-Hua Hin section on the southern main line of the Royal State Railways has been completed and it is further proposed to introduce automatic coupling, so as to increase the number of freight cars handled by locomotives for increasing carrying capacities. The Royal State Railways are also converting manually operated points to mechanical operation so as to expedite train operation.

In China, the principal effort in the mainland seems to have been in the direction of new construction during the last five years. Available sources of information indicate that the rehabilitation of the railways was completed by 1951, and

1. Special table E in the section on Asian Economic Statistics gives the number of locomotives, passenger and freight cars and lengths of railway networks in the countries of the region.

2. An important development in this regard was the opening on 8 April 1954 in Lahore, Pakistan, of the UN TAA-sponsored Regional Training Centre for railway operating and signalling officials. The main object of this Training Centre is to impart to the railway officials of the region, through instruction and demonstration, the knowledge and experience of the more developed countries on advanced techniques which can help in the solution of the problem.

new construction had already begun during the previous year. Although it is not possible to gauge accurately the total new construction of railways, from officially published figures it may be estimated that 2,261 km of new construction took place between 1950 and the end of 1954.

Special mention may also be made of the electrification schemes in India and Japan[1] and those being considered in Ceylon and China: Taiwan, and the increasing dieselization of motive power in Indonesia, Pakistan and Thailand. It is hoped that the use of diesel power, which is more economical, will make for quicker rail movement and more efficient operation. Both Indonesia and Pakistan, which have already gone in for dieselization on a fairly large scale, further augmented their stock of diesel motive power units. It is reported that during 1954 the Pakistan railways added 29 diesel power units and 25 oil-burning locomotives. The Burma railways have also been considering the possibility of using diesel power and are actively studying the programme of dieselization in Pakistan.

Developments of international railway links: One of the important developments in the field of international rail communications has been the agreement reached early in 1954 between India and Pakistan to re-open the through passenger rail traffic between Lahore (West Pakistan) and Amritsar (India). Efforts are also being made to re-open services on the Ferrospur-Kamar route and Jodhpur-Hyderabad (Sind) route. It is also reported that active negotiations between the governments of Thailand and Cambodia are taking place for the resumption of through rail services between the two countries and that all the technical arrangements have been completed. The resumption of the bi-weekly passenger service between Penang (Federation of Malaya) and Bangkok (Thailand) from 3 January 1954 is a further important development. The Governments of Burma and Thailand are exploring the possibilty of reviving the land link by rail between the two countries which existed during the war. Technical and other difficulties, however, still remain to be overcome, and it is understood that generally a highway link is preferred to the rail one. In mainland China, with the signing of the new agreement with the USSR in October 1954, two railway lines will be built for connexion with the Trans-Siberian Railway, namely, the Chining-Ulan Bator line via the People's Republic of Mongolia and the Urumchi-Alma Ata line via the north-western province of Sinkiang or Chinese Turkestan. Besides, mainland China will also be connected with North Viet-Nam through the Laiping-Munankwan railway and the Haiphon-Dong Dang line through the construction of a section between Dong Dang on the Vietnamese border and Munankwan on the Chinese border, in accordance with an agreement between the two countries reached on 28 December 1954.

Highways and highway transport

The general shortage of highways of all types to meet the rapidly growing demand for road transport continues to be felt throughout the region. However, the information available in respect of many countries being incomplete, it is not possible to draw general conclusions.[2]

Among the more important difficulties common to most countries, which are hampering a rapid implementation of highway development plans, are, aside from finance, the lack of modern road-building equipment, continuing shortage of trained operators to handle road-building machinery, delays in procuring spare parts, shortage of trained engineers, and, in some countries, organizational and administrative difficulties. Generally speaking, the supply of road-building materials seems to be satisfactory, but a lack of aggregate stones has made it difficult to have a hard-paved surface, for example, in parts of Thailand. The possibility of using alternative materials and methods is being investigated. Continued insecurity in parts of the Federation of Malaya and widespread floods in parts of north-eastern India and East Pakistan have also created special problems of construction and maintenance during 1954.

The efforts on the part of several governments in the region have been largely directed toward the development of low-cost roads so as to increase highway networks of the lower types of surface with a moderate financial outlay. An important contribution to highway development is also being made by foreign aid agencies such as the United States Foreign Operations Administration (FOA) and the Colombo Plan through the supply of technical assistance—including training of technical personnel or supply of equipment—or financial aid. Under the FOA assistance the road building equipment of Thailand was increased by more than 50 per cent.

Continued restrictions on imports and a high rate of depreciation arising from poor standards of maintenance and repair have tended to bring about a shortage of mechanized road transportation and the uneconomical utilization of available equipment. China: Taiwan, Hong Kong, the Federation of Malaya, India, Japan, Pakistan, the Philippines and Thailand have all added to the number of commercial vehicles registered since 1948.[3] Burma has, however, registered a big drop since 1948 and has not yet recovered even the pre-war level.

Highway development plans: The development of road transport as a means of meeting the increasing demand for transport arising from the implementation of economic development plans is receiving due attention in governmental planning in some countries. The Government of *India* has recently set up an inter-departmental study group to examine, *inter alia*, the problem of supplementing rail transport by road transport. Meanwhile, good progress under the Five-Year Plan is reported in the development of both national and State highways. A noteworthy progress has also been made under the community development projects in developing rural roads. The people's contribution in cash, labour and materials in such road construction is reported to be nearly $4.2 million against a total government expenditure of $7 million. The Government of *Ceylon*, with the assistance of the Canadian Government under the Colombo Plan, proposed to improve 5,202 km of

1. The Indian Government Railways have recently undertaken extensive surveys for the electrification of the lines serving the industrial belt in Bihar and West Bengal and the Calcutta suburban areas. The object of this electrification scheme is to relieve the heavy pressure on the suburban passenger services in the Calcutta area, where steam traction has reached saturation point, and to facilitate movements in the industrial areas. It is also understood that work in connection with the electrification of the Tokaido line on the Japanese National Railways is continuing, and by the end of 1954 work was being carried on between Hamamatsu and Inazawa, a length of about 120 km.

2. Available details of the lengths of highways of all types in the region are given in special table F, in *infra*, section on "Asian Economic Statistics".

3. *Ibid.*

existing roads and to undertake the construction annually of about 650 km of rural roads over a five-year period beginning 1953/54. Under rural development projects, 483 km of roads have already been improved on a self-help basis. The Government of *Indonesia* is planning the development of 2,000 km of highways including the linking of Menado and Makassar at an estimated cost of $34.1 million. Work is expected to commence in 1955. Big highway development projects are being planned by the Government of *Pakistan* for the development of economically backward areas in the North-West Frontier Province, for opening up agricultural areas and improving fair-weather roads in Baluchistan and for connecting the major townships in Sind province.

The Government of the *Philippines* is endeavouring to overcome the lack of roads, which has been handicapping the resettlement on the rich agricultural lands in the island of Mindanao, by constructing new roads and accelerating progress on projects already under way. The Ministry of Public Works is setting up a committee to plan the use of funds to be borrowed to finance the $479 million ten-year major highway projects. The Central Bank of the Philippines has recently sold 4 per cent public works bonds worth $2.5 million to seven banks in the country, in order partly to finance the highway programme of the government. The main preoccupation of the Highway Department of the Republic of *Korea* has been the reconstruction and rehabilitation of bridge and roads destroyed during the war. The plans include a five-year programme providing for the reconstruction or improvement of over 2,700 bridges and 750 km of national and provincial highways, and 1,700 km of other roads are also scheduled for repair and paving. Considerable highway development activities, principally in the field of survey and technical planning with the co-operation of Indian Army engineers under the Colombo Plan, are reported from *Nepal*. The present length of 400 km of roads is expected to be increased by 1,132 km in the seven-year programme, designed to connect important centres in this isolated mountain kingdom with the adjoining territories in India. Under a loan authorization of $18.5 million by the United States Export-Import Bank to the Government of *Afghanistan* to assist in financing purchase of materials, equipment and services for the Helmand River Valley development, it is proposed to organize and train a road maintenance unit, and certain roads in the Kabul area are to be selected as pilot projects. As a means of financing certain important road and bridge construction and maintenance, the Government of *Thailand* has, by recent legislation, designated specific roads and bridges on which all vehicles will pay tolls.

Considerable additions to the length of highways in operation in the mainland[1] are reported from *China* also. Of the newly built highways open to traffic the most notable appear to be the 2,255 km Sikang-Tibet highway and the 2,100 km Chinghai-Tibet highway, in the construction of which a large civilian labour force has been employed in co-operation with the Army.

International highway links: At present, highway links exist between Afghanistan and Pakistan, Pakistan (East and West) and India, India and Burma (the war-time Ledo Road is being rehabilitated), Thailand and Cambodia, Thailand and Malaya, Cambodia and Viet-Nam, Laos and Cambodia, and Laos and Viet-Nam. Attempts, it is understood, are being made to re-open a road link between northern Burma and mainland China. There were two roads connecting Thailand with Burma, but the southern link is almost unusable. The Shan States in northern Burma can, however, be reached via a road in northern Thailand The Governmenets of India and Nepal are also co-operating to open up and improve land communications between the two countries.

Inland waterways

In South-East and South Asia, significant changes have recently taken place which are bound to result ultimately in a radical alteration of certain aspects of inland waterway transport and in an improvement of its economy. The changes are due to (*a*) development of reliable diesel engines for marine use, to replace the bulky and relatively more expensive steam engines; (*b*) improvements of welding technique and design for welded construction in ship-building, which make further weight reduction possible; (*c*) improved towing methods (particularly push-towing) and improved design of tugs using tunnel sterns and Kort nozzles which permit a reduction of fuel consumption.

In South-East and South Asia these developments have now become well-known, and everywhere there are signs that the tide has already turned. In *Viet-Nam*, amidst thousands of wooden junks, a pusher flotilla has recently started operation; fitted with diesel engines, it carries oil from Saigon to Cambodia. In *Cambodia*, the government has plans for obtaining a pusher fleet to operate on the Mekong river after certain improvement work has been carried out to increase the perennial navigation depth of the river. In *Laos*, the government has already built ten units of a new fleet, fitted with diesel engines and partly fit for push-towing, to revive inland waterway transport for the import of goods along the Mekong river.[2] In *Thailand*, the government has drawn up a programme of development of two main rivers, consisting of a series of projects, the first one of which has already been completed. The programme calls for improvement of the navigable depths of the waterways concerned, construction of prototypes of sand and gravel barges and paddy barges with suitable tugs for push-towing. The barges will be of all-welded design and the government proposes to set up specialized yards for their construction and repair. In *Burma*, the government-owned Inland Water Transport Board is about to place orders for a large pusher flotilla. The decision to order these craft has been reached after careful research and study of the types of craft used in various parts of the world.

On the Indo-Pakistan sub-continent, extensive trials in *Pakistan* have been held to establish to what extent push-towing would be feasible and whether existing craft could be used for the purpose. Results have shown that considerable savings on fuel costs could be obtained and the government is planning to set up a large demonstration pilot project with pusher craft. Efforts are now being made to obtain the necessary funds. In *India*, private companies have been experimenting with some existing craft to establish the

1. 138,585 km of roads were reported to be in operation at the end of 1953, of which 40,000 km were said to have been either rehabilitated or newly built since 1949.

2. It has been established that on this route, this method of transport, which, when steam engines only were available, could not compete with road transport, will once again be in a position to do so as it will be the most economic method for long-distance haulage of bulk cargo.

feasibility and efficiency of push-towing under actual operating conditions, with a view to providing economical transport by waterway to and from Assam. At the same time, the government has embarked on a scheme to revive inland waterway transport on very shallow rivers, such as the Ganga river from Patna to Allahabad and the Ghogra river above its confluence with the Ganga. Here again, all-welded steel craft and diesel engines will be used. A special organization has been set up to deal with the project. Designs have just been completed and tenders will be called for shortly.

The developments reviewed above have given rise to various new problems and pointed to adjustments that are called for. In this respect, the difficulty of obtaining trained personnel must be mentioned. However, various national training schemes are getting under way and the establishment of a regional centre for advanced training of diesel marine mechanics is now under consideration. As for the adjustments to be made, in some countries there are administrative difficulties, and delays in registration and licensing of craft and crew are hampering the fast turn-round of vessels. In other cases, import bans or delays in issuing import licences are hampering diesel engine repairs, thus causing serious economic losses through immobilization of valuable transport equipment, and checking the trend towards conversion from steam to diesel.

However, a better understanding of the importance of inland waterway transport and of the need for its efficient functioning is developing gradually. The draft convention regarding the registration and measurement of vessels employed in inland navigation, as proposed by the ECAFE Inland Waterway Sub-Committee, is just one example and the present favourable trend may be expected to continue.

Chapter 3. INTERNATIONAL TRADE AND PAYMENTS

AN APPRAISAL OF THE GENERAL PAYMENTS POSITION

Despite the general improvement in the world payments position which has taken place between 1952 and 1954, countries of the ECAFE region have not experienced a steady or sustained improvement in their balance of payments during this period. They have been subjected to widely divergent influences, both internal and exterenal, favourable and unfavourable, but the total impact appears to have been generally adverse. The foreign exchange reserves of many countries of the region deteriorated, and further quantitative and payments restrictions had to be imposed to protect them.

In June 1954 the total gold and foreign exchange assets of ECAFE countries for which data are available were some 16 per cent lower than at the end of 1951 and 11 per cent lower than at the end of 1952. The foreign exchange reserves of India, Cambodia, Laos and Viet-Nam, the Republic of Korea and the Philippines remained, however, relatively stable.[1]

The raw material exporting countries, Pakistan, Indonesia, and Ceylon were the first to suffer the decline, while in the rice exporting countries, Burma and Thailand, the deterioration set in during 1953 and was aggravated in 1954. In Japan the depletion of reserves was especially marked from 1953 and the trend continued until the middle of 1954. But since then the foreign exchange reserves have substantially improved. It is noteworthy that in all the countries (except Burma) which experienced a substantial depletion in reserves the ratio of foreign exchange assets (as of June 1954) to total annual imports (July 1953 to June 1954) was around .50 or less. This ratio in Indonesia and Japan stood at about .30, while in Cambodia, Laos and Viet-Nam it amounted to only .20.

The payments difficulties of ECAFE countries would have been much more serious but for favourable world developments. The appreciable improvement between 1952 and 1954 in the payments position and in the balance of trade between the dollar area and the rest of the world reflects the rising competitive capacity particularly of western Europe in relation to the United States, and an increase in the supplies of dollar-competing primary commodities in the non-dollar world. The relaxation of payments and trade restrictions by western Europe, especially the United Kingdom, which has taken significant steps towards "commodity" convertibility (i.e. re-opening of several commodity markets) and a higher degree of sterling transferability, is a very important development affecting several ECAFE countries Furthermore, the level of economic activity and incomes in the industrial countries, which affects the nature and level of their import

1 The Republic of Korea, Cambodia, Laos and Viet-Nam owe this maintenance of foreign exchange reserves entirely to external financial assistance, in the case of India it is attributable to the delay in utilizing sterling releases for developmental imports and to the reduction in the volume of imports, particularly foodgrains, and in the case of the Philippines to both increased export volume and United States aid

TABLE 8

GOLD AND FOREIGN EXCHANGE ASSETS IN ECAFE COUNTRIES[a]
(End of period)

Million dollars

	1951	1952	1953	1954		Ratio of June 1954 figure to total imports from July 1953 to June 1954
				June	Sept	
Burma	166	209	225	197	159	1.02
Ceylon	262	187	136	175	184	0.56
India. Reserve Bank of India	1,888	1,729	1,765	1,809	1,782	1.58
Pakistan: State Bank of Pakistan[b]	505	295	296	299	290	0.56
Total sterling countries	*2,821*	*2,420*	*2,422*	*2,480*	*2,415*	..
Afghanistan:[c] Bank of Afghanistan	821	689	624	..	..	..
Cambodia, Laos and Viet-Nam:[d]						
Total foreign exchange	.	33	67	68	65	0.20
Indonesia	592	391	276	212	256	0.29
Japan	916	1,170	998	811	909	0.30
Korea, Republic of	46	87	116	115		..
Philippines	316	317	307	310	317	0.71
Thailand: Bank of Thailand	175	221	175	141	142	0.42
Total other countries[e]	*2,045*	*2,219*	*1,939*	*1,657*	..	..
Grand total[e]	4,866	4,639	4,361	4,137	2,415	..

a. Unless otherwise indicated figures include those for official authorities and commercial banks.
b. Issue Department only.
c. Figures relate to end of March.
d. Computed from piastres at the official rate of Pr 20.6=$1 for 1952. Pr 35=$1 for 1953 and 1954.
e. Excludes Afghanistan.

demand from primary exporting countries, has basically not been unfavourable since 1952 to the trade and payments of the ECAFE countries, since no major recession in the industrial countries has occurred. Finally, the flow of external financial assistance to the ECAFE region is continuing. All these developments are basically favourable to an expansion of trade and improvement in the payments position of the ECAFE region.

Nevertheless, the ECAFE countries have continued to face balance of payments difficulties arising from two distinct sets of circumstances. Firstly, the serious reduction of export earnings after the collapse of the 1950/51 commodity boom. Secondly, the ECAFE countries have been maintaining levels of imports substantially higher than before the boom, and inexcess of their export earnings. Consequently, they have had to draw upon their exchange reserves for financing imports, in addition to utilizing external aid.

The commercial and exchange policies of ECAFE countries have, therefore, aimed in the past two years at export promotion on the one hand and at selective import control on the other. Considerable difficulties are being encountered, however, in the execution of these policies. If imports are restricted with a view to improving the balance of payments, increased import demand generated by development expenditure might lead to inflation. Furthermore, it is not always possible for administrative and political reasons to bring internal inflationary forces under control, which are the source of pressure on payments. On the other hand, export promotion is not easy when there is a buyers' market for many commodities. The levels of exports and imports and the problems and policies relating thereto are discussed in the succeeding sections.

Level of export earnings

The export earnings of fourteen ECAFE countries were running at an annual rate of $6,600 million in 1954 as compared with $5,200 million in the half year before the outbreak of the Korean war; they were, however, about one-third less than in the boom year from July 1950 to June 1951, and slightly lower than in 1953. These figures suggest that the export earnings are reaching some degree of stability at a level somewhat higher than before the boom, but substantially lower than the peak.

If Japan and mainland China are excluded, exports of the ECAFE countries[1] are typically represented by rubber and rubber manufactures (29.7 per cent of the total in 1951), jute and jute manufactures (14.4 per cent), vegetable oils and oilseeds (7.3 per cent). tea (6.5 per cent), cotton and manufactures (5.5 per cent), rice (5.4 per cent) and tin (4.1 per cent).

In terms of quantum, exports of these goods have been maintained at fairly stable levels in 1953 and 1954, with the exception of tea, raw jute and raw cotton. In the case of tea, however, the increase in prices more than offset the decline in volume. Japan, whose exports accounted for 22 per cent of the total value of exports of ECAFE countries in 1954 (first six months), also increased its volume of exports and attained the highest post-war level in 1954. Except for rubber, the volume of exports of major commodities by ECAFE countries during 1953 and 1954 compares on the whole favourably with that for 1950.

1. Including British Borneo, Burma, Cambodia, Laos and Viet-Nam, Ceylon, India, Indonesia, Malaya, Pakistan, the Philippines and Thailand.

TABLE 9

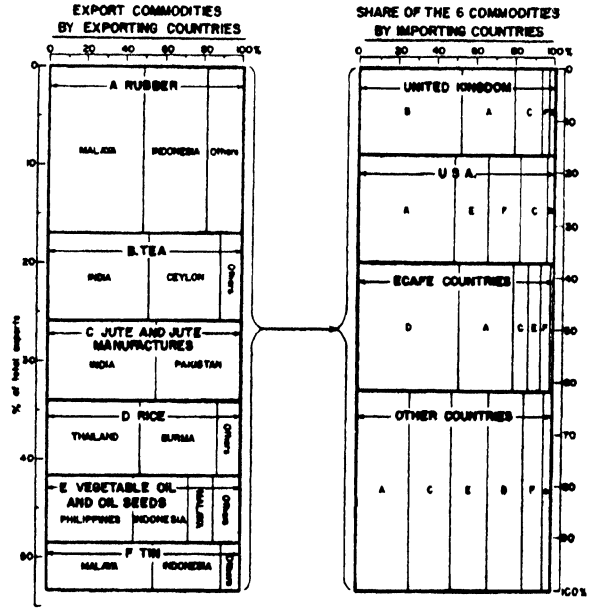
VOLUME OF MAJOR EXPORTS FROM ECAFE COUNTRIES[a]

	1950	1953	1954[b]
Rubber	1,752	1,584	1,589
Tin-in-concentrates	43	45	43
Tin metal	83	63	73
Jute, raw	612	980	848
Jute manufactures	648	724	804
Oil and oilseeds[c]	1,154	1,049	1,110
Cotton, raw	239	329	184
Cotton piecegoods[d] (million m²)	1,951	1,364	1,806
Tea	361	432	394
Rice	2,801	2,650	2,926
Sugar	1,050	1,663	1,730

a. Data represent total exports of major producing countries which for individual commodities are as follows *rubber* British Borneo, Burma Cambodia, Laos, Viet-Nam, Ceylon, Indonesia, Malaya (net export) an Thailand, *tin-in concentrates* Burma, Indonesia, and Thailand, *tin metal* Malaya, *jute, raw* Pakistan, *jute manufactures*. India; *oilseeds and oils* Ceylon, Hong Kong, India, Indonesia, Malaya, North Borneo and th Philippines, *cotton, raw* India and Pakistan, *cotton piecegoods* India an Japan, *tea* Ceylon, India, Indonesia, Japan and Pakistan, *rice* Burma Cambodia, Laos, Viet-Nam, China (Taiwan only) and Thailand, *sugar* China (Taiwan only), Indonesia and the Philippines
b Annual rate based on January-September figures
c. Oil equivalent
d Length figures for India converted on basis of 1 yard width

Chart 9

DISTRIBUTION OF MAJOR EXPORT COMMODITIES BY ORIGIN AND DESTINATION – ECAFE REGION



The terms of trade of countries of the region moved diveregently in 1954, depending chiefly on the movements of export price;[2] the import prices showed no significant changes. The terms of trade of raw material exporting countries, which had been distinctly worse than in 1951, deteriorated further in Malaya and the Philippines, but improved in Ceylon and Pakistan during the first nine months of 1954 as compared with the corresponding period of 1953. The deterioration in Malaya's terms of trade since 1952 is attributable largely

2. Export prices of rubber, cotton and jute were, however, showing an upward tendency since the middle of 1954. See *supra*, chapter 1 on "Agricultural production."

to the fall in export prices, though there has been recently a considerable improvement following the rise in rubber prices. Philippines' terms of trade which improved substantially in 1953 became appreciably worse in 1954 owing to a fall in export prices. In Indonesia, the export unit value continued to decline in 1953 and 1954. Ceylon's terms of trade improved in 1953 owing to a fall in import and a rise in export unit value; higher tea prices brought about a further improvement in 1954. In Pakistan the sharp decline in export prices was only slightly reversed since the last quarter of 1953.

In the rice exporting countries, the terms of trade in 1954 was substantially deteriorated owing to a decline in world rice prices. In Cambodia, Laos and Viet-Nam, in addition to the fall in rice prices, the devaluation of the piastres in 1953 had also contributed to the worsening in the terms of trade.

The terms of trade of India which were in 1953 slightly worse than in 1952 showed some improvement in 1954. Japan's terms of trade have since 1951 shown a steady improvement, due initially to a sharp rise in export prices and later to the decline in raw material import prices. From about the second quarter of 1954, however, Japan's terms of trade have tended to deteriorate slightly.

Even though the general level of incomes and import demand may be maintained at relatively high levels in the industrial countries, the effective demand for individual export commodities will be affected by special factors, both long-term and short-term: rubber by strategic factors and the synthetic substitute, tin by strategic factors and technical progress in tin utilization, rice by increased self-sufficiency in ECAFE countries and the availability of surpluses and substitute grains from abroad, raw cotton by alternative sources of supply, and jute by the development of substitute materials.

Some of the factors have an adverse effect on exports in the short run, for example, the rice surplus in the region, and the disposal of certain agricultural surpluses by the United States.[1] The United States Government has embarked upon a programme of disposal of agricultural surpluses (including rice, wheat, cotton, and dairy products) to the value of $1,000 million in three years and has already entered into an agreement to sell approximately $100 million worth of these goods to Japan against payment in local currency.[2]

If the present level of export earnings (including present levels of volume and prices) is indicative of the future, it gives a clear warning as to the level of imports and development expenditure which the region can finance from its own resources. Present levels of export volume and prices may not be unfavourable when compared with the pre-Korean-war period, but from the standpoint of economic growth they are not by any means adequate.

Level of imports

While the export earnings of ECAFE countries appear to be stabilized at a level definitely higher than in pre-Korean-war years, the aggregate level of imports, after some reduction in the post-Korean-war boom period, is being maintained at an even higher level, relatively to pre-Korean-war years, than exports. Thus, a substantial part of these imports had to be financed out of exchange reserves. The total value of imports of twelve ECAFE countries was about 60 per cent larger in 1951 and 1952 than in 1950, and though reduced subsequently, was still more ethan 40 per cent above the 1950 level both in 1953 and in the first half of 1954. Whereas in 1950 the ratio of exports to imports was 1.1, it declined to .80 in 1953 and .78 in the first half of 1954.[3]

TABLE 10

VALUE OF IMPORTS AND EXPORTS OF THE ECAFE REGION[a]

(Quarterly Averages)

Million dollars

	Including Japan		Excluding Japan	
	Imports	Exports	Imports	Exports
1950	1,370	1,513	1,127	1,308
1951	2,223	2,251	1,724	1,912
1952	2,175	1,742	1,668	1,424
1953	1,967	1,562	1,365	1,244
1954				
Jan—Mar	1,986	1,542	1,262	1,199
Apr—Jun	1,996	1,564	1,308	1,197
Jul—Sep	1,819	1,681	1,321	1,264

a Burma, Cambodia Laos, Viet-Nam, Ceylon, China (Taiwan only), Hong Kong, India, Indonesia, Japan, Malaya, Pakistan and the Philippines.

Analysis of the import data by countries shows that most countries increased their imports sharply in 1951 and 1952 and reduced them in some measure in 1953 and 1954. India's imports, however, were reduced by more than $600 million between 1951 and 1953 mainly owing to the improvement in the domestic production of foodgrains and cotton; Pakistan's imports were curtailed by nearly $200 million between 1952 and 1953 by stricter import control, and Malayan imports fell by $500 million between 1951 and 1953 with the decline in export incomes. By contrast, Japan's imports increased by 100 per cent between 1950 and 1951 and by another 50 per cent between 1951 and 1953, and were at an even higher level in the first half of 1954.

The increase in the value of imports between 1950 and 1953-54 represented a very substantial increase in volume also, since only a small part was accounted for by the increase in import prices.

Several causes have contributed to the higher level of imports. The increase in incomes and foreign exchange reserves in 1950-51 led to more liberal import policies in part as anti-inflationary measures and those relaxations continued well into 1953. Also, some governments accelerated their developmental expenditures and this led not only to a direct increase in foreign exchange expenditure on imports, but also to an indirect demand for imports arising from expanded domestic incomes. In other words, the existence of domestic inflationary situations, involving expansion of bank credit and money incomes and in many cases budget deficits, has been a major factor in some countries in contributing to the pressure on balance of payments. The cases of Ceylon, Japan, and Indonesia are especially to be noted in this respect.

1. The Prime Minister of Burma suggested recently that the United States could help Burma dispose of its rice surplus by buying it and distributing it as part of the US surplus disposal programme. The US Government's surplus programme is, however, limited to US products.
2. Including wheat $22.5 million, cotton $35 million, rice $15 million, barley $3.5 million, and tobacco $5 million. See *New York Times*, 14 November 1954
3. Japan is a big factor in the maintenance of the regional import level. But even excluding Japan, the general picture remains largely unchanged: whereas in 1950 the ratio of exports to imports was 1.16, it declined to .91 in 1953 and .93 in the first half of 1954.

Faced with declining foreign exchange reserves, however, many countries of the region have intensified their import controls in late 1953 and 1954[1] or, as is the case of Japan and Ceylon, have attempted to pursue a policy of tightening credit or of balanced budgets aimed in part at restraining domestic consumption. The reduced consumption and investment would then cause a reduction in import demand.

External aid

It has been a common feature of the international balance of payments for countries of the region in the post-war period that a substantial portion of the deficits on account of goods and services has been covered by external aid. In 1953, for example, the net deficits on current account of seven ECAFE countries[2] for which statistics are available on a uniform basis were covered by official external donations to the extent of 67 per cent. Although more recently intra-regional transfers such as India's aid to Nepal and Japan's reparations to Burma have come to play a part in the economic development of the receiving countries, intra-regional aid has been insignificant compared with aid from the more economically advanced countries in the west or from international organizations. The total external aid (exclusive of military aid) amounted to $6,785 million and $2,407 million during the periods 1945-1949 and 1950-1952 respectively.[3] Though comparable statistics are not available for more recent years, there are indications that there was a slight decrease in the total amount of aid in 1953 compared with the average of the preceding three years.[4] In 1954, however, the external aid appears to have increased somewhat.

The various forms and types of external aid by contributing countries and organizations are as follows:

United States of America

(*a*) The technical co-operation assistance, through FOA (Foreign Operations Administration) and the Point Four programme, made available in three years from July 1951 to June 1954 amounted to $468 million,[5] excluding assistance to Japan, the Republic of Korea and the Republic of China. The Republic of Korea received or was allotted grants of about $550 million out of which $200 million[6] was an FAO allocation, and the Republic of China about $238 million of FOA economic aid. Thus, the total amounted to $1,256 million for the three years, being the largest contribution by a single country to this region. It is reported that in the 1954/55 programme of FOA some 60 per cent of the total amount will be distributed to this region, of which about a half will take the form of economic aid.[7] It is further reported that a United States-Korean aid agreement has been signed in November 1954, providing for $700 million aid ($250 million for economic and $450 million for military) to the Republic of Korea during 1955/56,[8] and that a decision was taken to aid the State of Viet-Nam to the extent of about $300 million ($100 million for economic and $200 million for military).[9] The United States foreign assistance policy is currently under review, especially with a view to stepping up the pace of economic development of the region.

(*b*) Food assistance and surplus agricultural commodities disposal. Wheat loans were contracted by India ($190 million) in 1951 and Pakistan ($15 million) in 1952, and a grant of wheat (610,000 long tons) was given to Pakistan in 1953. In May 1954, a wheat agreement under the United States Mutual Security Act was concluded between the United States and Japan, providing for the sale of wheat amounting to $50 million against local currency, 20 per cent of the proceeds to be given as a grant. Further in October 1954, under the provision of the (United States) Agricultural Surpluses Act[10] an agreement was signed between the two countries, according to which Japan is to import $100 million worth of surplus agricultural commodities from the United States. A part (15 per cent) of the imports constitutes a grant in kind, while the remainder (85 per cent) is to be sold for yen; 70 per cent of the yen proceeds will be made available to Japan as a long-term loan and the remainder is to be spent by the United States. Pakistan is also receiving aid currently under the Agricultural Surpluses Act to the amount of $35 million.

(*c*) Long-term loans have been authorized by the United States Export-Import Bank to Afghanistan, Indonesia, the Philippines and Thailand, amounting to $165.5 million up to June 1954.[11] Short-term cotton credits have been authorized to Japan to be used as revolving funds.

United Kingdom[12]

(*a*) The Commonwealth Development Finance Corporation made a subscription of £1 million toward the equity capital of the Sui Gas project in Pakistan in 1954.

(*b*) A special loan, amounting to £10 million, was authorized to Pakistan in 1953 for agricultural development.

(*c*) During 1953/54 grants by the Colonial Development and Welfare Fund and loans by the Colonial Development Corporation to Malaya, Singapore, Sarawak and North Borneo have been authorized, totalling £12.5 million. In addition under agreements with India, Pakistan and Ceylon, sterling balances are being released annually to the extent of approximately £42 million (£35 million to India, £4 million to Pakistan and £3 million to Ceylon).

Colombo Plan

The total amount agreed upon for grants (including technical assistance) under the Colombo Plan, to be provided by Australia, Canada and New Zealand up to the first half of 1954, was $185.3 million,[13] of which $146.97 million have been allocated. So far a larger part of the aid has been given to Ceylon, India and Pakistan; but several countries

1. See *infra*, section on "Import and payments restriction", pp. 30-32.
2. Burma, Ceylon, India, Indonesia, Pakistan, the Philippines and Thailand.
3. *A Study of Trade between Asia and Europe* (United Nations publication, Sales No. 1953.II.F.3), p.8 table 7.
4. The decrease was probably due to the following factors: (*a*) the cessation of GARIOA (Government Aid for Relief in Occupied Areas) to Japan; (*b*) the ending in June 1953 of ECA aid to Burma; (*c*) the decrease in sterling balance releases and Netherlands' aid to Indonesia. The Wheat Loan to India by the United States in 1951 was also a factor which raised the total for 1951-52. Countrywise, aid to countries affected by war such as Cambodia, Laos and Viet-Nam and the Republic of Korea, and also aid to the Philippines and China: Taiwan showed an increase, whereas aid to India, Indonesia, Burma, Ceylon and Malaya registered a decrease or remained unchanged. There was a sizeable increase in aid to cover Pakistan's balance of payments deficit. In Japan, there was no direct aid, but receipts from special procurements amounted to $809 million in 1953.
5. Consultative Committee for Co-operative Economic Development in South and Southeast Asia, *Third Annual Report*. The amounts obligated were $144 million, $161 million and $163 million in 1951/52, 1952/53 and 1953/54 respectively; and $21 million to Burma, $73 million to Cambodia, Laos and Viet-Nam, $185 million to India, $24 million to Indonesia, $1.6 million to Nepal, $75 million to Pakistan, $65 million to the Philippines $23 million to Thailand and $0.6 million for ocean freight cost (India and Pakistan).
6. The receipts up to June 1954 amounted to $33 millionfi
7. The *New York Times*, 28 November 1954.
8. *U.S. Department of State Bulletin*, 29 November 1954.
9. The *New York Times*, 28 November 1954.
10. Officially known as the Agricultural Trade Development and Assistance Act of 1954.
11. The break-down by countries is as follows: $100 million to Indonesia, $25 million to the Philippines, $39.5 million to Afghanistan, and $1 million to Thailand. The total amount so far disbursed (excluding Afghanistan) is $64 million.
12. The United Kingdom fiscal year April-March.
13. Australia $A 31.23 million or $69.9 million, Canada $107 million (including $5 million grant of wheat to Pakistan), New Zealand $8.0 million or $8.4 million.

have recently joined the Plan, and the scope of aid is being extended to Indonesia, Nepal, Burma, Cambodia, Laos and Viet-Nam.

International organizations

(*a*) Loans authorized to countries in the region by the International Bank for Reconstruction and Development up to October 1954 amounted to $229.6 million[1] or 11.6 per cent of the total amount authorized by the Bank, and the amount disbursed to countries in the region totalled $103.6 million or 7 per cent of the total disbursements.

(*b*) The outstanding amount of exchange transactions (not currency purchases) with the International Monetary Fund of countries in the region as of September 1954 was $130.7 million. (India $53.3 million, Indonesia $15 million and Japan $62.4 million).

(*c*) The United Nations Korean Reconstruction Agency (UNKRA) was established in 1950 for the purpose of facilitating the economic rehabilitation of the Republic of Korea. Funds pledged up to June 1954 amounted to $209 million, of which actual funds made available to the Agent General totalled $103.7 million.[2]

Other aid

(*a*) A grant for fishery development amounting to $1.4 million (10 million Norwegian kronor) was authorized by the Norwegian Government to India.

(*b*) According to a recent agreement, the USSR will give assistance to India in the erection of a steel plant with an initial capacity of one million ingot tons or 750,000 tons of rolled products.

(*c*) A $5 million loan for a cement project in Afghanistan was authorized by Czechoslovakia in 1954.

(*d*) Under an industrial development agreement signed between Indonesia and France in June 1954, a seven-year loan amounting to $34.3 million (12,000 million francs) for the purchase of capital goods was granted to Indonesia. The Export Finance Company of The Hague gave a $6.6 million (25 million guilder) credit to Indonesia for the purchase of capital goods.[3] Under the provisions of the Indonesian-Japanese trade and payments arrangement of 1952, Japan agreed to treat a part ($60 million) of its payment surplus with Indonesia as a long-term loan to the latter.

(*e*) Credits (imports on credit basis) granted by the USSR to mainland China were $300 million in 1950 and $130 million (520 million rubles) in 1954.[4] The repayment on the former began in 1954 with an annual instalment of $30 million. It may be noted that aid to mainland China has been rather small compared with the total annual investment of the country which was officially stated to be 118,000,000 million People's Bank Yuan or about $5,300 million in 1953.

(*f*) It is reported that aid to Korea (North) amounting to $250 million (1,000 million rubles) and $340 million (8,000,000 million People's Bank Yuan) was authorized by the USSR and mainland China respectively for a four-year period beginning in 1954.

Special receipts

Foreign exchange receipts from special procurement by the United Nations forces and the United States forces, and also from personal spending by members of the armed forces have been contributing significantly to the improvement of the balance of payments in Japan and the Republic of Korea. Receipts of a similar nature are important also in the Philippines, Cambodia, Laos and Viet-Nam. Receipts from special procurement in Japan totalled $2,869 million in a little over four years up to September 1954, or about 20-30 per cent of the total foreign exchange receipts (50-60 per cent of total dollar receipts). In the Philippines, receipts from the United States Government expenditures, such as military expenditures and Veterans Administration expenditures, amounted to $116 million in 1952 and $132 million in 1953. Accurate statistics are not available with regard to special foreiegn exchange earnings in the Republic of Korea and in Cambodia, Laos and Viet-Nam. However, it is reported that in the latter three states invisible receipts from French military and other expenditures amounted to $900 million in 1951 and $1,100 million in 1952.[5]

Balance of trade by currency areas

The region as a whole (excluding Japan) shows an improvement in trade balance with the dollar area.[6] The years 1950-1951, under the stimulus of the Korean-war boom, were marked by a substantial merchandise surplus with the dollar area, whereas the years 1952-1953 resulted in a deficit. In the first half of 1954, however, the ECAFE region again had a surplus with the dollar area. Including Japan, the region's dollar trade deficit in 1952/53 was substantially larger and a deficit continued to accumulate at a very high rate even in 1954.

Malaya, Ceylon and Indonesia have the largest surpluses in dollar trade. Malaya alone contributed as much as $1,000 million to the dollar trade surplus of the region during the four years 1950-1953, Ceylon $160 million, and Indonesia $180 million. The combined surplus in dollar trade of these three countries was running at an annual rate of $200 million in the first half of 1954.

The deficit countries in dollar trade, apart from Japan, are Hong Kong, the Republic of China and the Philippines. Hong Kong normally has a deficit by virtue of its entrepot trade, while the dollar deficit of the Philippines is virtually identical with the country's normal mechandise deficit in view of its predominant trade relations with the United States.

In the regional picture (excluding Japan), the improvement in the dollar balance of the last few years has been achieved by the sharp reduction in imports rather than by any increase in exports. Thus whereas the annual rate of exports from the region to the dollar area in the first half of 1954 was 21 per cent below the 1952 level, the corresponding rate of reduction in imports was as much as 44 per cent (see table 11). In this regard the trend of India's dollar

1. Break-down by countries: $19.1 million to Ceylon, $100.5 million to India, $40.2 million to Japan, $44.4 million to Pakistan, $25.4 million to Thailand. Of the total amount loans amounting to $10 million or $28 million were to be disbursed and repayable in sterling.
2. UNKRA, *Report to the Ninth Regular Session of the General Assembly*.
3. It is reported that credits amounting to Rp 400 million, Rp 300 million and Rp 300 million have been authorised by France, West Germany and the Netherlands respectively, totalling Rp 1,000 million (*The Asahi*, Tokyo, 14 December 1954).
4. The dollar figures in this and next paragraph are based on official exchange rates.
5. International Monetary Fund, *Payment problems of Cambodia, Laos and Viet-Nam*, paper submitted to the Working Group of Exports on Payments Problems of the ECAFE Region which met in Bangkok in July 1954.
6. The position of Japan is somewhat special among the countries of the region. Japan obtains a high proportion, something like 50 per cent, of its imports from the dollar area and its exports to the dollar area are far smaller, thereby leaving a very large deficit. In the sharp increase in Japan's imports between 1950 and 1954, imports from the dollar area maintained their relative importance. A high proportion of imports from the dollar area and large exports to the non-dollar area have been the structural characteristics of Japan's post-war foreign trade.

trade is especially to be noted. India's dollar imports had been very large in 1951 and 1952, averaging $700 million per year because of large requirements of foodgrains and raw cotton; in 1953 they were reduced to $230 million, and in 1954 were running at an annual rate of less than $200 million.

It is difficult to assess to what extent these changes represent a permanent improvement in the dollar trade balance of the region in view of the fact that all the non-dollar countries in the region have continued to maintain discriminatory restrictions on imports from the dollar area.

The recent improvement in the dollar trade of the region (excluding Japan) is offset by the increasing deficit in relations with continental OEEC[1] countries. Imports from these countries, which accounted for 13 per cent of the total imports of the region in 1950, have been steadily rising and were close to 20 per cent in the first half of 1954. The proportions of both dollar and sterling imports in the total declined meanwhile following the shift of demand to other areas including continental OEEC countries.

The adverse swing in the trade balance of the region (excluding Japan) between 1950 and 1954 (first six months at annual rate) amounted to just over $1,000 million of which the trade with continental OEEC countries accounted for about one half, that with the dollar area almost one-third, and the remainder was shared about equally by the sterling area and "others."[2]

TRADE AND PAYMENTS CONTROLS

Import and payments restrictions

Most countries in the region maintain quantitative import and payments restrictions primarily for balance for payments reasons. Several of them found it necessary during 1954 to continue and intensify the restrictions they had imposed in earlier years. The Republic of China, Indonesia, Japan, Pakistan and Thailand came in this category. Some countries did not intensify their quantitative import restrictions even through their foreign exchange position deteriorated (Ceylon's exchange position deteriorated till the end of 1953 and Burma's from the middle of 1953 though both these countries restricted only remittance payments mainly to India). India and the Philippines adopted slightly more liberal import policies during 1954. On the whole, however, most countries have found it necessary to retain the framework of import controls for use in the event of a worsening in their payments position.

Quantitative import controls are, however, employed in a few countries for other than balance of payments reasons. India has recognized import controls, including tariff protection, as an integral part of the machinery of economic development planning and has employed them selectively according priority to imports of capital goods and essential raw materials for development purposes, for securing foodgrains, for reducing the imports of luxuries and non-essentials, and for regulating the volume of imports competing with domestic industries. India may, therefore, be expected to retain such controls even if not confronted with balance of payments difficulties. Pakistan has also resorted to import controls and tariff policy to foster industrial development.

Even when primarily used for balance of payments reasons, quantitative controls have a protective effect on industries Data which would permit the evaluation of the effect of such protection are not available. However, it is known that in the Philippines, after import controls became operative, several industries grew under the stimulus provided by the limitation of imports.

Despite the maintenance and intensification of import-exchange controls by many countries, some progress was also made during the past year or so in the direction of multilateral payments through the elimination of some discriminatory payments features. In January 1954, Indonesia abolished the system of dollar export certificates which had been intro-

1. Organization for European Economic Co-operation

2 In order to assess how enduring these changes might be, this analysis of the regional balance of trade by currency areas has to be further supplemented by an analysis of commodity-wise structural changes in the trade of the region However, sufficiently detailed statistics permitting up-to-date analysis in this regard are not yet available The discussion of the balance of payments is based on information supplied by the Reserve Bank of India, discrepancies between the figures quoted and those published in special table G in the section on Asian Economic Statistics at the end of this volume are due to differences in grouping and nomenclature

TABLE 11

VALUE OF EXPORTS AND IMPORTS BY CURRENCY AREA IN ECAFE COUNTRIES[a]

(quarterly average or quarters)

(million dollars)

	EXPORTS TO					IMPORTS FROM					BALANCES				
	Dollar area	Sterling area	Continental OEEC countries	Others	Total	Dollar area	Sterling area	Continental OEEC countries	Others	Total	Dollar area	Sterling area	Continental OEEC countries	Others	Total
1950	309.0	492.8	210.0	296.2	1,308.0	206.9	446.5	150.7	323.1	1,127.2	+102.1	+ 46.3	+ 59.3	— 26.9	+180.8
1951	361.6	786.4	327.0	437 5	1,912.5	311.3	602.9	283.7	526.4	1,724.3	+ 50.3	+183.5	+ 43.3	— 88.9	+188.2
1952	285.3	530.2	218.3	390.6	1,424.4	347.6	563.0	293.0	464.1	1,667 7	— 62 3	— 32.8	— 74.7	— 73.5	—243.3
1953	246.7	457.1	193.5	346.2	1,243.5	218.5	479.2	259.9	407.5	1,364.7	+ 28.2	— 22.1	— 66.0	— 61.3	—121.2
1954															
Jan–Mar	221.7	432.3	201.7	343.5	1,199.2	184.5	432.2	247.0	398.7	1,262.4	+ 37.2	+ 0.1	— 45.3	— 55.2	— 63.2
Apr–Jun	231.3	457.4	176.3	331.9	1,196.9	215.1	444.0	246.4	402.0	1,307.5	+ 16.2	+ 13.4	— 70.1	— 70.1	—110.6

Source: Statistical Office of the United Nations, *Direction of International Trade*, Chinese Maritime Customs, Insitut d'émission des états du Cambodge, du Laos et du Viêt-Nam, *Statistiques économiques et financières;* Central Statistical and Economics Department of Burma, *Quarterly Bulletin of* Statistics of Burma; Central Statistical Office of Pakistan, *Statistical Bulletin of Pakistan.*

a Burma, Cambodia, Laos, Viet-Nam, Ceylon, China (Taiwan only), Hong Kong, India, Indonesia, Malaya, Pakistan and the Philippines.

duced in 1952 with the object of promoting dollar exports and curtailing dollar imports. Late in 1953, Burma abolished all discrimination and introduced a uniform tariff system. In the Republic of China, the import-exchange system was simplified.

The sterling area countries of the ECAFE region were favourably affected by the measures taken by the United Kingdom in the course of 1952-1954 with a view to relaxing international trade and payments restrictions and to achieving a wider degree of convertibility of sterling. These steps include the gradual relaxation of import restrictions, the restoration of many commodities to private trade, the gradual reopening of metal and other commodity markets in the United Kingdom, the extension of the transferable account area to include practically all the non-sterling countries outside the US dollar account area and Canada, the extension to corporations and individuals of facilities to hold transferable sterling, and the reopening of the London gold market. The extension of the sterling transferable accounts system in March 1954 has widened the multilateral transferability of sterling and the exchange controls in ECAFE sterling area countries have been modified in line with this change.

Generally speaking, any serious decline in the central reserves of the sterling area has been accompanied by an intensification of restrictions by sterling area countries as a whole. Similarly, the growth of reserves has resulted in a tendency to relax those restrictions. But the manner, direction and degree of relaxation of restrictions has been determined by each sterling area country in the light of its own balance of payments position. Therefore, even though the position of sterling as an international currency and the over-all payments position of the sterling area have improved during the last two years, a sterling country facing payments difficulties will still find it necessary to intensify restrictions, e.g. Pakistan. However, the larger degree of sterling transferability has enabled the ECAFE sterling area countries to eliminate to a large extent discrimination as between non-dollar sources, though they continue to exercise discrimination against dollar payments in line with the policy of the sterling area as a whole.

Among the non-sterling countries of the region import and payments restrictions continue to be governed loss by a specific lack of convertible currency than by an over-all shortage of foreign exchange. In some cases, convertible currency resources have been used to meet deficits in inconvertible currencies. Indonesia did this on a large scale in 1951-53, and Japan in 1953. Thailand has not discriminated against dollar imports as such, while Cambodia, Laos and Viet-Nam have restricted all imports except those from the franc area.

The significant developments in import and payments restrictions in ECAFE countries are indicated in the following paragraphs.

Burma continued to license freely imports from non-dollar sources, despite a decline in foreign exchange reserves. Dollar restrictions, however, continued to be strict. Payments for invisibles, particularly remittances, were subjected to further control during the year.

In *Cambodia, Laos and Viet-Nam*, the volume of imports has declined considerably since the devaluation of the piastre in May 1953. Import and exchange controls have continued to be strictly applied to payments to non-franc territories.

In *Ceylon*, there were no significant changes in import controls in 1953 and 1954, except that licensing of imports from Japan, West Germany, and several eastern European countries was directed towards the Ceylonization of trade. Dollar imports continued under strict licensing, except for some semi-manufactured metal products placed on open general licence since October 1953. Restrictions on remittances to the sterling area for maintenance and travel, which were tightened in 1953, continued in 1954.

The Republic of *China* depends largely on external assistance and remittances from its nationals overseas to finance its recurring payments deficits. It has relied upon licensing and quantitative controls to restrain non-essential imports and to give priority to machinery and raw material impoprts. A system of multiple exchange rates for imports and exports has been in force which was simplified in September 1953, when the 100 per cent deposit requirement for imports was dispensed with and a 20 per cent defence tax was levied on most private imports.

Within the framework of its import control and tariff protection policies, *India* has adopted more liberal import controls in 1953 and 1954. For the first half of 1953, import quotas on over 100 items which had been reduced in the second half of 1952, were restored. For the second half of 1953, import quotas for certain items including imports from hard-currency countries were increased. In September 1953, imports of rice from soft-currency countries were permitted on private account. The import policy for the first half of 1954 made provision for increased import of consumer goods and also of goods for which the import duty had been increased at the beginning of the year. The system of token imports, established mainly to set a standard for production of certain items, was continued. In September 1954 again, import restrictions on a number of items from hard- and soft-currency areas were relaxed.

To arrest the serious decline in exchange assets, *Indonesia* intensified import and payments restrictions in 1954. Exchange allocations for imports were drastically cut, advance payment required for certain imports was raised from 50 to 75 per cent for capital goods and raw materials for industry, and to 100 per cent for other items. Imports from Singapore and Hong Kong were severely limited, and a system known as "Hong Kong barter" was introduced in September 1953, by which an Indonesian exporter became automatically entitled to import goods from Hong Kong up to the value of his exports. This system was suspended in February-April 1954 and later resumed only on a very limited basis. A 66 2/3 per cent exchange tax on invisible remittances abroad was levied effective March 1954. New regulations were also laid down for transfers of profits and savings abroad with a view to reducing foreign exchange expenditure.

Japan has imposed further import and payments restrictions in 1954 on account of its adverse payments position. The foreign exchange budget of Japan for the first half of 1954/55 provides for payments for imports and services of $1,420 million as against $1,641 million in the corresponding period of 1953/54. Merchandise imports are fixed at $1,100 million as against $1,246 million in the corresponding period of 1953/54, a reduction of 12 per cent. The merchandise import budget for the second half of 1954/55 has been fixed at $1,090 million, as contrasted to $1,546 million in the corresponding period of 1953/54. Less essential import items have been subjected to severe cuts, although the items of

imports which are mandatory under trade agreements (such as woollen goods under the Anglo-Japanese agreements and bananas from Taiwan, China have been permitted. Among other measures taken to tighten imports are an increase in the cash margin by importers in opening letters of credit, and abolition or curtailment of the preferential import financing and foreign exchange lending adopted by the Bank of Japan since 1952.

Since the deterioration in the payments position in 1952, intensive import controls have been operative in *Pakistan*. These restrictions were maintained during 1954. Priority is given to imports of capital goods and raw materials needed for industry, while imports of consumer goods have been kept at a minimum. This resulted in a decline in the value of commercial imports (i.e. on private account) of Pakistan from Rs 1,696 million in 1952 to Rs 758 million in 1953 and to an annual rate of Rs 739 million in the first half of 1954. Within the framework of control, increased imports of certain consumer goods have been permitted from time to time in order to ease domestic shortages.

In the *Philippines* there was no intensification of payments and trade restrictions during 1954.

On account of the continued deterioration in the payments position, quantitative import restrictions were tightened in *Thailand* during 1954. Until November 1953, Thailand has made only limited use of quantitative import controls, but relied on multiple exchange rates for regulating commercial imports, the bulk of which were financed from the free exchange market. In November 1953 import controls on a wide range of goods were imposed. During 1953 the number of commodities eligible for obtaining foreign exchange at preferential rate was progressively reduced and the supply of foreign exchange by the Bank of Thailand to the commercial banks was also curtailed. In 1954 a new category of semi-essential goods was announced, and imports were limited on the basis of imports during the preceding five years. In September 1953 import duties had been increased on certain goods classified as non-essential, including automobiles, refrigerators, liquors, etc. Towards the end of November 1954 the import of some 94 items was completely banned, and in the middle of December, remittances abroad were further tightened.

Export promotion measures

Difficulties encountered by some ECAFE countries in selling their products abroad in a buyer's market with increased competition have necessitated special export promotion measures on their part. These measures fall into five principal types: (*a*) removal or reduction of export duties, (*b*) relaxation or removal of controls on exports, including liberalization of quotas, (*c*) retention quotas, by which exporters are entitled to the free disposal of a specified proportion of their export proceeds for imports or other use, (*d*) bilateral agreements and government-to-government contracts, (*e*) subsidies and government assistance of various kinds.

Duties had been levied on exports for fiscal and anti-inflationary purposes during the boom in 1950/51, and their downward adjustment which began late in 1951 after the collapse of the boom continued in 1953 and 1954.[1] The second type of action was also important in 1952 and 1953 and was carried further in 1954. However, many governments realized that relaxation of controls alone could not promote exports sufficiently and had to take more positive measures to that end. Of particular interest in this context is the introduction of the retention quota arrangement in Indonesia, Pakistan, and Thailand, in addition to Japan where it was already operative in the form of the link system.[2]

The use of bilateral agreements and government-to-government contracts for promoting exports has been particularly significant in Burma and Thailand for rice, in Pakistan for raw cotton and jute and in Ceylon for rubber. Pakistan successfully employed this method (as well as barter deals) for disposing of accumulated stocks of cotton and jute in 1953 and for selling current surpluses in 1953; Ceylon, since 1953 for sale of current production of rubber; and Burma, in 1954 for the sale not only of accumulated stocks, but current surplus of rice also. Bilateral trade agreements are, however, regarded only as temporary expedients.[3]

Direct subsidies for export promotion have rarely been employed by any ECAFE country, the main reason being the prohibitive fiscal burden if major exports were to be subsidized. The most important example is provided by the price support scheme for rew jute and cotton introduced by the Pakistan Government in 1951 and 1952: this entailed losses by the government and was given up, and other measures referred to above were taken to dispose of surpluses. However, indirect government assistance has been employed by many countries, notably Japan, in the form, for example, of facilitating export finance and insurance or of giving tax relief to trading firms in favour of capital accumulation.

Export liberatlization measures taken by *India* during 1953 and 1954 include an increase in export quotas and extension of the licensing period for several items, such as raw cotton, cotton waste, cotton textiles, black pepper, oils and oil-seeds, iron and maganese ores, raw coffee and tea (some of the quotas were increased in October 1954), and abolition or reduction of export duties on jute and cotton manufactures, specified oils and oil-seeds, specified iron and steel manufactures, and manganese ore.

To promote exports, *Indonesia* introduced a retention quota practice in October 1953, by which inducement certificates were issued to exporters of certain local products enabling them to import, and obtain exchange in payment of, certain luxury and semi-luxury goods.

From the standpoint of export promotion, raw material imports tied to exports have been granted priority in *Japan*. The retention quota system had also been in practice for some time; but in late 1953 a further promotional measure was introduced in the form of a compensation link system, according to which exporters of ships, for example, were compensated for their below-cost prices by import licences for especially profitable goods, such as crude sugar.

In *Pakistan*, a large number of items have been placed on Open General Licence, the enlarged list containing as many as 137 items at the end of June 1954. A special export incentive scheme was introduced effective from June 1954 to

1. However, export duties on tea were raised in Ceylon and India in 1954 in the face of higher export prices of tea.

2. The ECAFE Sub-Committee on Trade which met in Hong Kong in early January 1955 expressed the view that some of these arrangements involved some degree of discrimination and artificial diversion of trade from economic channels, and recommended that in such cases countries resorting to them should endeavour to eliminate them as early as possible. See *Report of the Sub-Committee on Trade*, paragraph 36.

3. See *ibid*, paragraph 33.

March 1955, under which exporters of a few specified commodities are entitled to obtain import licences for specified goods up to 30 per cent of their earnings from such exports. The specified export goods included 20 primary and 116 manufactured goods, many of them not being of major importance in Pakistan's export trade. The object of this measure is to stimulate the export of the less important commodities.

In July 1954 *Thailand* lifted the ban on the export of some 9 commodities, including timber (other than teak), coconut products, fire wood and meat. Several measures were taken to stimulate rice export, including reduction in price and reorganization of governmental machinery of rice trade. Exporters of rice to the Philippines are permitted to retain their foreign exchange proceeds for their own use or sell them in the open market: this introduces a retention quota practice. The Government announced its decision, effective 1 January 1955, to restore rice export trade to private channels.

BILATERAL TRADE AND PAYMENTS ARRANGEMENTS[1]

There has been no significant change since 1953 in bilateral trade and payment arrangements of countries in the region, except in those concluded with mainland China, the USSR and eastern European countries. The proportion of total trade in the region settled through bilateral payment arrangements is rather small. This is accounted for by the fact that several countries (India, Pakistan, Ceylon, Burma, Malaya and Hong Kong) belong to the sterling area, or that some countries like Indonesia and Cambodia, Laos and Viet-Nam are related to the European Payments Union (EPU) through the Netherlands and France respectively, thus enjoying the facilities of a multilateral payment system to a certain extent. Japan is an exception. It has six[2] open account arrangements with countries in the region and eight with those outside,[3] and its trade with the open-account area has been steadily increasing in recent years as a share of exports from 23 per cent in 1952 to 38 per cent in 1954 (first nine months) and of imports from 13 per cent to 23 per cent.

A bilateral trade and payments agreement was signed between China: Taiwan and France in 1954.[4] Important payments arrangements concluded recently are rupee settlements between Ceylon and mainland China, India and Egypt (May 1953), India and Czechoslovakia (November 1953), India and Yugoslavia (November 1953), India and the Soviet Union (December 1953), India and Rumania (March 1954), India and mainland China (October 1954), and an open-account arrangement between Indonesia and Yugoslavia (June 1953).

In contrast with the small number of bilateral payments arrangements in the region, there are many bilateral trade agreements both intra- and inter-regional. However, most of these trade agreements do not provide for bilateral balancing of trade, except those concluded in connexion with bilateral payments arrangements. In the immediate post-war period, many bilateral trade agreements were concluded with a view to procuring scarce goods or to overcoming exchange difficulties. But more recently, the emphasis seems to have shifted towards diversification of export markets as exemplified by bilateral trade agreements between Indonesia and EPU countries other than the Netherlands and those of Pakistan with Japan, France and West Germany. As bilateral balancing of trade has come to be less important, the more recent agreements are characterized by such features as mutual concession on issuing of import licences, most-favoured-nation treatment, soft-currency-origin treatment, or simply a listing of exportable items from each side.

Recent progress in the liberalization of trade and the trend towards the recovery of convertibility of currencies in western Europe are factors likely to reduce the importance of bilateralism in the near future. In Japan, however, there still exists a possibility of enlarging trade volume, at least in the short run, by the method of bilateral trade with some countries, e.g. Argentine, Brazil and Thailand. This is mainly because of exchange difficulties on both sides. However, with some countries such as the Republic of Korea and Indonesia, Japan is faced with a deadlock in bilateralism owing to one-sided exchange difficulties which cannot be mutually offset. Further, there are signs that Japan may be revising its policy towards bilateral trade agreements as can be seen in its agreements with West Germany and Italy where the liberalization of certain import items as well as a triangular trade plan is proposed.

Several bilateral trade agreements have been concluded recently between governments in some countries or areas of the region (Indonesia, India, Burma and Ceylon) and mainland China, the USSR and eastern European countries. In some agreements bilateral payments are also arranged. So far there has been no sizeable increase in trade between Indonesia and mainland China, as exports from Indonesia of rubber and oil are not going smoothly. As to mainland China's trade with Burma and India, it is too early to assess the results of the agreements. However, a substantial increase has been achieved in Ceylon's trade with mainland China since the conclusion of the agreement.

1. For detailed discussion, see *Report of the Working Group of Experts on Payments Problems of the ECAFE Region* (31 August 1954, E/CN.11/I&T/112).
2. Including an arrangement with the French Union which is applicable to Cambodia, Laos and Viet-Nam
3. All arrangement except that with Egypt were originally concluded before 1952. The Japan-Egypt agreement was signed in November 1953 for the purpose of improving the continuing deficit balance of trade of Japan with Egypt (due to imports of raw cotton from Egypt). This agreement is rather exceptional because only a part of the total trade is to be settled through the open-account arrangement.
4. The agreement provides for a total value of trade at $10 million each way.

Chapter 4. MONETARY AND FISCAL DEVELOPMENTS

MONETARY DEVELOPMENTS

Comparatively, monetary stability prevailed in more countries of the region in 1954 than in any other post-war year. In most of the raw material exporting countries, the process of adjustments in the economy to the decline in export earnings resulting from the end of the Korean war boom appeared generally to have been completed by the end of 1953. The level of income and/or trade and the export prices of several major export commodities were more or less stabilized at lower levels than in the boom years. In 1954, India and the raw material exporting countries benefited generally from an improvement in the food situation which contributed to the price stability and an increase in real income.

Government finance was another major factor to influence the monetary situation. Among the raw material exporting countries, Ceylon and the Philippines witnessed a trend toward monetary contraction through government financial operations, while a comparatively large budget deficit appeared in Indonesia since 1952 and in Pakistan since 1952/53.

The general improvement in the food situation has brought about a decline in export earnings of the rice-exporting countries. The world market price of rice fell substantially in 1953 and 1954 and tended to affect unfavourably the domestic income of the rice-exporting countries. In Cambodia, Laos and Viet-Nam internal prices of rice fell more than export prices, but in Thailand, they fell less and in Burma much less. However, in both Burma and Thailand, the government deficit offset largely this deflationary effect.

The cease-fire has eased the economic situation in the Republic of Korea and the three States of Cambodia, Laos and Viet-Nam. This, coupled with the possible decline in farm income and with larger foreign aid, contributed to the levelling off of inflation in these countries. In the Republic of Korea, however, the aftermath of war and the continuing large defence expenditure have accounted mainly for the sustained inflationary trend. In China: Taiwan although defence empenditure is still large, price levels have shown remarkable stability since 1953 mainly on account of increased production and tax revenue and continued foreign aid.

Governments continued their efforts to mobilize private savings through encouraging the establishment of special financial institutions. There were signs of increase in personal savings, which in some countries were, however, not fully mobilized for investment. Governments continued to float larger amounts of bonds and treasury bills to finance their expenditures. However, net subscriptions to government bonds by non-central bank sources financed less than 10 per cent of government development expenditures in most countries.

In any country, the monetary situation is determined by a large number of factors, although major forces may be distinguished from minor ones. According to the types of major forces involved, the monetary situation in countries of the region may be conveniently grouped for the purpose of analysis as follows:

(*a*) In the Republic of Korea, the three States of Cambodia, Laos, Viet-Nam, and China Taiwan large government defence expenditures constituted the major factor in inflating money incomes for the last few years.

(*b*) In Burma and Thailand, where foreign trade is generally more important than public finance in influencing money incomes and where changes in rice prices and exports during 1953-54 were significant, deflationary effects from export decline were apparent. To this group may also be added Hong Kong where the deflationary influence came from the decline in entrepot trade but was, to some extent, compensated by an increase in exports of domestic manufactured products. While the decline of Hong Kong's entrepot trade with the region's rice and raw material exporting countries resulted chiefly from the abatement of the Korean-war boom, the decline of Hong Kong's entrepot trade with mainland China appears to be structural and is likely to be enduring.

(*c*) In Ceylon, Malaya, the Philippines and India, monetary stability prevailed in 1954, the forces of inflation and deflation being in some balance. Japan experienced an investment inflation[1] before the end of 1953, when a policy of monetary restriction was adopted. The inflationary trend was, however, halted in early 1954, which resulted in a state of monetary stability through the year.

(*d*) In Afghanistan, Indonesia and Pakistan, it seemed that there had been some monetary expansion, with varying degrees. In Afghanistan and Pakistan it was due chiefly to high investment in connection with economic development. In Indonesia, it was due partly to the decrease in government revenue. In mainland China, statistical data for indentifying specific causes for the monetary situation are scanty. However, judging from the large government investment programmes and the price and distribution control on consumer goods it seems that there has been a form of inflation generated primarily from investment. This inflation, however, was put under control as there were no signs of marked rise in prices.

1. Private capital formation increased from Y1,187,000 million in 1952 to Y1,362,000 million in 1953 and public capital formation increased from Y471,000 million to Y622,000 million during the same period (See table 12).

TABLE 12

GROSS NATIONAL EXPENDITURE, ITS COMPONENTS AND EFFECTS ON PRICE CHANGES IN SELECTED ECAFE COUNTRIES[a]

Year	Private sector		Government sector		Surplus of the nation on current account	Gross national expenditure at market prices (Total of 1 to 5)	Gross national product at previous year's market prices	Difference between (6) and (7)	(8) as % of gross national product (8) ÷ (7)
	Consumption	Gross capital formation	Consumption	Gross capital formation					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Burma (million K)									
1948	2,893	496	280	106	−224	3,551	3,476	75	2
1949	2,399	211	307	49	255	3,221	3,199	22	1
1950	2,328	291	321	28	156	3,124	3,051	73	2
1951	2,668	299	318	177	220	3,682	3,541	141	4
1952	2,724	469	395	274	217	4,079	3,894	185	5
1953	2,850	420	512	450	290	4,522	4,439	83	2
1954	3,150	460	590	450	20	4,670	4,736	− 66	− 1
1955[b]	3,360	510	640	790	− 5	5,295			
Ceylon (million Rs)									
1948	2,272	105	352	70	− 31	2,768	2,685	83	3
1949	2,459	153	394	123	− 81	3,048	3,079	− 31	− 1
1950	3,118	222	387	213	102	4,042	3,811	231	6
1951	3,614	332	411	224	89	4,670	4,499	171	4
1952	3,773	302	472	307	−367	4,487	4,529	− 42	− 1
1953	3,740	245	535	314	−241	4,593	4,509	84	2
India[c] (1,000 million Rs)									
1948	84.9		6.4	1.8	− 2.4	90.6	.	.	.
1949	87.6		5.4	2.2	− 0.5	94.6	92.7	1.9	2
1950	92.0		5.6	2.2	0.6	100.3	95.1	5.2	5
1951	99 2		5.8	4.5	− 1.7	105.8	104.5	1.3	1
Japan ('000 million Y.)									
1948	1,741	494	282	258	−109	2,666	1,535	1,131	74
1949	2,261	532	394	299	−110	3,375	2,798	577	21
1950	2,443	799	435	189	105	3,971	3,825	146	4
1951	3,128	1,258	521	424	209	5,541	4,567	974	21
1952	3,763	1,187	682	471	80	6,182	6,123	59	1
1953	4,415	1,362	767	622	− 12	7,156	6,795	361	5
Philippines (million P.)									
1948	5,423	631	402	110	−197	6,369	6,751	−382	− 6
1949	5,802	468	448	195	−574	6,339	6,744	−405	− 6
1950	5,763	381	473	211	47	6,875	7,102	−227	− 3
1951	6,713	398	536	158	−103	7,702	7,226	476	7
1952	6,858	424	593	162	−112	7,925	8,266	−341	− 4
1953	7,123	534	606	163	− 70	8,356	8,932	−576	− 6

Note Based on national income statistics The years given differ among countries: for Burma year ending 30 September of the year stated; for India and Japan year beginning 1 April of the year stated, and for other countries, calendar years

a Gross national expenditure is equal to gross national product when both are valued at the same price, but gross national expenditure at current price may exceed or fall short of gross national product at the previous year's price. In Burma, India and Japan, these two series were estimated independently of each other. The differences between these two series therefore indicate inflationary or deflationary gaps. The ratio between gross national expenditure at current price and gross national product at previous year's price is also a good index of prices However, in Ceylon and the Philippines, where national product at constant price was not independently estimated, the figures for national product at previous year's price were derived by deflating them at current year price by the cost of living index for illustrative purposes only.

b projected

c Capital formation, national product and national expenditure are on net basis Consumption and capital formation of private sector is a residual.

Countries attaining monetary stability

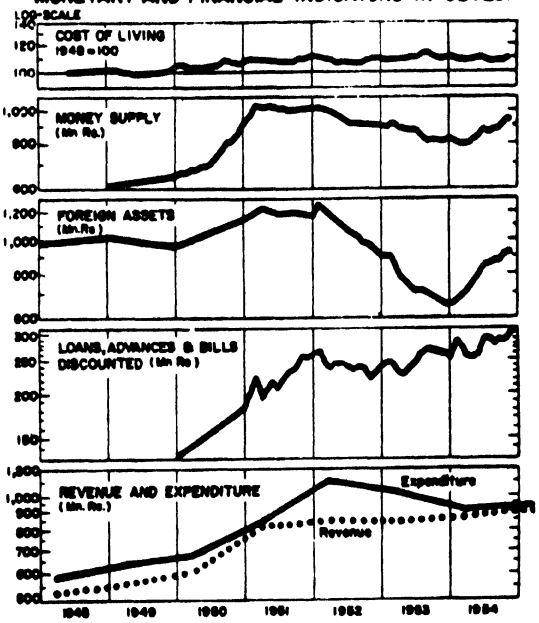
During 1953 and 1954, the monetary situation in India and several raw material exporting countries of the region, such as Ceylon, Malaya and the Philippines, appeared to be more or less stable. In India while the money supply increased by about 5 per cent, the estimated real national income increased more than 6 per cent in 1953/54.[1] In the Philippines the gross national product increased (5.4 per cent) more than money supply (1.5 per cent) in 1953, and in Ceylon gross national product increased slightly (2 per cent) while money supply decreased appreciably (7 to 8 per cent) in 1953. During the first eight to ten months of 1954, money supply showed no significant changes in India and the Philippines, but increased sizably in Ceylon. The index of wholesale prices fell slightly in India in 1953/54 and in the Philippines in 1953-54. Owing to the improved food situation, the cost-of-living index fell in Ceylon. India and the Philippines during 1953 and 1954. In Malaya, money supply declined by as much as 8 per cent in 1953 and remained stable during the first half of 1954; the cost-of-living index also showed a general trend of slight decline during the same period. In Japan both the money supply (seasonally adjusted) and the price level started falling slightly in early 1954, while industrial production continued to increase.

1. The *per capita* real national income of India in 1953/54 is estimated at about 5 to 6 per cent higher than in 1952/53. Allowing the increase in population, told real national income would be more than 6 per cent higher. See *infra*, chapter 12 on India.

Among the raw material exporting countries of the region, *Ceylon* resorted more to deflationary fiscal policies than to import restriction for alleviating the balance of payments difficulties arising from the abatement of the export boom. In 1953, food subsidies were abolished and income tax rates raised. The budget deficit of Rs 253 million in 1951/52 and Rs 172 million in 1952/53 was reduced to Rs 34 million in 1953/54 and 1954/55. The bank rate was raised in July 1953. The possible fall in the prevailing and expected rate of profits tended also to discourage private investment. Gross private capital formation declined from the peak of Rp 332 million in 1951 to Rp 245 million in 1953.

Chart 10

MONETARY AND FINANCIAL INDICATORS IN CEYLON



Meanwhile, the high level of import, the balance of payments deficit and the fall in foreign assets were allowed to absorb inflation. The annual surplus of the current international account, Rs 102 million in 1950 and Rs 89 million in 1951, turned into a deficit of Rs 367 million in 1952 and Rs 241 million in 1953. The gross national product in 1952 and 1953 was 2 per cent lower than in 1951 (see Table 12). The lower level of income tended to reduce consumption and the demand for imports which decreased substantially in 1953. The adjustment seemed to have been completed toward the end of 1953, and a temporary balance of payments equilibrium was achieved at a lower level of trade.

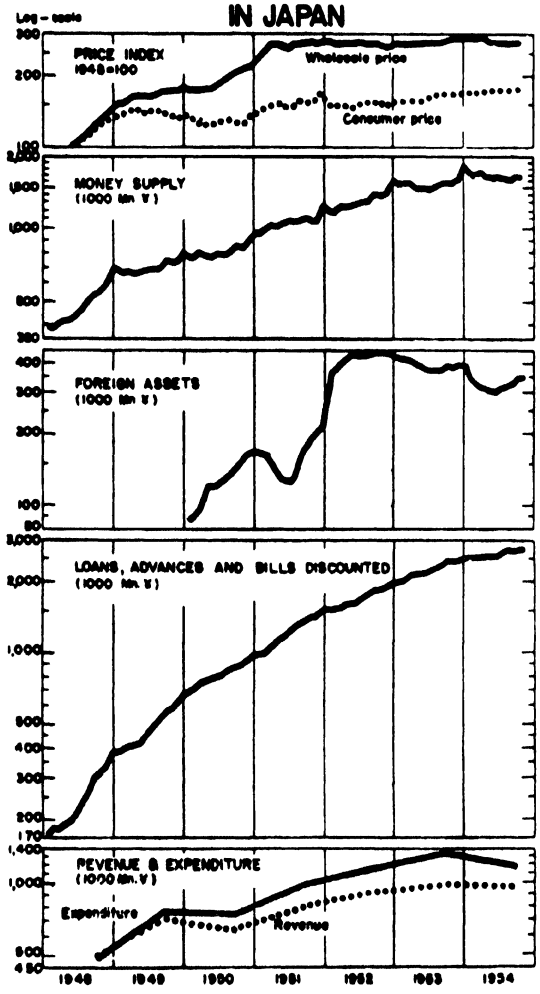
Owing chiefly to the increase in the foreign demand for and prices of tea, export earnings and foreign assets started to rise substantially at the beginning of 1954. The government continued to follow a careful budgetary policy of balancing revenue and expenditure. Almost 90 per cent of investment, loans and advances in the budget of 1954/55 is to be financed by a surplus in current account, as compared with 50 per cent in 1948/49. The government is reluctant to encroach on the private sector, leaving private savings to finance private investment.

The domestic financial operation of the government and the private sector produced some contractive monetary effects during the first nine months of 1954, which were, however, less than the expansionary effect generated from the balance of payments surplus and resulted in a net increase in money supply. The increase in money supply between October 1953 and October 1954 was equivalent to 2 per cent of the gross national product in 1953.

Malaya, as a member of the sterling area and with an automatic sterling exchange system, does not have an independent policy to correct its balance of payments changes. Like Ceylon, Malaya did not resort to any significant tightening of import control after the abatement of the export boom, but unlike Ceylon, it did not adopt deflationary fiscal policies. While government revenue declined since 1952, mainly because of the fall in the world prices of rubber and tin, government expenditure was allowed to expand owing to the continued state of emergency. Large deficits occurred in 1953 and 1954. The inflationary pressure generated from the public sector, however, was largely offset by the deficit on current external accounts. Money supply fell appreciably in 1953 but remained stable during the first half of 1954. Wage rates have been rather flexible, especially in the rubber industry where money wages are related to the price of rubber and have therefore followed more or less the fluctuations of rubber prices. The existence of such flexibility in money wage rates has helped, to some extent, the country's major export industry to adjust its cost-price structure. With the recent recovery in world prices of rubber and tin, the trade deficit has tended to diminish and the budget deficit to become smaller.

Chart 11

MONETARY AND FINANCIAL INDICATORS IN JAPAN



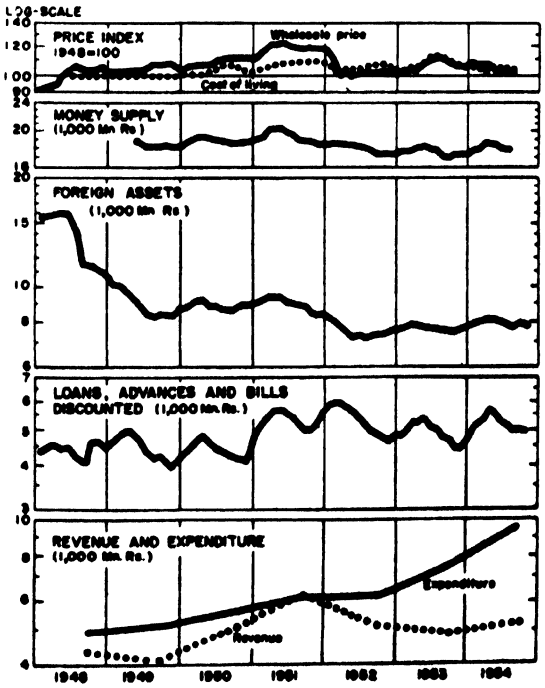
Japan also adopted in late 1953 a deflationary policy for preventing the rapid decline in foreign exchange holdings, which resulted mainly from increased imports. Unlike Ceylon, which relied chiefly on deflationary fiscal policy, Japan's deflationary measures were primarily monetary. It may be noted that as organized private industrial sector and credit system is more developed in Japan than in Ceylon, the monetary policy appears to have been more effective in Japan. The Bank of Japan's effective rates of interest were raised successively and the preferential arrangements for financing imports were curtailed since late 1953. Meanwhile, bank loans were also restricted.

As a result of the restrictive monetary policy, the Bank of Japan note issue showed a decrease in 1954 for the first time in post-war years. The Bank of Japan's outstanding loans and discounts were also substantially reduced. Loans granted by all banks during the first ten months of 1954 were much less than that during the same period of 1953. Also, both the wholesale-price index and the unit-value index of exports fell by about 6 per cent between February and September 1954. Industries which appeared to be affected most sharply by credit tightening were iron and steel and cotton textiles. Prices of semi-finished steel products and cotton yarn fell by as much as 20 to 30 per cent within a year. With lowered prices, these two industries were able to maintain and even expand their markets abroad. Total value of exports in 1954 increased by 28 per cent over 1953, while the import level remained almost unchanged. However, the expansion of exports can be attributed largely to the price cut due to changed market conditions and to successful trade negotiations.

In *India*, the rather high rate of growth in real income was explained partly by good weather and record food crops and partly by the normal rate of increase in industrial production. The increase in money supply in 1953/54 was in accordance with the growing requirements of a developing economy, reinforced by the substantial restoration of free trading in foodgrains. The money supply during the second quarter of 1954 was slightly reduced.

Chart 12

MONETARY AND FINANCIAL INDICATORS IN INDIA



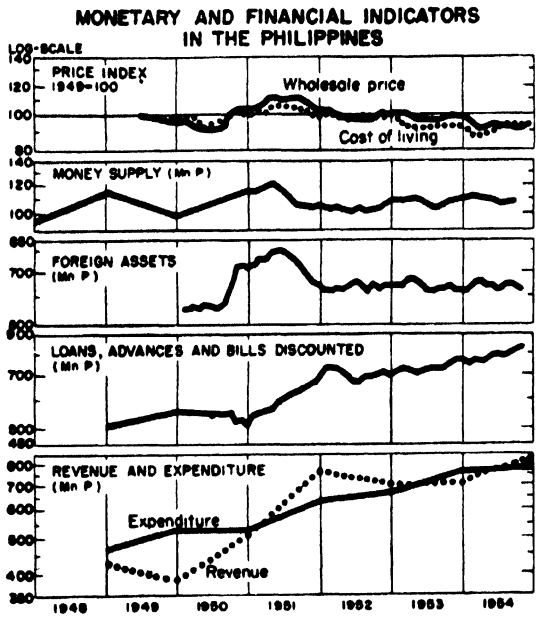
In the Indian economy, in aggregate quantitative terms, public finance appeared to be more important than foreign trade. During 1948-50, while government expenditures on goods and services accounted for 8 to 9 per cent of the national income the ratio of total exports to national income was only 5 to 6 per cent. Since then the scale of government operations has expanded by nearly 50 per cent and the public sector now claims close to 10 per cent of the national income. The cash deficits of both central and State governments increased from Rs 850 million in 1952/53 to Rs 1,540 million in 1953/54 and Rs 2,930 million in 1954/55. The deficit was largely incurred for financing the Five-Year Plan, although government developmental expenditures for the first three years of the Plan (1951/52 to 1953/54) were not up to expectations. Private investment in the organized private sector fell also short of the target during the same period. The improved trade balance resulted in a slight increase in the country's foreign assets in the spring of 1954. However, the monetary expansion effect thus released was not significant.

The index of wholesale prices fluctuated in 1953 and in the first eight months of 1954 at a level slightly higher than the pre-Korean-war level. Group indices, however, moved divergently. Taking the pre-Korean war level as the base, the index of manufactured goods in August 1953 exceeded the combined index of food and raw materials by 7 points and in August 1954 by 21 points. The rise in the prices of manufactured goods relatively to raw materials and food has tended to raise the industrial profit margin and may stimulate a further increase in investment. The index of consumer prices fell by about 8 per cent on account chiefly of the decline in food prices.[1]

In the *Philippines*, both the external account and the government account are carefully budgeted. While the monetary impact of the balance of payments surplus in 1953 and 1954 was negligible, that of the government's financial operation was slightly deflationary. Bank credit extended to the private sector showed however slight expansion. Production increased, due partly to favourable weather in agriculture and partly to protection to local industry provided by import and exchange controls. The expansion in gross national product in 1953 was contributed almost entirely by the private sector; government consumption and gross capital formation remained stable. The 17 per cent exchange tax was extended until 30 June 1955. In view of its importance both to government finance and for balancing of external accounts, the tax cannot be removed without a compensatory change in the tariff system. The slower expansion in money supply than in gross national product resulted in a deflationary gap, roughly estimated at approximately 4 and 6 per cent respectively of the gross national product in 1952 and 1953 (see Table 12). The slightly deflationary tendency seemed to have extended into 1954

1. The cost of living index of the all-India working class, with 1948 as the base, fell from 113 in August 1953 to 104 in August 1954 and the group index of food items fell from 119 to 106 during the same period.

Chart 13



In the Philippines, as well as in Ceylon, India and Malaya, there seems to exist excess savings in the private sector under the prevailing monetary situation, owing probably more to the comparatively low level of private investment than to the possible increase in private savings. Private investment in Ceylon and Malaya appeared to be largely connected with export industries. The comparative dullness in the export markets of these two countries for the last two or three years, in spite of the recent rise in prices of tea, rubber and tin, seemed to provide insufficient inducement for and confidence in increasing investment. There is room for investment to diversify the economy in these countries. But the government of Ceylon intends to promote economic development within the limits of financial stability and leave the private sector to take care of itself; neither has Malaya, at present, any deliberate policy of diversification.

In India, the government succeeded in mobilizing and tapping private savings to finance part of its developmental expenditures. During 1953 and 1954 government securities received encouraging support in the capital market. In addition to new loans, securities amounting to Rs 220 million held by central and State governments in their investment reserves were absorbed by the public. The combined "3½ per cent National Plan Loan 1964", floated by both central and State governments in 1954, had by the closing date on 15 September yielded Rs 1,505 million. In the first three years of the plan small savings contributed Rs 1,145 million towards financing governmental development expenditure out of total available domestic financial resources of Rs 5,716 million. For the benefit of the small investor a new series of ten-year savings certificate, with a simple interest of 4½ per cent *per annum* free of income tax if held to maturity, was introduced.

It is more likely that the lack of initiative among private investors for risky ventures is preventing the fuller utilization of domestic savings in many of the under-developed countries in the region. It may be noted that in Ceylon, India, Malaya and the Philippines time and savings deposits have been on the increase, and that both in Ceylon[1] and in the Philippines the central bank has reduced the bank rate and the required ratio of commercial banks' cash reserves to their liabilities. Although these measures have tended to reactivate short-term credits, promotion of long-term investment appears to require stronger guidance and assistance on the part of the State.

Rice-exporting countries

With the change of the world rice market from a sellers' to a buyers' market, the rice-exporting countries of the region began late in 1952 to experience a decline in export earnings and face all the problems in its train, as the raw material exporting countries had a year and half earlier. The unit value of export of Burmese rice had fallen from an average of K 831 per ton in the first quarter of 1953 to an average of K 597 per ton in the third quarter of 1954, or by 28 per cent. The decline in foreign demand for and prices of rice tended, on the one hand, to reduce the government revenue from rice-trading and, on the other, to produce a deflationary effect on the economy. The intensity of these effects depends, however, on how the country reacted to the changed situation. In Burma, private exporters under the government auction system were able to adjust themselves quickly by lowering the export price, and the government also reacted speedily and succeeded in securing long-term export contracts at lower export prices. Thailand, on the other hand, reduced the government-contracted price and the premium and other concealed forms of export tax on private rice exports with some time lag. The quantity of rice exports from Burma, although reduced in 1953, more than recovered in the first nine months of 1954, while that from Thailand was further reduced.

It had been usually stated that the impact of the falling export price of rice on domestic income could be largely insulated in Thailand by the exercise of control involving the fixed government procurement price and the fixed official exchange rate applied to foreign exchange proceeds from rice exports. The proceeds from rice exports in home currency would, accordingly, not be affected by fluctuations in the world market price and in the open market rate of exchange. However, this mechanism was ineffective during the phase of declining foreign demand, as the government did not purchase rice unlimitedly at the procurement price. Moreover, the delay in the reduction of the export price of rice resulted in a smaller volume of exports and mounting stocks in the country. Consequently, the internal wholesale price of rice has fallen substantially since late 1953 (the wholesale price of 35 per cent broken rice in Bangkok fell by 30 per cent between the third quarter of 1953 and 1954). This, together with the possible increase of stocks on the farm, tended to reduce the farmers' disposable income, although paddy production increased in 1953/54. The deflationary effect thus engendered was aggravated by the decline in export income from rubber and tin, Thailand's subsidiary exports.

Under the system of internal control of the rice trade in Burma, the maintenance of the government procurement price has been generally effective. However, the smaller crop in 1953/54 and a shift in stocks from milled rice to paddy slightly reduced the money income generated by paddy production and proceessing.

While various economic activities relating to rice appeared to reduce the money income in both countries, large government expenditure and deficit tended to counteract this fall.

1. The Central Bank of Ceylon had raised its rate from 2.5 to 3 per cent in July 1953, and had again restored it to 2.5 per cent in June 1954.

In *Burma*, the government budget has turned from a surplus into a deficit since 1952/53. No attempt was made to reduce government expenditure even with the decline in export earnings. The expansionary effect of government development expenditure appears to have contributed significantly to the increase in output, for domestic use rather than for export, in non-agricultural sectors. In 1952/53 and 1953/54, gross capital formation in the public sector reached approximately the same magnitude as in the private sector, and was planned to exceed private capital formation in 1954/55 (see Table 12). On a cash basis, government domestic expenditure exceeded its domestic receipts by K 650 million in 1952/53, K 700 million in 1953/54 and K 925 million in 1954/55 or 14, 15 and 18 per cent respectively of the gross national product.[1] This naturally stimulated an increase of money income in the private sector.

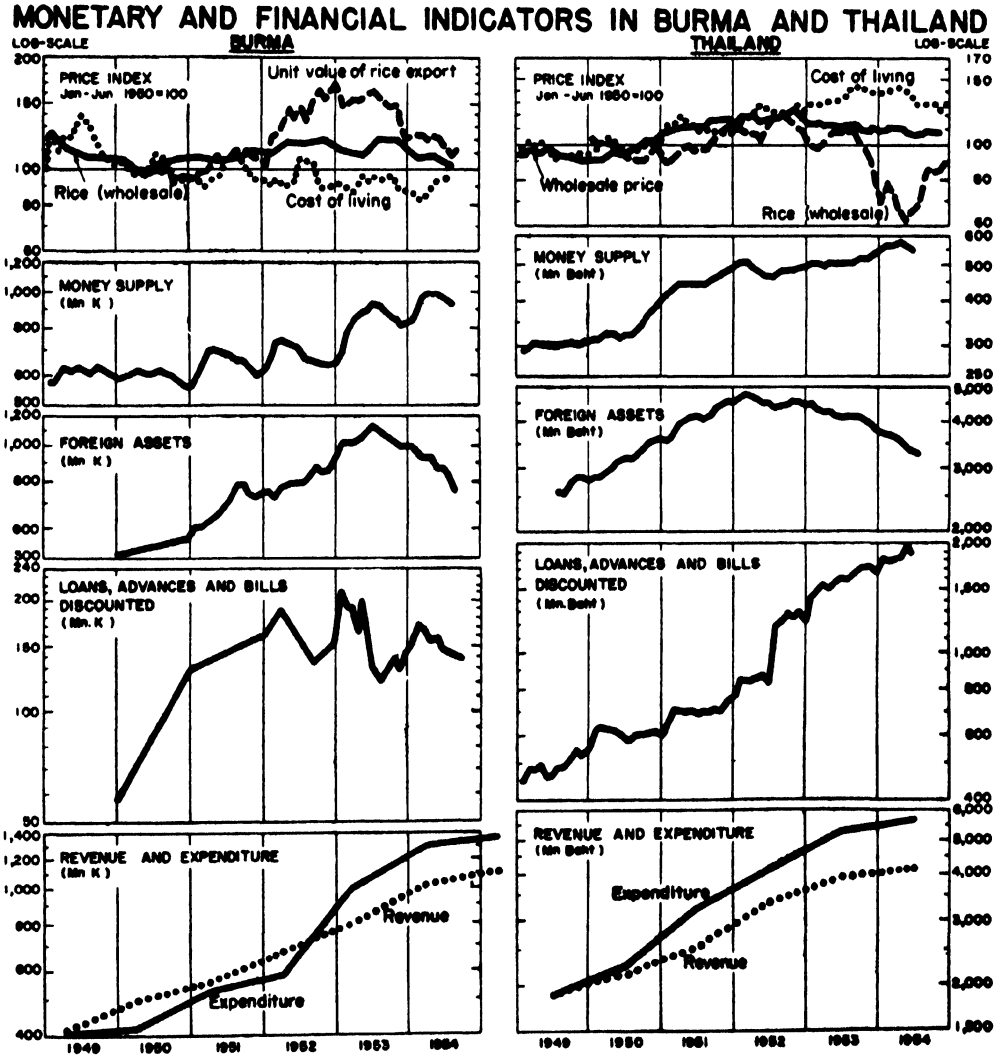
Both the increase of private money incomes and the large government development expenditure tended to increase the demand for imports. However, imports were not further restricted, although foreign assets fell sharply since mid-1953 on account of net non-trade payments. The running down of exchange reserves tended to offset largely the inflationary effect generated by the government sector. Howevr, if this situation continues, sooner or later, foreign exchange reserves may fall to a critically low level. The surplus on current international account fell from K 290 million in 1952/53 to K 20 million in 1953/54 and is expected to turn into a small deficit in 1954/55. On balance, there appeared to be a slight deflation in 1953/54. (see Table 12).

The steady decline in the cost-of-living index in Rangoon reflected, on the supply side, not only larger domestic production and increased imports of consumer goods, but also better internal distribution arising from improved security conditions.

In *Thailand*, in addition to the decline in foreign purchases of the principal export commodities, the deflationary effect was aggravated by the currency appreciation of February 1952. However, it was offset by large government expenditure and deficit. The gradual shifting away from the policy of pegging the Bank of Thailand's selling rate at the appreciated value and the increasingly wider application, since early 1953, of the fluctuating market rate also helped, to some extent, to prevent the export sector's income in home currency from falling to that of export prices in foreign currency.

1 Consolidated account of the Union Government of Burma and all Union agencies. See *The Economic Survey of Burma, 1954*

Chart 14



In spite of falling export earnings, a high level of import was maintained; this resulted in a continuous depletion of foreign exchange reserves since 1952. In order to prevent such reserves[1] from falling, import control was tightened toward the end of 1953. Prices of imported commodities, with the important exception of textiles, tended to rise.

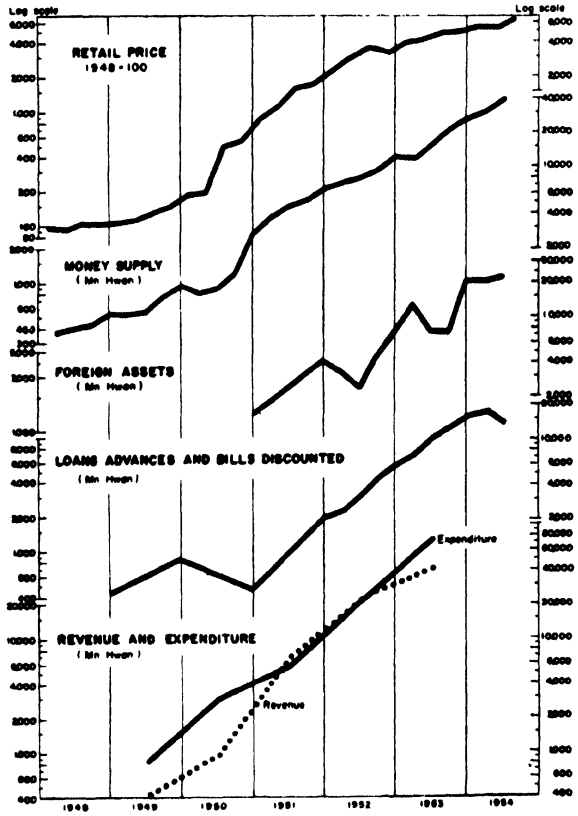
Meanwhile, in order to prevent inflation from developing, especially in view of the application of import controls and the depreciation of the market exchange value, the government tried to reduce its deficit, even at the expense of investment on economic development. Money supply showed a slight decrease in April 1954. Owing chiefly to the fall in rice prices, the cost-of-living index also fell in early 1954, although it lagged behind the fall of the wholesale-price index.

Countries affected by large defence expenditure

The Republic of Korea, China: Taiwan, and the three States of Cambodia, Laos and Viet-Nam had experienced rather severe inflation on account of heavy defence expenditures and large government deficits. The proportion of defence expenditure in the total expenditure varied from 50 per cent in Cambodia, to 55-60 in China: Taiwan, 70 in Viet-Nam and 75 in the Republic of Korea. The rate of inflation, however, levelled off in 1954 in China: Taiwan and in Cambodia, Laos and Viet-Nam, although it was still high in the Republic of Korea. While increased production and falling price of rice and larger external aid contributed substantially to the price stability in China: Taiwan as well as in Cambodia, Laos and Viet-Nam, the expansion of industrial output was also an important factor in China: Taiwan and the cease-fire in the three States.

Chart 15

MONETARY AND FINANCIAL INDICATORS IN THE REPUBLIC OF KOREA



While defence expenditure in the 1953/54 budget of the Republic of *Korea,* stood at about 150 times the 1949/50 level, civil expenditure was only 36 times—an increase roughly in line with the rise in wholesale prices during the period.[2] The armistice did not lead to a reduction of defence expenditure and government deficit. Advances by the Bank of Korea to the government amounted to H 29,900 million during the fiscal year 1953/54, as compared with H 7,600 million in the previous year. Currency drawn by the United Nations forces from the bank also increased slightly, although the real purchasing power might have even decreased on account of the rise in the price level. Meanwhile, commercial bank credit expanded along with the progress of reconstruction and the rising prices.

For combating inflation, vigorous credit control was applied after December 1953 and a new exchange policy was carried out in 1953/54, aiming at spending entirely the current foreign exchange earnings. Further, the sale of foreign aid goods on domestic markets was doubled. However, the rate of increase in money supply was still rapid, being 150 per cent in 1953/54 as compared with 90 per cent in 1952/53. Despite an increase in the import surplus, the supply of commodites seemed still to be far below the demand. While the war-destroyed productive capacity takes time to recover, investment for reconstruction has generated money income well in advance of real output. The threat of a price-cost upward "spiral" tends to retard the expansion of production. Rising costs led to increased credit and the hoarding of goods competed for credit with industrial finance. There appeared to be instances when industrial production was hampered by shortage of credit. The scarcity of goods thus accentuated the defence inflation. Group price indexes for fuel and building materials rose much higher than those for foodgrains and fertilizers, or the general wholesale price index.

In Cambodia, Laos and Viet-Nam, inflation caused chiefly by large defence expenditures was aggravated in mid-1953 by currency devaluation. However, the tempo of inflation was slowed down in 1954 on account of the reduction in military operations, a fall in rice prices and an increase in foreign aid.

In *Viet-Nam,* the total expenditure in the national and regional budgets amounted to Pr 8,000 million in 1953, of which more than 70 per cent represented military expenditure. Tax receipts at Pr 5,300 million did not balance expenditure; the deficit was partly financed by France and the United States and partly by inflationary borrowing from the *Institut d'emission* (the bank of issue). Actual defence expenditure during the first eight months of 1954 amounted to Pr 5,323 million, as compared with Pr 4,091 million in 1953.

In *Cambodia,* military expenditure in 1954, as budgeted at the beginning of the year when the cease-fire was not yet in sight, was expected to increase to more than twice the 1952 figure. The government borrowed Pr 250 million from the *Institut d'emission* in 1953, but refrained from inflationary borrowing in 1954.

1. The ratio of money supply to gold and foreign exchange reserves of the Bank of Thailand is still almost 1 if valued at the market rate of exchange.

2. Office of the Economic Co-ordinator for Korea, United Nations Command, *Draft Report for Fiscal Year 1954,* p. 25.

In *Laos*, although the military expenditure was borne by France, the budget still showed a deficit in 1953 which was financed by borrowing from the *Institut d'emission*.

Total borrowing of the States from the *Institut d'emission* amounted to Pr 900 million in 1953 and Pr 585 million during the first nine months of 1954. This was the major factor which accounted for the increase in note circulation.

The magnitude of the cost of war, however, cannot be gauged only from the military budgets of the three States. A large part of the war expenditure is incurred outside the budget and is financed mainly by France and the United States. However, the foreign exchange received might not have been entirely used, inasmuch as the use of foreign exchange was subject to quota restrictions. Further, the volume of imports fell substantially in 1953/54 after the devaluation, the largest fall occurring in the food and consumer goods groups. Thus, the inflationary impact of the military expenditures could not be counteracted very effectively.

Declining foreign demand reduced the prices of rice and rubber. Despite devaluation and abolition of the exceptional export tax and lifting of the embargo on rice, domestic prices of rice fell more than export prices. Thus farm income has tended to decline. This, coupled with larger foreign aid and smaller budget deficit after the cease-fire agreement, helped to level off inflation and price levels. However, the worsening in the terms of trade as a result of both devaluation and a fall in the world rice price has tended substantially to reduce real income.

In *China. Taiwan,* the government succeeded in reducing considerably the budget deficit in 1952 and 1953 through efforts in raising more revenue, including the imposition of the defence tax, as well as through the reduction of expenditures. However, the proportion of budget deficit to total expenditure was estimated to have increased from 1.3 per cent in 1953 to 7 per cent in the first half of 1954. Nevertheless, with larger rice production and increased industrial output (made possible by the United States aid imports of raw materials and capital goods), China: Taiwan achieved in 1954 a stabilization of prices.

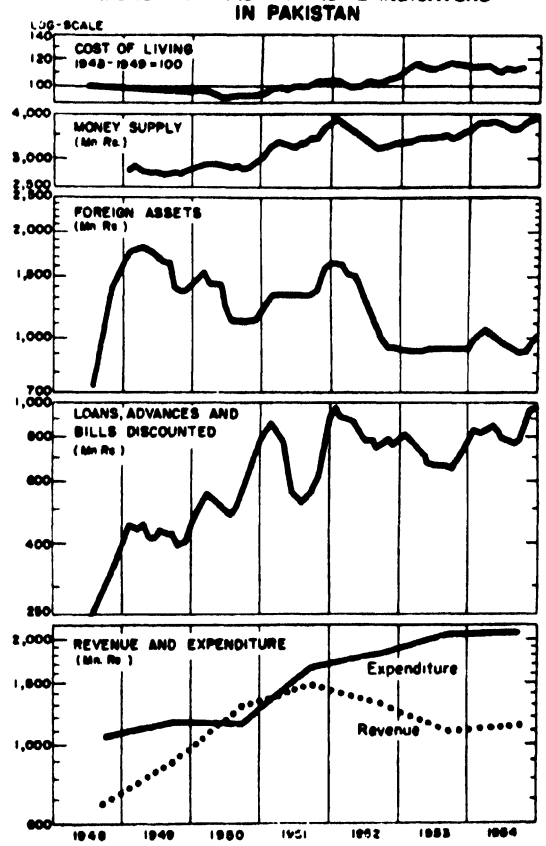
Other countries and areas

Among the raw material exporting countries, *Pakistan* relied more on strict import control than on deflationary policy for alleviating its balance of payments difficulties arising from a decline in foreign demand for its exports. Although government revenue declined as a result of smaller trade volume and the abolition of export duties on raw cotton and jute, government expenditure increased chiefly because of larger development expenditures.

The considerable reduction of imports by quantitative control had arrested the fall in foreign exchange reserves. However, the increase in effective demand and the decrease in supply of imported consumer goods tended to raise prices and resulted in instances of commodity shortage. Price control was only partially successful. In 1953/54, the increase in food production at the expense of jute and cotton, the increase in domestic manufacturing production and falling world prices of textiles have, to some extent, alleviated the strains and contributed not only to the decline in the cost-of-living index but also to a better distribution of real income. However, the additional effective demand generated by the large investment expenditure increased the demand for consumer goods.

Chart 16

MONETARY AND FINANCIAL INDICATORS IN PAKISTAN



Although a part of the increased consumer goods demand may have been matched by an increase in domestic products as a result of the development programmes which emphasized consumer goods industries, this increase, together with the limited quantity of permitted imports, seemed to be insufficient to meet the demand at unchanged prices. However, with more foreign aid, these strains may be expected to be reduced.

Successful efforts to promote domestic savings contributed to alleviating inflationary pressure generated by large investment. The total sale of savings certificates in 1953/54 was Rs 23.5 million as against Rs 19.2 million in 1952/53. The facilities available under the Postal Banks and Postal Life Insurance Schemes were extended. A scheme for compulsory Provident Fund for government employees was introduced. Competitions between administrative units for promoting savings were organized and successful promoters rewarded. Flotation of government bonds continued successfully. The small saver has become investment-minded and is buying shares, with the result that many industrial issues during 1953/54 were over-subscribed.

The monetary situation in *Afghanistan* is somewhat similar to that in Pakistan. Despite the continuous depreciation of the afghanis on the open market, the government engaged in large development programme. Total government expenditure, estimated at Afg 838 million in 1953/54, rose to the budgeted amount of Afg 1,141 million in 1954/55, and the net borrowing of the government from the central bank also rose from Afg 90 million to Afg 200 million during the same period. Both public and private investment were encouraged by a favourable

exchange rate applied to imports of capital goods, while consumer goods were imported at the market rate. Currency in circulation increased by 12 per cent between the end of 1952/53 and 1953/54. However, owing to improved food situation and availability of cheaper textile goods and also because a large part of government investment expenditure, which was spent outside the capital city, was financed by external sources, the cost-of-living index in Kabul declined slightly during 1952/53 and 1953/54.

In the economy of *Indonesia*, exports and the balance of payments are important determinants of fluctuations in the money income. During 1953 and 1954, however, while the trade balance showed a comparatively small surplus and the foreign assets holdings decreased as a result of large net non-trade payments, the large budget deficit, which rose from Rp 2,310 million in 1953 to Rp 2,540 million in 1954, led to inflationary borrowing from the central bank. Government revenue decreased from Rp 13,710 million in 1953 to Rp 10,970 million in the budget of 1954, chiefly because of a substantial decrease in the receipts from export duties and income tax. To match the reduced revenue, the government cut its expenditure on defence and other current expenditures as well as investment, but increased slightly that on economic and social services. The rate of increase in money supply was slightly slowed down in late 1952 and the first half of 1953, but rose rather rapidly between September 1953 and September 1954 (by 30 per cent). The slight expansion in credit indicated that the private sector probably contributed very little to the inflation. Food production increased, but owing chiefly to the inflated purchasing power, retail prices of food in Djakarta in September 1954 were about 8 per cent above those in September 1953.

Both foreign trade and private investment are unimportant in affecting the general monetary situation in the centrally planned economy of *mainland China*. Foreign trade, which accounted for only a small fraction of the national income, is conducted under bilateral agreements by the States with a view to achieving a balanced trade. Private investment is rapidly losing its importance and is subject to strong State control. The most dynamic and important factor affecitng the level of money income is government expenditure and revenue.

Total government expenditure in 1953 amounted to PBY 214,000,000 million, or roughly $9,100 million at the official exchange rate, representing approximately one third of the gross national product.[1] The budgeted expenditure for 1954 increased by 17 per cent above the actual expenditure in 1953. Of this total expenditure, economic development expenditure connected with the implementation of the Five-Year Plan accounted for about 40 per cent in 1953 and 45 per cent in 1954 (estimate). The large-scale investment programme has given rise to the problem of an inflationary gap between effective demand and supply of goods as the former increased at a faster rate than the latter. The situation was aggravated by the relatively small increase in food production on account of bad weather and floods. The problem of the supply of essential consumer goods appears to be especially serious because the development programme emphasizes heavy industries, transport and flood control. There seemed also to be an increase in the average propensity to consume arising from a more even income distribution.

In order to prevent prices from rising and assure the supply of essential consumer goods including foodgrains, edible oils, cotton and cotton cloth, rationing and State trading in these commodities have been introduced since late 1953. Meanwhile, measures were adopted to absorb the excess purchasing power. National construction bonds were issued and campaigns for their purchase vigorously pursued. Preferential interest rates have been offered by branches of the People's Bank to promote rural savings deposits. During 1953 and 1954, the index of wholesale prices remained remarkably stable.

The general success in rationing and price control of essential consumer goods, the increase in liquid assets held by the public and the stable price level indicated a state of suppressed inflation. As long as the situation can be maintained, the real wage of the working class may not suffer, although the level of consumption is not allowed to rise. The increase in savings among the mass of the people mainly through the strict control on consumption, in a way, has financed the rapid rate of capital formation. The strong control machinery under a centrally planned economy has been an extremely important factor.

FISCAL DEVELOPMENT[2]

Government revenues

The tax structure of most countries in the region except China (mainland)[3] has remained basically unchanged during the last five years. The temporary change in export duties and the rapid increase in prices of export products enhanced the importance of customs as a source of revenue during the Korean war boom. There have been some changes in tax rates in recent years, but no great changes have been made to the tax structure as a whole. Governments are, however, increasingly aware of the necessity of having a suitable tax structure to meet the needs of economic development. In India, the Taxation Enquiry Commission submitted its report in early 1955 and the Government of Ceylon has decided to appoint a commission to analyse its tax structure. In Burma, an expert engaged by the government has suggested certain revisions of taxes and recommended a full review of the tax structure. In order to finance economic development, it is realized that the tax structure should be so designed as to obtain larger revenue and achieve a certain amount of stability. Without stability of revenue it is most difficult for a government to plan its long-range developmental expenditures. On the other hand, it is essential for those countries whose economies are based on the system of private enterprise not to maintain a level of taxation so high as to discourage private savings and investment.

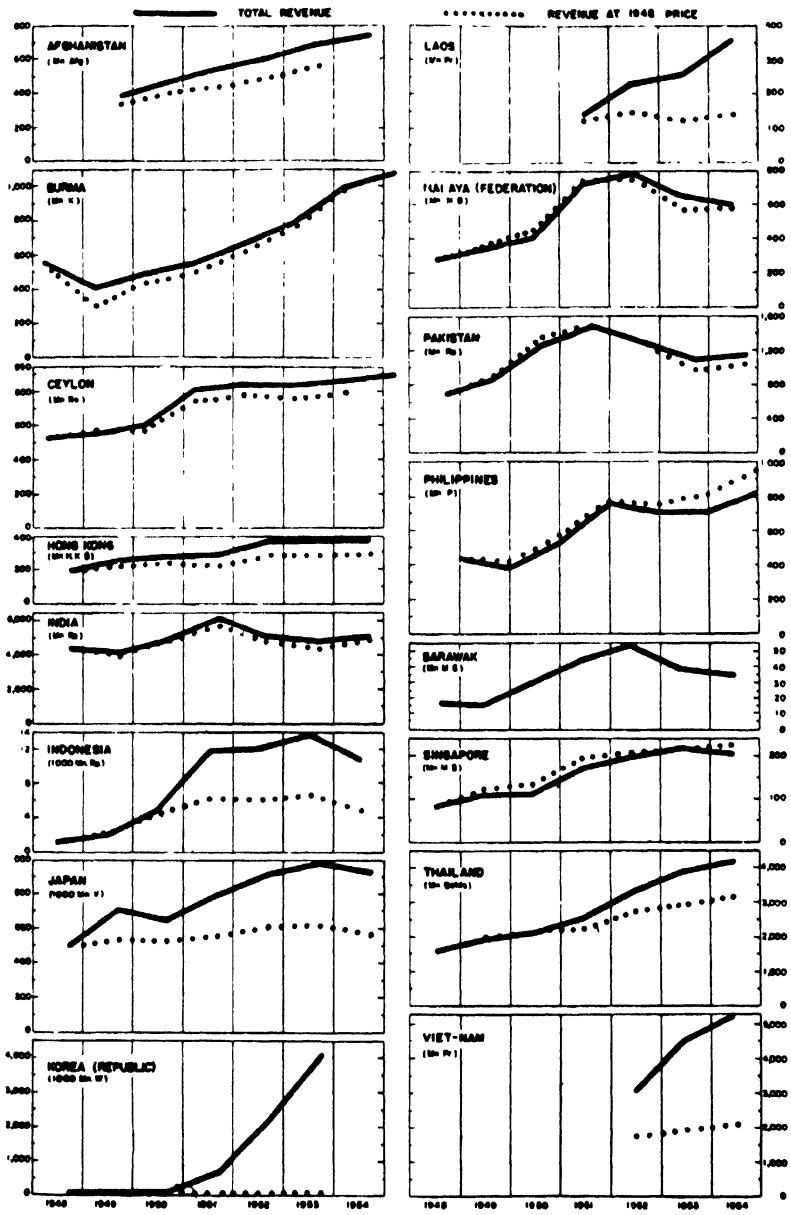
1. See, *infra*, chapter 10 on mainland China.

2. In this section, for the sake of brevity the calendar year has been used in generalizations to cover countries with differing fiscal years. For those countries with fiscal years beginning 1 April or 1 October the year which has 9 months in common with the calendar year in question has been adopted. For countries with fiscal years beginning 1 July, appropriate footnotes have been added to indicate the years referred to.

3. *Infra*, chapter on China, section II on the mainland, sub-section on "Financing of development".

Chart 17

TOTAL GOVERNMENT REVENUE



Many countries of the region experienced fluctuations in government revenue during and after the Korean war boom. This was true not only of countries dependent on exports for a large portion of their national income, but also for India whose economy is less dependent on foreign trade than others. India however relied on customs revenue for about 30 per cent of total revenue (1949/50), and during the Korean war boom customs revenue increased rapidly because the duties on the exports of cotton and jute manufactures increased.

During the Korean war boom, the relative importance of customs duty as a *source of revenue* increased in most countries because of the rapid increase of exports and imports and also because export duties were raised in some countries. With the collapse of the boom, revenue from this source declined and by 1953 or 1954 was relatively less important than before the boom in Ceylon, the Federation of Malaya and Pakistan. In Afghanistan, Burma and Thailand, customs revenue has continued to expand, while in Ceylon it is again increasing after a decline in 1952, largely because of the high prices of tea.[1] In the Philippines, customs revenue is insignificant and remains unchanged. If the 17 per cent exchange tax be considered as a customs levy, this source of revenue has also increased rapidly in the Philippines.

A common feature to be noted in most countries of the region is the shift in the structure of import duties towards encouraging the import of capital goods by reducing or exempting duties on them and by allowing their freer imports while raising the rates on importation of consumer goods. For example, in Ceylon in 1954/55, additional local industries such as match-making and glass-blowing are allowed to import needed machinery at the concessional rate of 2½ per cent preferential and 12½ per cent general as against 17½ and 27½ per cent respectively. Special rates have also been accorded to the import of component parts for wireless and radio sets, special boiling-point spirit for extracting vegetable oils, dyes and dyestuffs, etc., while all dairy equipment and poultry farming apparatus are now to be imported duty-free. In Burma the preferenital tariff treatment given to India and other Commonwealth countries came to an end on 1 October 1953, and at the same time the new policy was designed to afford protection to local industries and to levy high rates on luxuries.

Although many countries in the region suffered from fluctuations in customs revenue during and after the Korean-war boom, the time lag in the collection of income tax in some countries, such as Ceylon, the Federation of Malaya and Pakistan, has been a compensating factor. In 1951 when customs revenue was more or less at a peak, income tax receipts in these countries had not begun to rise. In 1952 and 1953 when customs revenue was falling, income tax assessed on incomes earned during the boom swelled revenue from this source and gave time for the governments to make adjustments such as exploring alternative sources of revenue. In Ceylon total revenue hardly decline even in 1952/53 and since then has begun to increase.

Taxes on income and wealth are important as a source of revenue[2] in such countries as Japan, India and Ceylon. In Japan taxes on income and wealth increased proportionately with the growth of income and have contributed 45 to 50 per cent of the central government revenue. In India, income tax accounted for more than 40 per cent of central government

1. Export duty on tea was raised in May 1954 and will yield Rs 55.5 million more revenue in 1954/55 than in 1953/54.
2. The relative importance of taxes on income and wealth as a source of revenue as compared with other sources such as customs duties does not indicate either the absolute level or the incidence of income tax between countries.

revenue at one time during the second world war. With the change in rates and exemption levels since the war and the growth of other types of taxation it is now not as important as before. In Ceylon such taxes have increased in importance since 1951/52, and they now account for 26 per cent of total revenue. The increases have been brought about by levying a surcharge of 10 per cent on assessed income tax on persons and companies in 1952/53, and also by raising in 1953/54 the rates on companies and on personal income in the higher brackets. In other countries, not much revenue is obtained from income tax; it has increased rather slowly in Burma, Pakistan, the Philippines and Thailand. In the Federation of Malaya income tax revenue declined with the collapse of the boom, but it is still much larger than in 1949. In Singapore, revenue from income tax began to fall only in 1954 but is still many times the amount obtained in 1950.

Revenue from transaction and consumption taxes has generally moved together with changes in receipts from income tax. It is very important in the Philippines, China: Taiwan, the Republic of Korea and Singapore. In China: Taiwan and the Republic of Korea its importance is partly due to the rapid increase in prices, while in the Philippines it results from the inclusion of the 17 per cent exchange tax under this heading. In mainland China the transaction tax has a special significance, yielding a substantial revenue, inasmuch as the public sector encompasses a large number of State enterprises and prices of major commodities are strictly controlled.

In 1954 *government revenue* expanded not only in those countries (Afghanistan, Burma and Thailand) where government revenue had not been affected by the collapse of the Korean-war boom, but also in most other countries where it had fallen during 1952 and 1953. In Indonesia, Japan, Singapore and the Federation of Malaya, however, revenue in 1954 was lower than in the previous year.

The increases in government revenue resulted mainly from larger real national income and therefore government revenue at constant prices also increased in most countries during 1954. To a lesser extent it resulted from an improvement in the tax-collecting machinery as in Ceylon, Pakistan, China: Taiwan and Thailand. For some countries under inflationary pressures as in the Republic of Korea, Cambodia and Laos most of the increase of revenue was accounted for by price increases. In only a few countries was the the increase in revenue partly the result of increases in tax rates. In Cambodia the hotel and restaurant tax was increased from 3 to 5 per cent and the special defence tax on transactions raised from 0.5 to 1 per cent in August 1954. In Thailand the business tax introduced in 1953, which is in effect a sales tax, has proved to be a good source of revenue. In mainland China a more than three-fold increase of revenue between 1950 and 1954 was mainly the result of expanding revenue from State enterprises. In other countries, there were practically no increases in tax rates while in Pakistan a number of excise and customs duties were lowered in 1954/55 and concessions given on income tax and by way of relief from double taxation on foreign income.[1]

Among the countries for which data are available, total government revenues (both central and local) have in recent years expanded more than proportionately *in relation to national income* in Burma, Ceylon, the Philippines and Thailand. In Burma, government tax receipts[2] increased from 11 per cent of national income in 1948/49 to about 19 per cent in 1952/53. In the Philippines it increased from about 5 per cent of national income in 1946/47 to 10 per cent in 1953/54. In Japan, government tax receipts increased from 16 per cent of national income in 1936 to 26 per cent in 1948, but since then the government has taxed a slightly smaller portion of the national income. In other countries relevent national income data are not available; but judging from the government revenue figures adjusted for changes in the cost of living and from the probable slow increase of national product, it seems that most governments in 1953 and 1954 were able to tax a larger portion of national income than before the Korean-war boom.

Government revenues, however, will need to expand at a faster rate if rapid economic development is to be financed without serious inflationary pressures. With the exception of Burma (including profits of the State Boards) and Japan and mainland China where the governments have taxed more than 20 per cent of the national income, countries of the region have succeeded in obtaining in the form of revenue only less than 10 per cent of national income, which is likely to be insufficient for an accelerated developmental programme. In many countries less than half the government's developmental expenditures have been financed by revenue surpluses in the current account.

The difficulties of taxing a large portion of the national income in countries of the region are fairly basic and stem from such factors as a large agricultural sector part of which is outside the money sector, the low level of *per capita* income, the lack of efficient tax collecting machinery, and insufficient sense of responsibility of the tax-paying public. Furthermore, the income of the majority of the population is much below the exemption levels which have been fixed on considerations of equity and the cost and difficulty of collection on very small incomes. In fact the ratio of earned income to national *per capita* income up to which no income tax is payable is much larger in many countries of the region than in the more developed countries. In Burma (1953) a man with wife and three children has to earn over 20 times the national *per capita* income before he pays any tax on income. In India (1950) the exemption limit for a similarly placed person is about 11 times the *per capita* national income, while in Ceylon (1953) and the Philippines (1953) it is 14 times. Only in Japan, where the exemption limit for a similar person is 2.6 times the national *per capita* income, is the ratio only comparatively slightly above the same as in the United States (1.4), the United Kingdom (1.6), Australia (1.0) and Canada (1.9) in 1953.[3] This comparison, however, does not imply that the countries of the region can lower tax exemption limits in relation to *per capita* incomes to the level of the more developed countries. The cost of collecting taxes on small incomes would probably be larger than the receipts. Only with further social and economic development, including improved administration, accounting knowledge, etc., can this be attempted.

1. For example the maximum amount not liable to income tax was raised from Rs 3,600 to Rs 4,200 per year. The total effect of the reduction in tax rates was to reduce expected revenue in 1954/55 by Rs 22 million below what would have been received if the concessions had not been given. See *Finance Minister's Budget Speech 1954/55*, pp. 37-40.

2. Including rehabilitation contribution from the profits of the State Agricultural Marketing Board towards central government revenues. If the retained profits of the SAMB be included as a tax, the public sector in 1952/53 was able to tax 24 per cent of the national income.

3. United Nations Fiscal Division.

Further improvement in the tax-collecting machinery would yield better results, but a permanent increase in the proportion of government revenues to national income can occur only with very significant increases of real incomes and by an increase of existing tax rates and/or by levying taxes in new fields. Tax exemption limits may be lowered and the agricultural sector may contribute more to government revenue through a tax on agricultural income,[1] as has been successfully done in five States (Assam, Bihar, Uttar Pradesh, Orissa and West Bengal) in India. Part of the increases in income resulting from developmental expenditures may be taxed through bettermen levies. Customs duties, which are generally the easiest to collect, are already the most important source of revenue in many countries, but in others they are still not fully explored. In the Philippines, for example, they are less than 2 per cent of the total trade value,[2] for two-thirds of the exports are to the United States and four-fifths of the imports are from the United States and not subject to any customs duty.

Government expenditures

In most countries of the region notably China (mainland)[3] the importance of the government sector has increased in post-war years because of the larger role played by governments in promoting economic development. Among the countries for which data are available, the total expenditure by the public sector in relation to gross national expenditure has increased in importance in post-war years, in Burma, Ceylon and the Philippines. In Burma in 1954 it accounted for 22 per cent of gross national expenditure, as compared with 11 per cent in 1948; in Ceylon it increased from 15 per cent in 1947 to 18 per cent in 1953. In Japan, however, total government expenditure increased from 16 per cent of gross national expenditure in 1949/50 to 19 per cent in 1952/53. For other countries relevant national income data are not available,[4] but judging by the doubling during 1950-54 of total government expenditure in India, the Federation of Malaya and Thailand, it seems that the importance of the government sector in the economies of these countries has also increased.

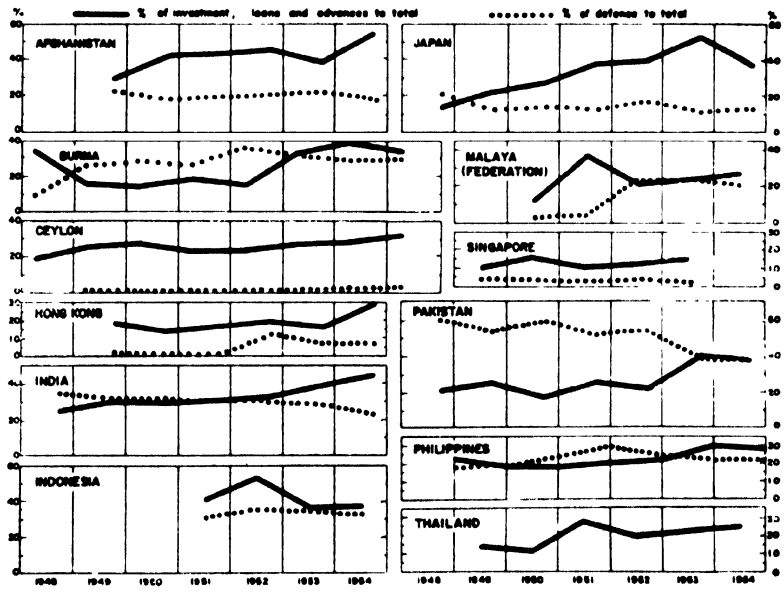
Central government expenditure continued to expand even after the collapse of the Korean-war boom. In 1954, government expenditure in most countries of the region except Ceylon and Japan continued to increase,[5] owing largely to greater developmental expenditures. In Burma, the increase of government investment and net loans and advances in 1953/54 over 1952/53 by K 189 million accounted for about 65 per cent of the total increase in expenditure. In India the increase in development expenditures of the central government in 1953/54 was about 70 per cent of the total increase in expenditure; in the Federation of Malaya it was about 40 per cent of the total increase in 1954; and in Pakistan the 1953/54 increase of development expenditure was much larger than the total increase of expenditure, as expenditures on defence and subsidies were reduced.

The reduction of expenditures in Ceylon in 1953/54 was achieved through the abolition of food subsidies. In 1954/55, however, total expenditure will increase slightly through an increase in development expenditure, but it will still be limited to expected revenues plus borrowing from abroad. In Japan expenditure in 1954/55 will not be expanded above the previous year, with a view to correcting the balance of payments deficit. In particular, government's investment and loans are reduced while defence and other current expenditures are increased.

Defence was the most important item of central government expenditure in many countries of the region in the early post-war years, ranging from about a third of total expenditure in Burma, Indonesia and India to over 60 per cent in China:

Chart 18

PROPORTION OF DEFENCE AND INVESTMENT EXPENDITURES IN TOTAL EXPENDITURE



Taiwan, the Republic of Korea and Pakistan.[6] In recent years, however, with greater emphasis on rapid economic development, government expenditure for investment purposes has increased in importance and is now larger than defence expenditure in Afghanistan, Burma, Ceylon, Hong Kong, India, Japan, the Federation of Malaya,[7] Pakistan and the Philippines.[8]

1 Efforts to increase taxes on agriculture may seem inconsistent with stated government objectives to improve the economic condition of agriculturists. It should be remembered, however, that agriculturists in post-war years are already better off than before the war in many countries of the region, through reduction in incidence of land tax, control of rents and land reform. Therefore governments could justifiably attempt to tax away a part of any additional agricultural income which may be generated by government expenditures for improvement of agriculture.

2. Customs revenue is less than 5 per cent of the total revenue.

3. The total government expenditure in mainland China in 1952, PBY 163,219,000 million, or $73,000 million if converted at the average official exchange rate of PBY22,270 to the dollar, would be 24 per cent of the gross national product of $30,000 million as privately estimated by Rostow, *op.cit.*, p. 279.

4. Although data on total national income for some years are available in a few other countries, detailed tables on gross national expenditure giving breakdowns between the government sector and the private sector are not available.

5. In Japan, however, the 1953/54 budget was expended by an extraordinary cause, namely typhoons. Between 1952/53 and 1954/55 there is a definite rise.

6. If expenditure of both central and States governments be added, then defence expenditure constituted 37 per cent of the total in 1949/50.

7. If the United Kingdom's expenditure on the emergency be added, the development expenditure may be smaller than defence expenditure in the Federation of Malaya.

8. For an analysis of the distribution of government development expenditure among different fields such as fuel and power, transport, agriculture, industry, etc. see *infra*, chapter 5 on "Progress of development programmes".

In mainland China, although developmental expenditure increased, actual expenditure on development was lower than budgeted expenditure in 1953, owing to increased government expenditure on defence and the technical and personnel difficulties encountered in the implementation of projects. In China: Taiwan the defence expenditure declined in relative importance but still constituted 58 per cent of the total in 1953. In Cambodia, military expenditure in 1954 would be more than twice the 1952 level and would constitute about half of the total expenditure. In Viet-Nam, over 70 per cent of the expenditure was for military purposes in 1953, but in 1954 such a percentage may have been reduced with the cease-fire agreement, though the absolute amount spent on military matters has continued to increase.

Defence expenditures have fallen, not only in relation to total expenditure but also absolutely, in Japan and Pakistan, and to a lesser extent in Indonesia and the Philippines. In Japan it was reduced from Y102,000 million in 1952/53 to Y123,000 million in 1953/54. In Pakistan it was cut from Rs 961 million in 1952/53 to Rs 775 million in 1954/55. Japan's reduction of defence expenditure was partly due to a decline in Japanese outlay in support of the United States garrison forces after the coming into effect of the Japanese peace treaty in 1952/53. To a large extent, of course, this was replaced by expenditure on Japanese defence establishment.[1] In Pakistan the government allocated larger funds for development by reduction of defence expenditure, which was made possible by the military aid from the United States.

Of the countries for which data are available, expenditure on social services is generally much larger than current expenditure on economic services,[2] reflecting to a certain degree the emphasis placed by governments on social welfare. In the Federation of Malaya and Singapore expenditure on social services is about four times that on economic services; in Burma, Ceylon and Hong Kong it is more than double, and in Indonesia about 50 per cent larger.

1. The importance of Japanese outlay on the United States garrison forces in relation to total Japanese expenditures on defence has declined from 88 per cent in 1950/51 (actuals) to 42 per cent in 1954/55 (estimates). (estimates).

2. Government expenditures on *economic services* include current expenditure on agriculture, industrial development, scientific and technical research, irrigation, forests, ports, lighthouses, commerce and planning, while government expenditures on *social services* include current expenditures on education, health, social welfare and relief. Detailed information on these types of expenditure is available for most countries of the region except in China: Taiwan, Viet-Nam and Thailand. In Japan and the Philippines data are not available for expenditure on economic services.

Chapter 5. PROGRESS OF DEVELOPMENT PROGRAMMES

INTRODUCTION

The standard of living in the ECAFE region as a whole is distinctly lower than in most other parts of the world as can be seen from statistics of *per capita* consumption of selected goods (see table 13). Even Japan, which in general has a higher standard of living than other countries of the region, shows signs of under-development when compared with most western countries.

From the long-range point of view the problem of economic development in the region may be defined as that of raising this low standard of living to something more comparable to that of more developed countries through fuller utilization of the material and human resources of the region. The standard of living can be raised mainly through capital accumulation. A measure of the capital formation required for the region as a whole in order to raise the *per capita* income by, say, 2 per cent *per annum* may be roughly calculated by assuming an over-all capital/output ratio[1] of 2.5 and a rate of increase in population of 1.6 per cent *per annum*. The resulting requirement would amount to $10,800 million in the initial year, roughly 9 dollars per head of population[2] of the region. At present only Japan exceeds this rate of *per capita* accumulation. The target rate of investment expenditure during the second Five Year Plan of India, which is quite ambitious in the light of achievements to date, is Rs 10,000 million *per annum*,[3] or roughly $5.5 *per capita*.

1. Capital/output ratio is here defined as the ratio of net capital investment to the resulting increase in national income

TABLE 13

PER CAPITA CONSUMPTION OF SELECTED GOODS

	Food consumed per day (Calorie)	Apparel fibres (cotton, wool and rayon) consumed (Kg.)	Energy consumed[a] (coal equivalent in Kg.)	Steel supplies (Kg.)
ECAFE countries	Post-war[b]	1953	1953	1953
Burma	1,990	1.8	30	..
Ceylon	2,060	1.8	120	5.4
China: Taiwan	..	2.7	..	3.7
Mainland[c]	1,688	1.3	..	
India	1,690	2.2	110	5.1
Indonesia	..	1.4	80	2.8
Japan	2,160	6.6	960	77.0
Pakistan	2,030	0.9	50	2.2
Philippines	1,960	1.6	100	10.0
Thailand	..	1.2	30	..
Belgium	2,950	6.8	3,640	246
Canada	3,130	12.2	6,840	351
France	2,850	8.0	2,330	198
Sweden	3,000	10.0	3,700	320
United Kingdom	3,060	10.4	4,530	322
United States	3,120	17.4	8,010	624

Sources: United Nations Statistical Office and Food and Agriculture Organization.

a. Estimated consumption of commercial sources of energy expressed in terms of coal.

b. Burma and China (Mainland): 1947/48; Ceylon, and the United States: 1952; Belgium, Canada, France, India, Japan, Pakistan, the Philippines, Sweden and the United Kingdom: 1952/53.

This long-range objective of raising the *per capita* income inevitably results in different forms of short-run objectives and policies in the context of the specific historical and institutional conditions in each country. The *per capita* level of consumption of a country may even be deliberately lowered in the short run for the purpose of creating the possibility of faster development in the future. It is again possible, in fact quite probable in a number of countries in the region, that considerations other than the prior availability of investment funds (either through external assistance or from internal saving) are more important in creating a social atmosphere of nationwide participation in the betterment of living conditions, e.g. such institutional reform measures as land reform. The degree to which the population of a country willingly subjects itself to a programme of austerity in the interest of accumulation depends upon the degree to which they associate their long-run interests with the leadership of the State. Thus political factors also must be said to be relevant to the pace and character of economic development.

Although the countries of the ECAFE region all have a relatively low standard of living, they differ as regards the character of their developmental problems. Japan, for example, is a country which has already passed through a historical stage of capitalistic development and is now confronted with the problem of recovering economic viability after having had its economic structure dislocated by defeat in a major war. In mainland China the government is trying under a system of centralized planning to bring about a very fast pace of development largely with its own financial resources. And then, there is India which, since it acquired independence in 1947, has become extremely development-conscious and has developed its policies within the precepts of a mixed economy, attempting to harmonize the objective of rapid development with desiderata of social welfare and democratic control.

Investment criteria

Economic development, though it essentially involves various aspects of the life of a society, is necessarily a process of adding to the capital stock of the country, *i.e.* a process of net investment. The criteria for such ivnestment vary widely with the particular circumstances of each country. For the under-developed countries of the region, there appear to be a number of practical criteria which find

2. This is about three times the present rate of investment.

3. Statement by the Finance Minister, Mr. C.D. Deshmukh, in Parliament, 20 December 1954.

their application in varying combinations. The most clearly defined is the general policy of *industrialization* as most sharply enunciated by the People's Republic of China, namely that the rate of growth of producer goods industries should exceed that of consumer goods industries and that the necessary resources for the expansion of the economy are to be provided basically by the deliberate creation of gaps between the rate of growth in labour productivity and that in real earnings of the working population. Secondly, emphasis in the investment policy of many countries of the region is on the development of *overhead facilities* for economic activities, such as transport and communications which are especially important for the creation of an integrated market economy. Thirdly, there is the criterion of increasing the degree of *self-sufficiency in food supply* which entails various forms of investment ranging from large-scale irrigation projects (often combined with electric power development) to government extension services of various kinds. Fourthly, *diversification* of the economy is also an important criterion for developmental investment in a number of countries of the region, especially in those where lop-sided development of a few primary products has subjected the country's economy to wide fluctuations of income and employment. Finally, most development programmes devote a portion of public funds to the improvement of *social capital, i.e.* public health, education, housing and social security, all of which contribute towards raising the productivity of labour ultimately.

Status of development plans

In a few countries of the ECAFE region, programmes for economic development have been officially adopted; and in some others they are in the process of formulation. However, almost all the countries have set out in broad terms the main direction of development projects in the public and private sectors and the total investment resources required for implementing them.

Cambodia, Hong Kong, Indonesia, Nepal and Thailand have at present no over-all co-ordinated economic development plans; they follow an *ad hoc* approach to development on the basis of individual projects. The Planning Bureau of Indonesia, however, hopes to complete the preparation of an integrated five-year plan by the end of 1955. In Thailand the task of drawing up a five-year investment programme has been entrusted to a steering committee of the cabinet. The development programmes of India, Pakistan, Ceylon, Malaya and British Borneo were outlined in the six-year development plans submitted by these countries under the Colombo Plan for Co-operative Economic Development in South and South-East Asia.[1] The six-year development programme of India as given in the Colombo Plan has been worked out on the basis of the Indian Five-Year Plan, which is India's operative plan Burma, China: Taiwan, the Philippines and the Republic of Korea have also completed the formulation of development plans. In the case of the Republic of Korea, however, two development plans have been prepared, one by the government and the other by a firm of consultants appointed by the United Nations Korean Reconstruction Agency. The two plans have yet to be integrated. In Japan, the Economic Counsel Board of the government has made long term forecasts in respect of gross national product, investment and consumption and had under the new Cabinet in December 1954 drafted a six-year plan for over-all economic development. Mainland China is in a class by itself, having a centralised Five-Year Plan which started in 1953.

Strictly speaking, the existing development plans relate directly to the public sector only, but most of them have been so conceived as to fit into a general programme of development for the entire economy. For instance, the plans of Burma, India, Pakistan and the Philippines not only give the proposed outlays on development by public authorities, but also indicate the possible level of investment expenditure in the private sector While the role and extent of the private sector vary from country to country, the following quotation from the Indian Five-Year Plan appears to represent a rather common approach to the problem of development expenditure in the private sector·

> "While the initiative for development in defined fields as well as the responsibility for co-ordinating the development programmes in the entire economy lies with the State, the part which the private initiative has to play in the progress of development has been recognized and defined. The development expenditure envisaged in the plan is therefore conditioned not only by the resources available to the public sector, but also by the needs and resources of the private sector. In other words, a single pool of investible resources on which both the private and public sectors have to draw is conceived. The problem is not merely to find resources for the public sector but to enlarge progressively the size of the common pool and to see that the total thus available is allocated between the two sectors in terms of agreed priorities."

DEVELOPMENT IN THE PRIVATE SECTOR

The deficiencies in national income data make it difficult in most countries to obtain direct evidence on total investment, which may be considered a good, though imperfect, indicator of the rate of progress The course of development in the countries of the region has therefore necessarily to be discussed largely in terms of the development expenditure of public authorities on which detailed data are available. However, in the case of Burma, Ceylon, Japan and the Philippines where data on capital formation are more satisfactory, development in the private sector can be discussed on the basis of such data. In the case of other countries, indirect evidence has to be relied upon

It would appear that the private sector accounts for the bulk of capital formation in Japan and the Philippines. In Burma and Ceylon public investment tends to become more important within total developmental expenditure. Development policy in *Burma* aims at keeping public capital formation high during the early stages of development and relying upon the resulting increase in gross domestic product to enhance private capital formation. The successful rice export monopoly has helped to stabilize private incomes and consumption and divert resources to the government, thereby ensuring their utilization for investment purposes. Another significant factor has been the growing importance of fixed capital formation both in the public and private sectors. In 1953 owing to large rice stocks held by the government, fixed capital forma-

1. In the case of Ceylon, a Mission organized by the International Bank for Reconstruction and Development at the request of the Ceylon Government has in its report surveyed the potentialities of the country and indicated the size of the investment programme for which Ceylon can afford to budget in the six years, 1953/54-1958/59 A similar mission visited the Federation of Malaya in 1954 and its report, which is also expected to outline a long-term plan, is awaited In July 1953, a planning board was set up in Pakistan to review the resources of the country and to draw up an integrated five-year plan

tion did not exceed 75 per cent of total gross capital formation. But in 1954 fixed capital formation represented more than 95 per cent of total gross capital formation, increases in stocks accounting for only K 25 million out of the total gross capital formation of K 450 million in the public sector and K 10 million out of K 460 million in the private sector. The 1955 target for gross capital formation is K 1,300 million, with K 790 million in the public sector and K 510 million in the private sector. All but K 30 million in the public sector and K 10 million in the private sector will be fixed capital, which will represent nearly 97 per cent of the total, showing a further increase in the investment of fixed capital.

Private capital outlay in Burma has been largely for residential, commercial and other kinds of construction activity. During the period October 1953 to March 1954 the value of imports of building materials increased by more than 50 per cent over the comparable period of 1952/53 and that of imports of machinery by about 10 per cent. It is not possible to know how much of these imports went into private-construction activity. However, since the output of hard wood. timber, bamboo and thatch–which are widely used in private construction–increased in 1954 over 1953, it may be assumed that most of the imports of building materials were used in private construction. Private investment in agricultural implements and carts was also higher in 1954 than in 1953, as a result of the increase in area sown to crops and a 3-per cent increase in the number of plough cattle. Investment in reclamation of fallow land amounted to K 6 million in 1954 and is expected to increase to K 10 million in 1955.

Gross private capital formation in *Ceylon* has been falling in recent years both in absolute terms and as a proportion of total gross capital formation. This has been due not to any deliberate policy on the part of government to place greater emphasis on public capital formation but to the collapse of the Korean war boom. Construction activity, which formed the bulk of private capital formation, fell from Rs 227 million in 1951 to Rs 143 million in 1953. The decline was also reflected in the two next important items of private capital formation, namely erection of machinery and opening of new plantations. Investment incurred in connection with the erection of machinery amounted to only Rs 42 million in 1953, as compared to Rs 53 million in 1951. On the other hand, imports of capital goods in 1953, though lower than in 1952, were still higher than in 1951. As far as industrial development is concerned, there is in Ceylon a shift from public to private enterprise. The government is withdrawing more and more from the industrial field and tries to encourage private enterprise to play a larger part. Government encouragement to private industry takes the form of exemption from or reduction of import duties on raw materials and machinery and also of direct financial assistance. The government is also trying to attract foreign private investment in industrial enterprises. Concessions listed among incentives include partial exemption from income tax up to five years and a high rate of depreciation allowance.

In *Thailand* also the Industrial Promotion Bill, recently passed by the parliament, seeks to provide financial and other facilities to private enterprises with a view to encouraging local and foreign investment in industrial enterprises.

The private sector accounts for almost 75 per cent of gross capital formation in both *Japan* and the *Philippines*. However, the composition of private capital formation is different in the two countries. While the share of fixed capital formation in total gross private capital formation is higher in the Philippines than in Japan (owing to larger volume of inventory increases in Japan), the share of productive equipment in fixed capital formation is larger in Japan than in the Philippines. During the period 1951-1953 it accounted for as much as 90 per cent of fixed capital formation in Japan, private housing accounting for the rest. In the Philippines, durable equipment and residential construction accounted for respectively two-thirds and one-third of fixed capital formation. Japan's high rate of capital formation in the post-war years appears to have been supported

TABLE 14

CAPITAL FORMATION OF SELECTED ECAFE COUNTRIES

(At current prices)

Year	Burma (Million K.)			Ceylon (Million Rs.)			Japan ('000 million Y.)			Philippines (million P.)		
	Gross capital formation	Gross capital formation as % of gross national product	Private gross capital formation as % of gross capital formation	Gross capital formation	Gross capital formation as % of gross national product	Private gross capital formation as % of gross capital formation	Gross capital formation	Gross capital formation as % of gross national product	Private gross capital formation as % of gross capital formation	Gross capital formation	Gross capital formation as % of gross national product	Private gross capital formation as % of gross capital formation
1947	481	16	51	130	5	75	345	26	58	698	11	92
1948	602	17	82	175	6	60	752	28	66	741	12	85
1949	260	8	81	276	9	55	831	25	64	663	10	71
1950	319	10	91	435	10	51	988	25	81	592	9	64
1951	476	13	63	556	12	60	1682	30	75	556	7	72
1952	743	18	63	609	13	50	1658	27	72	586	7	72
1953	870	19	48	559	12	44	1984	28	69	697	8	77
1954	*910*	*19*	*51*	..	..	..	..	..	..	..	..	..
1955	*1300*	*25*	*39*	..	..	..	..	..	..	..	..	..

Source: Burma. *The National Income of Burma 1954, Economic Survey of Burma 1954;*
Ceylon: United Nations. *Statistics of National Income and Expenditure*, series H, No. 6;
Japan: Economic Counsel Board, *Japanese Economy and National Income, 1954;*
Philippines: *Annual Report of the Central Bank of the Philippines 1953.*

partly by inflation. Financial institutions have financed almost two-thirds of private investment with funds obtained from the Bank of Japan. The policy of monetary restriction effective since October 1953 is designed to secure the required funds for capital formation out of voluntary savings of the private sector, instead of relying excessively on credit creation by banking institutions.

Various measures have been taken in the Philippines to encourage private investment in industries. These include tax exemption for new and essential industries, protection for domestic industries through drastic reduction of imports of competing goods, and exchange facilities for importing the capital goods and raw materials needed by these industries. However, only the United States citizen enjoys the same rights and privileges regarding investment as the Philippines national except in the repatriation of capital and remittances of profits, etc., where he is subject to exchange control and exchange tax as all other foreigners. The Central Bank has adopted a selective credit policy of encouraging industrial and agricultural loans and discouraging credits for non-essential imports and for residential construction and speculative activities. Private investment, which remained low in 1951 and 1952, increased substantially in 1953, but still remained below the peak (1948) level.

In *Indonesia* the falling off of private savings which accompanied the decline in *per capita* national income as compared to pre-war levels was further aggravated by the repatriation of foreign private capital. While a comprehensive policy on private capital import has yet to be officially adopted, the Indonesian Government, in keeping with the policies adopted by other governments in the region, has recognized the need for giving foreign investors freedom to transfer a reasonable part of their incomes and profits. However, foreign investment is sought only in industry, not in trading, banking or transport. As from 1954 only 15 per cent of Indonesian imports may be handled by foreign trading companies, another 15 per cent by non-Indonesian residents and the rest by Indonesian trading firms. It is the intention of the government further to reduce foreign control over the economy by converting all foreign trading enterprises in Indonesia into Indonesian enterprises. This is similar to the policy being followed in Ceylon where the government has been using bilateral trade agreements and import licensing as instruments for placing a larger volume of trade in the hands of Ceylonese nationals.[1] Prospects for foreign private investment in Indonesia however appear to be fairly bright since the Standard Vacuum Oil Company has planned to invest $80 million during 1955-57, and French, German and Japanese firms have also submitted investment proposals. An Industrial Development Corporation has been formed by the Indonesian Chamber of Commerce with the limited objective of facilitating the allocation of electric power and foreign exchange by acting as an intermediary between the government and businessmen and also between domestic and foreign businessmen. Industrial development in the private sector has been largely in the field of import-replacing industries like breweries, printing works, paint manufacturing, soap factories, weaving mills, clothing factories, etc.

Although in *India* the government is directly investing under the Five-Year Plan in a number of industrial fields, such as locomotives, chemical fertilizers, telephones, machine tools, etc., the major portion of industrial development is left to the private sector. The five-year financial programme for the organized private sector worked out by the Planning Commission envisages a total expenditure of Rs 6,130 million, out of which Rs 2,330 million is earmarked for industrial expansion. During the first three years, however, only about Rs 960 million or 41 per cent of the total target amount was actually spent on industrial expansion. Indications are that expenditure on modernization and replacement also lagged behind schedule. Supply of investible funds similarly did not reach the expected levels. During the first two years corporate savings and new issues provided only Rs 90 million and Rs 110 million respectively against an annual target rate of Rs 400 million and Rs 180 million respectively. Independent surveys of company finances have, however, shown that difficulties in the way of mobilizing equity capital rather than any inherent lack of investible funds have been responsible for the failure of private investment to reach the levels envisaged in the Five-Year Plan. A remedy to the difficulties in mobilizing equity capital is sought in the creation of a number of financial institutions, among which the Industrial Development Corporation and the Industrial Investment and Finance Corporation are likely to be the most important. The latter will invest mainly in rising industries capable of development by the private sector while the former will start new industries with government money in spheres where the size of capital required or the risk involved would deter private capital. Apart from creating institutions for providing industrial finance, the government has also given impetus to industrial development in the private sector through customs duties and quantitative import restrictions aimed at protecting domestic industries and through control of capital issues aimed at preventing misuse of investible funds.

In *Pakistan* the Pakistan Industrial Development Corporation (PIDC) and the Pakistan Finance Corporation have been instrumental in promoting private investment in industry—notably in textiles. The PIDC's policy of starting new factories and handing them over to private enterprises as well as liberal tax concessions to private industries have encouraged private investment. It has been estimated that private investment in industry during the last three years amounted to Rs 1,000 million.[2] In 1953/54 capital issues of a number of private companies were over-subscribed and new capital issues amounted to Rs 339 million[3] as compared with Rs 233 million in 1952/53.[4] Some of these, it is true, were financed by credit creation or from idle currency and bank deposits which apparently rose owing to reduced availability of consumer goods. Current savings appear to be increasing and there seems to be greater willingness on the part of the public to use these savings for industrial investment. Gross life insurance premiums, for instance, rose from Rs 9.8 million in 1951 to Rs 13.7 million in 1952, and it is expected that more savings will be mobilized through the Pakistan Insurance Corporation which started business in July 1953.

According to official estimates, capital formation in *Malaya* absorbs between 8 and 10 per cent of the national income and remains well above pre-1951 levels. Private

1. During 1954 imports from eastern European countries were brought under licence with a view to issuing licences to registered Ceylonese traders who also get preferential treatment in regard to imports from Japan and western Germany.

2. Consultative Committee for Co-operative Economic Development in South and South-East Asia, *Third Annual Report, 1954*.

3. Foreign capital participated to the extent of Rs 55 million in the new capital issues of 1953/54.

4. Pakistan: *Memorandum to the Consultative Committee for Co-operative Economic Development in South and South-East Asia*, New Delhi, September-October 1953.

investment accounts for the greater part of total capital formation, and construction and machinery and equipment are the more important items in capital formation. At present, private residential building is falling off somewhat from its former high levels, but in other fields the volume of private investment seems to be fairly well maintained. The chief source of funds for investment is the undistributed profits of companies already existing in the area. Another source is the payment of war-damage claims which, however, will cease in 1955.[1] There is also a steady flow of overseas capital into new enterprises, such as factories, plantations, mines and timber exploitation. No discrimination whatsoever is applied against external capital which is subject to the same taxes or regulations as local capital. It has been estimated that the Federation of Malaya drew on external resources for the capital formation in the public sector amounting to M$14.4 million in 1952 and M$24.2 million in 1953. The anticipated figure for 1954 was M$21 million.

China: Taiwan is following a policy of selling government enterprises to private interests on suitable terms. Under the land-to-the-tiller programme, four government corporations are to be handed over to land owners who will part with their land against payment partly made (30 per cent) in the form of stocks in these enterprises. Already many of the factories taken over from Japanese nationals have been handed over to private interests. However, should private capital not come forward to undertake risky enterprises, the government itself would take the initiative in launching them, but only with a view to selling them to private share-holders later on. Like many other countries of the region, China: Taiwan has also promulgated statutes for investment by foreign nationals and overseas Chinese which permit limited annual remittances of profits, and the government is, in addition, contemplating tax concessions designed to encourage new industries and expansion of existing ones. Americans, Japanese and overseas Chinese (particularly from Hong Kong) are prominent among the foreign investors who have shown willingness to establish factories in Taiwan.

1. A considerable part of these funds has been used to repay bank loans for rehabilitation already carried out, but the balance is available for investment.

DEVELOPMENT IN THE PUBLIC SECTOR

In most countries of the region development expenditure of the public authorities has been concentrated on basic services such as transport and electric power; on irrigation and flood control measures designed to increase the output of agriculture; and on expanding the capacity of export and other industries. It includes not only expenditure on additions to fixed capital equipment and building construction but also initial recurring expenditure on social services, agricultural extension, etc. In mainland China, however, the character of public expenditures is much wider in scope, extending into manufacturing and trading enterprises under State ownership.

Pattern of development expenditure

Table 15 shows the distribution of development expenditure in selected countries of the region.

With the exception of the Federation of Malaya which during the past two years had been spending on an average 62 per cent of its total development expenditure on social capital, all other countries place greater emphasis on the provision of basic services, such as transport and communications, and fuel and power and on the development of agriculture through better irrigation and flood control facilities. The definition of social services varies from country to country, but by and large it covers public health, education, housing and social security. The large share of social capital in development expenditure in the *Federation of Malaya* is accounted for by housing schemes, improvements in new villages, national schools and teachers' training institutions and extension of public health and medical facilities. In *Burma*, the restoration and development of transport and communication facilities has been emphasized as a prerequisite both to social and economic development and to internal security. The larger volume of development expenditure incurred on transport and communications is also explained by the fact that in contrast to other parts of the development programme, improvements in the transport system have been in progress for a considerable time and adequate machinery for implementation is already in existence. The approved programme, therefore, represents a broadening of programmes already under way rather than a new line of development, and progress on implementing the transport pro-

TABLE 15

PERCENTAGE DISTRIBUTION OF PUBLIC EXPENDITURE ON DEVELOPMENT IN SELECTED ECAFE COUNTRIES

	Agriculture forestry and fisheries	Multiple-purpose projects	Transport and communications	Fuel and power	Mining	Industry and research	Social capital and others	Average annual total expenditure (in millions of national currency)
Burma: 1953/54–1954/55	12.8	—	36.4	15.2	2.3	17.6	15.7	477.5
Ceylon: 1953/54–1954/55	26.4	11 4	25.6	8.9	—	5.4	22.3	375.2
India: 1953/54–1954/55	26.8	13.8	24.9	7.0	—	5.3	22.2	4,663.4
Indonesia: 1953-54	9.7	12.3	24.1	4.2	0.4	33.8	15.5	1,625.1
Malaya (Federation of): 1953-54	4.8	6.2	17.8	9.5	0.1	—	61.6	117.9
Nepal: 1953/54	28.6	—	19.3	21.2	1.2	16.6	13.1	9.9
Pakistan: 1953/54–1954/55	20.6	12.0	24.0	7.2	—	15.5	20.7	1,002.0
Sarawak: 1953-54	2.4	—	57.8	8.4	—	—	30.4	17.0

Sources: Economic Survey of Burma 1954, Consultative Committee for Co-operative Economic Development in South and South-East Asia, *Third Annual Report 1954*, Ottawa.

gramme could start more promptly than in the case of industry. In *Sarawak*, the high priority given to transport and communications is dictated by the need to open up the country.

While Ceylon, India and Pakistan also incur substantial expenditures on the provision of basic services, agricultural development which involves an extensive programme of irrigation covering minor as well as major multiple-purpose projects receives the highest priorities in these countries. In the case of *Pakistan*, this represents a shift in emphasis, since at the time the two-year (1951-53) priority plan was prepared the major emphasis was on industries; only a negligible amount was then allocated to agriculture. However, the fall in foreign exchange earnings and thus in the exchange reserves following the collapse of the Korean war boom, coupled with the food shortage in 1952/53, led to a new emphasis on the execution of agricultural schemes to raise grain production and thus secure a better balance of development expenditures. The large outlays on agricultural development in *India* and *Ceylon* reflect the high priority given to increasing domestic food production as a main means of saving foreign exchange.

The emphasis given in many countries of the region to agriculture as well as to basic services tends to limit the investment which the government can itself undertake in industries. In fact, the general trend has been to confine government direct investment to defence industries and to certain other specified key industries which by their very nature would not attract private capital. The rest of the industrial field is left largely to private enterprise. Of course, the government would supplement whenever necessary the resources of the private sector by providing financial assistance either directly or through the medium of institutions specially set up for the purpose. The greater stress being laid on the development of agriculture and basic facilities represents the desire on the part of the countries to strengthen the base of their economies. Once this is achieved, it is expected that the emphasis will shift to industries. The Government of India, for instance, has already announced that in its Second Five-Year Plan greater emphasis will be laid on industrialization. *Indonesia* is perhaps the only country among the Colombo Plan members which at present devotes a relatively high share to industries.

In *China: Taiwan* the Four-Year Plan stresses industrial development rather than agricultural expansion. The need to increase industrial production to replace imports, a good portion of which is now being financed by United States aid, is obvious, particularly in view of the fact that Taiwan's limited agricultural resources are already relatively well developed. In the development programme of the *Philippines* nearly a third of the proposed public investment outlay has also been earmarked for manufacturing industries. In contrast to ather countries of this region the proposed outlay on transport and communications is rather limited in the Philippines. Considerable sums are, however, to be spent on multiple-purpose projects and power development. Since the light manufacturing industry of the *Republic of Korea* has been separated from the power and heavy industrial base situated in the North and its agriculture from the northern source of fertilizers needed for rice production, the filling up of these gaps has been given top priority together with housing, in the Korean reconstruction programme.

Expenditure on social services, generally speaking, has been maintained in most of the countries, although financial stringencies and the need for increased output within a short period of time have limited the amount which governments could devote towards this end.

In *mainland China* economic development under the First Five-Year Plan (1953-57) is sought through rapid industrialization and consequently the major share of capital investment is to be devoted to industrial development, especially in the sphere of heavy industries. While agriculture is to be developed with a view to augmenting the agricultural surplus and to ensuring adequate supplies of raw materials, capital investment in agricultural development will be limited, because of the greater use of labour intensive methods. This pattern of development is being pursued through a long range policy of enlarging the State-owned sector where the means of production are publicly owned and measures of direct control can be exercised. At present the State sector is predominant in large scale enterprises in industry, transport, trade and banking. And the State sector is stated to have contributed 53 per cent to the total value of industrial production in 1953 as compared with 34 per cent in 1949. Also in the "co-operative" and "State capitalist" (*i.e.* joint state-private) sectors, special measures are taken to dovetail production and marketing plans with the centralized plan for the State sector as a whole.[1]

GROWING VOLUME OF DEVELOPMENT EXPENDITURES

Trend in expenditures

Total development expenditures of the governments of Burma, Ceylon, India, Malaya and British Borneo and Pakistan have been steadily increasing during the past three years; they were 27 per cent higher in 1953/54 than in 1952/53 and in 1954/55 an increase of 31 per cent over the 1952/53 level is expected.[2]

In *India*, out of a total development expenditure of Rs 8,848 million[3] incurred during the first three years of the operation of the Five-Year Plan, 29 per cent was spent in the first year, 31 per cent in the second year and 40 per cent in the third. It is true that the total expenditure incurred during the three years represents only 40 per cent of the revised target of development expenditure in the Five-Year Plan. But it should be remembered that development expenditures have been so phased that the later years of the plan will have a higher rate of expenditure than the earlier years. Moreover, towards the end of 1953, the total outlay envisaged in the plan has been raised by Rs 1,800 million to be spent on schemes designed to yield increased employment within a short period. The short-fall in expenditure during the first three years of the plan could also be explained in terms of the late finalization of the plan, delayed commencement of some of the schemes, lack of detailed blueprints of projects and the time involved in setting up the necessary administrative machinery.

For the year 1953/54 a total of K 565 million was budgeted in *Burma* for capital expenditure in the public sector, covering both public enterprises and government departments. But the actual capital expenditure, both produc-

1 *Infra*, section on the mainland in chapter 10 on China.

2 Consultative Committee for Co-operative Economic Development in South and South-East Asia, *Third Annual Report, 1954*.

3. *Five-year Plan Progress Report for 1953/54* (Planning Commission, Government of India).

tive and social, lagged significantly behind the approved programmes, particularly during the first half of the fiscal year. This was inevitable in so large a programme administered in the main by relatively new agencies, many of which were still in the process of organizing and preparing for the execution of the projects. Nevertheless, it is estimated that public capital formation reached the level of K 450 million in 1953/54. Out of this, K 425 million would represent additions to fixed capital and K 25 million increases in stocks. If allowance is made for capital expenditure of K 90 million on defence, capital expenditure on development would amount to K 335 million. In 1952/53 public capital formation also amounted to about K 450 million, but almost half of it represented inventory increases, additions to fixed capital accounting for only K 237 million. For 1954/55 the target for government expenditure on gross capital formation is K 790 million, out of which K 100 million will represent capital expenditure on defence and K 30 million on inventory increases.

The abolition of food subsidies and the policy of balancing the budget which followed the financial crisis of 1952/53 have placed the Government of *Ceylon* in a better position to promote economic development without serious danger of internal inflation or an external payments crisis. Estimated development expenditure in 1953/54 at Rs 350 million was Rs 50 million higher than in the previous year and is expected to increase by another Rs 50 million in 1954/55.[1] In the *Federation of Malaya*, a sharp rise in the labour cost and additional expenditures necessitated by the emergency have caused financial strains in recent years. Yet it appears that development expenditures have been well maintained. The governments of Malaya and British Borneo taken together incurred a development expenditure of M$240 million in 1953/54 which was 33 per cent higher than in the previous year. A further increase of 14 per cent over the past year is planned for 1954/55.[2] The programme of economic development of *Pakistan* has required public expenditure of about Rs 2,000 million between 1951/52 and 1953/54. For the year 1954/55 the central and provincial governments together are planning to spend Rs 1,142 million which would mean that by the end of 1954/55 the total outlay on development would have exceeded the target of Rs 2,600 million fixed in the Six-Year Development Plan of Pakistan. Some of the increases reflect the general rise in prices. But the major part of increased expenditure is a result of the expansion of the physical programme originally drawn up.

The estimated deficit in the government accounts of the *Philippines* of P 40 million in 1953/54 was due mainly to an increase in expenditure on development which rose from P. 324 million in 1952/53 to P. 427 million in 1953/54.[3] Draft estimates for 1954/55 indicate that the level of development expenditure should be maintained. In *Thailand*, owing partly to the government's policy of spreading development expenditure over a period of years and partly to technical and personnel problems in connection with the implementation of projects, actual expenditure on economic development in 1953, as against a budgeted expenditure of Baht 941 million, amounted to only Baht 656 million, a cut-back compared to 1952. While an expenditure of Baht 1,233 million is budgeted for economic development in 1954,[4] the prospects are the actual expenditure will be lower because of the existence of technical bottlenecks and the continuance of a policy of spreading out development expenditure. In *Indonesia* the reduction in overall government expenditure, necessitated by serious balance of payment difficulties, has affected capital outlays on development.

In *Japan* direct investment by the government for economic development projects such as forestry protection, expansion of food production and construction of roads and harbours increased sizably in 1953/54[4] as compared to the previous year and in 1954/55 it is expected to be maintained at the level of 1953/54.[5] As for the indirect investment expenditures by the government through such institutions as the Japan Development Bank, the Electric Power Resources Development Company, etc., they maintained a high level of over Y300,000 million both in 1952/53 and 1953/54, but will be deliberately reduced to Y280,500 million in 1954/55 as part of the retrenchment policy. However, public funds actually made available to industries for development purposes are as high in 1954/55 as in 1953/54 at the approximate level of Y130,000 million, partly because of the lag between the appropriation by the government and the actual advance to industries and partly because of reinvestment of interests and some principals by intermediary semi-public banks.

The 1953 budget of *mainland China* allocated a sum of PBY104,000,000 million or roughly $4,400 million to economic development but only about PBY86,000,000 million ($3,700 million) or 83 per cent of the budgeted amount was actually spent owing to large military outlays and delays in the implementation of projects. The level of actual expenditure incurred on economic development thus represents about 13 per cent of the gross national product estimated at $30,000 million.[6] Roughly three-fifths of the total actual expenditure on economic development were devoted to capital-intensive projects under the heads "industry" and "other" (probably defence industries), and the remaining two-fifths to labour-intensive projects in the fields of agriculture, forestry and water conservancy, transport and trade and banking. The tempo of economic development has been further stepped up in 1954 when the total budget provision for economic development was increased by 32 per cent; 63 per cent of the proposed outlay is to be devoted to capital-intensive projects and the balance to labour-intensive projects. The rate of increase in developmental expenditure is greater in the case of heavy industries, transport and communications than in the case of trade and banking, industries, agriculture, forestry and water conservancy.

Financial resources for development

It is true that basic development has been slower than is needed to achieve the objectives of the various economic development plans. But what is significant is the fact that even in the face of declining financial resources, almost all the governments in the region succeeded in maintaining and even raising their expenditure on development programmes. This has resulted in widening of the gap between the estimated costs of firm development programmes and foreseable financial resources. In the case of India, while savings mobilized through public loans and small savings schemes are likely

1. Consultative Committee for Co-operative Economic Development in South and South-East Asia, *Third Annual Report, 1954*.
2. *Ibid.*
3. Data supplied by the United Nations Fiscal Division.
4. Government of Thailand figures.
5. Expenditure out of the general account for these purposes amounted to Y81,700 million in 1952/53, increased to Y103,400 million in 1953/54 and will further rise slightly to Y109,100 million in 1954/55.
6. Rostow. *op.cit.*, p. 279.

to reach the target, a short-fall in revenue surplus of the State governments and profits of government enterprises seems to be inevitable for the plan period as a whole.

The general decline of export prices has lowered the yield of export duties and the reduction in many countries of imports, particularly of less essential goods, has similarly lowered the yield of import duties. Such a trend was most noticeable in Pakistan and in the Federation of Malaya.

Burma, where the contributions from the State-managed boards (in particular, the State Agricultural Marketing Board) have accounted for something like 45 to 50 per cent of total revenue, has not so far experienced any shortage of financial resources in relation to feasible expenditure on development. The other countries have taken a variety of measures with varying degrees of success for meeting the situation arising out of the widening gap between expenditure needs and foreseable available financial resources.

Ceylon and Pakistan have followed a policy of holding non-development expenditure under strict control. Intensified collection of existing taxes and re-orientation of the tax administration have resulted in improvements in tax revenue in the Philippines and in Thailand. In Indonesia, while all postponable expenditures are being deferred, new taxation measures have also been taken. With a view to mobilizing the savings partly created by the severe restraint upon imports, Pakistan extended the facilities available under the small savings scheme. In addition, successful efforts have been made to promote non-central bank purchases of government bonds and treasury bills.

Of particular significance is the creation in several countries of new government-sponsored institutions like the Industrial Development Corporations in India and Pakistan for mobilizing and channelling domestic savings into investment. Mention must also be made of certain specially favourable circumstances which have provided additional resources for development. The buoyant demand for tea caused by the abolition of rationing in the United Kingdom, for instance, resulted in a substantial increase in Ceylon's customs revenue from the export duties on tea. In India, efforts of the government in raising loans from the capital market have met with growing success and the indications are that the target for loans from the public in the Five-Year Plan will in all probability be exceeded. While budget estimates for 1953/54 placed net loan receipts at the negative figure of Rs 20 million, the revised estimates show that loan receipts would be of the order of Rs 416 million. In view of the satisfactory response to the national plan loans of 1954, it is expected that the actual receipts in 1954/55 will exceed the budget estimates of Rs 432 million.

An encouraging feature of the process of development in this region is the growing realization that resources can be mobilized for development outside the conventional financial mechanism. In this respect, voluntary community co-operative activities undertaken under the community projects programme in India and the Pyidawtha projects programme in Burma, have demonstrated how unused and under-employed human and physical resources can be brought into production with relatively little capital and how yields from existing resources can be increased at relatively little cost. The basic principle of these programmes is that the motive force for improvement should come from the people themselves and also that the co-operative principle should in general be applied to solve problems of rural development. It is intended, with relatively small government expenditures (about 4 per cent of the total outlay of the Five-Year Plan in India), to provide the necessary incentive and desire on the part of the villagers to better their own lot. The programme would also contribute to the absorption of underemployed rural manpower at a capital output ratio far lower than in the case of usual development expenditures. In the Pyidawtha projects, which are carried out by local voluntary efforts with government assistance, cash formed about half of the voluntary contributions, labour more than one-third, and materials the remainder.

Such techniques, no doubt, can cover only a limited sector of developmental activities but they are fundamental to economic development and are growing in importance. Ceylon has national community programmes in the making, and in the Philippines, while there is as yet no comprehensive national programme for community development, the community school movement provides an interesting and significant beginning.

Financial and technical assistance from international agencies and from inter-governmental bodies or individual governments through grants and loans and through the provision of technical personnel are also an important element in supplementing domestic resources devoted to development. Details of the various forms and types of external aid given to the countries of the region by contributing countries and by international agencies are given elsewhere.[1] While external grants and loans are playing a valuable role, the total magnitude of such assistance is rather small. For instance, loans to countries in the region authorized by the International Bank for Reconstruction and Development up to October 1954 amounted to $230 million or 11.6 per cent of the total amount authorized by the Bank and the amount disbursed to the countries in this region totalled only $104 million or 7 per cent of the total disbursed. The fact that the Bank has been able to dispose of more non-dollar resources for lending is, however, worth nothing, as this may facilitate borrowing by countries which find it easier to service loans in non-dollar currencies. Moreover, the expanded possibilities of non-dollar borrowing have coincided with the increased availability of capital equipment from non-dollar countries.

In addition, most countries in the region have taken specific measures to improve the climate for private foreign investment or issued official declarations welcoming foreign enterprises in specific fields. It may be noted that such special efforts to enlist the participation of private foreign capital in particular ventures are becoming more and more successful. Thus, the Sui Gas project in Pakistan, financed by both private and public capital, has secured the participation of United Kingdom capital. In Burma, the government has gone into partnership with existing foreign enterprises in the fields of oil and minerals and this may bring in more foreign capital in the future. In India, foreign capital has been successfully enlisted together with private domestic capital in the construction of three oil refineries.

In mainland China, receipts from State enterprises (mainly State trading companies) have been an important source of financing development. Their share in total revenue increased from 13 per cent in 1950 to 35 per cent in 1953 and is budgeted to rise to 36 per cent in 1954. Even though there may be an element of over-statement in these

1. *Supra*, chapter 3 on "International trade and payments".

receipts, it is evident that the sphere of operation of state trading companies has been steadily expanding and now includes both foreign and domestic trade. The scheme of planned purchase and planned supply applies not only to foodgrains and edible oils, but also to cotton and cotton cloth. The government has also taken measures to absorb the excess purchasing power in the hands of the rural population resulting from the State purchase of agricultural products. These measures include promotion of rural savings deposits by the offer of preferential interest rates. While external assistance in the form of technical and financial aid is available from the USSR and other eastern European countries, the financing of economic and social development is sought largely from internal sources. In this connection, great stress is being laid on the employment of surplus rural labour in flood control, drainage and irrigation, building of roads and railways, etc.

CONCLUSION

The increases in agricultural and industrial production resulting from the expenditures incurred on development programmes have been described in earlier chapters. These increases, while not spectacular, have been large enough to permit a rise in the *per capita* incomes of many countries of the region. Table 16 shows the index number (1948=100) of *per capita* real income in selected ECAFE countries.

The *per capita* income in Burma, where production facilities suffered from destruction during the war and later during the period of insurrection, is still substantially below the pre-war level; but it has been steadily rising since 1951. *Per capita* incomes in Ceylon, Malaya and Thailand have shown large increases in recent years compared to pre-war levels but have been fluctuating, depending on the volume of export earnings. India and the Philippines have also been recording steady increases but the lack of data relating to pre-war years makes it impossible to compare the current levels of *per capita* incomes with pre-war levels. While China (Taiwan only) had by 1953 surpassed the pre-war level, Japan had almost reached the pre-war level by that year.

It is important to note that substantial expenditures have been incurred in developing overhead facilities and in expanding the base of the economics. The effect of such expenditures on production and incomes however is not immediately obvious, as they take time to reach the stage of fruition. Table 17, which shows the imports of selected capital goods into ECAFE countries, would serve as an index of the success of the efforts being made to expand the capital base of the economics.

The foreign exchange resources which accrued during the Korean war boom gave a fillip to development expenditures both in the public and private sectors. This led to a direct increase in foreign exchange expenditures on capital goods imports which reached high levels in 1952. The sharp decline in export earnings which followed the collapse of the Korean war boom, however, necessitated a lower level of imports in many countries. Even though import restrictions imposed by governments did not apply to import of machinery and materials required for industrialization and development, the general fall in incomes did affect investment activity and the demand for capital goods imports. Hence 1953 witnessed a lower level of capital goods imports compared with 1952. This was particularly so in countries like Malaya, which depend heavily on export earnings and whose investment activity is concentrated in the private sector. In Pakistan, owing to the over-all shortage of foreign exchange resources, the decline in capital goods imports in 1953 was most drastic, in spite of the substantial volume of imports of such goods on government account. By 1954 the situation had, generally speaking, improved in many countries as a result partly of the re-orientation of export prices and policies and partly of the success of import control measures, and it was possible to finance a larger volume of capital goods imports. The improvement was most noticeable in Pakistan where the increase in domestic output of certain manufactured consumer goods had made it possible to use more foreign exchange for capital goods imports. In India, in spite of an improvement over 1953, the 1954 level is still below 1952; this may be explained in part by the increase in the domestic output of certain types of capital goods. The general decline in export incomes continued to limit the volume of capital goods imports into Malaya.

TABLE 16

INDEX NUMBER OF PER CAPITA REAL INCOME[a] IN SELECTED ECAFE COUNTRIES

(1948 = 100)

	Burma[b]	Ceylon	China: Taiwan	Hong Kong[c]	India[c]	Indonesia	Japan[c]	Malaya	Pakistan[c]	Philippines	Thailand[d]
1938	151	66	118	..	..	100	174	..	..	..	77
1947	87	92	..	88	..	..	88	95	..	94	88
1948	100	100	..	100	100	..	100	100	100	100	100
1949	91	107	100	107	101	..	112	98	100	103	123
1950	83	130	105	..	100	..	131	142	..	114	136
1951	92	142	106	..	102	86	143	..	..	116	129
1952	97	137	118	..	*106*	88	160	..	..	121	118
1953	*104*	130	128	..	*112*	..	172	..	..	*135*	..

a. Rough estimates by deflating national income at current prices by cost of living index for Ceylon, Hong Kong, Malaya, Pakistan, the Philippines and Thailand.
b. National income at current prices deflated by the ratio of "gross domestic product at current prices to gross domestic product at 1947/48 prices".
c. Year beginning 1 April.
d. Net domestic product at factor cost.

TABLE 17

VALUE OF IMPORTS OF SELECTED CAPITAL GOODS[a] INTO ECAFE COUNTRIES

(million dollars)

	1948	1949	1950	1951	1952	1953	1954[b]
Burma[c]	55.0	20.3	15.7	17.8	32 0	38.7	54.0
Cambodia–Laos–Viet-Nam	39.6	50 8	50.3	57.5	106.0	97 1	67 1
Ceylon	28.6	30.5	23.8	42 9	51.2	45 9	33 2
China: Taiwan	..	.	10.0	19 5	27.3	22 9	21 1
India	419.8	479.7	340.0	346.1	357.6	313 0	329 8
Indonesia	66.1	95.6	62 1	135.0	160.9	190.8	199.0
Malaya	82.4	74.6	75 4	148 5	167.5	120.8	109.0
Pakistan[d]	41.8	59.4	69.0	88 2	128.9	61 4	112.6
Philippines	81.5	94.8	52.9	78.6	82.4	104 1	107.8
Total of above countries	814.8[e]	905.8[e]:	699.1	934.2	1,113 8	994.8	1,033.7

Note Figures which were originally supplied in national currencies have been converted into US dollars at exchange rates given by the International Monetary Fund.

Sources: National trade returns.

a. Comprising base metals, metal manufactures and machinery and transport equipment For the Philippines (except for 1953 nd 1954), China Taiwan and Pakistan, figures relate to iron and steel manufactures and machinery and transport equipment

b. Annual rate based on first 9 months' figures, except for Cambodia, Laos, Viet-Nam, Malaya, and Pakistan figures for which are based on Jan-Aug returns.

c. Prior to 1951, years ending 30 September.

d. Prior to 1950, years beginning 1 April.

e. Excluding China: Taiwan.

Chapter 6. AFGHANISTAN

Afghanistan, covering an area of 650,000 square kilometres, has an estimated population of about 12 million.[1] Four-fifths of the land area is covered by mountains, two large potentially fertile plains, in the north and in the south-west afford considerable scope for development. There are large deposits of many minerals including oil, coal, zinc, lead, iron, chrome, magnesium, manganese and copper. No proper geological survey, however, has been made except for a beginning in petroleum; known coal reserves are estimated at 59 million tons. Very few mineral deposits are worked at present. A network of big rivers (none navigable) affords considerable scope for irrigation and hydro-electric power, especially the Helmand river and its tributaries.

The national income for 1953/54 is estimated at Afg 12,500 million, giving a *per capita* income of Afg 1,000.[2] Ninety-five per cent of the people depend on agricultural and pastoral pursuits which provide almost 80 per cent of the national income. With improved public health conditions[3] population is estimated, on the basis of limited data, to be increasing by 2 to 3 per cent per annum.[4] Of the 12 million people, less than one million live in urban areas. Two million nomads present special problems in administration, but many are being settled in the Helmand Valley.

Afghanistan has about 5,300 km of gravel roads[5] but no navigable rivers or railways, and hardly any air service. Frequent break-downs of tele-communications occur because of high winds and poor installation, the radio-telegraph network is available mainly for government use. The country is landlocked with no sea-ports and has common frontiers with the USSR, Iran and Pakistan. Most of its foreign trade is through the port of Karachi, Pakistan, and this has raised some problems.[6]

The deficiency of transport has been a major handicap to development, and even the present efforts to improve this service are inadequate. Highway development is urgently needed, so also other means of transport including internal air services.

The country is self-sufficient in foodstuffs,[7] but has to import manufactured consumer and industrial goods. Its exports are agricultural products, 55 per cent by value being karakul (Persian lamb) skins, wool and cotton. Dependence on karakul, an unstable luxury item, for 30 per cent of the country's export earnings has made the planning and financing of economic development more difficult.

Before the war, Afghanistan's important trading partners were the USSR, Germany, the United Kingdom, India and Japan. The closing of German and Japanese markets during the war, difficulties in supply from Europe in the early post-war years, and loans from the United States since 1950 have contributed to make the United States, next to India, the most important trading partner of Afghanistan, both as a supplier and as a market for sheep skins.

1 No population census has so far been undertaken in the country

2 At the official rate of exchange of $1 = Afg 17, the *per capita* income is about $60 per annum. But at the more realistic market rate the per capita income would be about $25

TABLE 18

AFGHANISTAN. PROVISIONAL ESTIMATE OF GROSS NATIONAL PRODUCT BY INDUSTRIAL ORIGIN, 1953/54

	Million afghanis		Per cent	
Agricultural products		9,000		72.0
Wheat	4,085		32.7	
Fruits	1,020		8.2	
Karakul, hides and wool	680		5.4	
Livestock	1,000		8.0	
Dairy	1,000		8.0	
Cotton	380		3.0	
Others	835		6.7	
Industrial products		800		6.4
Textiles	200		1.8	
Electricity	120		1.0	
Carpets and rugs	220		1.6	
Sugar, mining, building materials and other products	260		2.1	
Trade and other services		1,000		8.0
Wood		800		6.4
Miscellaneous		900		7.2
Gross national product		12,500		100.0

Source Ministry of Finance, Government of Afghanistan.

3. With aid from the United Nations World Health Organization, malaria and other diseases, formerly widespread, have been wiped out in large areas. After the second world war there was only one hospital, now many have been built

4 Based on data of male population in the Kataghan Province from 1944/45 to 1950/51. The estimated increase in total population from 10.97 million in 1937 to 12 million in 1951 would however mean a much smaller rate of increase

5. About two-thirds motorable all the year round

6. In the third quarter of 1954, it was reported that the Government of Pakistan had decided to allow goods imported from other countries on transit to be exported to Afghanistan (*Pakistan News Digest*, 15 August 1954).

7. The reportedly poor wheat crop in 1952/53 led to an import of 10,000 tons of flour at a cost $1.5 million, financed by the United States Mutual Security Agency.

DEVELOPMENT PLANNING

Afghanistan is deficient in overhead economic capital such as transport, power and trained personnel.[1] The seven-year Over-all Economic Development Plan[2] (1932/33—1938/39) reformed the currency, introduced corporate business organization, encouraged private investment in textiles, sugar and leather-goods manufacture, but did little for transport or power.

Since the war, owing to lack of financial resources, the government has mainly concentrated on individual projects. The Helmand Valley development has been tackled first, but the costs have exceeded by many times the original estimate and innumerable unforeseen difficulties have arisen.

The five-year plan

An integrated five-year plan was submitted by the Ministry of National Economy to the United States Export-Import Bank in early 1949 as the basis for loan negotiations (see table 19). However, the bank preferred to consider only applications for individual projects which would meet the bank's criteria for lending.[3] The government therefore made a second request for $34.2 million, of which $8.8 million was to be spent on the Kajakai Dam, $9.4 million on the Boghra canal, $8.2 million on the Arghandab dam, $4.0 million on coal mining equipment and $3.8 million on the cement plant. The bank granted, in April 1950, only $21 million repayable in eighteen yearly instalments from October 1956 to cover the three irrigation projects.

The five-year plan prepared in 1948 was revised in 1949, but was not formally adopted by the government partly because of difficulty in borrowing sufficient funds, and partly because the government had not agreed on a definite policy. But, projects for the expansion of the textile industry and the Sarobie hydro-electric power plants were carried out jointly by the government and by private enterprise.

In the revised five-year plan, the estimates of capital-output ratios[4] were mainly based upon experience in other countries with similar conditions. In agriculture (irrigation) the assumed ratio was 1.2:1 to 1.8:1,[5] in the textile project 2.3:1, in cement and tile projects 4.6:1, and in tele-communication and hydro-electric installations 6.7:1.[6] From these ratios and the distribution of investment between the projects, it may be estimated that the over-all capital/output ratio of the plan was about 2.7:1. The foreign exchange cost of the revised plan was two-thirds the total cost because of the nature of the projects and of the lack of industrialization of the country, although a foreign exchange requirement equal to one-third of the total cost is usual in the development programmes in most other countries of the region except India and Japan, where it is even lower.

The most important part of the revised five-year plan relates to the irrigation projects, especially the Helmand Valley project. Before soil fertility had been impaired by cultivation without fertilizers and rotation of crops centuries ago, this valley produced agricultural surpluses. Hand-built canals and weirs followed the shifting river course, but their deterioration largely destroyed the once flourishing cultivation. In 1946, about 60 per cent of the 200,000 hectares of good soil lay idle. Some canal building had been carried out before the war, but only in post-war years was the problem tackled in earnest. The foreign exchange accumulated during the war years and the high price of karakul skins in early post-war years enabled the government during the four years 1946/47–1949/50 to spend on the development of the valley $16.6 million, plus Pakistani Rs 12.5 million and Afg 39.6 million, though without making much headway. Irrigation projects had been started without a thorough survey. Complications arose when it was realized that dams and reservoirs would have to be built to permit effective use of the water. The estimated further cost of developing the valley was put at $63.7 million in 1949. Of this, $23 million for the first phase was included in the revised five-year plan. The whole project when completed would irrigate 280,000–360,000 hectares of land of which about two-thirds would be new or reclaimed land not yet under cultivation.

The expenditure on the development of the Helmand Valley has been a great strain to the country. From 1948/49 to 1953/54 government expenditure on this project from its own funds (i.e. not including expenditure financed by the United States Export-Import Bank) absorbed 15 per cent of the government revenue. Before the loan from the Export-Import

In the early post-war years less than 10 per cent of the boys and less than 0.3 per cent of the girls of elementary school age were in school. Now, however, primary education is compulsory and literacy is estimated to be over ten per cent. Free education is provided up to the university level, but both the demand and the facilities available are still extremely limited. Technical and vocational schools have also been opened.

The plan was mostly self-financed, except for the $1 million loan from the United Kingdom borrowed in 1937 and repaid by 1947.

The bank was guided by three major considerations: (1) the ability of Afghanistan's balance of payments to aborb the debt service burden, (2) the amount of investment which would make greatest contribution to the intermittent food deficit, and (3) the minimum amount necessary to enable the Afghans to give the contractor an economical volume of business. For further detail, see Peter G. Franck, *Obtaining financial aid for a development plan — The Export-Import Bank of Washington loan to Afghanistan*, September 1953 (US Government Printing Office).

TABLE 19

AFGHANISTAN: COST OF THE REVISED FIVE-YEAR PLAN 1949-53

Million dollars

	Revised Five-Year Plan		Percentage distribution of total cost
	Total cost	Foreign exchange requirement[a]	
Irrigation	44.3	28.7	37.6
Of which: Helmand	23.0	18.4	19.4
Arghandab	10.7	6.3	9.1
Kataghan	10.6	2.0	9.0
Industry	36.2	24.8	30.6
Cotton ginning, seed, soap, sugar (Kataghan)	3.7	1.1	3.1
Textiles	25.7	18.2	21.8
Cement and brick	5.6	4.5	4.7
Foundry and machine shop	1.2	1.0	1.0
Mining: coal and others	7.0	5.5	5.9
Electricity (hydro-electric)	9.0	5.0	7.6
Road building and transportation services	3.5	2.5	3.0
Tele-communications	14.0	7.8	11.9
Engineering surveys	4.0	4.0	3.4
Total	118.0	78.3	100.0

Source: Peter G. Franck, *op.cit.*

[a] Not including about $4 million in Pakistan rupees for expenditures in Pakistan which were included in the original version of the plan.

4. The ratio of capital investment (input) to the estimated value of the annual output expected from the investment.

5. Excluding the investment by the farmers.

6. See Peter G. Franck, "Problems of Economic Development in Afghanistan", in *Middle East Journal*, July 1949, pp.293-314; also Peter G. Franck, *op.cit.*, p.18.

Bank was obtained, the foreign currency cost of government expenditure on the project absorbed 19 per cent of the country's export proceeds (1946/47–1949/50), while total costs were about 27 per cent of government revenue (1948/49).

The target dates of the revised five-year plan have been constantly adjusted to take account not only of the financial bottlenecks, but also of the physical ones such as lack of personnel in planning, delays in arrivals of equipment and in construction. The difficulties in carrying out the Helmand Valley project include the lack of data on the various soils in the area, lack of knowledge of the proper methods of using water for the different types of crops suitable to the locality, the uneconomic size of holdings fixed by the government, the delays in allocation of land to would-be settlers, and the lack of agricultural extension service personnel. Construction delays were experienced on the Boghra Canal and on the Kajakai Dam,[1] but the Arghandab Dam was finished on schedule in December 1952. In 1953 and again in 1954 about 8,000 hectares of additional land were irrigated. To solve the difficulties raised by the development of the Helmand Valley the government in July 1952 created an autonomous Helmand Valley Authority with very wide powers.

In the industrial field, a German firm in 1950 started construction of the Sarobie hydro-electric power project and 15,000 additional spindles were ordered for the old textile mill at Pul-i-Khumri which began working in 1953. Contracts were also signed in 1951/52 for a new factory at Gulbahar with 60,000 spindles and 1,250 power-looms.

Total public and private investment expenditure increased by about 75 per cent between 1949/50 and 1952/53 (as per indicators in table 20); the increase was large in real terms also because the cost of living index increased by only 6 per cent. It is estimated that domestic investment was 10.3 per cent of gross national product in 1953/54. This is fairly satisfactory for Afghanistan, which has a relatively low level of national income. But it should be noted that part of the investment was financed by the loan from the United States Export-Import Bank.

Current developments in planning

The Central Planning Unit under the Ministry of National Economy was formed towards the end of 1952 to collect data and draw up a comprehensive plan integrating the projects proposed by the various ministries. This unit, which created eleven sub-units for agriculture, transport, etc., has not yet produced any co-ordinated plan. In fact, it stopped functioning, in September 1953. The secretariat attached to it was shifted to the Prime Minister's office in the second half of 1954, but new members for the Central Planning unit have not been nominated as yet.

As early as January 1953 the government applied for a second loan of $20 million from the United States Export-Import Bank mainly to finance the opening up of new land under the Arghandab Dam (12,000 hectares) and the Boghra Canal (32000 hectares) and to improve 51,000 hectares of land through better drainage and water control. Other projects included were the Arghandab power plant ($2.1 million), a chrome mining programme ($0.4 million), a comprehensive soil survey of the Helmand Valley ($1.0 million), and a road improvement and maintenance programme ($5.3 million). The bank in early 1954 granted a loan of $18.5 million repayable in eighteen years.

The government has many other development projects which cannot be implemented for lack of foreign exchange. One such project, prepared with the help of the United Nations International Civil Aviation Organization, is the proposed establishment of an international airport at Kandahar[2] at an estimated cost of $2.15 million plus Pakistan Rs 600,000 and Afg 18 million; the government feels it can find the funds for the cost in Pakistani rupees and in Afghanis, but would like to obtain an international loan for the dollar cost. Since the country has recently become a member of the International Bank for Reconstruction and Development, loans from the International Bank for financing this or other projects may become a possibility.

PRODUCTION

In sugar beet and raw cotton production and in several industries such as textiles and sugar processing output has increased rapidly above pre-war levels. The production of karakul skins, however, is generally lower than before the war because bad winters in 1944 and 1948 destroyed about a third of the flock. The increases in output were mainly the result of development projects. The diversification of both production and exports continued to receive the attention of the government. Steps were also taken to solve the difficulties in the karakul sheep rearing industry.

1. This dam has been completed.

2. The incentive for international airlines flying from Europe to the East to use Kandahar will be the saving of two flying hours as compared with the existing routes.

TABLE 20

AFGHANISTAN: INDICATORS OF INVESTMENT

Million afghanis

Fiscal year	Expenditure on public work, irrigation and agriculture[a]	Expenditure of government enterprises	Investment of Bank of Afghanistan in enterprises[b]	Investment of the Banke Millie Afghan Kabul	Total
1948/49	..	..	..	324	..
1949/50	115	16	31	392	554
1950/51	238	40	36	433	747
1951/52	266	36	68	421	791
1952/53	279	87	138	464	968
1953/54	218	94	172	..	..
1954/55	507[c]	112[c]	..	..	..

Source: Ministry of National Economy and Bank of Afghanistan.

a. Including expenditure on Helmand Valley projects financed both out of its own revenue and by borrowing from the United States Export-Import Bank.

b. Consisting of shares owned by the bank in various enterprises such as Electric Corporation, Textile Co., Cement Co., Ahak Corporation, Naimana Handicraft and Construction Co. The bank does not hold any government bonds.

c. Estimates.

Agriculture

Inefficient methods of cultivation and landless labour are among the important problems in agriculture. Of the population dependent on agriculture, only 10 per cent are peasant proprietors, the rest being landlords or agricultural labourers.

Studies made by the United Nations Food and Agriculture Organization indicate that the use of improved simple implements would increase crop yields and save labour; for example, a person with a scythe (not used at present) could cut two to five times as large an area as a person with the Afghan sickle. The use of pulling hoes would facilitate weeding. One of the reasons discouraging the use of farm tools is the high import duty of 35 per cent on the c.i.f. price.

Wheat is sown on 1.5 million hectares, about half the total cultivated area, yielding about 1.7 to 2 million tons per year. Yields per hectare are rather low partly because of the use of inferior seeds; seeds sold in the bazaar, for instance, usually contain 12 to 15 per cent of extraneous matter. The government seed station is experimenting with about 46 strains of wheat to obtain improved yields.

Production of *raw cotton* was 20,000 tons before the war. After the war it was irregular at first but rose to 24,000 tons in 1952/53 and 26,000 tons in 1953/54. Cotton-lint production rose from 10,000 tons before the war to 13,000 tons in 1953/54. The increase in output was mainly due to government demonstrations of row planting of cotton on ridges and proper hoeing which can increase yields by three or four times. With the assistance of the Food and Agriculture Organization about 30 per cent of the farmers are now using these new cultivation methods. The government has also established a cotton classing and grading school.

Production of *raw silk* is on the increase since the successful introduction by FAO sericulturists of improved strains of silk worms from Japan. Egg production centres have been established at Baghlan and Kabul and a new centre in Herat will be functioning in 1955.

The Baghlan sugar factory is still working below capacity because of the difficulties in growing *sugar beet.* The government took steps to introduce better cultivation practices such as seed-bed preparation, better planting and irrigation, and crop rotation, and it is expected that in 1953/54 output of sugar beet will exceed the record 1951/52 figure of 34,000 tons.

The *livestock* population in Afghanistan is estimated to include 12 to 14 million sheep, 6 to 8 million goats, 2.5 million cattle, 0.5 million camels, and 42 million poultry.

In 1952/53 a karakul cooperative association was formed in order to accumulate stocks of hay during good years; to supply supplementary winter fodder; to import bulk supplies of medicines for the central sheep diseases; to assist flockowners to acquire selected good rams; and to supply short term credit facilities to flockowners. The Government also made surveys of water facilities to improve grazing practices; it has started research work in fodder production and range improvement and encouraged better packing of skins, and is trying to control sheep diseases. A breeding station to improve quality of pelts is needed.

The government, with the help of the Food and Agriculture Organization, has begun to tackle the problem of rinderpest among cattle. The veterinary services require much strengthening.

Fruits and nuts constitute 36 per cent of the total value of agricultural products exported. Its importance as a source of livelihood, however, could be increased if better grading, packing and transportation facilities were available to promote larger exports.

Grapes and sweet apricots are dried in the Kandahar region. Drying practice also need to be improved to provide a cleaner and more attractive product.

Industry and mining

Industrial production increased in post-war years through both government and private investment, while mineral output lagged behind. Industrialization so far achieved is still limited, with a total industrial labour force of about 10,000. The major bottlenecks have been shortages of power, transport facilities and trained personnel. Current investment to expand hydro-electric capacity may relieve the power shortage but the road programme is hardly adequate. Labour absenteeism and labour turnover continue to be high[1] but have been reduced in the Sarobie hydro-electric project through proper health and housing facilities and larger wage incentives for those working more than a year.

The government's industrial policy is to encourage private investment in light industries; even in utilities it allows private participation; for example, in the Sarobie hydro-electric project, the share of the private sector is 49 per cent. It exempts infant industries from all taxes in the first three years of operation and charges a lower rate than usual in later years. It levies no duty on imports of machinery and is prepared to impose high protective tariffs on consumer goods if necessary and also to grant interest-free loans. Private investors, besides obtaining natural protection from the high cost of transport, have been assisted by the multiple exchange rate system.[2]

To encourage the inflow of foreign capital, the government in 1954 passed a foreign investment law by which foreign investors would be allowed to transfer capital, interest and profits to the country of origin at the official rate of exchange. Foreign employees of enterprises subject to these rules would be allowed to transfer 70 per cent of their salaries at the official rate of exchange. No discrimination would be made between foreign and domestic capital, but the government would prefer foreign investment in industry, mining, public works, agriculture and transportation rather than in trade.

At one time, *wood* was an important source of fuel for power, but indiscriminate use has depleted the forests. Large reserves of coal are available, but the quality of the deposits exploited until now is poor and it has to be used in the form of briquettes. The output of coal from the Ishpushta and Karkar mines in 1953/54 totalled 17,000 tons. A new State Coal Corporation has been organized in 1954 to increase production through mechanization and to improve workers' welfare. A new coal deposit of good quality at Darra-Yussuf with reserves estimated at fifty million tons has been surveyed and its exploitation should begin as soon as access roads are completed.

There are at least six potential *oil* basins. The Ministry of Mines, with the help of the Inland Exploration Company of America, carried out a survey of all potential petroleum regions. The government is very keen on developing a

1 In the Pul-i-Khumri textile factory about 15 per cent of the weaving looms have been idle because of shortage of manpower

2 Since 1949, and until 1954 imports of capital goods were bought at the industrial rate of 21 to 23 Afghanis to the dollar, while the free market rate of 35 to 45 Afghanis per dollar was applied to imports of consumer goods.

petroleum industry but considerable risks of course are involved in such types of investment, which according to a United Nations oil expert[1] are made more difficult in Afghanistan because of "changing conditions of sedimentation" and "unconformities."[2]

The installed capacity for *electricity* is about 14,000 kW, producing about 38 to 45 million kWh per year. The hydro-electric projects planned and already under construction will increase installed capacity by 31,000 kW. The most important is the Sarobie hydro-electric project, which will have an installed capacity of 22,000 kW, of which 8,000 kW will be used by the new textile mill at Gulbahar, 4,000 kW by the trolley scheme at Kabul, and 10,000 kW for general public consumption at Kabul. The project, jointly financed by government and private enterprises, will cost $12.5 million. The work started three years ago will, after many delays, be completed in mid-1956 instead of end 1954.

The cotton textile industry so far consists of two mills, one at Jabal-us-Siraj and another at Pul-i-Khumri. The number of spindles of the Pul-i-Khumri factory was increased from 15,000 to 30,000 in 1952/53, and the 1953/54 output from these two factories was about 14 million metres of cloth and 1,400 tons of yarn for sale. In 1954, construction work was started on a new cotton textile mill at Gulbahar designed to have, in the initial stage, 45,000 spindles and 1,250 looms; output of this factory will be 37.5 million metres of cloth plus 1,400 tons of yarn to be sold to cottage-industry workers for producing 12 million metres of cloth. When this project is completed, in a few years' time, the output of cloth at about 75 million metres should meet more than 70 per cent of domestic needs. Later the Gulbahar factory is to expand to 60,000 spindles and 2,000 looms. *Woollen textiles* are made at Kandahar and at Kabul. The combined output of these two factories is about 210,000 to 250,000 metres a year.

The total *sugar* consumption of the country is about 15,000 tons per year, of which about 8,000 to 10,000 tons are imported at a cost of about $1 million. Because of shortage of beetroot, the Baghlan Sugar Factory, with a capacity of over 8,000 tons per year, is producing less than 5,000 tons, though another sugar factory at Jelalabad has recently been established with a productive capacity of 1,200 tons per year.[3]

There are other factories producing matches, cotton seed oil, soap, processed leather, shoes and several minor plants and workshops.

TRADE AND PAYMENTS

Afghanistan's exports consist of agricultural commodities of which Karakul skins, cotton and wool account for 50-55 per cent of the total value of exports. Imports are chiefly consumer goods, the most important being textiles. In recent years, capital goods imports have increased to about 20 to 30 per cent of total value of imports.

According to recorded trade returns (see table 21) Afghanistan had a favourable balance of trade for post-war years except 1949/50. It is estimated that unrecorded trade amounts to about a third, the larger portion being in imports. The net increase in foreign reserves of the Bank of Afghanistan, the central bank of the country, was generally smaller than the trade surpluses, in 1951/52 and in 1952/53, the foreign reserves fell, in spite of trade surpluses. Payment for invisibles accounts for only a small fraction of the difference. The major reason was the multiple exchange rate system, which encouraged private traders to obtain foreign exchange for capital imports from the central bank. Private export proceeds from certain products, though normally sold in the free market, are used by the purchasers for smuggled goods as well as legitimate imports (exclusive of capital imports).[4]

Afghanistan experienced an export boom in Karakul skins during and after the war, with prices ranging from $12 to $15 per piece. The exports of Karakul skins increased from about 2 million to over 3 million pieces per year. From 1948, the price of Karakul skins began to fall owing to better supplies and competition from the USSR and South-West Africa. The price in 1950/51 averaged only $7.6 per skin. In the following year, there was a slight recovery, but later prices resumed their fall and in 1954, they averaged only $6.53

1. Report on the oil possibilities of north Afghanistan (ST/TAA/SER.A/R4, 11 January 1951)
2. Other minerals have been exploited but to a very small extent, for example, chrome mines in Kabul Province, beryllium in the Eastern Province, talc in the southern provinces of Shinwar, and many salt mines. In 1953/54, the four major mines produced together 20,000 tons of salt.
3. Sugar factory waste material, previously thrown away, is now being used, mainly for cattle-feed.
4. According to the Foreign Exchange Control Law of January 1951, however, all traders exporting goods ought to import goods themselves against such exports, or sell the currency to another importer who guarantees to the Bank of Afghanistan that he will bring in imports.

TABLE 21

AFGHANISTAN: TRADE AND FOREIGN RESERVES

Million afghanis

Fiscal year	Exports	Imports	Trade balance	Change in net foreign reserves of the Bank of Afghanistan	Net foreign reserves of the Bank of Afghanistan	Net foreign reserves as per cent of imports
1945/46	489	216	+273	+272	824	381
1946/47	386	345	+ 41	− 52	772	224
1947/48	484	277	+207	−155	617	223
1948/49	423	394	+ 29	+ 24	641	163
1949/50	438	515	− 77	+ 54	695	135
1950/51	739	533	+206	+126	821	154
1951/52	744	645	+100	−132	689	107
1952/53	1,033	703	+330	− 65	624	89

Source: Ministry of National Economy and Bank of Afghanistan.

per skin. The number of skins exported has also fallen in recent years to a little over 1 million skins, because of loss of flock due to bad winters, sheep pests and diseases, and reduction in killings of lambs for skins because of lower prices. To counteract the reduction in killings of lambs the Government induced the Karakul pelt buyers to increase prices paid to producers for all grades. It is estimated that the production for 1954/55 amounted to 2,100,000 of which 1,200,000 have been exported. Fortunately, exports of cotton and other products such as fruits and nuts expanded and offset to some extent the decline in export earnings from Karakul skins; cotton exports by 1952/53 reached 10,000 tons valued at about $8–9 million, as compared with negligible quantities in the early post-war years.[1] The price of cotton in 1953/54, however, was only about one-third that in 1950/51.

Afghanistan has concluded trade agreements with the USSR, Czechoslovakia, India, Germany, etc. The basic agreement with the USSR was signed in July 1950 and a supplementary protocol in November 1952; the supplementary agreement provided for an increase of 3,000 tons of sugar exports from the USSR in exchange for 4,000 tons of cotton from Afghanistan. In December 1953, another protocol was signed with the USSR providing for a 30 per cent increase in the value of trade.

Multiple exchange rate system

Exchange controls were introduced in 1948 to restrict imports of non-essentials because of the decline in export earnings from Karakul skins and the disruption of trade with India resulting from partition. In March 1949, the official rate of exchange was devalued from a selling rate of 13.40 to 14.17 afghanis per dollar; it was further devalued in September 1949 to 17.01 afghanis. In March 1949, an additional exchange rate, namely the industrial rate of 17.72 afghanis to the dollar, was introduced but devalued in September 1949 to 21.26, in September 1951 to 23.00 and in 1954 to 30.37 afghanis to the dollar. In addition, a free market rate was allowed to operate.

Among imports the official rate is used for government imports, and for the import of motor vehicles, petrol, sugar and, partly, of cigarettes. Between 1949 and 1953, exporters of Karakul skins had to surrender 20 per cent of their foreign exchange earnings at the official rate and 70 per cent at the industrial rate, while the remaining 10 per cent could be sold in the free market. Exporters of other commodities could sell their foreign exchange at the free rate to those needing it for imports of commodities (mainly consumer goods) not governed by either the official rate or the industrial rate. As from 1954, exporters of Karakul skins, cotton and wool have to surrender all their foreign exchange earnings at new rates of 21.57 afghanis per dollar for Karakul and 26.40 afghanis per dollar for cotton and wool. As a result, the government now controls 50–55 per cent of the export earnings officially recorded.

The foreign exchange needs of private enterprises for imports of capital goods are met by the government at the industrial rate. Since it buys this exchange at lower rates it makes a profit.[2] But the importers of capital goods obtain the exchange at a rate much cheaper than the market rate which applies to consumer goods. The system has therefore encouraged investment.

Partly as a result of inflationary pressures during 1950/52 and partly because of tightening of exchange control in 1954, the free market rate of the afghani has depreciated from about 30 to the dollar in 1950 to about 45 in 1954.

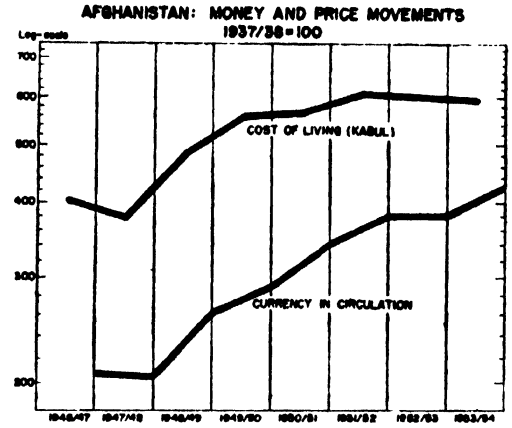
PRICES, MONEY AND PUBLIC FINANCE

Price movements

Prices, and to a lesser extent wages, differ widely between different parts of the country because of transport difficulties. War-time scarcities, especially of consumer imports, drought in some years, and ineffective rationing increased the prices of basic commodities to about four times the pre-war prices by 1946/47. Wages however increased by only three times and there was a fall in the standard of living. The counterpart to this, however, was the war-time increase in foreign reserves, which enabled the government to finance part of the development programme in the early post-war years.

Chart 19

AFGHANISTAN: MONEY AND PRICE MOVEMENTS



A comparison of changes between early post-war and pre-war years indicates that the rise in cost of living was much more than the increases in currency in circulation. This suggests that idle hoards of currency were re-activated during the war-time inflation and thereafter, and that the effective velocity of circulation of money supply had increased.

Between 1947/48 and 1949/50 increases in currency in circulation were accompanied by corresponding increases in the cost of living. The inflation generated in these early post-war years was partly due to the relatively large government investment programme. Since 1950/51, however, although currency in circulation continues to expand the cost of living has more or less been stabilized through increases in output[3] and imports—tobacco, sugar, cars, trucks, petrol and lubricants at preferential rates of exchanges—and also probably smuggled goods. Furthermore, part of the accelerated government investment programme was financed by loans from the United States Export-Import Bank and the $5 million loan from Czechoslovakia in 1954 for the cement project. The budget deficit has therefore been only slightly inflationary in relation to the national income; for example, in 1953/54 the inflationary content of the government deficit[4] was only Afg 67 million, as compared with the national income of Afg 12,500 million and a currency in circulation of about Afg 1,100 million.

1. Cotton exports to the USSR increased from 2,100 tons in 1950/51 to 7,700 tons in 1952/53.
2. The government could make a larger profit by selling the exchange at the market rate. It has not done this, because extra exchange is not available after the needs of the government and of industrial imports have been met.
3. The government has attempted with very little success to float bonds as an anti-inflationary measure. Physical controls are not used except for petrol rationing in and around Kabul.
4. Defined for Afghanistan as the net borrowing from the central bank less the increase of domestic cash balances.

Monetary developments

Afghanistan has hardly developed a banking system, and currency in circulation constitutes between 80 and 85 per cent of total money supply. The Banke Millie Afghan Kabul, a commercial and industrial bank, was established in 1932, while the Bank of Afghanistan, the central bank, was established in 1938. Supply of credit to small entrepreneurs especially in agriculture is not well organised and interest rates in rural areas are about 30 to 40 per cent per annum. To solve this problem, the government in 1953/54 established the State Agricultural Bank with a capital of Afg 150 million to supply cheap credit. In the same year, it also established the State Commercial Bank, with a capital of Afg 120 million, and a Construction and Loan Bank with a capital of Afg 60 million, the latter to finance residential housing projects.

Finance for the larger enterprises has been more satisfactory. Banke Millie Afghan Kabul has provided finance, advice and technical help for many industries. Its investments increased from Afg 324 million in 1948/49 to Afg 464 million in 1952/53. The Bank of Afghanistan has co-operated with private investors on behalf of the government. Its investments in industries[1] increased from Afg 31 million in 1949/50 to Afg 172 million in 1953/54 (see table 20). Though a central bank, it grants loans to private enterprises; the amount outstanding in 1952/53 was Afg 158 million as compared with Afg 609 million to the government. Many large businesses have ploughed back their profits for further investment. For example, the Textile Company, founded in 1935, had by 1948 accumulated reserves equal to its original capital by limiting dividends to about 5 per cent of the paid-up capital, although it was earning about 15 per cent.

Changes in deposit money have been rather erratic, while currency in circulation continued to expand at a rate of 10 to 12 per cent per annum except in 1952/53. (See table 21). The major factors causing the increases in currency in circulation have been the budget deficit and the export surplus on trade account.

1. Its holdings of shares include Afg 124 million in the Electric Company of Saroble and Afg 31 million in the Textile Company, besides investments in cement, handicraft and construction companies.

Public finance

The importance of the government sector increased after the war, but in 1953/54 government revenue was only 5.6 per cent of gross national income. Budget deficits have occurred in post-war years with both revenue and expenditure increasing rapidly.

The most important source of government revenue is customs duty, contributing 35 to 40 per cent of total revenue. Income tax falls mainly on income from foreign trade and if this be added to the customs duty, the foreign trade sector provides over half the revenue. In 1954/55, however, it is expected that customs duty will fall by Afg 20 million as compared with 1953/54 because of an expected reduction in the value of exports and a shift in imports to developmental goods on which no import duties are paid. Taxes on agriculture (land and livestock tax), excise taxes and revenue from government enterprises each yield about another 10 to 12 per cent of total revenue. Part of the increases in revenue especially from income tax and excise have been the result of tightening up of tax-collecting machinery.

Government expenditure was 6.7 per cent of gross national expenditure, the most important item being public works, irrigation and agriculture which accounted for 35 to 45 per cent of total government expenditure. In 1954/55, expenditure on this item is expected to reach Afg 507 million or more than double the amount spent the previous year; it would constitute 44 per cent of total expenditure. Expenditure on national defence, though increasing in absolute amount, has declined in importance from 22 per cent of total government expenditure in 1949/50 to 18 per cent in 1954/55.

Not all the budget deficits are inflationary, since expenditures include those financed by borrowing from the United States Export-Import Bank in foreign exchange. It may be said that the inflationary content of the government deficit is only the net borrowing from the central bank, less the increase in cash balances;[2] net borrowing from the central bank has not been large but in 1954/55 the government expects to borrow Afg 200 million or half the deficit.

2. The government's small domestic cash balance has not been utilised.

TABLE 22

AFGHANISTAN: GOVERNMENT FINANCE

Million afghanis

Fiscal year[a]	Revenue	Expenditure	Surplus (+) or deficit (−)	Methods of financing[b]			Use of cash balance[c]
				Net borrowing from the Bank of Afghanistan	Borrowing from Export-Import Bank	Borrowing from public	
1948/49	319	400	− 81	+ 74	+ 0	+ 0	+ 7
1949/50	387	462	− 74	+ 81	+ 0	+ 0	− 7
1950/51	473	670	−196	+109	+ 89	+ 0	− 2
1951/52	549	713	−165	+ 41	+125	+ 0	− 2
1952/53	614	830	−216	+ 86	+153	+ 0	− 22
1953/54	698	838	−141	+ 90	+ 74	+ 0	− 23
1954/55	744	1,141	−397	+200	+197	+ 3	..

Source: Ministry of National Economy and Ministry of Finance, Government of Afghanistan.

a. Figures are actuals, except for 1954/55 which are estimates.

b. Plus signs indicate increase of borrowing.

c. Plus signs indicate fall and minus signs indicate rise of cash balance.

CONCLUSION

The government of Afghanistan is facing up to the extent possible the immense difficulties which confront a country trying to develop its resources with inadequate power, transportation and trained personnel. Shortage of foreign exchange has been alleviated by loans, mainly from the United States Export-Import Bank but repayment of capital and interest which is to begin in 1956 may create further balance-of-payments difficulties. The government is conscious of the difficulties and of the positive role it can play in promoting economic development.

Greater efforts are required if the government is to have control over the country's export earnings. Most of the foreign reserves of the central bank have to be kept as a statutory minimum 50 per cent currency reserve, thus leaving the free foreign reserves as of March 1953 at only Afg 38 million. Further reforms in the currency system would free part of the existing foreign reserves for economic development; but against this must be weighed the likely repercussions on public confidence in the currency, and the minimum foreign reserves needed to cushion fluctuations in export earnings.

The developmental work accomplished during the last five years and the programme already outlined for the next few years to develop power and train technical personnel will provide a foundation for the future development of the country, but much larger investment is needed in transport.

Chapter 7. BURMA

Burma is comparatively well endowed with natural resources. Of Lower Burma's total area of 21 million hectares only 22 per cent was classified as cultivated before the war with a further 21 per cent cultivable. Adequate and regular rainfall provides highly productive conditions for rice cultivation. Abundant forestry and mineral resources of the country may well repay fuller surveying and development. Good river systems are supplemented by inland waterways, and also provide sizeable hydro-electric potential.

There is no serious population pressure on Burma's natural resources. Its 1941 average population-density of 28 per square kilometre was one of the lowest among the ECAFE countries. The rate of population growth is estimated at 1.3 per cent per annum between 1931 and 1941 and now about 1 per cent. Administrative, mercantile and industrial experience is scarce, most of the responsible posts having been in the hands of foreigners until after the war.

Nearly ten years of war and internal disorder have reduced Burma's output by serious destruction of capital. After the war gross domestic product was under 70 per cent, and by 1953/54 it was only 84 per cent of the pre-war level. While the restoration of this level has remained a principal economic objective, one major source of economic strength has been abundance of food. Burma has always been able to produce not only enough foodgrains for itself but also a surplus for export which brought high prices in the post-war period.

The restoration of pre-war levels of production in existing lines is likely to be easier than the development of new lines of production especially in industry and mining. Increase of mineral and forestry production for export, and the establishment of secondary industries will, however, be needed to correct Burma's excessive dependence on one export commodity, especially now that rice is encountering a buyer's market.

Burma has adopted a broadly socialist economy, while permitting and assisting private enterprise where it can play a useful role. Consequently, State industrial, commercial and financial agencies, boards and corporations are important in the Burmese administrative structure. The programme of land nationalization and distribution is also in line with the socialist policy.

DEVELOPMENT PLANNING AND PROGRESS

Substantial progress was achieved in 1954 in both preparation and execution of projects of economic and social development planning. In August 1953, the government's engineering and economic consultants presented their comprehensive revised report for the economic development of Burma,[1] and at the end of the year the government took a number of decisions on it, endorsing many of its recommendations.

The Eight-Year Economic Development Programme aims at reaching by 1959/60 a gross domestic product of K 7,000 million at 1950/51 prices, by means of a net capital investment in the public and private sectors of K 7,500 million, of which about K 900 million had already been invested by the end of 1952/53.[2] If this programme were successfully implemented, per capita income would increase from K 201 in 1950/51 and K 210 in 1951/52 (at 1950/51 prices) to K 340 in 1959/60. This would represent an increase of 69 per cent in per capita output by 1959/60 over that of 1950/51, but only of 4 per cent over the per capita output of K 326 in 1938/39. Consumption per capita would rise by 54 per cent from K 146 in 1950/51 to K 224 in 1959/60. The gross domestic product would increase approximately from K 3,900 million in 1951/52 to K 7,000 million in 1959/60, an increase of 80 per cent.

The estimate of total investment which the government hopes will be undertaken by private enterprise alone is K 2,400 million or 32 per cent of the total, the government being responsible for the remainder either alone or in partnership with private enterprise. Foreign exchange expenditures are estimated at K 2,500 million or 33 per cent of the total investment.

To increase gross domestic product, primarily through restoring pre-war levels of production in agriculture, mining and forestry, investment in directly productive sectors must be supplemented by rehabilitating or creating basic transport and communication facilities and power capacity. The Plan target for crude petroleum output is only one third of pre-war production, while the target in others reaches pre-war levels as in railways, or exceeds them as in forestry, electric power, and crops like cotton and groundnut. To provide for increased productivity and further growth of the economy after 1959/60 investment in social capital will be required for education, health, housing, and technical training. The choice of industrial projects has been influenced mainly by the need to reduce the economy's extreme dependence on primary production but has had to take other factors into account, including adequacy of natural resources, markets, skilled labour and transport; evidence of economic soundness, and technical complementarity of projects. At the time the Plan was prepared no serious shortage of foreign exchange had been envisaged, and this factor hardly influenced proportions or priorities in the Plan.

1. *Comprehensive Report on Economic and Engineering Survey of Burma for Ministry of National Planning* (3 volumes), August 1953.

2. The development programme was originally scheduled to begin in October 1951, but the starting date was moved to October 1952 on account of inadequate preparation for implementation of the plan. However the original investment target of K 7,500 million was retained.

Though the government's planning consultants presented a development programme with aggregate planning targets for the whole economy, their detailed projects were limited by their terms of reference to specified sectors, as shown in table 23.

Basic transport will take 25 per cent and irrigation and power together over 20 per cent of the total programme. Agricultural output is also to be expanded by a substantial agricultural programme.

Investment in the planned sector is expected to reach peak rates during the period 1954/55 to 1956/57, and total investment is also expected to continue to increase. Annual targets should however be regarded as flexible and deviations between target and accomplishment may be large for any one year.[1] But over the whole period achieved expenditures may be expected to be much closer to the targets.

This throws into relief the government's major problem, the adjustment of the annual programmes for the different sectors to fit an integrated overall programme. These programmes include the detailed plans listed in table 23, covering only certain sectors; a five year agricultural plan, which an Agricultural Planning Commission is to implement; the Pydiawtha programme, community development, and social welfare programme supported by the United Nations technical assistance. The aggregative 1959/60 targets for gross domestic product, capital investment, per capita output and per capita consumption, and these sectoral plans, which have been drawn up independently, will need mutual readjustment, both initially and in year-by-year implementation.

1. For instance, the net domestic capital formation of K 640 million in 1953/54 compares favourably with the targeted total of K 655 million for the year. In power, however, the targeted outlay is K 85 million and K 119 million in 1953/54 and 1954/55, but the capital expenditures of the Electricity Supply Board are to be K 40 million and K 220 million respectively. Such deviations are noted in other sectors as well.

Capital formation

The plan involves an average annual rate of capital formation of one-sixth of the gross domestic product. At first, public capital formation is to be high; later the resulting increase in gross domestic product is to be used to develop private capital also.

As compared with several other ECAFE countries, Burma's ratio of capital formation to current output has been high. Table 24 shows the gross domestic capital formation in 1952/53 and 1953/54 at over 19 per cent, and in 1954/55 at nearly 25 per cent, of gross domestic product. The rates of formation of net domestic capital and fixed capital have also been high and rising during these years.

Four factors have contributed to Burma's high rate of capital formation, some of which may however not be fully operative in the years immediately ahead, unless the forest and mineral (including petroleum) resources of Burma are quickly developed and trade in these products is restored to the pre-war levels: its abundant natural resources and absence of serious population pressure, which leave a margin above subsistence needs for capital formation; the high output-yield of capital invested in primary production (Burma's chief source of increased wealth) and a resulting export surplus of primary products; favourable terms of trade; and finally a successful government rice-export monopoly stabilizing private incomes and consumption and using part of the proceeds for capital formation. The rate of gross capital formation even before the war was 12 per cent. Disturbed conditions in the early post-war years prevented this rate from being increased, but improvements since 1951 have made such an increase possible.

For twenty years up to 1941 Burma's exports exceeded its imports every year by at least 80 per cent; its annual surplus of foreign exchange was large enough to have financed the import of goods needed for a development programme.

TABLE 23

BURMA: ESTIMATED COST OF THE ECONOMIC DEVELOPMENT PROGRAMME, 1953-1959[a]

(million kyats)

	Estimated total cost	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59	1959/60	after 1960[b]
Total	6,600	655	830	950	1,015	1,030	1,050	1,070	—
Planned sectors:									
Power	964	85	119	146	142	99	100	82	191
Irrigation	452	21	48	62	67	62	55	50	87
Ports & waterways	568	58	85	90	93	81	48	38	75
Railways	273	31	67	66	56	32	20	—	—
Highways	820	33	71	88	100	104	99	99	226
Airways	85	20	21	21	21	2	—	—	—
Telecommunications	30	8	9	7	1	1	1	1	2
Mineral industry	115	34	45	31	6	—	—	—	—
Manufacturing	230	36	43	37	60	42	11	1	—
Total	3,535	325	509	548	544	423	334	271	581

Source: Comprehensive Report on Economic and Engineering Survey of Burma, Chapters III and XXV.

a. At 1950/51 prices.

b. Expenditures on projects covered by the Plan to be incurred after 1960.

TABLE 24

BURMA: RATE OF CAPITAL FORMATION, 1938, 1947-54

	Gross domestic product Mn. K	Gross domestic capital formation %	Net domestic capital formation %	Fixed capital formation %	Depreciation %
1938/39	1,458	12 2	6 7	10.1	5.6
1947/48	3,557	16 9	11 2	14 8	5 8
1948/49	3,234	8.0	1 7	8 7	6.3
1949/50	3,132	10.2	3.4	10.5	6.8
1950/51	3,690	12 9	6 7	11 7	6.2
1951/52	4,084	18.2	12.2	14 9	6.0
1952/53	4,520	19.2	13 6	14.5	5.6
1953/54[a]	4,670	19.5	13 7	18 7	5.8
1954/55[a]	5,300	24 5	18.5[b]	23.8	6.0[b]

Source *Economic Survey of Burma, 1954* Figures are at market prices

a The data for 1953/54 are provisional, and for 1954/55 estimates

b Estimated on the assumption that depreciation is 6 per cent of the gross domestic product

Burma was, however, making substantial payments on service items. With the repatriation of foreigners and the decline in the amount and productivity of foreign investment these service payments have declined in the post-war years, leaving more of Burma's foreign exchange earnings for the import of developmental goods.

Institutional and personnel problems

As development expenditure increases the government will probably have to pay increasing attention to the machinery of planning, programming and review. At present the Economic and Social Board, mainly a ministerial body, is the top policy-making organ while the Ministry of National Planning is responsible for over-all economic planning. This ministry, however, can plan effectively only if other ministries and government agencies co-operate in carrying out the annual programmes which it draws up and the modifications which it has to introduce. It will be for the Economic and Social Board, in taking final decisions, to reconcile differences between this ministry and other government agencies.

The Ministry of National Planning has within itself an Economic Planning Commission and a Social Planning Commission. It would seem, however, that measures to improve their working would contribute both to better planning and to implementation, especially during the period of heavy expenditure from 1954 to 1957. Granted sufficient inter-ministerial and inter-agency co-operation, the nucleus of specialists and technicians at the Ministry of National Planning could become a focal point, for which the Economic and Social Board could draw on the technical knowledge and experience of the staff of every agency of the government.

In order to supplement the Eight-Year Development Plan with its natural bias towards basic and industrial development, improve upon the Five-Year Agricultural Self-sufficiency Scheme, and integrate the agricultural, forest and irrigation plans, the government has recently set up a Land and Agricultural Planning Commission. The Commission's terms of reference are to produce within a period of two years a Comprehensive Land and Agricultural Plan for Burma. The Commission is headed by the Financial Commissioner (Land) and its expert staff is to be drawn from the various governmental agencies concerned as well as from abroad.

Shortage of technical and administrative manpower is, however, becoming serious as projects come to be implemented. The Agricultural and Rural Development Corporation, the Industrial Development Corporation, and the Mineral Resources Development Corporation, set up in 1952 to administer three development programmes, are all short of staff; so are several other government boards administering, for example, housing, power, railways, and specified industries; and also the industries, factories and projects which they control. This may well prove a limiting factor to rapid economic development.

Nevertheless, a number of new institutions have been established or proposed, including: the State Commercial Bank, set up in August 1954 with an authorized capital of K 50 million (to which the government has already contributed K 10 million) for providing short and medium-term credit; the Union of Burma Co-operative Bank, which will start work next year, extending credit to co-operatives; a Commerce Development Corporation to help Burmese nationals secure a larger share of internal and external trade; and a tariff board, to determine the nature and extent of protection to national industries. The State Agricultural Bank, opened in June 1953, also expanded in 1954 through the agency of village banks.

Foreign firms awarded engineering and construction contracts will sometimes have to run the factories and undertake to train Burmese nationals over a period. National and international assistance programmes are giving technical and engineering training to more Burmese nationals; and local technical institutions are being expanded. These, however, cannot entirely overcome the immediate shortage.

Reference may be made in this context to the contracts for joint enterprises concluded by the Government with foreign firms in certain lines of production. In 1952 a contract with a foreign firm was entered into to work the lead and zinc mines; another for deep-sea fishing; and in 1953 for production of mineral oil, and a tea factory. The government's policy is to encourage foreign capital participation by such joint ventures.

An encouraging development is the people's enthusiasm for the Pyidawtha projects, which are projects carried out by local voluntary effort with government assistance. During 1952/53 the people's voluntary contributions in cash, labour and materials were K 7.6 million and government grants

K 8.8 million. In all, 184 townships completed nearly 9,000 separate projects, including schools (nearly one third of the expenditure), roads and bridges, wells, libraries and minor irrigation and drainage works. Cash formed about half of the voluntary contributions, labour more than a third and materials the remainder. During the first six months of 1953/54 67 townships had spent K 3.8 million on such projects: not indeed a large sum in relation to the total development outlay, but of fundamental importance nevertheless to the economic development programme. For the village Pyidawtha committees are local democratic development agencies sharing the main responsibility for actually organizing and executing these works.

New land-nationalization legislation, enacted in 1953, was suitably amended in 1954 to facilitate equitable distribution of nationalized land holdings. The new law provides for land committees of 7 members elected by the people of the district, with cultivators participating directly in decisions on the distribution and size of land holdings. District land committees of 8 members are appointed by the government to supervise the working of the land committees. By the end of June 1954 about 275 land committees had been formed in villages and two-thirds were functioning actively. In addition, village mutual-aid teams and co-operative farming arrangements were being encouraged. These institutional experiments will be watched with interest.

PRODUCTION AND TRANSPORT

Gross domestic product

Gross domestic product in 1953/54 is estimated at K 4,670 million at current prices, or 3 per cent above that of 1952/53 but substantially below the 1953/54 target of K 5,200 million and still only 84 per cent of the pre-war level. Output fell short of expectations in agriculture (owing to poor weather), mining, forestry and other sectors; rice exports were below estimates in both price and quantity; but "other industries" (mainly construction) improved substantially over 1952/53. It is estimated that the 1954/55 gross domestic product will be K 5,300 million, that is 13 per cent higher than in 1953/54, representing an increase in agriculture, forestry, mining and other industries resulting from higher productivity and new investment. The increase in agriculture will be achieved, but it is doubtful in other sectors.

The 1953/54 target for gross domestic capital formation was K 1,075 million, and estimated achievement is K 910 million, of which K 875 million is fixed capital; the public sector contributed K 450 million and the private sector K 460 million. During 1952/53 gross public capital formation was K 450 million, but over K 200 million of this was an addition to government rice stocks. The current year therefore represents more progress in fixed capital formation.

The 1954/55 target for gross domestic capital formation is K 1,300 million with K 790 million in the public sector and K 510 million in the private sector. All but K 30 million in the public sector and K 10 million in the private sector will be fixed capital which will thus be nearly 95 per cent of the total, a further substantial increase in fixed capital formation.

Agriculture and forestry

Owing to adverse weather, the paddy crop is estimated at 5,527,000 tons in 1953/54, compared with 5,740,000 tons in 1952/53. The sesame crop at 43,700 tons and cotton at 22,000 tons are also 19 and 9 per cent lower respectively. The production of other crops, such as maize, millet, sugar cane and onion, showed increases over 1952/53 and that of groundnuts, which increased by 8 per cent to 191,000 tons, surpassed its pre-war level. The number of plough cattle continued to increase and is now estimated at 93 per cent of the pre-war level, indicating a satisfactory position in relation to the sown acreage which is 87 per cent of the pre-war figure.

The principal elements in the development of agriculture were dairy farming, cattle farming, the granting of acreage subsidies for jute, groundnuts and tobacco, and improved seed distribution. Paddy acreage subsidies were discontinued because of administrative difficulties. Irrigation projects were carried a stage further by the purchase abroad of K 18 million worth of equipment, but actual construction is held up by the lack of technical personnel and the need for further preparation.

Though production of teak and other hard woods declined in 1953/54 a substantial improvement is expected in 1954/55 as a result of increased security and accessibility of forest areas, added extracting capacity and a 20 per cent increase in elephant power. It is hoped to double the exports of teak in 1954/55.

The government has now adopted a major programme of integrated and partly mechanized forest industries, including both extraction and processing. It has acquired the Bombay Burma Company's saw-mill and hopes to complete its own new saw-mill by December 1954.

Mining and industry.

There were improvements in production of petroleum and zinc in 1953 but other minerals remain at a fraction of pre-war levels. With the opening of a new refinery at Chauk with a rated daily input capacity of 100,000 gallons petroleum output has increased from 37.5 million gallons for the whole of 1953 to an annual rate of 46 million gallons in the first half of 1954. Production of motor spirit and kerosene is also increasing and it is expected that some 3,000 tons of paraffin wax will be available for export in 1954.

With the re-opening of the Bawdwin mine, production of zinc concentrates is now about 4,000 tons; and the Mawchi mine, just re-opened, will make possible a production of 5,000 to 6,000 tons of mixed tin and wolfram in 1954. The 1953 figures indicate that there was an increase in the output of building and road materials. The production of other minerals continues to be unsatisfactory. The Mineral Resources Development Corporation is exploring new resources, including the Kalewa coal deposits. Recovery in mining output will, however, continue to be slow.

Production in the existing cotton spinning, cement, sugar and salt industries increased, and substantial progress was made in the establishment of new industries and in the expansion of the capacity of existing ones during the year. The Industrial Development Corporation is making loans to private industrial enterprises, the budget appropriation in 1953/54 for this purpose being K 5 million.

Production of yarn in the government cotton mill in the first half of 1954 was 1.6 million lb as against 2.4 million lb during the whole of 1953. A higher rate of output has been maintained since the middle of 1953 and output for 1954 will be about 4 million lb. The Burma Cement Co., Ltd.,

the only cement producer in Burma, was nationalized in August 1954. In 1952/53 it produced about 45,000 tons as against 36,000 tons in 1951/52. It was closed down from July to October 1953 for repair and overhaul. From November 1953 to April 1954, production was running at an annual rate of 58,000 tons, i.e., 90 per cent of the rated capacity. Sugar production continued to expand from 13,700 tons in 1952 to over 20,000 tons in 1953. Production in the first half of 1954 was about 19,000 tons. Output of brine salt increased substantially from 54,000 tons in 1952 and 61,000 tons in 1953 to 54,000 tons in the first half of 1954.

Plans for expansion of existing industries include the following: two sugar factories, one at Namti with a capacity of 15,000 long tons and 360,000 gallons of alcohol and another at Pyinmana with a capacity of 22,500 long tons and 500,000 gallons of alcohol; a new cement factory at Rangoon to produce 120,000 long tons; a new cotton-spinning factory at Myingyan with 200,000 spindles and expansion of the existing factory.

Contracts have been awarded for the following new industries with the stated annual capacity: steel (20,000 long tons), jute (24 million bags), clay tiles (6 million tiles and 8 million bricks) and pharmaceuticals. Construction will begin in 1954 and be completed by 1956. Contracts for a rice-bran oil plant (annual capacity of 3,000 long tons) and a silk throwing plant (575 lb per day) are under preparation.

Another major project is the development of an industrial tract on the Hlaing River for industrial sites, providing deep water for navigation, highway and railway facilities and housing for workers. It is proposed to create a pool of equipment to be available to contractors for various projects. This will include a maintenance and repair shop together with spare parts.

Progress has been reported also in the field of cottage and small-scale industries under the charge of the Cottage and Small-Scale Industry Board. Pilot plants for sugar manufacture, pottery and condensed milk have been completed; machinery for the textile factory has been imported and work on hand paper making, textile plant, lacquer ware and dry cells is proceeding satisfactorily.

Transport and power

The progress in the implementation of transport projects has in some measure contributed to maintaining higher levels of production and trade. On railways, considerable work has been done in repair and rehabilitation, apart from additions to rolling stock. In 1953/54, capital outlay on railways was increased to K 64 million from the budget allocation of K 53 million. The development of inland water transport involves a substantial increase in the flotilla, and expansion of dockyard facilities. In 1953/54 and 1954/55, two passenger cargo vessels for the coastal trade and two cargo vessels for the Indo-Burma trade will become available.

Repair of war-damaged minor ports is nearly finished; but incomplete technical preparations still hold up the improvement of the Port of Rangoon, which handles about 85 per cent of Burma's foreign trade. The road programme, which provides for a change in road designs and practice, and the institution of a system of road construction by local authorities, have not yet been started; preparatory work is proceeding on telecommunications, including telephones.

An ambitious power-development programme aims at rural electrification through a national grid system and the establishment of numerous hydro-electric power stations. The outlay is estimated at K 39 million in 1953/54 and nearly six times larger in 1954/55. Actual outlay by the Electricity Supply Board up to the end of March 1954 was negligible. A few hydro-electric projects are being examined, but no progress in construction has been reported.

TRADE AND PAYMENTS

Decline in reserves

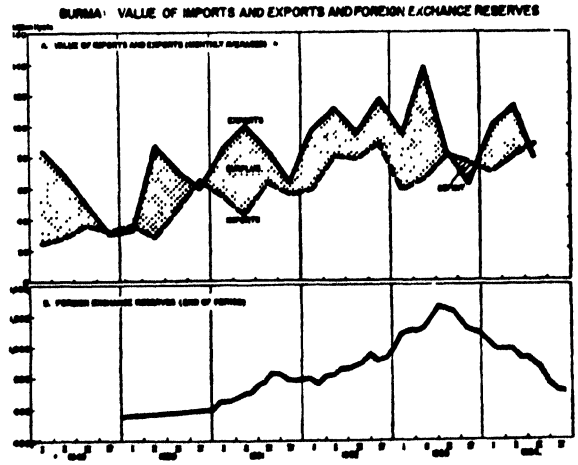
Falling prices and a buyer's market in rice[1] still dominate Burma's foreign exchange earnings; and the reserves, after reaching the peak of K 1,269 million in June 1953, have continued to decline until late 1954, standing at K 856 million at the end of August, or one third lower than in June 1953. By contrast, from 1949 to the end of 1952 they had continually increased. The *Economic Survey of Burma* anticipated foreign exchange expenditures of K 1,360 million and receipts of K 1,235 million (a deficit of K 125 million) in 1953/54 and foreign exchange reserves at the end of September 1954 of K 1,050 million. The August figures, however, show a sharper decline, though larger rice exports may improve exchange earnings in late 1954 and early 1955.

Increased foreign exchange expenditures, rather than reduced earnings, have been mainly responsible for this decline in reserves. Foreign exchange receipts totalled K 1,300 million for 1953, exceeding the 1952 total of K 1,240 million. In the first half of 1954 they were K 605 million, as compared with K 500 million in the previous half-year and K 800 million in the first half of 1953. If rice exports in 1954 reach about 1.4 million tons or more, total foreign exchange earnings in 1954 may exceed those in 1953.

Foreign exchange expenditures on the other hand rose continuously from K 840 million in 1951 to K 970 million in 1952 and to K 1,200 million in 1953. In the first half of 1953 they were K 510 million, rising to K 700 million in the second half and K 736 million in the first half of 1954.

Burma paid nearly K 84 million during 1954 on two large non-trade items, a debt settlement of £4 million to the United Kingdom Government and a payment of £2.5 million for its share in the Joint Oil Venture; and in addition agreed to offset £14 per ton out of the price of £48 in the Indian rice contract against its debt to India. Payments on private non-trade items fell from some K 120 million in 1952 and 1953 to an annual rate of K 80 million in the first half of 1954.

Chart 20



1. Rice price under government-to-government contracts was reduced from $168 per ton in 1953 to $140 in 1954.

Exports

The exportable surplus of 1.5 million tons from the 1953/54 rice crop and substantial stocks carried forward from 1952/53 give an export availability of 2.3 to 2.5 million tons in 1954 against which Burma has contracted to deliver 900,000 tons to India, 300,000 tons to Japan, 200,000 tons to Ceylon, 40,000 tons each to the Ryukyus, Mauritius, and Indonesia and 80,000 tons to other destinations, totalling 1.6 million tons. Rice shipments up to 31 August 1954 were approximately 1 million tons. Shipments to India up to the end of September were slightly more than one-third of the contracted quantity of 900,000 tons, and efforts were being increased to send as large a proportion as possible during the year. To other countries shipments were either completed or likely to be completed within 1954.

The 1954/55 rice crop is expected to be at least as good as that of 1953/54, giving Burma an export availability of 1.5 million tons early in 1955. Prospects for 1955 depend mainly on rice prices, and quantity sold, particularly to India. Elsewhere some stability of rice export markets and foreign exchange earnings has been secured by the four-year rice contracts concluded with Japan, Ceylon, the Ryukyus and Mauritius and a three-year contract with Indonesia. Japan has agreed to take and Burma to supply, a minimum of 200,000 tons and a maximum of 300,000 tons each year through 1957 at K 666.7 per ton, subject to annual adjustment of price to world price changes. Ceylon will buy a minimum of 200,000 tons and a maximum of 600,000 tons per annum at prices falling £2 per ton each year until 1957. Mauritius and the Ryukyus will each buy 40,000 tons per annum, the Ryukyus providing Burma with a dollar income of over $5 million.

Under its trade agreement, Burma has contracted to sell 150,000 tons of rice in 1955 to mainland China, 60 per cent of the value of which will be paid for in goods including machine tools and coal, 20 per cent in goods from eastern Europe shipped through mainland China, and the balance in sterling. The Prime Minister of Burma has stated that mainland China may become an even larger buyer of Burmese rice, and that the Government of Burma will be sending missions to several countries including the USSR, Japan, India and Malaya for promoting the sale of rice.

Because of slow recovery in production, other exports, such as metals and ores, timber, etc., are not expected to bring in more foreign exchange this year than last: in all, less than K 300 million.

Imports

Import value remained high in 1954; private imports (about 75 per cent of total value) increased from an annual rate of K 665 million in 1952 to K 750 million in 1953, maintaining the latter rate during the half-year January to June 1954.

A new Tariff Act effective 1 October 1953 brought about an important change in Burma's commercial policy by introducing a single schedule of duties uniformly applicable to imports from all sources and abolishing discriminatory tariffs, including the Indo-Burma Trade Agreemen of 1941 and the Ottawa Trade Agreement of 1932, which gave preferential tariff treatment to Indian and Commonwealth goods. In giving effect to a uniform tariff structure, some non-preferential duties were reduced and some preferential duties increased. The new rates are designed to afford some protection to infant industries and to allow essential imports at reasonable rates. This measure has already begun to influence the pattern of import trade of Burma. As a result non-Commonwealth producers, notably from Japan and continental Europe, will in future have a more competitive position in the Burmese market.

There was no significant change in import control policy during the year. Non-dollar imports have increasingly been put on the open general licence since 1950.

Imports on government account have steadily increased from K 120 million in 1951/52 to K 203 million in 1953 and K 288 million in 1954 (estimated) owing to the purchase of equipment and machinery abroad.

Foreign exchange prospects have a crucial bearing on economic development in so far as the government is embarking on larger developmental outlays and may incur sizeable import surpluses, to offset the inflationary effects of domestic deficit financing.[1] The price and volume of rice exports will be the major factor in exchange earnings, but account must also be taken of a possible reduction of imports through the expansion of domestic production of petroleum products, cement, sugar, jute bags, cotton yarn and steel products as the projects are completed and greater self-sufficiency is achieved. These gains, however, are unlikely to accrue before late 1956 or even 1957.

Favourable factors to take into account are reparations from Japan, and possibly expanded aid from the Colombo Plan and international loans. Reparation payments of $25 million annually by Japan, $20 million in goods and services and $5 million in joint investments, should provide about K 120 million per annum—a substantial relief to the payments position. The United States ECA aid to Burma started in 1951 totalled about K 850 million when it ended by mutual agreement in 1953. The government may manage in 1954/55 to finance the probable import surplus without seriously dipping into the foreign exchange reserves. This, however, does not mean that Burma's foreign exchange position will be entirely comfortable or free from anxiety in the coming years.[2]

PUBLIC FINANCE

A significant feature of the public finances of Burma has been a tendency towards an over-estimating of expenditures and an under-estimating of revenues. The government has planned continuously rising levels of capital expenditure on economic development, but actual expenditures have fallen short of the targets owing to inadequate preparation and technical and other bottlenecks. The result has generally been smaller budgetary deficits than planned.

The provisional figures for 1952/53 disclose a deficit of K 64 million as against an estimated deficit of over K 200 million. For 1953/54 the revised estimate discloses a deficit of K 287 million as against the budget estimate of K 384 million. Governmental expenditures in the first six months

1. See *infra*, section on 'Money supply and prices', p.71.
2. The Plan makes two estimates, one 'intermediate' and the other 'low', of the volume of rice export and the export price per ton. It assumes that the 'low' price of rice per ton would be K 800 in 1953/54, K 773 in 1954/55 and K667 in 1958/59/60. The conditions of the rice export market have already proved this to be on the optimistic side. The price per ton under Burma's contracts with Japan, Ceylon and the Ryukyus in 1954 is already K 667 per ton only and is scheduled to be K 640 in 1955, K 613 in 1956 and K 587 in 1957.

of 1953/54 were appreciably lower than the budgeted amounts. However, the shortfall in expenditure for the whole year is expected to be less than in 1952/53.

Revenue

Of total revenue, the contributions from the State-managed boards, particularly the State Agricultural Marketing Board (SAMB), have accounted for something like 45 to 50 per cent. Tax yields have been somewhat larger under improved economic and trading conditions, but tax structure and policy have undergone no significant change.

For the year 1953/54, the revised estimate discloses a substantial increase in revenues over the budget estimates, attributable partly to increased receipts under import duties, partly to payment of income tax and super tax by certain State-managed boards hitherto exempt, and largely to the substantial rise in revenue from State-managed boards.

For 1954/55 only minor changes in revenue are indicated, the only new measures being increases in the betting tax, postal rates, and in the excise duties on sugar, cigarettes and liquor. Contributions by State boards are larger.

Expenditure

During 1953/54 a substantial increase is indicated under investment, and loans and advances, the two items together totalling K 506 million of capital outlay by government. For 1954/55 these two items together are at nearly the same level; however, if capital expenditures of State enterprises were included, total capital outlay would be much larger. Increases are also shown under defence and social services (while current expenditures have been kept at existing levels).

With more ambitious programmes of economic development, the capital expenditures of some 16 State-managed boards and corporations (excluding the SAMB) are estimated to increase from K 240 million in 1953/54 to K 660 million in 1954/55. Major increases include electricity, industrial development, housing, railways, and special (engineering) projects.

The deficits of these enterprises are estimated at K 260 million in 1953/54 and K 650 million in 1954/55.[1] In 1953/54 loans from budget allocations financed nearly the whole of their deficits. In 1954/55 such loans will meet only about 40 per cent; the balance may have to come mostly from the Union Bank, since the State Agricultural Marketing Board, an important source of government finance, may not be able to provide funds on the same scale next year.

As at the end of June 1954, the actual expenditures incurred by many of these agencies fell considerably short of the budget estimates. The Industrial Development Corporation had spent only 44 per cent, the Electricity Board only 16 per cent, the Mineral Resources Development Corporation 22 per cent, and the National Housing and Town and Country Development Board 49 per cent of the appropriations for 1953/54.[2] Their expenditures in the next eighteen months may appreciably increase but planned expenditures are not likely to be realized.

1. *Budget Estimates of the Government of the Union of Burma, 1954/55*, Book I. If the SAMB accounts were included, the deficit would be smaller.

2. *Progress Report Analysis reports* on Industry and Mining, and National Housing, Town and Country Development Board, published by Economic and Social Board, during August-September 1954.

MONEY SUPPLY AND PRICES

An attempt to assess the impact of governmental expenditures on the economy as a whole by means of a cash-consolidated statement of all the cash receipts from and cash payments to the private sector by the government has been made in the *Economic Survey of Burma, 1954*. In 1953/54 the domestic cash deficit, i.e. the excess of government payments to the private sector over its receipts from the private sector, is estimated at about K 700 million. This domestic cash deficit, however, is not expected to create equivalent inflationary pressures because it will be largely offset by an estimated excess of private imports over private exports of K 550 million, which will be paid for either out of the external surplus accruing to the governmen or out of foreign exchange reserves, or both.[3]

Whether sizeable inflationary additions to money supply will be actually caused by government deficit or offset by import surpluses as envisaged, will depend upon the accuracy of two forecasts. First, government expenditures might fall short of target levels, while government receipts might meet or even exceed expectations, giving smaller domestic cash deficit of the government than that estimated. This is not unlikely. Alternatively, the foreign exchange assumptions might prove wide of the mark, and the government's surplus abroad might not come up to the target level.

However, trends in total money supply since the latter half of 1953 do not so far point to any significant inflationary tendencies. The total money supply after reaching the peak of K 1,400 million in June 1953 (coinciding with the peak in foreign exchange reserves in the same period), declined to K 1,160 million by February 1954. Later it increased to K 1,280 million by June. The major contractionist influence on the money supply has been net payments abroad, reflected in the decline in foreign exchange reserves. Offsetting this was the expansionist effect of net payments by the government to the private sector of the economy, caused by larger developmental expenditures. The seasonal expansion in the bank credit during the period January-April 1954 was smaller than in 1953 owing partly to the lower level of rice prices and the slack movement of exports during the first quarter of the year, and partly to a change in the State Agricultural Marketing Board's procurement policy which had the effect of substantially reducing the demand for seasonal funds by rice dealers from commercial banks. With the mildness of the busy season expansion and the commencement of the slack season in May, money conditions have remained fairly easy. Further changes in money supply will be dependent upon government expenditures on the one hand and external payments on the other.

The significant development in the price situation has been the general downward trend in response to the lower level of rice prices. The Rangoon consumer price index continued to decline, the fall between October 1953 and March 1954 being of the order of 15 per cent and the rise in the second quarter of 1954 being due to seasonal factors.

3. *The Economic Survey of Burma 1954* gives the following figures in this context (in million kyats):

	1952/53	*1953/54*	*1954/55*
Net domestic receipts from the private sector	970	1,340	1,875
Net domestic receipts from the private sector	1,620	2,040	2,800
Domestic cash deficit	650	700	925
Excess of private imports over exports	450	550	700
Excess of expenditures on account of public and private sectors	200	150	225

CONCLUSION

Burma has made appreciable progress in the preparation of developmental projects and the establishment of the machinery necessary for planning and implementation. The ground has thus been prepared for a larger scale of developmental outlay in the coming years. Shortage of administrative and technical personnel is a serious bottleneck. However, energetic efforts are being made through intensified technical training, participation of foreign enterprises, and other means to overcome it. The recent emphasis in policy on joint ventures with foreign concerns, and the engagement of foreign engineering and construction firms on contract for projects are important steps in this direction. The foreign exchange expectations of the earlier years may have proved somewhat optimistic and the coming year or two may witness a shortage of foreign exchange stemming from the reduced price of rice. However, the realistic and successful rice export policy of the government, in conjunction with the reparations from Japan and some measure of external assistance, which may become available, would enable Burma to tide over this difficult phase. The progress made so far and prospects for the future offer reasonable ground for optimism.

Chapter 8. CAMBODIA, LAOS AND VIET-NAM

It is too early to judge the economic significance to Cambodia, Laos and Viet-Nam of the Cease-Fire Agreement signed on 20 July 1954 in Geneva, but it would seem probable that the Agreement will enable resources to be diverted to reconstruction and it may result in an acceleration of the process by which the states are becoming autonomous, political and economic units.

During 1955 this economic separation will set a number of problems common to all the territories,[1] but once it is achieved the differences between the three States may lead to different reactions to these problems. The end of the war has benefited all the economies and eased their inflationary pressures. Extensive development plans are being worked out for implementation during the next two years.

VIET-NAM

Viet-Nam is the largest of the three States with an estimated population of 25 million living in an area of 330,000 square km. The average population density per square kilometre, which is 72 for the whole country, reaches over 450 in certain provinces of North Viet-Nam. North Viet-Nam has great natural resources and is the main industrial centre with rich deposits of coal and iron. It is estimated that the production of anthracite can be raised to 3.6 million tons annually, production of iron ore at Thai-Nguyen to 400,000 tons per year and production of phosphate in the region of Lao-Kay to 500,000 tons. All these indicate the potential mineral wealth of North Viet-Nam which can be gainfully exploited if conditions and resources permit.

On the other hand, South Viet-Nam is largely agricultural, its chief wealth being rubber and rice. There are possibilities of increasing agricultural production by increasing yield per hectare through irrigation and other measures, as well as by extension of the area of cultivation. There are possibilities also of encouraging small-scale industries by extending electricity to rural areas.

Forests cover approximately 13.5 million hectares or nearly one third of Viet-Nam, but only 3.5 million hectares have been exploited in recent years owing to the state of insecurity.

The problems of reconstruction are obviously most acute in Viet-Nam, where the impact of civil war has been more severe than in Cambodia or Laos. It is estimated that about 60 per cent of the pre-war railway system has been destroyed. The area under rice in Viet-Nam has probably contracted, though official estimates of the crop are not available. Some 40,000 hectares of rubber are still in disturbed areas. Moreover, it is impossible to predict accurately the consequences of the military demarcation line on an economy in which the North has most of the industry while the South has a rice surplus.[2] It is estimated that about 500,000 people[3] have migrated from the North to the South, leaving about 13 million north and 12 million south of the 17th parallel.

Rehabilitation programme

The State of Viet-Nam has finalized its two-year rehabilitation programme involving Pr 20,237 million or $573 million[4]; implementation will start towards the end of 1954. Expenditure of Pr 11,181 million is planned for the first year 1954/55 and Pr 9,056 million for 1955/56. This programme is intended as a basis for a longer term plan of economic development. The United States is expected to finance approximately 70 per cent of the cost of the programme, the remainder coming from France and from the national budget. Emphasis is laid on transport and communications (28 per cent) and public administration (26 per cent),[5] while agriculture (including stock breeding, forestry, fishery and agrarian reform) will receive 12 per cent, and community development, social welfare and housing about 9.4 per cent. Before the second world war the State operated the railway network of 2,500 km of metre-gauge track except for 384 km in North Viet-Nam belonging to a private company. About 36 per cent of the railway in South Viet-Nam needs to be rehabilitated. Port facilities at Saigon and Tourane will also be extended and a large dredging programme will soon be instituted to restore the extensive inland waterway system, the maintenance of which had to be neglected during the past decade.

A sum of Pr 520 million has been allocated to the National Office for Distribution of Electric Energy for reconstruction of existing lines and installation of thermal plants in the provinces to distribute electric energy to the rural areas and so promote development of cottage and small-scale industries.

There has been a continuous increase in building, especially in the major cities. In real terms (1952 prices), in the State of Viet-Nam public works expenditures rose from Pr 340 million in 1952 to Pr 409 million in 1953 and Pr 492 million in 1954 (estimate).[6] The National Office of Reconstruction was set up both to build low-cost houses for workers and junior civil servants to rent or buy by instalments and

1. In the present chapter much of the discussion on public finance, currency and trade, as well as administrative and other problems of separation cannot be given for the three States separately without duplication. These common problems are therefore considered jointly in the final section.

2. North Viet-Nam, where the population is dense, is a rice-deficit region, with rice consumption estimated at 1.7 million tons against production of 1.4 million tons. The deficit is normally met by rice from South Viet-Nam and Cambodia.

3. Office of the Commissioner-General for Refugees.

4. 35 piastres = US$1.

5. Owing largely to increases in salaries and other expenses.

6. Deflated by the cost of living index of Saigon-Cholon.

to grant construction loans to individuals. In 1954 it was given credits of Pr 11 million for construction loans and Pr 26.7 million for low-cost housing. Corresponding figures for 1953 were Pr 8.5 million and Pr 27.8 million.

Agricultural production

A three-year plan in agriculture is being implemented; it is primarily designed to increase the yield of rice and improve the quality of rice seed. The present yield of 1.3 ton per hectare is low. Special attention is given to demonstration of better techniques of production following the lines recommended by the International Group of Rice Breeders. For 1954/55 about Pr 75 million as well as some United States aid have been allotted for mechanization of rice cultivation. Irrigation works and drainage in the Gocong area are expected to bring 11,500 hectares into cultivation. In 1953/54 about Pr 8 million were distributed as crop loans through the co-operatives and in 1954/55 the sum will be doubled. However, there has not been enough cheap agricultural credit and the cultivators still normally have to pay exorbitant rates of interest to money lenders. In the two-year rehabilitation programme, drawn up by the Ministry of National Economy, a further Pr 2,397 million is allocated for agricultural development.

In four important land reform measures passed in June 1953, land rents were fixed at 15 per cent of the crop; tenants cultivating abandoned lands for three years acquired a right to use them; provision was made to grant small holdings to landless peasants; and a maximum was fixed for the land to be held and cultivated by a single landowner.

Some of these reforms have not worked out smoothly. A commission on the land reforms composed of representatives of cultivators, landowners and the government, formed in 1954, has proposed to increase the rent to 25 per cent of the crop as the former rate was found to be too low and landowners could not pay the land tax which has since increased by 200 per cent. The agricultural policy in South Viet-Nam seems to favour improvement of tenancy conditions rather than redistribution of ownership, although some State lands have been sold in small parcels to help landless peasants.

More than half the rice area is in the Mekong delta in South Viet-Nam, where small landowners with less than 5 hectares represent about 72 per cent of the population.[1]

Despite the cease-fire in July, the planted area under *rice* in 1954/55 is reported to have declined further because of continued insecurity in certain areas. The re-settlement of peasant refugees in South Viet-Nam is also hampering normal agricultural operations. Measures are, however, being taken to increase yields and bring back abandoned lands under cultivation.

The total area planted with *rubber* mainly in South and Central Viet-Nam is estimated at 108,424 hectares, of which only 62,297 hectares are exploited. The 1953 production was 53,257 tons of rubber, a little below the peak level of 1941/52; nearly all of this was exported. The plantations are owned extensively by Europeans and their workers come almost entirely from North Viet-Nam. It is estimated that over 40,000 hectares are in the insecurity region and it is impossible to ascertain their production. Some local over-tapping is reported and replanting has not been adequately maintained.

Production of secondary products such as maize, kapok and fish has improved a little. *Maize* is an important subsidiary food especially in North Viet-Nam when the rice harvest is deficient. The area under maize was estimated in 1953 at about 15,975 hectares with a production of 15,808 tons.

Industrial production

Industrial production is mainly concentrated in North Viet-Nam. In 1952 and 1953 production of *coal* was just under 900,000 tons. Output in the first half of 1954 continued at an annual rate 21 per cent higher than in 1953, although still far below the pre-war level of 2.3 million tons.

Output of *cement*, increased by 24 per cent to nearly 300,000 tons in 1953, surpassing the 1938 level, but production during the first half of 1954 was slightly lower. Domestic demand remained high because of the increased construction requirements and nearly 40,000 tons had to be imported in 1953, while in the first half of 1954 imports were still higher, by 31 per cent.

Cotton textile production suffered in the second world war and has not regained the pre-war level. Production of cotton textiles[2] however increased in 1953. Minor manufactures include alcohol, tobacco, sugar refining and cottage industries such as basket work, soap and salt.

Electricity production in 1953 rose by 30 per cent, especially in Saigon, but still is short of demand. Production in the first half of 1954 continued at a high rate as in 1953 (nearly three times the pre-war production of 100 million kW). The State of Viet-Nam has plans to electrify the rural areas by installing thermal plants to promote cottage and small-scale industries.

Public finance

The budget estimates of the State of Viet-Nam have not been finalized for 1954 because of the drastic military and political changes, the *de facto* partition of the country by the military demarcation line under the Cease-Fire Agreement and the overwhelming refugee problem. In 1953 the total expenditures in the national and regional budgets amounted to Pr 8,500 million, of which more than 70 per cent represented military expenditures. Tax receipts did not balance expenditures; the deficit was partly financed by France which also contributed over Pr 1,000 million to military expenses. In addition, the State of Viet-Nam borrowed Pr 500 million from the Institut d'Emission[3] in 1953 and a further loan of Pr 500 million in 1954 indicates its weak financial position.[4]

1. In North and Central Viet-Nam over 90 per cent of the population are small landowners whose plots are less than 5 hectares. Holdings of over 50 hectares are rare.

2. The textile mill in Nam-Dinh, the largest in North Viet-Nam (142,000 spindles), was reported to have closed down in October following the *de facto* partition of the country under the Cease-Fire Agreement.

3. The principal function of the Institut d'emission is to issue currency.

4. Cambodia claims that the State of Viet-Nam also owes over Pr 1,000 million as its share of the revenue of the Customs Union. This debt would be increasing monthly at a rate of Pr 70 million.

In the national budget the revenue for 1954 was estimated at Pr 5,333 million (as compared to Pr 4,597 million in 1953), while civil expenditure was anticipated at Pr 6,300 million including Pr 1,800 million as subsidies to regional budgets. The provision for military expenditure was estimated at Pr 17,000 million at the beginning of the year, but will probably be revised downward in view of the cease-fire of July. Actual expenditures for defence during the first 8 months of 1954 amounted to Pr 5,323 million as compared to Pr 4,091 million in 1953.

Price levels

The rise in prices which was aggravated by the 40 per cent[1] devaluation of the piastre in May 1953 has eased recently and prices have been stabilized though at a considerably higher level. The relative stability of the price level is due to surplus stocks of rice, leading to lower food prices, and to increased imports of necessities, particularly under United States aid. The rise in prices in 1953 had reduced real incomes substantially since it was not accompanied by a proportionate increase in money incomes.

A notable feature in the war economy of the State of Viet-Nam has been the absence of rigid price controls and rationing, an indication that in no period has the inflationary situation gone beyond control, mainly because the financial burden of the war has been borne by France, assisted by the United States, with relatively small contributions from the national budgets. The expenditure originating from French and national military forces has been the main inflationary force but it has also provided substantial foreign exchange enabling essential and other supplies to be brought in for the civilian population. The general index for wholesale prices in Saigon-Cholon (base 1949=100), which rose by 24 per cent immediately after devaluation in May 1953, has been remarkably steady at around 155 (about 30 per cent higher than before devaluation) through the first half of 1954 (see chart 21). The index for imported products which rose from 106 in the pre-devaluation period to 158 in the third quarter of 1953 has also been relatively stable at 161 for the greater part of 1954.

Wholesale prices of rice were unusually low in the early part of the year, fluctuating between Pr 300 and Pr 330 per 100 kg for No. 1 variety (25 per cent brokens). This was from 20 to 30 per cent below the 1953 price levels in spite of the 40 per cent devaluation of the piastre in May 1953. However, at the end of June 1954 white rice prices began to rise steadily and in August they were quoted at about Pr 400 per 100 kg in Saigon-Cholon. They will probably remain rather high until the new harvest towards the end of 1954. Export prices of No. 1 rice f.o.b. Saigon were quoted at $138.50 per ton in April 1954 and fell to $119.50 per ton at the end of July, but recovered to $131.30 by the end of August.

The cost-of-living index for a Saigon working class family (base 1949) which stood at 206 in January 1954 declined to 197 in May and rose to 203 in August, as compared with 152 in April 1953, before the devaluation.

1. i.e. from 17 francs per piastre to 10 francs per piastre.

In table 25 the money wages of the workers are deflated by the cost of living index for the working class in Saigon-Cholon in order to compare their real incomes in the pre-devaluation and post-devaluation period. The real wage of the workers in Saigon-Cholon declined by 40 per cent for skilled workers and by 41 per cent for unskilled labourers immediately after the devaluation in May 1953, but it gradually increased in the first half of 1954. Immediately after the devaluation the government froze wages and salaries by decree, but without success.

TABLE 25

INDEX NUMBERS OF WAGES IN SAIGON-CHOLON
(December 1949=100)

	Dec. 1952	June 1953	Dec. 1953	June 1954
Daily money wages				
Unskilled workers	153	173	214	236
Skilled workers	187	214	253	291
Real wages				
Unskilled workers	157	92	105	116
Skilled workers	191	114.5	124	143

Trade policy and agreements

During 1954 the State of Viet-Nam entered into bilateral trade agreements with the Belgo-Luxembourg Economic Union, Italy, West Germany, and the Netherlands in order to renew import plans for a further period of six months. It is reported, however, that a trade mission to Japan was unsuccessful in securing a rice agreement.

CAMBODIA

Cambodia's population is estimated at over 4 million spread over an area of 139,000 square km. Its economy, with rice and rubber as the major cash crops, is centred along the Mekong and around the Great Lake, a great source of fish. About 60 per cent of the cultivated area is under rice, and this could be extended substantially[2] but for the shortage of labour. There is no regular prospecting of mineral deposits but there are indications of iron, copper and gold and phosphate in the provinces of Kampot and Battambang and precious stones in the area near Battambang can be found.

Development programme

Cambodia has drawn up a two-year national development programme emphasizing irrigation, flood control and drainage; it is to take effect from January 1955. Work on the Choeung Prey and Western Barai sections of the irrigation programme, now being financed from national resources and United States aid, should be completed by 1955 and bring 18,000 hectares into cultivation. The filling-in of low-lying areas along the Mekong is in hand. The condition of roads is generally poor and repairs on approximately 4,000 km are being undertaken. Experiments in the use of modern ma-

2. Of a total land area of 14 million hectares in Cambodia, about 5 million hectares are said to be cultivable.

chinery in forestry and rice-growing are also being undertaken. Other important projects under consideration are the seaport in the bay of Kg-som, improvement of port and airport facilities at Phnom-Penh, dredging work in certain sections of the Mekong river, railway and road development for opening up the highlands and irrigation projects which will bring 140,000 hectares into cultivation.

Agricultural production

Rice land in Cambodia covers about 2.4 million hectares. About 90 per cent of the cultivaters are owner-cultivators and holdings of less than 5 hectares are very common. In 1953/54 paddy production was 1,463,000 tons, an increase of 53,000 tons over the previous year, due to the expanded area under cultivation and also to the increase in yield per hectare. Owing to more favourable prices, Cambodia succeeded in exporting 220,000 tons of rice during the first 9 months of 1954 as compared to 126,000 tons during the corresponding period of 1953.

The government is taking measures to improve the quality of rice by distributing about 1,900 tons of seeds to peasants in 1954 as against 15 tons in 1953 and teaching them more rational methods of cultivation. As Cambodia is short of manpower attention may have to be given to mechanization of agriculture in the development of new lands.[1]

Every year the rural population contracts over Pr 600 million of debts to finance the necessary expenses. Agriculturists go to private money-lenders or to provincial credit organizations financed by the State. However, since 1952, by reason of renewed insecurity, there have been fewer money-lenders and those that still operate have been more exacting, so that the provincial credit institutions have not been able to meet the credit requirements of the agriculturists who have to be left at the mercy of money-lenders and middlemen. The cultivator being on the lowest rung of the economic ladder, his relatively weak economic position vis-à-vis the traders and middlemen, who are mainly aliens, is a further factor working against his interests.[2]

A major immediate problem is to persuade the peasants to go back to the fields from urban areas where they crowded because of insecurity in the country-side.

Rubber ranks second among Cambodian exports; the production in 1953 was estimated at 19,736 tons from an area of 22,556 hectares. The area exploited had increased to 31,035 hectares by June 1954. Rubber production in Cambodia and Viet-Nam together in 1953 was 72,000 tons, exceeding the pre-war level of 60,000 tons, and rubber exports have been well maintained in 1954. The production of sole crepe is increasing in comparison with that of smoked sheets. A few plantations are being provided with modern equipment to produce concentrated latex for export. With better security conditions it is hoped that new plantations made up of choice plants could be tapped towards the end of 1954, which will contribute to increase production.

The area under other agricultural products is comparatively small and statistics for such crops are not accurate. Only *maize* and *beans* have a cultivated area of more than 170,000 hectares. Approximately 90 per cent of agricultural products other than rice such as maize, *pepper*, rubber, *sesame* etc. are for export. Production in 1953 was estimated at 120,000 tons for red maize, a good portion of which is exported to Viet-Nam. Measures to improve the quality of red maize include establishment of mechanical dryers and appropriate warehouses, distribution of hybrid seeds to peasants and the development of power agriculture on the banks of the Mekong.

Production of *fish* is significant both to the revenue and to the export economy of Cambodia. The Great Lake and the surrounding region are considered to be one of the greatest productive sources of fresh-water fish in the world[3] with an estimated catch of 125,000 tons annually. According to statistics furnished by the Fish Co-operative, fish purchased during the 1953/54 season (11 months) amounted to 9,701 tons valued at Pr 52 million as against 7,502 tons valued at Pr 36 million for the corresponding period of the previous year. A large quantity of fish (especially dried fish) is exported to Viet-Nam, Singapore and Hong Kong.

Industry and transport

Industry is not generally of much importance to Cambodia, with the exception of local village crafts. The government is understood to favour a system of protection for the development of industry when the Customs Union is broken up.

Cambodia's transport system comprises a railway connecting with the frontier of Thailand and a few roads, as well as the natural waterways provided by the Mekong and its tributaries, on which light ocean-going vessels can reach Phnom-Penh. As the preservation of the navigation rights on the Mekong, which flows through Viet-Namese territory to the sea, is of vital importance to Cambodia, the government has proposed the internationalization of this river as a safeguard. It has also asked for the right to use the port installations of Saigon which it claims were built from the resources not of Viet-Nam alone but of all three States.

Housing is an acute problem and plans have been drawn up with some United States and French assistance for the building of residential apartments in Phnom-Penh and in the vicinity of the airport of Pochentong.

Cambodia has large potential reserves of wealth in its forests which are at present largely undeveloped. Further development of transport facilities appears to be the chief requirement for mobilization of these resources.

Public finance and prices

The budget for 1954 is balanced at Pr 1,670 million or 29 per cent more than in 1953. Total revenue is expected to increase by 30 per cent over the previous year, mainly on account of the increase in land taxes and customs revenues. The exceptional tax levied on rice exports immediately after the devaluation of the piastre in 1953 to prevent exporters from making excessive profits was abolished in 1954 to encourage rice exports in the world market with falling prices. On the other hand, military expenditure in 1954 was expected to increase to more than twice the 1952 figure, representing 50 per cent of total expenses. Civil expenditures which

1. Mechanical farming is being developed on some 2,500 hectares in Battambang province, to be increased to 4,000 hectares later.

2. The commercial banks, owned largely by foreigners, finance mainly foreign trade and have not ventured into either agriculture or small business.

3. The yield is estimated at 80 kg per hectare.

amounted to 70 per cent of the total budget in 1952 decreased to 50 per cent in 1954. A 30 per cent cut in civil expenditures was imposed as there was some delay in the receipt of the Cambodian share of revenue from the Customs Union in 1953. The increase in military expenditure at the expense of civil expenditure was apparently budgeted at the beginning of 1954 when the cease-fire was not yet in sight.

Beginning from August 1954 increases in certain domestic taxes were imposed: the hotel and restaurant tax increased from 3 to 5 per cent and the special national defence tax from 0.5 to 1 per cent on transactions.

Cambodia, which borrowed Pr 250 million from the Institut d'Emission in 1953, has refrained from inflationary borrowing during 1954. Nevertheless price rises in Cambodia were more moderate in 1953 than in the other two States, while from March to June 1954 the cost-of-living index rose in Cambodia but not elsewhere. The timing of local price increases is probably due more to the incidence of military expenditures and delays in the transport of supplies than to basic inflationary or deflationary factors, so that the rise in 1954 may be merely a delayed adjustment.

LAOS

The Kingdom of Laos, with a sparse population of only 6 persons per square km in an area of nearly 250,000 square km, mainly of forests, is a land-locked country, and transportation difficulties are one of the major problems for economic development. Nearly 90 per cent of the population are associated with agriculture and forestry.

The wealth of Laos seems to be in its forests, which have hardly been exploited, as well as in mineral resources, particularly tin and copper. However, as in the neighbouring States, there has been no complete survey of the natural wealth, and it is thus difficult to ascertain the economic potential and possibilities of development.

Five-year plan

The execution of the five-year plan involving investment of over Pr 900 million, which was drawn up by a Planning Commission established in 1951 and submitted to the National Assembly in 1952, was held up in 1953 by the invasion of the country. Initially the government concentrated on the improvement of agricultural production (Pr 194 million) and communications (Pr 395 million). The general plan contemplated substantial increases in the production of rice, tobacco, timber, and livestock.

Following the end of hostilities the government turned its attention first to the restoration and improvement of communications, in particular to those connecting the population living in the south with Vientiane, the capital. The mountainous nature of the country and the high cost of transport present a major problem for economic development. There are no railways and the roads have hitherto been maintained only as needed to serve military operations. Repairs have been undertaken by the National Public Works Service with the help of French Union Army engineers on the southern part of the road which links Savannakhet with the Cambodian frontier. At the same time, it is proposed to develop river transport on the Mekong which runs parallel to the highway, because inland water transport is considered to be more economical. It is hoped to finance the five-year programme by means of budgetary contributions, private savings and external aid. France has already promised about Pr 4 million towards the transport programme while the United States has undertaken the cost of paving the road from Vientiane to the Thailand border at Thadeua. Laos is particularly interested in improving the road and communication links with Thailand with which it expects to maintain closer relations in the future.

Two major projects that can be initiated if resources permit are the development of hydro-electric power in Southern Laos and the exploitation of copper mines in the province of Xieng-Khouang. United States financial assistance has also been received for agriculture, health, forestry and irrigation projects.

Agricultural and mineral production

Insecurity has made it impossible for the provincial authorities, officials from the Agricultural Bureau, to go out on inspection tours to ascertain the state of crops and their approximate yield. However, on the basis of data collected in 1948 and 1949 the following products may be mentioned. Rice covers an area of 800,000 hectares with an annual production of 520,000 tons; tobacco, 1,500 hectares with a production of 600 tons; and coffee, 2,000 hectares with a production of 1,500 tons (1948 figures). Laos is nearly self-sufficient in rice, although in recent years it has had to import a few thousand tons from Cambodia and Thailand. The livestock is estimated to have decreased by 40 per cent owing to destruction caused by cattle disease and insecurity conditions. Despite this destruction Laos has been able to export some livestock to the State of Viet-Nam.

To encourage development of agriculture and livestock breeding, the government has granted loans of Pr 3.5 million to agriculturists and breeders. For 1954, a credit of Pr 10 million has been included in the national budget for the same purpose.

The forests, which are owned entirely by the State, cover 60 per cent of the total territory; half of them are of economic value. It is estimated that 70,000 hectares are groves of more or less mixed teak which is cut and floated down the Mekong over falls and rapids to Phnom-Penh and then on to Saigon. Production of timber is estimated at 35,751 cubic meters in 1952/53 and 16,782 cubic meters in 1953/54. High transportation costs are a major factor hindering fuller exploitation of forests which may well provide Laos with an important export commodity.

Before 1941, there were two tin mines (in Boneng and Phontiou) which exported 1,893 tons of tin ore to Singapore, representing 68 per cent of the total tin exports of the three States. The Phontiou mine, which had been rehabilitated, produced 560 tons (with 50 per cent tin content) in 1953 as against 278 tons in 1952; this figure is still 50 per cent below the pre-war level.

Public finance and prices

The national budget for 1954 provides for an expenditure of approximately Pr 632 million compared with Pr 508 million in 1953, an increase of 24 per cent. Of the total receipts excluding borrowing, nearly 70 per cent is expected to come from customs revenue. It provides for Pr 260 million from external sources in order to balance the deficit, as against a sum of Pr 150 million in 1953 which was financed entirely by borrowings from the Institut d'Emission. Among expendi-

tures, there has been a substantial increase of 18 per cent in expenditure on administrative personnel because of increased salaries and indemnities paid on account of the devaluation. About 49 per cent of the total budget is earmarked for public work. No provision for defence expenditure is allotted in 1954 as it is assumed that military expenses will continue to be borne by France.

The fact that military expenditures are not carried on the national budget adds to the difficulty of interpreting price changes. After the devaluation in 1953 price rises in Laos were particularly sharp, but this might have been due less to the borrowing of Pr 150 million from the Institut d'Emission than to military expenditures and increasing costs and difficulties of transport. The rise continued in the first quarter of 1954 from 243 in January to 274 in March (1948=100) but in the second and third quarters the index remained relatively stable.

DEVELOPMENTS COMMON TO THE THREE STATES

The state of insecurity in the three States has prevented them from drawing up well integrated development plans. Lack of basic economic data, trained personnel and finance has been a further major bottleneck in the formulation of the well-rounded plans which the countries need. Nevertheless the three States have drawn up rehabilitation and development programmes on the basis of individual projects for early implementation. It is feared, however, that technical and administrative bottlenecks may be formidable.

A serious strain at the administrative level is already experienced in varying degrees by the three governments. The situation is for the time being made more difficult by the decision shortly to break up the quadripartite institutions such as the Institut d'Emission (Bank of Issue), the Customs Union, and others, set up under the Pau Conventions of 1950.

The planning authority in each country, working in close association with the United States and French technical and economic aid missions, reviews individual projects and advises the government on priority and feasibility within available resources of foreign aid and national budgets.

Economic separation

Owing to the long association with France the three States' banking, currency and exchange control system, trade and payments arrangements, public finance and tariff structure have been closely tied together and to the economy of France. Until recently Cambodia, Laos and Viet-Nam formed a Customs and Monetary Union; the proportions of customs revenue shared by the States were as follows: Cambodia 22 per cent, Laos 7 per cent and Viet-Nam 71 per cent. From January 1952, however, the note issue function was taken over from the Bank of Indochina by the Institut d'Emission with a governing body consisting of representatives of the Governments of France and the three States. The institute serves as a banker to the three governments and is also empowered to make loans to the State treasuries within certain limits. The piastre is linked to the franc at 10 francs to a piastre since the devaluation in May 1953, as against the pre-devaluation rate of 17 francs to a piastre. The three States participate in the payments arrangements and procedures of the franc area, a system similar to that of the sterling area, particularly in respect of freedom to make transfers within the monetary area, pooling of available exchange resources and participation in the European Payments Union and trade arrangements signed by France.

Economic talks on a quadrilateral level between the governments of France, Cambodia, Laos and the State of Viet-Nam began in August 1954 to discuss the fundamental economic issues common to the three States. The results of this conference will be of great significance for the future economic status of the three States. Subjects under discussion are known to be as follows: Institut d'Emission, treasury and exchange, customs, immigration, equipment plan (a quadripartite organization for regional planning), telecommunications, and navigation on the Mekong. It has been decided to dissolve the Customs and Monetary Union and to set up national customs administration as well as national central banks early in 1955. The quadripartite organization for regional planning was dissolved in September, 1954, but the exchange control administration has not yet been transferred to the individual States.

External assistance

Up to the first of January 1955, the piastre being convertible into French francs for importers in the three states of French goods, the bulk of the deficit of the Customs Union was shouldered by France. This deficit amounted to more than 100,000 million francs in 1953 and to more than 40,000 million francs during the first half of 1954.

The major part of the cost of the war in the three states from 1946 to 1954 was included in the French military budget. The contribution of the United States government, however, increased after 1952 and was expected to be of major importance in 1954.

TABLE 26

CAMBODIA-LAOS-VIET-NAM: MILITARY EXPENDITURE, 1946-1954

(thousand million 1954 francs)

Year	French military budget[a]	Military budget of the states	US Direct constribution[b]
1946	102	—	..
1947	131	—	..
1948	136	—	..
1949	177	—	..
1950	258	—	..
1951	321	15	.
1952	428	30	85
1953	404	38	119
1954	428	60	475
Total	2,385	143	..

Source International Financial News Service, Vol. VII, No. 6, 6, August 1954.

a. Includes subsidies to Cambodia, Laos and Viet-Nam (67 thousand million francs in 1952, 68 thousand million francs in 1953, 135 thousand million francs in 1954), but excludes expenditures such as veterans' compensation, repatriation grants etc.

b. Estimates. The 1954 figure which is likely to be revised downwards covers 200 thousand million francs of military deliveries and 275 thousand million francs of direct aid.

United States economic aid has been of the order of approximately $70 million for the three fiscal years ending June 1953; for 1953/54, it is expected to increase for both military and economic assistance. Economic aid is designed to stabilize the economy and increase production.

Outside of US and French technical assistance Cambodia, Laos and Viet-Nam have also received technical assistance under the United Nations Technical Assistance Programme and the Colombo Plan and from France.

Trade and payments[1]

In international trade and payments the economies of Cambodia, Laos and Viet-Nam have normally been closely linked with that of France. Under the Pau Convention on foreign trade the three States have the right to negotiate and sign trade agreements without the prior consent of France or participate in the commercial agreements concluded by France with foreign countries. However, import licences are issued within the limits of an exchange quota[2] determined from time to time by a quadripartite organization on trade. The trade deficit of the Customs Union during the first half of 1954 declined by 24 per cent as compared with the corresponding period of 1953. This has been brought about mainly by a 19 per cent fall in the value of imports following the devaluation in May 1953.

TABLE 27

CUSTOMS UNION OF CAMBODIA, LAOS AND VIET-NAM: VALUE OF IMPORTS AND EXPORTS

(Millions of piastres)

	Exports	Imports	Deficit
1953 first half[a]	1,554	7,188	—5,634
second half	1,738	6,351	—4,613
1954 first half	1,562	5,801	—4,239

a Jan-May figures have been adjusted to take into account the devaluation in May 1953.

The principal development in exports during the first half year is the increase in the quantity of rice exports by 105 per cent as compared with the corresponding period in 1953. Rice has regained its position as the leading commodity representing 53 per cent of the total exports in the first half of 1954, followed by rubber with 30 per cent. The value of rice and rubber represented 72 per cent of total exports in 1953. The increase in rice exports has been facilitated by the gradual reduction and final abolition of the exceptional export tax[3] and the lifting of the embargo on rice imposed by Cambodia and Viet-Nam immediately after the devaluation in May 1953, in order to stabilize prices and prevent excessive profits. When exports began to move again towards the end of 1953, the downturn in the international rice market was clearly visible. Export prices of Rice No. 1 (25 per cent broken) dropped 14 per cent from the beginning of the year to the end of July, but internal prices were even 20 to 30 per cent below the price levels in the early part of 1953 despite the devaluation.

Over 50 per cent of the rice exports during the first half of 1954 went to countries in Asia, including Malaya and Japan, and 36 per cent to French territories. The volume of rubber exports during the same period amounted to 35,000 tons, representing an increase of 18 per cent over the corresponding period in 1953, although in value it was 16 per cent below the 1953 figure. The United States took 69 per cent of rubber during the first half of 1954, as against 47 per cent in the previous year; while France received only 19 per cent as against 41 per cent in the previous year.

The 20 per cent fall in the value of imports resulted mainly from the fall in the volume of imports. The largest fall occurred in the food and consumer goods groups while imports of capital goods appear to have been maintained.[4] However, the decrease in volume did not affect all categories of commodities at the same time or in the same degree. It affected first those products the demand for which reacts more quickly to a fall in income and also those products for which current orders could be more easily cancelled.

Of the total imports in 1953, 82 per cent came from France and the French territories, 9 per cent from countries in Asia, and 9 per cent from other countries. In the first half of 1954, the share of France dropped to 76 per cent of total imports while the share of other countries including the United States increased to 13 per cent. Of the total exports in 1953, 29 per cent went to France, 47 per cent to countries in Asia and 24 per cent to other countries. The distribution pattern did not change appreciably in the first half of 1954.

1. As reliable trade data are available for the Customs Union as a whole, it is not feasible to treat the external trade of the three states separately.

2. Foreign exchange is granted for imports from non-franc areas only when the goods required cannot be secured from the franc area sources or when such procurement would involve too long a delay.

3. The original tax imposed immediately after devaluation for Rice No. 1 was Pr 2,500 or $70 per ton. It was finally abolished on 24 July by Cambodia and on 10 August by Viet-Nam.

4. Import of iron and steel, machinery and metal goods amounted to about 111,000 tons in 1953, which is more than double the pre-war level in 1938.

TABLE 28

CAMBODIA, LAOS AND VIET-NAM: IMPORT INDICES, 1953-54
(1950=100)

	Price index	QUANTUM INDEX				
		General index	Food	Other consumer goods	Base metals and semi-processed goods	Equipment and capital goods
1953 annual . . .	172	158	156	155	182	139
1953 first half . . .	139	165	173	159	192	136
second half . .	206	151	140	151	172	140
1954 first half . . .	203	140	142	128	172	134

Public finance and monetary policy

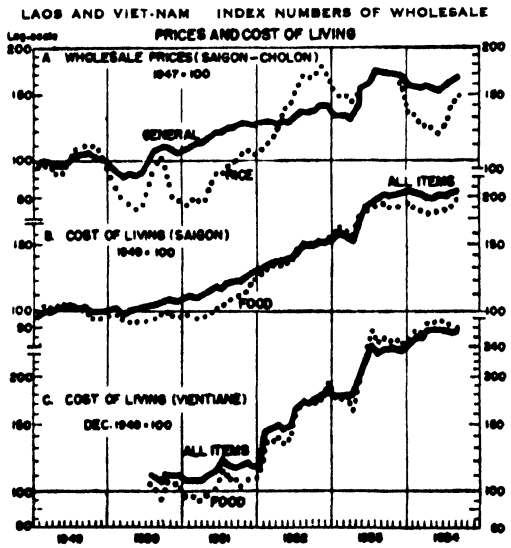
Though the devaluation of the piastre in May 1953, by raising the prices of goods and services, tended to increase the expenses of the governments, budget deficits were not so large as had been feared since such measures as the freezing of wages and salaries, the reduction of administrative expenses and the imposition of an exceptional tax and a supertax were taken. Moreover, credits which had been promised were cancelled or greatly reduced. Nevertheless, there was some resort to inflationary financing in the form of treasury borrowings from the Institut d'Emission amounting to Pr 900 million in 1953, or 11 per cent of the note circulation at the end of 1952.

There was a 19 per cent increase in the note circulation in 1953. Some of the important factors which tended to increase the volume of note issue were: (*a*) an increase of Pr 900 million in the advances to national treasuries; (*b*) the institute's contribution of Pr 484 million towards redeeming the treasury debt; (*c*) transfers from the French Treasury and consequent increases in the franc reserves of the institute, which rose from Pr 11,521 million in December 1952 to Pr 16,689 million at the end of December 1953.

The first factor may be taken as the direct impact of the budgets on money supply and (approximately) as a measure of deficit financing by the three States as a whole. During the first nine months of 1954, however, this kind of deficit financing was reduced substantially as the amount of borrowing from the institute, mainly by Viet-Nam, amounted to only Pr 585 million.

A major cause of the budget deficits was the increasing share of military expenditures which in 1953 represented 35 per cent of total expenditures in Cambodia, and 65 per cent in Viet-Nam, while in Laos military expenses were borne by France. The magnitude of the cost of war, however, cannot be gauged only from the military budgets of the three States. A large part of the war expenditures is incurred outside the budget and is financed mainly by France and the United States.

Chart 21



Price trends and changes in real income

The devaluation of the piastre in May 1953 caused a substantial decline in real income among the fixed income groups not only in urban areas, but also in rural areas. In the latter the decline in real incomes is worse because rubber and paddy prices have decreased in spite of devaluation, while prices of consumer goods such as imported textiles have increased. Rubber prices kept falling on the world market during 1953 and slightly in early 1954. During 1953 price of RSS No. 1 fell by 35 per cent in Singapore and the fall was sharpest for lower grades. Prices thus fell to the level of the beginning of 1950, while the cost remained high, thus creating increasingly difficult financial problems for the planters. Permission to rubber exporters to retain part of the dollar proceeds for imports was the only inducement which helped production indirectly. The price of paddy fell by 16 per cent between the first quarter of 1953 and second quarter of 1954.

On the other hand, the price of cotton textiles increased by 60 per cent. Thus the purchasing power of rubber in terms of textiles fell by nearly 60 per cent and that of paddy by 47 per cent during the same period. Although prices of paddy had begun to increase in the third quarter of 1954 (owing partly to seasonal factors), the increase was not sufficient to compensate for the loss in real incomes brought about by the devaluation.

The inflationary situation in the three States appeared to be stabilized by 1954, mainly through balance-of-payments deficits financed by foreign aid, but also in part because budget deficits were reduced. Prices in general, however, were at a higher level than a year before.

On the whole, both wholesale and cost of living indices were relatively stable in the major cities throughout the greater part of 1954—in contrast with the sharp rise following the devaluation in May 1953. In fact there were some price declines, particularly in the food category, largely due to the surplus stocks of rice.

CONCLUSION

Cambodia, Laos and Viet-Nam are undergoing a period of transition from a dependent and integrated economy into independent economic and political units and the problems of economic and social adjustments are great. Each country is now endeavouring to meet part of these problems through rehabilitation and development programmes. Now that peace has been restored, favourable conditions exist for carrying out these programmes; but stable and efficient administration seems to be an essential pre-requisite for their success. Moreover, as heavy reliance is placed on external assistance, both financial and technical, success will depend very much on the continuity and scale of such aid. Even in the short run, because of the fall in the market for rice exports and the consequent serious trade deficits, the three States may have to rely heavily on external aid to bring in essential consumer goods if inflationary pressure is to be curbed.

Chapter 9. CEYLON

The major development problems confronting Ceylon are the high degree of specialization on three export commodities, tea, rubber and coconut and products, the heavy dependence on imported food grains, and the rapid growth of population. The economic development programme gives the highest priority to improved agriculture and increased food production.

The population of Ceylon has been increasing at a rate of almost 3 per cent per annum, from 5.7 million in 1937 to 8.5 million by mid-1954. The death rate has been more than halved from 24.5 per 1,000 before the war (1935-39) to 10.8 in 1953 (a tribute to the government's successful public health measures), while the birth rate has increased from 35.7 per 1,000 to 38.9 during the same period. The government does not have an official policy on family planning. Facilities are, however, made available to voluntary bodies to promote family planning.

Increased domestic food production to save foreign exchange for imports is a major objective of development. Of the 6.5 million hectares of land in Ceylon, only 1.3 million hectares have so far been brought under cultivation,—over 800,000 hectares for the three export crops, and the remainder for food crops. It is estimated that another 400,000 hectares mainly in the dry zone can be cultivated. The opening up of this zone by colonization and roads for land settlement and food-production is a major project. Intensive cultivation of existing food production areas is also receiving attention.

Productivity of export commodities is to be improved so that Ceylon's exports can compete more favourably in world markets. But this cannot ensure the stability of export prices, which is so vital to Ceylon's economy but is beyond its control. Ceylon has presented at different meetings of international organizations, including commodity groups, the case for international action to stabilize raw material prices. It has also resorted to bilateral action, for example, in its trade agreement with mainland China.

Instability demonstrates clearly the urgent need to diversify the economy by means of increased food production and industrial development, to the extent permitted by natural resources and other factors.

Ceylon has been able to develop its social services appreciably, as the absence of a significant burden of defence expenditure has released resources for public health, education and other social services. Positive progress is shown in the growth of Rural Development Societies, Women's Societies, co-operatives and other institutions for social-economic development.

DEVELOPMENT AND PRODUCTION

The first post-war six-year plan, and the plan for Ceylon in the Colombo Plan[1] published in 1953, were in the nature of general plans; no detailed development plan has yet been prepared. However, the Mission from the International Bank for Reconstruction and Development which considered questions of development in some detail laid down the main lines, with priorities in the following order: agriculture, transport, electric power, health and education, and finally, industries. These had been followed except in one or two respects: for example, industry.

The planning activity of the Ceylon Government since the visit of the Bank Mission has mainly concentrated on a thorough re-appraisal of available financial resources and of individual projects on the basis of the Mission's findings and of further technical data, and also in the light of the experience gained from the 1952/53[2] financial crisis.

Since the 1952/53 crisis the abolition of food subsidies and the subsequent achievement of budgetary balance have placed the government in a stronger position to promote economic development without danger of internal inflation or external payments crisis. The transport bottleneck, particularly in newly settled areas, is being steadily dealt with by the construction of new roads and the use of more lorries. Difficulties in securing machinery and equipment have not been serious. The technical assistance which Ceylon is receiving under the Colombo Plan and the United Nations programme is helping to overcome bottlenecks in trained personnel.

According to a study of government capital outlays by the Planning Secretariat,[3] of the total cost of projects under construction in 1954/55, estimated at Rs 1,500 million, 84 per cent is for economic projects and 8 per cent for social services; other projects take up the balance of 8 per cent. Manufacturing and mining projects take up only 7 per cent of the total outlay on economic projects, of which the great majority are related to agriculture, transport and power. Up to the end of September 1954, only about 40 per cent of the

1. Under the revised development target of the Colombo Plan it is indicated that about Rs 1,500 million would be spent by the Government of Ceylon on development projects involving an annual outlay of Rs 300 million, but all this investment may not necessarily take place within the Colombo Plan period.

2. Fiscal year from October to September.

3. *Estimated Capital Outlays of the Ceylon Government, 1954/55*, prepared by the Planning Secretariat, July 1954. This estimate includes the capital outlays as embodied in the Loan Fund and Loan Scheme Expenditures and analyses the distribution of capital outlays according to the spheres of investment: defence, administration, economic projects, and social services. Economic projects comprise public utilities (*i.e.* transport and communications, power), agriculture, irrigation and fisheries, manufacturing and mining, distribution and trade, and tourism.

total sums allocated to the projects under construction would have been spent. For the balance of Rs 900 million, estimates have been made of commitments in later years. The proposed outlay for 1954/55 is Rs 263 million, declining rather steeply, from year to year, to Rs 16 million in 1960/61. The sharp falling off in outlays on existing projects indicates the need for new projects.

The various government agencies are engaged in preparing new projects, to replace the declining outlays on existing projects; and the government hopes to present a fairly complete statement on the future programme of development in 1955. This will include the findings of an Anglo-Australian technical mission which is currently examining an ambitious Rs 750 million programme for rice production in Ceylon.

The Cabinet Economic Committee (set up in 1953 with a few ministers) has recently been enlarged to include the entire Cabinet. This is the body which determines priorities and co-ordinates planning. The Planning Secretariat (also set up in 1953) assists in the preparation of the comprehensive programme and examines the proposals initiated by the different ministries. Each ministry has set up an Economic Advisory Committee composed of the heads of departments, with the Permanent Secretary as chairman and the Assistant Secretary as liaison officer. These committees are to co-operate with the Planning Secretariat in drawing up the investment programme for the public sector of the economy.

Agricultural and rural development

Measures taken to increase food production are mainly: increasing the area of cultivated land by setting up peasant colonies; restoring minor irrigation works, providing fertilizer, using insecticides, improved seeds and implements; paying subsidies to cultivators for reclaiming new land; and providing credit to peasants through co-operative societies.

An important element in food-production policy is the guaranteed price scheme under which the government has guaranteed a price of Rs 12 per bushel for locally grown paddy and specified prices for other food crops up to the end of 1957. This price of Rs 12 per bushel in 1953, which was some 10 per cent above the price of imported rice in that year, was still lower than the prevailing market price (which was up to Rs 18 per bushel). But in 1954 with increased production, the market price fell to an average of Rs 10 per bushel. Paddy purchases under the government scheme were 220,000 bushels in 1950, 592,000 bushels in 1951, 1,500,000 bushels in 1952, and 311,000 bushels in 1953. From January to July 1954, such purchases amounted to 781,000 bushels. Thus the guaranteed purchase, while ensuring price stability, involves a costly producer subsidy on all government purchases of home-grown rice. The government will have to consider the question whether it will be desirable to continue subsidizing the producer at such high cost.

Since 1953, the use of tractors for cultivating new land, mainly in the dry zone where labour and draught animals are relatively scarce and holdings relatively large, has assumed increased importance. During 1952, the Co-operative Agricultural Production and Sale Societies[1] purchased nearly 200 tractors which were distributed among nine tractor stations. In 1953, some 60 tractors were added by these societies. The Food Production Department also set up its own tractor stations during 1953, using 190 tractors given as a gift by the Australian Government under the Colombo Plan. It is too early to assess the working of the tractors, but in 1953 the area ploughed with them was very small, indicating that the tractors remained idle for the greater part of the year. Steps are being taken to improve training facilities for tractor operators, tractor maintenance and repair, and the organization of the units. Extension of tractor use will, moreover, be limited by the displacement of human labour that it would cause in areas where labour is not in short supply.

There has been a steady increase in food production in recent years. The paddy area including both the *maha* and *yala* seasons rose from 375,000 hectares in 1947 to 470,000 hectares in 1952 and is estimated at 510,000 hectares for 1954; paddy production was 21.8 million bushels in 1953 and rose to 31.2 million bushels in 1954. The production of subsidiary food crops, such as onions, chillies, yams, maize, kurakkan, etc., is also increasing and the imports of some of them are declining.

Tea production and export continue to be regulated in accordance with the International Tea Agreement. In 1953/54 (April-March) there was a slight increase in the cultivated area, and a substantial increase in the yield per hectare due to the control of blister blight. Tea output in 1953 was 156,000 tons, while production in 1954 amounted to 160,000 tons. Measures are being taken to organize tea co-operatives for small holders and to offer them technical and financial aid. The area under *rubber* remained below 263,000 hectares. Production fell from 98,610 tons in 1953 to 94.000 tons in 1954.

Community projects through Rural Development Societies represent an important aspect of development. There are nearly 5,900 of these societies, practically in every village, in addition to over 2,000 Women's Societies, which are auxiliary bodies interested in home sanitation, cottage crafts, home gardens and such other activities. During 1953, an increase of 307 Men's Societies and 372 Women's Societies was recorded. These societies have been encouraged to undertake government contract work also.

The government has fostered rural development by providing necessary materials and technical supervision. Voluntary labour has been mobilized in the villages for the construction of utilities, such as roads, latrines, canals, tanks, wells, meeting halls, etc.: a use of surplus manpower to form new capital. In 1950/51 the government provided Rs 500,000 and in the next two years Rs 3 million per year. The limits of government assistance were laid down for each type of project (e.g. Rs 250 for a well), an essential condition being that voluntary contributions of an equivalent value in labour should be made by the villages. Late in 1953 the Canadian Government made a gift of Rs 2.25 million for improvement to village roads constructed on a self-help basis. This money was spent by the Rural Development Societies on bridges, culverts, etc. to make the roads fit for vehicular traffic. Activities, based entirely on the principle of self-help, such as clean-up campaigns, use of boiled and cooled water, home gardens, assistance in sickness and funerals, etc., are also an important part of the programme of the Rural Development Societies. Another interesting function is the setting up of

1. These societies play a large part in food production. Their numbers at year end increased from 337 in 1951 to 564 in 1952 and 729 in 1953. The loans given to them by the government since 1947 when they were founded, had amounted to Rs 45 million by the end of 1953. They also undertake the distribution of fertilizer. See *Administrative Report of the Director of Food Production* for the years 1952 and 1953.

Conciliation Boards (some 4,800 of them were functioning at the end of 1953) which help in settling local disputes out of court.

Industry

Two significant developments in industrial policy are the shift of emphasis from public to private enterprise and the concentration on small-scale industries. The first is attributable to the government's unprofitable experience in running industries. The government is withdrawing more and more from the industrial field and trying to encourage private enterprise to play a larger part. Of the existing government enterprises steel rolling, acetic acid, cardboard, and drugs factories were closed down. The carpentry workshops have been converted into co-operatives and the ceramics factory is in the course of re-organization. The glass and leather factories will be handed over to private enterprise. As a result of the findings of a Commission on Government Commercial Undertakings set up in 1953, the government has decided to create statutory corporations to administer government factories, to give their management independence and flexibility of operation.

In the existing government factories, in the first half of 1954 the annual rate of cement output increased by 30 per cent from about 62,000 tons in 1953 and that of plywood chests output by more than 50 per cent from 3.6 million in 1953, while leather output also increased significantly. Reorganization and expansion of capacity were completed in the plywood and leather factories, as well as in the salt industry.

The programme for small-scale industries invoives the establishment of some twenty experimental units relating to tiles and clay, umbrellas, plasters, small textile power looms, small sugar factory, etc. A budget allocation of Rs 1 million has been secured for this purpose.

Private enterprise in industry consists principally of soap, matches, canvas and rubber shoes and cotton towels, sarongs and banians manufacture. The most recent entries into this field have been two garment factories using modern cutting and sewing machinery. The first census of industry, in 1952, showed a value of gross output in 'Factory industry' in Ceylon of Rs 600 million, nearly 50 per cent being in the private sector. Protection under the Industrial Products Act is given to locally made cotton sarongs, towels and banians, ready made shirts, glass chimneys, glass tumblers and plywood chests; production of these has been steadily expanding. The government also gives some direct financial assistance to private industries and waives or reduces import duty on their raw materials and machinery. It is considering a recommendation by the Mission from the International Bank for Reconstruction and Development that a Development Corporation should be established by joint action of the government, the Central Bank, the commercial banks and other private interests. Its initial capital might be Rs 100 million of which government should contribute not more than half, and no single participant should own a controlling share. Following a recommendation by the same Mission the government has taken steps to establish an institute of industrial and scientific research; the necessary legislation for this has been placed before the Parliament.

The government is trying to promote private investment[1] in several fields including industry. Concessions include partial exemption from income tax up to five years, high rates of depreciation and low import duties on goods required by industries. Foreign participation may be secured in setting up an oil refinery and in modernizing the fishing industry.

Simultaneously, the policy of Ceylonization of trade and industry is being pushed further. The government has been using bilateral trade agreements and import licensing as instruments for promoting trade by Ceylonese nationals. Trade with mainland China is largely in the hands of Ceylonese nationals, and during the year imports from eastern European countries were brought under license, with a view to issuing licences to registered Ceylonese traders, who were also given preferential licensing treatment for imports from Japan and Germany. A considerable number of Indian traders have been repatriated.

PUBLIC FINANCE

Measures taken in the 1953/54 budget produced a marked improvement over the serious unbalance of the two previous years. The roots of the 1952/53 financial crisis lay in the budgetary policies pursued in the immediate post-war years when total expenditures (including those on social services and investment) exceeded current government revenues and savings by the public. Deficits were financed mostly by drawing upon the cash balances accumulated during the war years. The Korean-war boom temporarily brought revenues up to the level of expenditures and for one year, there was only a small deficit. However, as prices and revenues fell, the higher expenditures on investment, social services and food subsidies could only be met by large-scale deficit financing. The bulk of these deficits was financed by the expansion of banking credit. Thus the budget deficits in the two years 1951/52 and 1952/53 totalled Rs 425 million, nearly 20 per cent of total government expenditures.

In 1953/54, the government took the major step towards a balanced budget, by abolishing the consumer food subsidies,[2] which had cost the exchequer Rs 239 million in 1951/52 and Rs 127 million in 1952/53. A contributory factor to the improvement was the increase in customs revenue, mainly from the export duty on tea which was raised thrice during the year, first by 15 cents per lb in May, again by another 15 cents per lb in September to 75 cents per lb, and again to R 1 per lb in November, 1954.

According to the provisional figures and after making adjustments for temporary factors,[3] the government had a net cash deficit of only Rs 0.9 million in 1953/54 as compared with a similarly adjusted deficit of Rs 151.5 million in 1952/53.

The 1954/55 budget, described by the Finance Minister as aiming at economic development with financial stability, continues the policy of the balanced budget. The principal decision is that total government expenditures should not exceed total government revenues *plus* receipts from loans abroad. The government has decided not to resort to local borrowing for two reasons: to avoid expansion of credit and to make local savings available for private investment. It decided to maintain, and even raise expenditure on develop-

1. In 1953 and in the first half of 1954 there was a net outflow of private foreign capital of Rs 65 million as against an inflow of Rs 25 million in 1952.

2. From 20 July 1953 the price of rationed rice was raised from 25 cents to 70 cents a measure It was subsequently reduced to 55 cents from 19 October, as the government obtained imports at lower price It must be pointed out that there is still a small subsidy on rice and flour which is expected to be met out of the profits on sugar

3 Such as changes in government food stocks and the deferring of payments on rice purchases to Burma and mainland China.

ment, and therefore to hold non-developmental expenditures under strict control. However, postponable maintenance expenditures, which were cut down in 1953/54, have been included in 1954/55.

The budget provides Rs 300 million for investment including economic development, a substantial increase from Rs 250 million in 1953/54. Economic and social service expenditures are maintained. The small proportion (only about 2 per cent) of the public expenditure devoted to defence has greatly helped the government to concentrate its efforts on social services and investment (including loans and advances) which take up respectively 27 and 30 per cent of total government expenditures.

The available funds for development were allotted as follows: First a major share of expenditure was allotted for fulfiling commitments on long-term projects already started and continuing into 1954/55. Next, the government decided to speed up where practicable the construction of projects started earlier, notably the Gal Oya Scheme. Finally, residual funds were allocated to important new projects including stage 2A of the hydro-electric scheme, a new fishery harbour, government housing, water supply and some minor irrigation schemes.

In view of the balance aimed at, and also of the expected comprehensive review of the tax system, the 1954/55 budget introduced only minor changes in taxation. Some relief was given to local industries and agriculture by reducing the import duty on specified capital goods and machinery required by them. Lower import duties were applicable to dairy and poultry farming equipment, marine diesel engines, and manure.

The method of taxing imported motor cars was changed. As it was considered unrealistic to tax cars on the basis of horse-power, it was decided to tax them on the basis of the landed cost. The duty on sports materials was lowered. There were only two changes in export duties, a reduction on pepper and an increase on cocoa. The net result of all these tax changes will be a net loss of revenue of only Rs 0.5 million.

Under the Colombo Plan, Ceylon has so far received external financial assistance amounting to Rs 30 million, of which over Rs 19 million was received in 1953/54. The Government of Ceylon has succeeded in raising a sterling loan of £5 million (Rs 64.5 million) in London, to be used for development expenditure. It has also successfully negotiated a 25-year loan of $19.1 million at 4.75 per cent interest from the International Bank for Reconstruction and Development to finance the external costs of stage 2A of its hydro-electric scheme. During 1953/55, Ceylon will receive Rs 16 million from Canada and Rs 5.7 million from Australia as grants under the Colombo Plan.

The effect of the new budgetary policy is reflected in the changes in public debt during 1954. In contrast to 1953 when there was a sharp increase in the total floating debt,[1] there was a marked fall in 1954. Treasury bills outstanding fell from Rs 190 million in December 1953 to Rs 105 million in October 1954; the central bank's holdings of domestic securities which had risen from about Rs 75 million to Rs 150 million during 1953, were reduced to less than Rs 20 million by September 1954. Central bank loans and advances to the government were also substantially repaid, as were the loans taken from semi-governmental agencies.

During 1953, the government issued two new loans for Rs 80 million of which about Rs 30 million was a conversion operation, and the remainder an addition to the funded debt. In March-July 1954, a 10-year 3.25 per cent loan was issued for Rs 70 million, of which about Rs 50 million represented a funding operation, only the balance being new money. The budget for 1954/55 would not require borrowing in the local market.

External payments crisis and budgetary policy

The heavy budget deficits of 1951/52 and 1952/53, referred to above, coincided with a serious disequilibrium in external payments, due to an increase of imports since 1951 together with lower export prices after the Korean-war boom. Ceylon's external assets had improved by about 50 per cent from Rs 882 million in June 1950 to a steady level of about Rs 1,200 million between March 1951 and January 1952. In February 1952 began a decline which reduced them to Rs 607 million by the end of 1953, about half the peak level of 1951.

The major proportion of the decline in foreign exchange reserves was accounted for by the merchandise deficit which, according to balance of payments statistics, was as much as Rs 425 million[2] in 1952 and 1953 combined. From 1951 Ceylon's level of imports was far higher than before the Korean-war boom and continued even after the export earnings had declined.

Budget deficits (caused largely by food subsidies which prevented imports from contracting to match the shrinking export earnings in 1951 to 1953) while aggravating the foreign exchange situation were not the primary cause of the payments problem. The reduced export earnings were the major cause of the payments crisis, and they were largely beyond Ceylon's control. The food subsidies indirectly contributed to the depletion of exchange reserves, because they released purchasing power (which would otherwise have been spent on food) for additional imports. A liberal import policy, undertaken to prevent the budget deficit from having inflationary consequences, aggravated the impact of this purchasing power on imports. However the food subsidies had not substantially increased the foreign exchange spent on food imports by the government[3]

Table 29 shows the changes in government food imports from 1949 to 1953. It will be seen that the quantity of rice imported increased negligibly except in 1950 which was before the serious deficits began.

1. Including Treasury bills, advances from the central bank and loans from semi-governmental agencies.

2. Increased payments for service items such as foreign travel, investment income, and remittances also contributed to the depletion of exchange reserves.

3. The fiscal burden of the subsidy on the government became heavier, because the imported price of rice increased while the sale price to the consumer remained the same until July 1953.

TABLE 29

CEYLON: GOVERNMENT FOOD IMPORTS, 1949-53

	Rice and paddy		Wheat flour		Sugar	
	thousand tons	million rupees	thousand tons	million rupees	thousand tons	million rupees
1949	403.2	226.5	159.5	82.5	125.9	52.8
1950	498.3	278.0	168.2	79.2	113.5	59.7
1951	402.1	236.2	217.6	115.5	145.5	102.0
1952	405.7	328.7	211.3	121.6	130.4	84.0
1953	410.1	323.5	291.6	183.8	143.9	71.2

Source. Ceylon Customs Returns.

Sugar imports increased significantly, but they were actually a source of profit to the government and were taxed rather than subsidized. The only significant increase in imports resulting from food subsidies appears to be that of wheat flour.

The expansion of imports of consumer goods from 1949 to 1954 is shown in table 30. There has also been an impressive expansion in the import of capital goods. If the food subsidies had been reduced earlier, and purchasing power had thereby been curtailed, it would have been possible to limit imports more strictly without causing inflationary effects.

An analysis of the actual increase of imports during the period 1949-1954 indicates that there was scope for selective import controls. Certain imports of a less essential character increased considerably in 1951 and 1952, probably as a result of increased incomes. The expanded imports of consumer goods as a whole contributed as much as Rs 317 million in 1951 and Rs 400 million in 1952 to the import bill as compared with 1949. It appears that considerable foreign exchange savings might have been made if lower real incomes had been accepted earlier by a reduction in food subsidies, and if selective import controls had been applied.

Chart 22

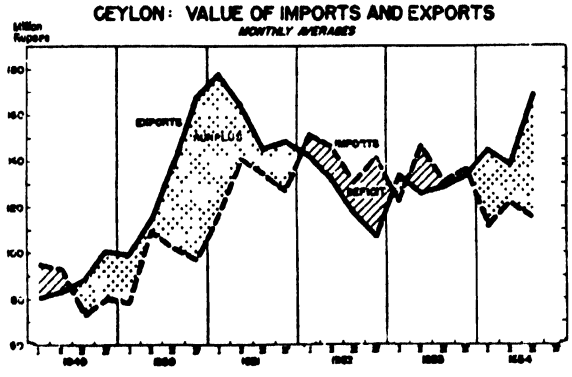


Chart 23

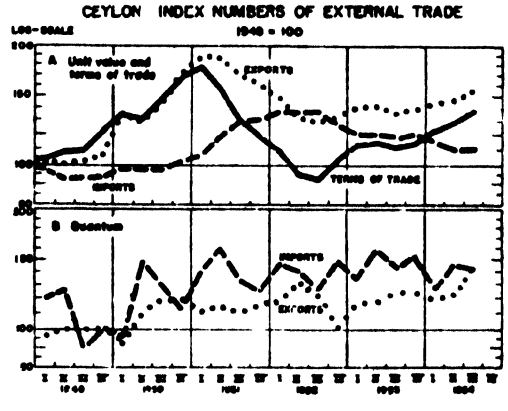


TABLE 30

CEYLON: IMPORTS CLASSIFIED BY TYPES,[a] 1949-54

(million rupees)

	1949	1950	1951	1952	1953	1954[b]
Consumer goods	735	841	1,052	1,136	1,094	960
Producer goods	273	294	458	522	482	482
Capital goods	109	113	205	244	219	156
Other producer goods and materials ..	162	178	250	266	258	237
Not separable	3	3	3	13	5	4
Not separable	21	32	49	44	43	38
Grand total	1,029	1,167	1,559	1,702	1,808	1,394

Source. Ceylon Customs Returns.

a. Rough classification only.
b. Annual rate estimated from nine month data.

TRADE AND PAYMENTS

In 1954 external assets stopped falling and then steadily increased. Between the end of December 1953 and the end of November 1954 they rose by nearly Rs 275 million, to Rs 882 million, because of increased export receipts and reduced imports. The proceeds of the £5 million London loan also added to the exchange reserves.[1]

Export receipts during the year were Rs 1,809 million, and the trade surplus was Rs 412 million. The increase in tea export proceeds and the decline in the value of imports by over Rs 200 million were the major contributory factors to this surplus.

The quantity of tea exported in 1953 was 152,000 tons; it rose in 1954 to 161,000 tons. The f.o.b. price of tea had steadily increased from Rs 2.30 per lb in 1952 and Rs 2.46 in 1953 to Rs 3.11 in 1954. The extent of the increase in price during 1954 can be seen from the f.o.b. prices per lb for the following months: January Rs 2.62, March Rs 2.94, June Rs 2.91, September Rs 3.24 and December Rs 4.17. The reason for the rise in price is primarily increased demand for tea in the principal consuming markets of the world, namely, the United Kingdom, the United States, the Middle Eastern countries and Scandinavia. The rise in the price of coffee, the London dock strike, and the floods in India which resulted in late deliveries also contributed to this buoyant demand.

Export proceeds from rubber declined, following a fall both in volume and in price. Rubber exports in 1953 were 95,000 tons valued at Rs 329 million, and the average f.o.b. price was Rs 1.54 per lb. In 1954 exports were 90,500 tons valued at Rs 276 million, and the average f.o.b. price was Rs 1.36 per lb.

The volume of export of coconut products which had improved in the second half of 1953 contracted sharply in the first half of 1954; export prices of coconut products fell off slightly during 1954.

Under the five-year trade agreement with mainland China, Ceylon had contracted during 1953 to purchase 270,000 tons of rice at a price of £54 per ton f.o.b. China ports and to export 50,000 tons of sheet rubber at a price of 32d per lb for grades 1 to 3 and 29d per lb for grades 4 and 5. This agreement worked satisfactorily. Ceylon's quota of rubber exports had been completed by early December 1953 and the deliveries of Chinese rice for 1953 had been completed in February 1954. Mainland China, with nearly 15 per cent of Ceylon's exports and 13 per cent of its imports, had thus become a major trading partner of Ceylon next only to the United Kingdom.

In September 1953, new prices were negotiated under the agreement. The price of rubber was fixed at the weighted average of 27.7d per lb for all grades in 1954 and 26.7d per lb in 1955 as against 31.7d in 1953. For rice the price agreed upon was £47 per ton f.o.b. China ports in 1954 and £39 per ton in 1955 as against £54 in 1953. The rubber price was until recently substantially higher while that of rice was substantially lower than the corresponding world market prices. The gain to Ceylon in 1953 in foreign exchange from these favourable prices has been estimated at Rs 95 million. The price agreed upon for rice in 1955 was considered by Ceylon to be higher than the probable market price in South-East Asia.

In September 1953, Ceylon concluded a four-year rice purchase agreement with Burma.[2] However, Ceylon had more than 120,000 tons of rice in stock at the and of 1953 owing mainly to the decline in off-ration sales and may have contracted to buy more rice than it needs, particularly if domestic production increases as scheduled. Actually, the stock position in 1954 was such that it allowed the government to re-export 15,000 tons in the first three quarters of the year.

Imports totalled Rs 1,400 million in 1954, representing a level lower than in 1951-53 but still about 35-40 per cent above that of 1949. It represented a decline of nearly Rs 210 million as compared with 1953. As usual, imports of foodstuffs were nearly 50 per cent of total imports, rice, wheat flour and sugar imports alone costing about Rs 430 million.

A volume of imports involving foreign exchange expenditure of over Rs 1,500 million per annum may prove difficult to finance, unless export prices and quantities are maintained at reasonably stable and high levels or, alternatively, external financial assistance becomes available. Rubber prices are uncertain, and a break in tea prices, if and when it occurs, would once again cause export earnings to fall. Imports may be high in spite of balanced budgets and the government may in time recognize the importance of restraining the volume of less essential items, if developmental imports are not to be sacrificed.

The Finance Minister in his budget speech said that although the Mission from the International Bank for Reconstruction and Development recommended a level of exchange reserves of Rs 450 million as the desirable minimum, he considered a minimum of Rs 650-750 million as not too high. Present reserves, though better than last year's, are not high enough yet to permit a sizeable decline.

MONEY, CREDIT AND PRICES

The total money supply had declined in 1953, but much less than external banking assets, because of an expansion of domestic credit to both the government and the private sector. The downward trend in money supply continued in the first four months of 1954 but was reversed from May onwards. At the end of September, the total money supply stood at about Rs 880 mililon, only slightly lower than at the end of 1952.

The major expansionary factor in money supply was the continuous increase in export earnings in 1954. The major offsetting factor was the improved budgetary position, the repayment of government loans and advances to the central bank and the substantial reduction in the volume of the floating debt. In addition, by means of the increased export duty on tea government is transferring to the exchequer a large part of the additional income accruing to the tea exporters. Thus the increase in money supply was only one-fifth of the increase in external banking assets. In the domestic private sector, between January and September 1954, there was a net contraction of money supply of Rs 43 million. This was due to a fall in Treasury bill sales and in the Treasury bill rate of interest, bringing about an appreciable increase

1. If adjustments are made for deferred payments in trade with Burma and mainland China, the improvement in exchange assets could be much smaller. Up to the end of May 1954, the exchange assets, so adjusted, were only Rs 592 million as against the unadjusted figure of Rs 759 million. See *Budget Speech, 1954/55.*

2. See *supra*, chapter 7 on Burma.

in time and savings deposits of commercial banks. There were, however, occasions when credit expansion occurred in the domestic private sector,[1] but these were mainly seasonal.

The limited size of the increase in money supply in 1954, due to the disinflationary effect of the budgetary policy, does not seem, at the moment, to be capable of giving rise to any dangerous inflationary tendencies. In fact, the Colombo cost-of-living index in 1954 remained stable with a slight downward trend, while the index of real wages of tea and rubber estate workers rose by 8 per cent in August and declined slightly in the succeeding two months. There is no evidence that disinflation has caused increased unemployment.[2]

TABLE 31

CEYLON: CHANGES IN MONEY SUPPLY, 1953 AND 1954

(million rupees)

	Dec 1952 to Dec. 1953	1954 (Jan-Sep)[a]
Foreign banking assets . .	−132.6	+270 8
Domestic private sector	+ 12.5	− 45.3
Domestic government sector . .	+ 46.6	−170.6
Net change in money supply[b]	− 69.0	+ 55.0

Source: Central Bank of Ceylon Bulletin

a Signs indicate effect on money supply.
b. Differences in total are due to certain adjustments.

Interest rates, which central bank policy had generally raised in the latter part of 1953, moved significantly downward in 1954. The central bank had raised its rate from 2.5 to 3 per cent in July 1953 and supported the upward trend in money rates by open market operations. The Treasury bill rate rose sharply from 0.92 per cent in February to an average of 2.47 per cent in July and remained at 2.48 per cent for the rest of 1953. In June 1954, the central bank reduced its rate back to 2.5 per cent. With the continuous decline in the volume of Treasury bills outstanding, the Treasury bill rate fell from 2.48 per cent in February to 2.12 per cent in mid-May, 1.14 per cent in mid-July and remained at 0.81 per cent at the beginning of October 1954. Simultaneously, the yields on medium- and long-dated government securities, which had followed short-term rates upward in the latter part of 1953, also declined in the second and third quarters of 1954.[3] The easing of money rates was reflected further in the successive reductions by the Exchange Banks Association of its inter-bank call loan rate and fixed deposit rate during May-June, and again in September.

All these developments have made the commercial banks more liquid, with a better reserve position. In September 1953 the central bank reduced the required ratio of reserves of the commercial banks with the central bank to 10 per cent of their demand deposits, from 14 per cent to which it had been raised in January 1951. Commercial banks' excess reserves rose from about Rs 6 million in December 1953 to nearly Rs 50 million by September 1954.

The policy of the central bank has been not to restrict commercial bank credit to the private sector of the economy particularly for financing production and trade. It has also recommended legislation to enable the State Mortgage Bank and the Ceylon Savings Bank to extend more liberal credit facilities to private enterprise; to give the commercial banks the right to realize speedily on types of collateral pledged as security; and to reduce stamp duties on mortgages pledged to secure commercial bank advances.

CONCLUSION

In 1954 Ceylon's economy has been further readjusted to the collapse of the Korean-war boom; the remedial measures of 1953, particularly the policy of budget balance and the abolition of consumer food subsidies, are having the desired disinflationary effect. The improvement in 1954, due principally to the achievement of budgetary balance, the improvement in export earnings and the availability of external financial assistance, has enabled the government to maintain and even raise the level of developmental expenditures in 1954/55 without appreciable inflationary pressure or addition to the money supply. However, despite budgetary balance, imports are still some 30 to 35 per cent higher in value than before the Korean-war boom. Falling rice prices in 1954 help Ceylon's payments abroad; but increased developmental expenditures and a high level of imports cannot be simultaneously financed unless a reasonably high level of export earnings is maintained. The level of export earnings in 1954 has however been encouragingly high. The export of rubber to mainland China under the trade agreement may bring some stability of rubber earnings. Much will depend on the world demand for tea which has contributed so heavily to the better export earnings of 1954. A break in the demand for tea and in tea prices might reduce export earnings once again with unhealthy repercussions, as in 1952 to 1953, on both foreign exchange reserves and internal finance, unless counter-measures were taken. A policy of budget balance alone might not prove adequate since external reserves are still low.

In the meantime, the government has encouraged greater production of food—whose import accounts for almost one half of the country's total import—by means of various measures, particularly the producer food subsidy. Such subsidy so far appears to have been high in relation to the cost of food production elsewhere; its reduction appears desirable in the interest of maintaining relatively efficient domestic production of food on the one hand, and of reducing its burden on government finance on the other.

While the government has attached first importance to the improvement of food production and provision of power and transport, initial measures are being taken for the development of industries, with a view to reducing consumer goods imports. The government policy recently has been to encourage private enterprise for industrial development, but the supply of entrepreneurial ability is somewhat limited. More positive measures to mobilize domestic financial resources, which under the government's liberal import policy have been partly spent on the import of consumer goods, would help to further development.

1. In January, and again in May and June, there was a net expansion in the domestic private sector, representing first the expansion of bank credit to finance accumulated rubber shipments, and later the large volume of tea exports. But these credits were subsequently liquidated.

2. The number of registrants at employment exchanges showed some increase during 1954, but this is no adequate index to the employment situation.

3. The decline in the yield of government securities is seen from the following figures:

	1½% Loan 1956	3% War Loan 1956-60 "A" Series	3% National Development Loan 1965-70	3% Sri Lanka Loan 1969-74
December 1953	2.88	3.97	4.07	4.29
September 1954	1.97	2.77	3.59	3.63

Source: Central Bank of Ceylon Bulletin.

Chapter IO. CHINA

Section I. Taiwan

Taiwan province is a mountainous island largely covered by forests. Of a total land area of 3.6 million hectares, only 23 per cent is cultivated. In the 50 years (1895-1945) under Japanese occupation, it was developed primarily as a producer of food items such as rice, sugar, tea, banana, pineapple, etc., for export to Japan, in exchange for imports of chemical fertilizers and consumer goods, notably cotton textiles, although coal, power and food-processing industries were also developed, along with irrigation facilities and a system of highway and railway transport.

After restitution of the island to China in 1945, Taiwan's dependence on trade with Japan has been considerably reduced. In 1937, the year when the war between China and Japan broke out, Japan's share in Taiwan's export reached as high as 93 per cent; this was reduced to 46 per cent in 1953—eight years after the conclusion of the war.

The post-war decline in the volume of Taiwan's major exports of sugar and rice, however, has created serious payments problems. In 1954, while sugar export declined to 480,000 tons under the International Sugar Agreement, or over one third of the pre-1945 peak (1,312,000 tons in 1939), rice export fell much more sharply to 36,000 tons, or 5 per cent of the pre-1945 peak (634,000 tons in 1936), owing to the increase in consumption due to the rapid rise in population.

Taiwan's population, 6 million at the end of 1946, rose to 8.6 million in the middle of 1954 (not including the armed forces estimated at 600,000),[1] that is, by 43 per cent. Although over one fourth of this increase is stated to have been due to the influx of population from the mainland, the larger part of it is attributed to the high rate of natural increase resulting from a combination of high birth rate and low death rate. The rate of natural increase per thousand per annum, 24.63 for the period 1931-40, rose to 30.4 during 1947-53.

The budget deficits arising from large defence outlays since 1949 brought heavy inflationary pressure to bear on the economy of Taiwan, which had in part been alleviated by the continued aid from the United States. The US aid, together with the administrative and technical personnel from the mainland, helped in the rehabilitation of Taiwan's war-damaged economy, and has since 1953 assisted in the implementation of a four-year plan (1953-56). The plan targets have in general been successfully reached during the first eighteen months, and the consequent increase in production has contributed to a stabilization of prices.

1. The size of armed forces in Taiwan is given in "A general statement on the economy of China", 15 September 1954, prepared by the Ministry of Foreign Affairs, Government of the Republic of China (hereafter referred to as "A general statement").

LONG-RUN POLICIES

Since 1949, the National Government has attempted to equalize land ownership in Taiwan through rural and urban land reform and has promoted greater self-sufficiency through industrial development; it has also taken steps to transfer some of the public enterprises, taken over from the Japanese after the war, to private ownership and operation, and has passed laws and regulations to promote private investment, both foreign and domestic, in industrial development.

Land reform

In line with the constitutional principle of 'equalization of land ownership,' the Land-to-the-Tiller programm was put in force in 1953.[2] This measure allowed each landlord to retain the equivalent of no more than 3 hectares of medium-grade paddy field,[3] and all private tenanted lands in excess of this retention acreage were compulsorily purchased by the government and resold to tenants or farm hands who were tilling those lands on lease or contractual terms. The purchase and resale prices were 2.5 times the value of the annual main crop payable by tenant purchasers in 20 instalments within ten years. The programme was begun in February 1953 and completed in January 1954. A total of 143,000 hectares of tenanted lands were purchased from private landlords and resold to 195,000 tenant farmers. Seventy per cent of the government purchase price was paid in commodity bonds to be redeemed in rice and sweet potatoes in 20 instalments over ten years, the payment in sweet potatoes to be made by converting the crop into cash according to the market prices prevailing after each crop harvest; and 30 per cent in stock issued by the four government-owned enterprises—the Agricultural and Forestry Development Corporation, the Industrial and Mining Corporation, the Paper and Pulp Corporation and the Cement Corporation.[4]

Land reform measures have now conferred upon 383,000 farmer tenants, or 55 per cent of the total farming population, the ownership of 242,000 hectares of farmlands or 27 per cent of the total farming area.[5] The area under farm tenancy has therefore fallen to 24 per cent (including 9 per cent of public farms operated by farm labour), from 56 per cent

2. This is the third land-reform measure, the first, in 1949, being concerned with limiting rents to 37.5 per cent of the main crop on over a third of private farm lands, and the second, in 1951, with the sale of about a third of the public land to tenant cultivators.

3. The average size of farm was stated to be 1.25 hectares for 661,125 farms in 1951. *Source: General Agricultural Statistics of Taiwan* (Chinese-American Joint Commission on Rural Reconstruction, Taipei, 1953), p.3.

4. The purchase price was 1,272,855 tons of rice and 434,709 tons of sweet potatoes. By April 1954, over 84 per cent of the total purchase price had been paid in bonds and stocks to the landlords by the government; over 97 per cent of the purchase price payable by the cultivators had been paid in to the government; and over 76 per cent of the first and second instalments of the land bonds had been redeemed by the government.

5. This includes 36,000 hectares of farm land purchased by 66,000 tenant cultivators out of savings due to deductions in rent paid, as a result of the first land reform measure in 1949, and 63,000 hectares of public farm land purchased by 122,000 tenants as a result of the second land reform measure, in 1951.

before the reform. The effects of these measures have been shown in increased agricultural production and improved living conditions in the rural community in recent years.

To prevent concentraction of urban land ownership and to tax the urban land value increment for social development, the government introduced on 26 August 1954 the Regulations governing the Equalization of Urban Land Ownership which will affect about 10,000 hectares of urban land. According to these regulations, private landowners may each retain a maximum acreage of 0.1 hectare of city land, but are required to sell the excess portion within two years. A progressive land value increment tax, in addition to a progressive land value tax, is levied on increases in the value of urban land declared at the time of any transfer except by succession, with deduction from the assessed value of the value added by improvements.

Promotion of private enterprises

When Taiwan was returned to China on the Japanese surrender in 1945, factories formerly owned by Japanese nationals were taken over by the National Government of China. Some of these, including printing houses, match and food factories and some 60 coal mines, were sold to private owners. The rest were grouped under the management of 16 public corporations for the production of minerals (aluminium, copper, gold, petroleum, salt, etc.), alkali, caustic soda, fertilizer, cement, power, sugar, tobacco, paper and pulp, camphor, machinery and for ship-building. Four new corporations for the production of coal, steel, ammonium sulphate and cotton textiles were subsequently established.

Under the Land-to-the-Tiller programme four government corporations are to be handed over to landowners who will receive payment for the land partly (30 per cent) in the form of stocks of these enterprises. After the transfer of these corporations, which is expected to be completed by the end of 1954, other government enterprises will be sold to private interests on suitable terms. The government will retain industrial facilities directly connected with national defence like arsenals and petroleum refineries; important public utilities like the Taiwan Power Corporation; and important enterprises whose products are sources of foreign exchange earnings such as the Taiwan Sugar Corporation. It will launch certain public enterprises, according to the Four-Year Plan, in cases where private capital does not at first want to risk the undertaking, with a view to selling to private shareholders later.

Several measures to promote industrial investment have recently been announced. On 14 July and 1 September 1954 the government promulgated the Statutes for Investment by Foreign Nationals and by overseas Chinese, permitting remittance of annual profits up to an amount equivalent to 15 per cent of the capital and of the original capital after two years, the annual amount not to exceed 15 per cent of the original capital.[1] Draft revisions of the Income Tax Law, first promulgated in June 1950, are under legislative consideration, with a view to raising the exemption limit, lowering the tax rates on business incomes, and exempting for three years profits from approved new industries and expansions of existing industries.

Economic development planning

In October 1952, the government adopted a draft for A Four-Year Plan[2] for the Attainment of Economic Independence, which was renamed the Four-Year Plan for Economic Development in July 1953. To secure closer co-ordination and better implementation of the Four-Year Plan, the Economic Stabilization Board was reorganized, with four committees for the preliminary planning and deliberation on policy matters, and an Industrial Development Commission. Two other agencies have also helped in formulating the plan, and offered their technical and advisory services towards its implementation; they are the Chinese-American Joint Council for Rural Reconstruction (JCRR), and the Council for United States Aid (CUSA). However, the implementation of the Plan is entrusted to the central government ministries concerned and to provincial government departments and bureaus, in co-operation with national banks and private importers and exporters.

The Four-Year Plan proposes to "support industry with agriculture and develop agriculture with industry"; it however stresses industrial development rather than agricultural expansion, in view of the rather full utilization of Taiwan's limited agricultural resources, and the need to increase industrial production to replace imports a good part of which now have to be financed by US aid. The industries to be developed include manufacturing, transport and communication, mining and power, for which the production value (1952=100) is expected to rise to 131 in 1953, 140 in 1954, 158 in 1955, and 187 in 1956.

The production targets for 1954 (1952=100) were fixed as follows for major industries: power 115, chemical fertilizer 111, cotton yarn 151, sugar 153, petrol 151, cement 123 and paper 113. According to the returns for the first six months of 1954, the targets for all these items except sugar and paper have been reached or exceeded.[3]

The Four-Year Plan for Agricultural Development aims at increased production of (1) export crops, mainly sugar and rice; (2) import-replacing crops such as wheat, soybean and timber; and (3) food crops especially rice, sweet potatoes and wheat, fishery products, hogs and poultry, to meet the requirements of a rapidly growing population. Taking 1952, the pre-plan year, as 100, the targets for 1954 production of major agricultural items were fixed as follows: rice 112, sweet potatoes 124, fishery 119, draft cattle 104 and hogs 111. According to the estimates for 1954, all these targets have been reached or exceeded.

The annual targets are worked on a yearly basis subject to frequent revisions. The government has announced the production and service goals for 1954 as proposed by the Economic Stabilization Board, and will soon announce similar goals for 1955.

1. Several government enterprises have received loans from American manufacturers and investment banks in the form of long-term credit for equipment purchases and technical services. Some American and Japanese investments have been received in connexion with the establishment of several new private enterprises. Many applications are received by the government from overseas Chinese, particularly those from Hong Kong and Macao, to establish factories in Taiwan.

2. "In order that there may be a four-year plan constantly in operation, a plan for the fifth year will be drawn up after the plan for the first year has been carried out, and similarly a plan for the sixth year will be drawn up after the plan for the second year has been carried out. Therefore, although this Programme is nominally for a fixed period of four years only, actually it will be continued after the lapse of the four-year period." (Abstract of the Industrial Programme under the Four-Year Economic Development Plan, published pending formal government approval in *Industry of Free China*, September 1954, by the Industrial Development Commission, Taipei.) The Four-Year Plan is therefore a resources plan rather than a time plan

3. It is expected that twenty kinds of new industrial products including rayon, plastics, aviation petrol, diesel engines, aluminium foils, etc. will be produced locally at the end of the four-year period.

Funds for the financing of the Plan are to be derived from current government revenues and loans from the Bank of Taiwan, as well as from the United States aid. Yearly estimates have been worked out for the original plan period of foreign exchange expenditures and of receipts from export proceeds and from the United States aid. However, the United States aid disbursements in 1953, in terms of foreign exchange, were only 65 per cent, and in 1954 are expected to be 83 per cent of the figures assumed in the Plan. As a result, difficulties are being encountered in attaining the balance-of-payments goals originally laid down. Again, the possibility of balancing the government budget is based on the assumption that expenditure will not exceed the 1952 level and that there wil lbe increased tax revenues from the increased agricultural and industrial production. No annual estimates of increased revenue have, however, been worked out.

PRODUCTION AND TRANSPORT

Since the end of the war and especially since the National Government of the Republic of China moved to Taiwan in late 1949, agricultural and industrial production in Taiwan has increased rapidly owing to the influx of technical and administrative personnel from the mainland, continued United States aid, and the government's determination to raise production through the Four-Year Plan.

Agricultural production

Seasonal concentration of rainfall on Taiwan's mainly coastal arable land and soil deficiencies in organic matter make crop production, particularly of rice and sugar, dependent on irrigation and chemical fertilizers, in which rapid progress has been made since 1945. Steps have also been taken for seed improvement and pest control, which are also essential to increased yields of rice, the staple food crop, as well as other crops.[1]

The increase in *rice* production from the pre-1945 peak of 1.40 million tons (1938) to 1.64 million tons in 1953 and 1.70 million tons in 1954 has helped to meet the expanding requirements of a growing population; it was made possible, however, only by the sacrifice of nine-tenths of the rice exports, which fell from the pre-1945 peak of 684,000 tons (1936) to 59,000 tons in 1953, and to 36,000 tons in 1954. This drastic fall affects Taiwan's exchange earnings most seriously, especially since it cannot be compensated by an increase in the other major export, sugar. Steps are being taken to increase the production of other carbohydrates for local consumption, notably sweet potatoes and wheat flour, so that more rice can be spared for export.

Production of *sweet potatoes* has been doubled during 1945-1953, from 1.17 million tons to 2.28 million tons; it reached 2.32 million tons in 1954. To make the sweet potato chips keep better, an effort is being made to provide adequate drying facilities after harvest.

For climatic and other reasons, *wheat* production in Taiwan was almost non-existent before 1945, but under the encouragement of the government it has grown from 735 tons in 1945 to 14,000 tons in 1953, and is expected to rise to 15,000 tons in 1954. Wheat flour has been in demand after 1945 from the many northern soldiers in the armed forces and northern immigrants in the civilian population.

With the recent decline in export of rice, Taiwan's second major export, *sugar*, has increasingly become its main source of foreign exchange earnings. Taiwan's sugar production, which reached 882,000 tons in 1953, declined to 722,000 tons in 1954.[2] Exports of sugar in 1953 were 864,000 tons, but fell to 480,000 tons in 1954.[3] The International Sugar Agreement, effective for five years from 1954 to 1958, provides an export quota of 600,000 tons to Taiwan, with a working initial quota for 1954 of 480,000 tons.

As against this total export quota of 480,000 tons and an estimated local consumption of around 70,000 tons, Taiwan has a sugar refining capacity of one million tons annually. Thus the sugar mills have to contract the scale of operation in 1954,[4] with increase in overhead cost, and close down in some cases. To reduce cost it is necessary to make more economical and effective use of by-products—*e.g.* by manufacture of alcohol and yeast (as a feed substitute) from molasses, and of paper and pulp from bagasse.

Fishery production exceeded the pre-1945 peak (in 1940) of 120,000 tons when it reached 122,000 tons in 1952; in 1953 it rose further to 131,000 tons. The annual production in 1954 reached 153,000 tons. The increases are attributed to better fishing methods, more fishing vessels especially powered ones, and a larger area under pisciculture.

Livestock production has increased through better control of diseases and improved veterinary and quarantine services. The pre-1945 peak has been exceeded for hogs, goats and poultry, although the estimate of 400,000 head of draught cattle, chiefly water buffaloes, in 1954 is still below the pre-1945 peak (in 1910) of 480,000 head. Greater hog production is being encouraged to provide more pork for the growing population and more manure for paddy and other fields.

Forests, which cover 64 per cent of Taiwan's land area, may help, if properly developed, to preserve the soil from erosion, retain the water for farm irrigation, and prevent damages from floods and hurricanes. During the past three years the government has undertaken a reforestation programme calling for nearly 25,000 hectares of new planting annually, and has established, for soil conservation, 3,500 hectares of coastal windbreak forests and 3,800 km of farm windbreaks, thus saving or reclaiming 280,000 hectares of coastal farming land.

The pre-1945 peak in production of logs, lumber and railway ties, reached in 1940, has not yet been regained, despite the recent rise in the recorded production of timber and fuel wood on public and private lands from 632,000 cubic meters in 1952 to an estimated total of 893,000 cubic meters in 1954.

1. For a summary of improvement in these fields see *Economic Survey of Asia and the Far East, 1953*, p.50.

2. The pre-1945 peak in Taiwan was reached in 1939, with a total sugar production of 1,374,000 tons and a total sugar export of 1,312,000 tons.

3. *Central Daily*, Taipeh, 5 January 1955.

4. The reduction in sugar export quota has already resulted by June 1954 in the closing down of 7 mills out of a total of 33 (4 permanently scrapped) and dismissal of 5,000 workers. Diversion of sugar-cane fields to cultivation of other crops, *e.g.* dry paddy, sweet potatoes, and peanuts, which is considered to be easy, has already begun.

Industrial production

Industrial production has grown rapidly in recent years, with the general index rising by 36 per cent in 1953, and 12 per cent in 1954 (annual rate based on returns for the first half of 1954). The most rapid increase was in manufacturing industries (40 per cent in 1953 and 16 per cent in 1954), mining and quarrying increased less, and public utilities least. Among the manufacturing industries, the most remarkable expansion of production is that of the textile industry (mainly cotton textiles), by 40 per cent in 1953 and by 26 per cent in 1954. Between 1950 and the first half of 1954, the general index of industrial production more than doubled, from 175 to 362.

Imports of industrial eqquipment and materials, made possible by local exchange earnings and United States aid,[1] are important for Taiwan's industrial expansion. For the period July 1950 to 31 August 1954, US aid to Taiwan industries already arrived reached $54.2 million, mostly for electricity ($15.3 million), communications and transport ($13.5 million), chemicals and fertilizers ($7.2 million), etc. The domestically financed imports of capital goods during the calendar years 1950-53 are estimated at $68.3 million, about 16 per cent of the total domestically financed imports during the period. In 1953, whereas investment-type imports rose by 16 per cent above 1952, non-investment type imports fell by 12 per cent.[2]

Most State-owned and -operated industries in Taiwan have secured loans from the Bank of Taiwan at low interest rates, but on the other hand major government enterprises, notably the Taiwan Sugar Corporation, formerly had to surrender their foreign exchange earnings to the bank at the official rate which was lower than the prevailing certificate rate. The Bank of Taiwan's interest rate on loans to industries has been 1.2 per cent per month since April 1953, compared with 3 per cent per month for commercial banks.

Next to Japan, Singapore and Hong Kong, Taiwan ranks highest in the ECAFE region in per capita *power* output.[3] Nine-tenths of the power generated were hydro-electric, and the remaining tenth thermal.

The pre-1945 peak in power production, 1,195 million kWh, was exceeded in 1951 when the output reached 1,285 million kWh. It rose to 1,420 million kWh in 1952 and 1,564 million kWh in 1953, and is expected to reach 1,812 million kWh in 1954.[4]

The installed capacity, 289,000 kW at the end of 1951, rose to 390,000 kW in July 1954. Important power transmission lines linking together the power systems of east and west Taiwan have been installed and the construction of a sub-station in Hsinchu completed.

Chemical fertilizers, which are essential to crop production especially rice, has witnessed rapid recovery in post-war years. Since 1950 the government-operated Taiwan Fertilizer Corporation has enlarged three of its subsidiary plants and restored a fourth.[5] As a result, production increased rapidly from 5,000 tons in 1945 to 164,000 tons in 1953, and to 168,000 tons in 1954, although imports were still 60 per cent of domestic consumption up to 1953, and about equal to domestic production during the first half of 1954. The domestic production of 168,000 tons for 1954 is greatly in excess of the maximum pre-war production (38,000 tons); it has helped greatly to reduce foreign exchange outlay by a cut in imports. The share of chemical fertilizers in total imports, it may be noted, had fallen from 16 per cent in 1950 to 5 per cent during the first half of 1954.

Owing to typhoons, heavy rainfall and insect pests, etc. Taiwan used to produce little cotton and depend upon imports of *cotton textiles* from Japan to meet local requirements. Cotton textile production with imported materials is now being encouraged by the Government with a view to conserving exchange resources by reducing imports; it has had the most spectacular expansion of any industry since 1945. The number of spindles, only 10,000 in 1945, rose rapidly, at the end of the calendar year, to 50,000 in 1950, 98,000 in 1951, 130,000 in 1952 and 165,000 in 1953; in 1954, a total of 179,000 spindles were reported to have been installed for production. Correspondingly, cotton-yarn production rose from 3,100 tons in 1950 to 7,300 in 1951, 13,600 in 1952, 19,500 in 1953 and 10,600 during the first half of 1954. Cotton-yarn imports were reduced from 2,200 tons in 1950 to only 48 tons during the first half of 1954. Cotton-cloth production has also increased from 40 million metres in 1950 to 130 million metres in 1953 and 83 million metres during the first half of 1954, with a corresponding decrease in cotton-cloth imports from 58 million metres in 1950 to 20 million metres in 1953 and 4 million metres during the first half of 1954. As a result of the expansion, the current production capacity can take care of local consumption requqirements, with a possible margin for export.

Transport

The *railway* network in Taiwan has two independent and separate systems: an east-coast line of 176 km of single track (gauge 0.762 m) connecting Hualien Harbour and Taitung; and a west-coast network (gauge 1.067 m) of 774 km of main and branch lines.[6]

In 1953 passenger traffic (P-Km) increased by 8 per cent over 1952, and in 1954 by 9 per cent over 1953. Freight traffic (T-Km) also increased in 1953 by 15 per cent over 1952 and in 1954 by 8 per cent over 1953.[7]

Major development work in 1954 covers the increased use of diesel-powered railcars for the short-haul commuter services with a view to reducing operating cost, and the installation of relay interlocking plants and automatic signals to increase track capacity and operational safety.

At the end of June 1954 there were 15,600 km of provincial, county and rural *roads* in Taiwan. Regular bus services are maintained on 1,700 km of trunk lines and 4,500 km of county and rural roads. There are altogether 3,300 passenger motor vehicles, 1,900 buses and 4,300 trucks. In 1953 passenger traffic (P-Km) increased by 27 per cent over 1952, and in 1954, by 35 per cent over 1953.[8]

1. The Counterpart Fund from the sales proceeds of aid imports has been used in defraying local expenses of construction of plants.
2. Estimate by Norman Wycoff, Economic Analyst, FAO Mutual Security Mission to China, in article on "Taiwan's Economic Growth and Progress Toward Self-Support", published in *Industry of Free China*, September 1954.
3. The per capita power output in 1953 was 640 kWh in Japan, 250 kWh in Singapore, and 19 kWh in Hong Kong and Taiwan, and 18 kWh in India.
4. Annual rate based on returns for first six months.
5. Two important new fertiliser plants financed through US aid are being planned, with the designs soon to be completed.
6. The railway statistics refer to those under the Taiwan Railway Administration, but exclude those for private railways, mainly for sugar transport, and forest railways.
7. For 1954, on basis of returns for the first six months.
8. *Ibid.*

Major development work in 1954 covers the construction of bituminous pavement of the north-south trunk line, improvement of bridges and culverts and the increased use of diesel buses and trucks.

The total registered tonnage of *shipping* at the end of June 1954 was 354,000 tons. The volume of traffic carried by Chinese ships in 1953 was 2.68 million tons and that of 1954 is estimated to be about 3 million tons.

TRADE AND PAYMENTS

In 1937 Japan accounted for 93 per cent of Taiwan's exports and 86 per cent of its imports; Taiwan's trade balance with Japan was positive during most pre-war and war years.

The restoration of Taiwan to China has changed its external trade position. Because imports have increased more than exports it has not been able to balance its trade. The trade deficit, $0.8 million in 1949, rose to $19 million in 1950, $45.2 million in 1951 and $69.2 million in 1952. It dropped to $30.2 million in 1953 but reached $78.1 million in 1954.

While sugar and rice continued to be Taiwan's major foreign exchange earners in post-war years, there has been a significant shift in their relative importance. The share of sugar in total export value rose from 42 per cent in 1936 to 67 per cent in 1953 while the share of rice fell from 32 per cent to 11 per cent during these years. The high post-war rate of population increase and the consequent expansion in domestic food requirements are mainly responsible for this change in Taiwan's pattern of trade.

In the first ten months of 1954 sugar alone accounted for 80 per cent of the total decline in the value of exports. In the meantime, imports expanded by 17 per cent to meet the needs of the Four-Year Plan. The industrial development programme has, however, already reduced some imports that domestic production can replace, notably wheat flour, cotton goods and chemical fertilizers.

The trade deficit has largely determined the *payments* situation in post-war years. According to the International Monetary Fund, the payments deficit reached $93.2 million in 1950, was reduced to $51.6 million in 1951, increased again to $95.3 million in 1952, and fell slightly to $80.9 million in 1953. It rose again to $48.6 million during the first half of 1954. In 1950 the large deficit was partly offset by grants and some net remittances from Chinese overseas, leaving a net deficit of $61.5 million which was met by a decline of monetary gold holdings and short-term assets. From 1951 to the first half of 1954, the current deficits were fully offset by grants and net incoming remittances.

Changes in trade and exchange control

The balance of payments difficulties necessitated the imposition of trade and exchange control. Upon the removal of the National Government to Taiwan in 1949, a system of trade and exchange control was set up simultaneously with the monetary reform of 15 June.[1] Imports of non-essentials and of specified categories of commodities which could be locally produced in sufficient quantities were prohibited while for essential imports exchange was provided by the government at the official rate.

A multiple exchange rate developed, through the requirement that foreign exchange from exports had to be surrendered in part against domestic currency converted at the official rate of exchange and in part against exchange certificates, the proportions varying with the nature of exports. There were several changes in the official and certificate rates. On 5 January 1953 there remained the official rate of $10.30 to the dollar, and the certificate rate of NT$15.55 for buying and NT$15.65 for selling. Government exports of sugar and rice were, however, settled 80 per cent at certificate rate and 20 per cent at official rate.

On 12 September the import-exchange system was simplified. The 100 per cent deposit required at the time of application for import licences was abolished, and replaced by a 20 per cent defence tax on most private imports; imported industrial supplies, equipment and raw materials allocated directly to final users were however exempted.

Effective 1 January 1954 the requirement for the settlement of sugar and rice export proceeds was abolished, all receipts and payments in dollars being henceforth settled at the certificate rate of NT$15.55 for buying and NT$15.65 for selling,

1. The reform replaced the Taiwan dollar by the new Taiwan dollar at the rate of NT$1=T$40,000 and fixed a maximum limit of note issue at NT$200 million.

TABLE 32

CHINA: EXPORTS AND IMPORTS, TAIWAN 1950-54

(million US dollars)

Year	Exports	Imports			Balance
		Commercial	US aid	Total	
1949	33.9	26.0	8.7	34.7	0.8
1950	93.1	91.6	20.5	112.1	19.0
1951	93.1	84.3	54.0	138.3	45.2
1952	119.5	115.2	73.5	188.7	69.2
1953	129.8	100.6	59.4	160.0	30.2
1954	97.8	110.2	65.7	175.9	78.1

Source: Data on exports and commercial imports are from the Bank of Taiwan, those on US aid imports are from the Council of US Aid (CUSA). See *Industry of Free China*, December, 1954, (Industrial Development Commission, Economic Stabilization Board, Taiwan). These figures do not agree with those arrived at by the International Monetary Fund, as shown in special table in the section on "Asian Economic Statistics" at the end of the present *Survey*. The discrepancies are probably due to the various interpretation of "common use" items, which are sometimes included in economic aid and sometimes classified as military aid by different sources.

per dollar. This gave, *inter alia*, larger domestic currency receipts to sugar exporters who were faced with a decline in prices and foreign demand.

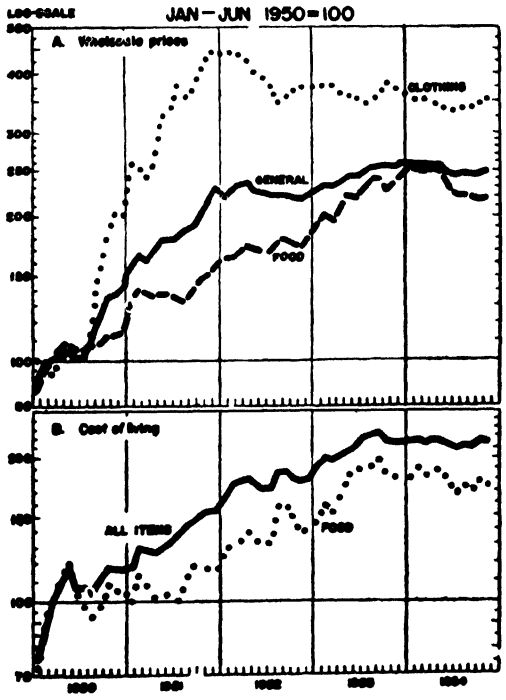
Import licensing and quantitative exchange controls in Taiwan have helped to restrict non-essential imports[1] and together with United States aid, largely contributed to alleviating the severity of the payments deficit. Imported industrial supplies, equipment and raw materials were thus available for rehabilitation and expansion of production. The exchange profit[2] accruing to the Bank of Taiwan has largely been transferred to the Taiwan Sugar Corporation, to neutralize the effect of the penalty export rate formerly applied to its sugar exchange proceeds.

FURTHER STABILIZATION OF PRICES

Increased production, continued United States aid imports, and other factors have helped to stabilize prices in Taiwan. In Taipei, the annual rate of increase in wholesale *prices*, 306 per cent in 1950, fell to 65 per cent in 1951, 23 per cent in 1952, 9 per cent in 1953, and 2 per cent in 1954; while the annual rate of increase in retail prices, 305 in 1950, fell even more, to 57 per cent in 1951, 17 per cent in 1952, 5 per cent in 1953, and 0.3 per cent in 1954.

Chart 24

CHINA: INDEX NUMBERS OF PRICES IN TAIPEI



1. Thus during 1952, the value of import applications aggregated $291 million, but after examination by the Preliminary Screening Committee for Imports, and then review and approval by the Production-Finance Committee for foreign exchange allocations, only $63 million or 22 per cent was approved.

2. It is estimated that during 1952, for instance, the exchange operations of the Bank of Taiwan brought to it an exchange profit of NT$156 million, over nine-tenths of which were transferred to the Taiwan Sugar Corporation.

The rice price, which tended to rise annually from March to May, when the preceding year's stocks were running out and the new crop had yet to be harvested, actually fell in 1954,[3]—an unprecedented event for the island—because of abundant stocks under government control and an anticipated bumper crop. The wheat flour price also fell, owing to increased production, from NT$74 per bag of 22.25 kg in January to NT$67 in July. Other consumer goods also fell in price, especially cotton cloth, though fuel and light, and building materials rose a little, owing mainly to the increasing demand of a growing population. With more stable prices, interest rates on loans by the Bank of Taiwan and commercial banks have been reduced.[4]

The government's fiscal policy has also helped price stability. Although budget figures for 1954 are not made available to the public, it is officially claimed that "through consolidated efforts in raising more revenues and in limiting and cutting down expenditures, the Central Government has succeeded in reducing *budget deficits*, which amounted to 24.2 per cent of total expenditure in 1950, 10.8 per cent in 1951, 3.6 per cent in 1952 and 1.3 per cent in 1953."[5] For the fiscal year 1954, which covers the first six months of the year in accordance with the government's decision to revert to the old fiscal year from July to June which prevailed between 1914 and 1938, the estimated deficit is 7 per cent of the total budget of NT$1,326 million. For the fiscal year 1954/55 (July 1954 to June 1955) the estimated deficit is further reduced to 4 per cent, of a total estimated budget of some NT$2,875 million.

The budget deficit arose mainly from heavy defence *expenditure*, whose proportion in the total expenditure had however fallen from 75 per cent in 1950 to 55 per cent in 1951, but had risen slightly to 56 per cent in 1952 and 58 per cent in 1953.[6] For 1954, for which budget figures are not available, the proportion is not likely to undergo any significant change

To increase *revenue* for the fiscal year 1954/55, the government has relied on the vigilant collection of taxes including customs duties, the 20 per cent defence tax on most of the imported commodities and outward remittances, and the increased sales of the wine and tobacco monopoly; but very little on increased rates of taxes. Owing to the bumper crop for the first crop of rice in 1954, the market price of rice was much lower than that during the same period in 1953. The government's collection price for the surplus holdings of rice of peasants and landlords, in excess of their allowable deductions and taxes in kind, was about 97 per cent of the market price for the first crop in 1954, whereas for 1953 it was 70 per cent. This is equivalent to reducing a hidden tax paid by the peasants. Generally speaking, the tax policy of the government in the past few years has been consistently to lighten the tax burden on the peasants.

3. The price per hectolitre of first-grade rice in Taipei, NT$261 in January, rose to NT$272 in February, but then fell steadily till it reached NT$190 in July.

4. Between July 1953 and July 1954 monthly interest rate have fallen as follows: Bank of Taiwan from 1.95 to 0.99 per cent for overdrafts, and from 1.65 to 0.90 for discounts; commercial banks, from 3.45 to 1.95 per cent for overdrafts, and from 3.15 to 1.95 per cent for discount. When, on 1 September 1953, the 20 per cent defence tax on most private imports replaced the margin deposit system, importers no longer needed domestic currency loans to make the marginal deposit, and this produced the desired effect of lowering the interest rate in the money market.

5. "A general statement", *op.cit.*

6. *Economic Survey of Asia and the Far East, 1953* p.132.

CONCLUSION

With the influx of a large population and an armed force of over half a million from the mainland together with a high natural rate of increase in recent years, total population increased from 6 million in 1946 to over 9 million in 1954. The pressure of population on resources, especially food, is increasing. Population pressure reduces the availability of exportable rice which, together with sugar, used to constitute the major items of export. The annual export of sugar, in the meantime, is being reduced under the International Sugar Agreement concluded in 1953, from the pre-war peak of 1.3 million tons to an average of 600,000 tons for a period of five years beginning 1954.

In the circumstances, the imbalance between production and consumption, between imports and exports, and between government revenue and expenditure, especially since 1949, has made it necessary to depend on the United States aid imports to overcome the balance-of-payments difficulties and alleviate inflation.

The government, anticipating the possibility of a reduction and eventual discontinuation of such external aid, has since 1953 been implementing a four year programme for economic development, with emphasis on industrial rather than agricultural expansion, because of limited agricultural resources. In agricultural development, stress is laid on increased food production especially rice, to meet the requirements of a rapidly growing population. Both industrial and agricultural production have shown rapid growth, exceeding the Plan targets for all commodities except sugar and paper in 1954.

With the scale of its military outlay, it would be indeed difficult if not impossible for Taiwan to avoid budgetary deficits and serious inflationary pressure. United States aid is a stop-gap measure, but without it economic development would hardly be possible. Perhaps a greater tax burden on the rural population, whose standard of living has improved under recent land reforms, might help to finance a part of the island's economic development.

Section 2. MAINLAND

NATURE OF STATISTICS AND ESTIMATES[1]

At the time when the Central People's Government assumed control over mainland China in 1949, statistics were in a state of confusion. As reportedly "statistical report forms had been issued indiscriminately" a strict system of examination and approval was introduced. In September 1953 the government directive stated that "many statistical forms are complex in items, duplicate each other and even present absurd and childish demands, thus wasting considerable manpower and resources, with the result that statistical figures are thrown into increasing confusion." The State Statistical Bureau, as the highest statistical body, was then charged with the task of drafting "Provisional Regulations Governing the Preparation and Approval of Investigation and Statistical Forms" for approval and issue by the Government Administration Council (*i.e.* the cabinet).[2]

With regard to the statistics of agricultural production, the Ministry of Agriculture of the Central People's Government stated on 4 February 1953 that "owing to the working personnel of some places being heavily imbued with the thought of meritism and to the lack of thorough investigations, false reports not based on verified facts were prepared out of bureaucratism, with the result that the production records were exaggerated and the awards given to bogus models."[3]

The official criticism and rectification of the shortcomings of statistics on mainland China have been accompanied by official statements regarding "great progress in statistical work throughout the country," through the establishment of statistical offices at the national, provincial and municipal levels, the introduction of a unified system of statistical forms and computation methods, the collection and analysis of important data relating to the national economy. These improvements. however, are still found by the authorities to be inadequate. and attention is drawn to the need for the gradual establishment of scientific statistical methods for the formulation and implementation of State plans.[4]

Most published statistics on mainland China are not comparable with series for other countries, as they are not usually given in absolute terms except for a few items like foodgrains and raw cotton. In this regard, however, it may be noted that, in the *Report on Government Work* by Premier Chou En-lai to the first meeting of the first session of the First National People's Congress (hereafter referred to as *Chou's Report*), delivered on 23 September 1954, production estimates in 1954 were given in absolute terms for power, coal, iron and steel, machine tools, cement, cotton yarn and paper. The budget statements also provide actual figures and estimates for government expenditure and revenue.

While annual increases of production have been reported in the form of percentage increases over a previous year, in many cases the percentage increases are computed over the "historical peak." Since this peak was usually reached in 1943 in the North-East[5] but in 1936 in China proper, its magnitude for the mainland as a whole presumably represents the sum of two peaks in different years. In 1950, Kao Kang, then Chairman of the North-East Regional Government, rendered a report on economic development in that region to a Communist Party conference. In a significant incidental remark, he explained that his base year (1943) data, in terms of which his percentages for the North-East in 1949 had been

1. Attention is called to the following circumstances: (1) Since the usual sources of information, i e consultation with government officials and supply of materials by the government concerned, were not available to the Secretariat, it was necessary, in preparing the present section on mainland China, to rely largely on official news releases and other publications in which official statistics and estimates are given. (2) In the judgment of the Secretariat, the data referred to are subject to qualification as noted in this sub-section in particular.
2. New China News Agency (hereafter abbreviated as NCNA), Peking, 6 Septembr 1953 on "GAC Directive on Disposal of Existing Statistical Forms and Prohibition of Indiscriminate Issuance of Investigation and Statistical Forms".
3. "Ministry of Agriculture of Central People's Government issues notices on the check-up and disposal of false reports of bumper crop records", (NCNA, Peking, 7 February 1953). In an editorial in the *People's Daily* (in Chinese), Peking, dated 18 October 1953 instances were cited of "reports which deliberately conceal mistakes, falsely present production achievements and even fabricate model workers and new records". It is not known as to whether crops are estimated by biological crops (which the USSR has used since 1933 and which gives larger returns) or by barn yields, as was the case in China prior to the establishment of the Central People's Government. (See Lazar Volin, *A Survey of Soviet Russian Agriculture*, US Department of Agriculture, Washington, D.C., p. vii).
4. "Further strengthen statistical work during the period of economic construction", *People's Daily* editorial, 31 March 1954.
5. Including the provinces of Liaoning, Kirin, Heilungkiang and Jehol

computed, excluded "enterprises which had been demolished, and which could not or could only with great difficulty be rehabilitated."[1] In addition, many of the production statistics are expressed in percentages with 1949 as the base, 1949 being a year of extensive civil war when production was extremely low and statistics, not being systematically collected, were least reliable.

As in several other countries of the region, the published budgetary figures are not sufficiently detailed for the purpose of economic analysis. While major items of expenditure and revenue are given, though not on a strictly comparable basis from year to year, there is only a rough break-down into a few groups. Also, accounts for an earlier year are revised in subsequent budget statements, showing a budget deficit instead of a budget surplus.[2] In this connexion, it may be noted that unlike many other ECAFE governments, the Central People's Government includes as revenue such non-budgetary items as surplus from the preceding year,[3] and bond issues as well as special levies (*e.g.* items such as expropriations and donations). The receipts from State enterprises include not only profits and taxes, but also depreciation. Finally, the budgetary figures tend to stress the importance of receipts from and payments to State enterprises for development by minimizing items classified as military expenditure.[4]

The percentage figures are used for comparison of (1) actual and planned quantities in the same year, (2) quantities between two consecutive years, or (3) pre-1949 peak and quantity for any subsequent year; they are subject to frequent revisions, though relatively more authoritative figures are given in the annual communiques released by the State Statistical Bureau, with a usual time lag of over eight months.[5]

LONG-RUN PROBLEMS

Mainland China has an agricultural economy with a large population but a small *per capita* area of cultivated land. The new census, taken on 30 June 1953, puts the total population at 583 million. This population, according to a recent sample survey of 30 million, is increasing at an annual rate of 2 per cent, thus adding a new population of almost 12 million each year.[6]

According to a pre-war (1934/35) government survey of 752,865 peasant holdings in 87 districts scattered throughout 11 provinces, the average size of peasant holdings was 15.8 *mow* or 1.05 hectares,[7] a little below the average pre-war farm size of 1.1 hectares for Japan, a country known for its high density of population.[8] In 1954, the cultivated land area is stated to be 107 million hectares, giving an average farm of about the same size.[9]

The recent land reform under the Central People's Government has redistributed the cultivated land more evenly though slight variations in size still prevail. The size of a peasant farm is, however, too small for optimum land utilization; and to improve per acre and *per capita* agricultural productivity, co-operative farming is being extended. The establishment of mutual aid teams is a first step, the second one being the setting up of agricultural producers' co-operatives. In both cases, there is a pooling of resources including farm labour, implements, draft animals, etc., to varying extent,[10] with arrangements for remuneration in accordance with the extent of contribution. Such an arrangement, if satisfactorily implemented with sufficient incentives for production, could lead to greater production of agricultural crops, mainly foodgrains.[11]

The pressure of population on land has led to concealed unemployment, as it has in many other countries. The intensification of cultivation, however, has limited the degree of rural under-employment to an average of no more than two months in the year. However, in spite of the long hours of work, net product per worker is extremely low because of the small area of cultivated land and the shortage of capital. Immediately after the land reform which liquidated the landlord class, peasants found it difficult to carry out farming operations, as provision of credit and necessary agricultural requisites including seeds, draft animals, farm tools and fertilizer, formerly undertaken by the landlord class, could be taken over by the State only gradually. Co-operative farming, which has led to more effective utilization of the existing rural manpower, has also aggravated the problem of rural surplus labour.[12] In 1952 and 1953, a fairly extensive

1 *Report at the First Conference of Representatives of the Chinese Communist Party in the North-East*, Mukden, 13 March 1950, quoted in *Economic Bulletin for Asia and the Far East*, November 1953, p. 18, footnote 1. Thus, for instance, pig iron production in the North-East in 1949 is stated to be 172,000 tons which, according to Kao Kang, is equal to 42 per cent of the peak output reached in 1943. However, in 1943 the actual output of pig iron was 1,710,000 tons, not 409,520 tons which Kao Kang used as the base year (1943) figure in computing the above percentage for 1949. In other words, he had excluded production for 1943 from those enterprises which were subsequently demolished but not yet rehabilitated by 1949. The question arises whether, as first chairman of the State Planning Commission established in late 1952, Kao Kang applied the same method of computing percentages for production of different items in subsequent years.

2 Jung Tse-ho (Vice-Minister of Finance), in his "Summary of 1950 financial work and policy and tasks for 1951" (*People's Daily*, 28 March 1951), stated *inter alia*, that "after the above receipts and payments were set off, red (i.e. deficit) figures occupied 16.7 per cent of the total actual expenditures". On the other hand, Po I-po (Minister of Finance), in his "Report on the 1953 State Budget", delivered at the 23rd session of the Central People's Government Administration Council on 12 February 1953 (NCNA, Peking, 17 February 1953), gave a budget surplus amounting to 2 per cent of total actual expenditure for 1950. Such a difference might have been due not only to a difference between preliminary and final returns but also to changes in accounting practices, such as the transfer of 1950 tax arrears collected in 1952 to the 1950 revenue.

3. This is normally treated in other ECAFE countries as part of the cash balance at the beginning of the current budget year.

4. Ma Yin-chu (member of the Central Committee on Financial and Economic Affairs), "The superiority and special characteristics of China's 1952 budget", in *Wen Hui Pao* (in Chinese), Hong Kong, 22 August 1952. Thus it is stated in the 1950 draft budget presented by the Minister of Finance on 2 December 1949 to the 4th meeting of the Government Administration Council of the Central People's Government that "items such as expenditure by local government to support the front (under administrative expenditure), initial expenses incurred by Military Control Commissions in newly liberated cities, transportation costs (under finance) etc. are in reality war expenses".

5. *The 1952 Communiqué on National Economic Cultural and Educational Rehabilitation and Development* was released by the New China News Agency on 20 September 1953 and *The 1953 Communiqué on National Economic Development and Fulfilment of the State Plan* on 12 September 1954.

6. *People's Daily*, Peking, 7 August 1954, NCNA, 1 and 2 November 1954.

7. A. Kaiming Chiu, "Agriculture", in MacNair, H.F. (ed.): *China* (University of California Press, 1946), p. 474.

8. Buck, John Lossing, *Land utilization in China*, 1937, p. 268.

9 For cultivated land area in mainland China, see *Chou's Report, op.cit.* An average family size of 5 persons is assumed for mainland China with about 80 per cent of its population being rural. [Teng Tse-hui, in "Rural work: its basic task and policy" (*People's China*, No. 17, 1 September 1953), gave the most up-to-date estimate as 470 million for the rural population in mainland China, which is about 80 per cent of the total population of 583 million].

10 There is pooling of land for cultivation in agricultural producers' cooperatives

11. The country's total foodgrain (cereals root crops and pluses) production, 163.6 million tons in 1952 according to official sources, would give an average *per capita* consumption of less than 300 kilogrammes (including seed and animal feed requirement, losses from milling of foodgrains, requirement for export, etc.). This, according to Teng Tse-hui, Director, Rural Work Dept., Central Committee of the Communist Party of China, is inadequate, and should be increased by 70 per cent after two five-year plans or a little longer, to allow for an increase of population, for animal feed requirements, and for a more adequate food allowance of 425 kilogrammes *per capita*. ("Rural work: its basic task and policy", a speech delivered on 2 July 1953 at the Second All-China Congress of New Democratic Youth Corps, in *People's Daily*, 23 July 1953).

12. Cf. the Government's "Decision on the Problem of Labour Employment" quoted in *People's Daily*, 4 August 1952 which reads in part as follows: "after liberation when everyone has soil to till and food to eat, there is still a great surplus labour force, since no change has been wrought in the basic condition of shortage of cultivated land".

migration of surplus rural labour to the cities was reported, against which the government had to issue repeated orders.[1]

The answer of the Central People's Government to the problems of population pressure, unemployment, and low productivity and income is agricultural improvement and industrialization which is expected to absorb a considerable portion of the surplus rural labour by labour-intensive methods in projects such as building of dikes and dams, construction of roads and railways, reclamation of land,[2] erection of public buildings, etc. Such industrialization is to be a gradual process to be completed in stages.

To what extent mainland China is prepared for and may succeed in a programme of industrialization depends upon a number of factors. Mainland China is deficient in petroleum and copper, but is relatively well endowed with coal (previously estimated at 246,000 million tons) and iron ore deposits (2.700 million tons), though its iron ore deposits are of comparatively low quality, having a metal content of less than 40 per cent in most cases,[3] and most of its coal deposits are not of the coking variety. The development of power and transport, which is a pre-requisite to any programme of industrialization, is, however, limited. In 1952 the power generating capacity, estimated at less than 2.9 million kW, was only 38 per cent higher than India's 2.1 million kW, though it had to serve a population of 583 million (1953) which is 64 per cent higher than India's 372 million (1953). In 1952 mainland China, with a territory roughly thrice the size of India's, had about 24,000 kilometres of railway, or one half of India's.[4]

Mainland China has a large volume of surplus rural labour which it can mobilize for the purpose of industrialization. For the development of power and heavy industries, to which the Central People's Government is giving high priority, most projects will have to be capital-intensive in character, at least in the initial period. Most of the capital goods required, moreover, will have to be imported and paid for by means of an agricultural export surplus, unless very substantial external aid or grants can be obtained. The creation of such an export surplus, in a country where the pressure of population on land is already high and the land intensively cultivated, presents great problems.

THE PATTERN OF NATIONAL ECONOMY

In 1953 the value of total industrial and agricultural production was officially distributed in percentages as follows:[5]

Industrial production		46
By modern industry	31	
By handicraft industry	15	
Workshop type	8	
Individual type	7	
Agricultural and subsidiary occupations		54
Total		100

1. *Ch'ang Kiang Jih Pao* (in Chinese), Hankow, 21 October 1952, *People's Daily*, 26 November 1952 and 20 April and 17 December 1953, "GAC Directive on Dissuasion of Peasants from Blind Influx into Cities", NCNA, Peking, 17 April 1953.
2. It is reported that 7.4 million hectares of wasteland in 14 provinces, of which 58 per cent are in the provinces of Heilungkiang and Sinkiang, will be surveyed in the next three years in preparation for large-scale land reclamation (NCNA, Peking, 5 January 1955).
3. *Chinese Yearbook 1935/36*, p 951, United Nations, *World iron ore resources and their utilization*, New York, 1950
4. Mainland China's area is 9.7 million sq km, as compared with an area of 3.3 million sq km for India.
5. *1953 Communiqué*, op.cit Apparently, depreciation charge which is proportionately larger in the industrial than in the agricultural sector is not deducted. It is not stated whether the figures given relate to the value added or to the total value of the products including raw materials.

The government's policy of gradual socialist transformation of the country's productive activities implies a new pattern of national economy, as defined in the new Constitution of September 1954,[6] under which the ownership of the means of production falls into four categories, namely, State, co-operative, State-capitalist and private.[7]

The State-owned sector is based on principles of socialist economy; it is "the leading force in the national economy and the material basis on which the State carries out the socialist transformation." The State ensures priority for the development of State-owned economy.

The co-operative sector is a bridge between State and private economies, by means of which private economy of the individual working people is eventually to be socialized.[8]

The private sector embraces both "ownership by individual working people" and "capitalist ownership." The individual working people include peasants, artisans and other non-agricultural individual working people. The State, while allowing them by law to own means of production and other property,[9] guides them to increase production and to organize various kinds of co-operatives "on a voluntary basis."

State policy towards capitalist ownership in industry and commerce is: "use, restrict and transform." That is, use those qualities of capitalist industry and commerce which further the government's long-run plans; restrict those qualities which do not, and transform capitalist industry and commerce into "State-capitalist economy," that is joint State-private participation.

The State-owned sector

The State-owned sector predominates in large-scale enterprises in industry, transport, trade and banking, which are also major fields of public investment under the Five-Year Plan.[10]

In 1953 the State sector is said to have contributed 53 per cent to the total value of *industrial production* (both modern[11] and handicraft) as compared with 34 per cent in 1949. Its share is to be expanded by further development of (1) the State sector and (2) the co-operative and State-capitalist sectors for ultimate absorption by the State sector.

6. This Constitution replaces the Common Programme adopted at the first meeting of the Chinese People's Political Consultative Committee on 29 December 1949
7. The new Constitution, under article five, classifies the ownership of the means of production into four categories, namely, State ownership, co-operative ownership, ownership by individual working people and capitalist ownership. The last two forms of ownership are private in character. The "State-capitalist" form of ownership is mentioned under article ten
8. Article seven of the Constitution states: "The State protects the property of the co-operatives, encourages, guides and helps the development of co-operative economy and regards the development of co-operative production as the chief means for the (socialist) transformation of individual farming and individual handicraft producton"
9. According to article eleven, "the State profects the right of citizens to the ownership of lawful incomes, and of savings, houses and the means of life" Article twelve further states "The State protects by law the right of citizens to inherit private property"
10. The National Government had taken over Japanese-owned and operated enterprises in mainland China after the second world war. This extended the scope of State enterprises, many of which were started by the National Resources Commission in pre-war years, especially in the fields of industry, power and mining.
11. Modern industries, mainly operated by the State, contributed 17 per cent to the value of total industrial and agricultural production in 1949 but 31 per cent in 1953; their share was expected to rise to 33 per cent in 1954

TABLE 33

CHINA: PERCENTAGE DISTRIBUTION OF VALUE OF INDUSTRIAL PRODUCTION IN THE MAINLAND BY SECTORS

	State sector	Co-operative and State-capitalist sectors	Private sector
1949[a]	34[b]	3	63
1953[c]	53	9	38
1954[a]	71		29

a. Estimate given in *Chou's Report, op cit*
b "The State-owned economy of New China", in *People's China*, 16 January 1954, p. 5.
c *1953 Communiqué, op cit*

Transport and communications have been brought almost completely under State ownership and management. In addition to railways, aviation, posts and tele-communications which were already under State control before 1949, other important means of communications such as highways, inland navigation, etc. have come under the direct control of the State.[1]

State enterprises in *trade* have expanded rapidly since 1949. On 6 August 1952 the Ministry of Trade was expanded into two ministries, the Ministry of Commerce and the Ministry of Foreign Trade, each of which controls various State trading companies.[2] These companies, with their nation-wide network of branches and in co-operation with 31,000 marketing and supply co-operatives throughout the country, are in control of almost 100 per cent of the nation's foreign trade, 50 per cent of the retail trade and 80 per cent of the wholesale trade.[3]

Banking is almost completely in the hands of the State bank, the People's Bank.[4] This bank, with 18 departments, 5 regional offices in the East, Central South, South-West, North-West and North-East, and over 2,000 branches and sub-branches, was reported in March 1953 to have a total staff of over 300,000.[5] Over 90 per cent of all deposits are with the People's Bank, the rest being in banks jointly operated by State and private capital.[6]

State enterprises are also being established in *agriculture*. In 1953, there were 2,340 State farms, including 59 mechanized farms with 140,000 hectares of farmland (about 0.1 per cent of total cultivated land), 1,621 tractors (of 15 horse-power) and 352 combines.[7] In 1954, the number of State farms increased to 3,000, including 102 mechanized farms.[8]

The co-operative sector

The mutual aid and co-operative movement has been rapidly extended to *agricultural production*.

The first form of co-operation is the mutual aid teams, which include (1) temporary mutual aid teams representing a simple form of collective labour, and (2) year-round mutual aid teams having a certain division of work among their members on the basis of collective labour and a small amount of commonly owned property like farm animals and plougns.[9] In 1953, 43 per cent of the total farm households were reported to have joined the mutual aid teams; of these teams 20 per cent were of the year-round type. By August 1954 the proportion of farm households participating in both types of teams was stated to have risen to 60 per cent.[10]

In 1953, 275,000 farm households, or 0.3 per cent of the total, were reported to be members of 14,900 agricultural producers' co-operatives. Premier Chou En-lai, in his *Report on Government Work*, anticipated that over one half of the total farm households would be participating in the agricultural producers' co-operatives by 1957, the last year of the Five-Year Plan. The total number of these co-operatives in 1954 is reported to have been over 225,000 in August[11] and 400,000 in December;[12] in February 1955 it is reported to have increased to 580,000.[13]

Also included in this sector are the supply and marketing co-operatives, through which farm crops are sold to, and essential commodities and agricultural requisites bought from, the State trading companies and their branches, often under contracts made in advance; 32,265 such co-operatives (including 1,868 consumer co-operatives), with a total membership of 166 million, were reported to have been formed by the end of June 1954. These co-operatives did one quarter of the country's total retail business during 1953, namely 18 per cent of the retail trade in the cities and 30 per cent in the country-side. Three quarters of all the purchases by the co-operatives in 1953 were made on behalf of the State. Most, and in some cases all, of the State purchases of industrial raw materials and such export items as grain, cotton, hemp, tobacco, tea, silk and wool tops were made through

1. The traditional means of transport, e.g. boats carts, pack animals, etc., though still under private ownership, are of local importance only.
2. Up to the end of 1953 there were 15 companies under the Ministry of Commerce having (1) control over domestic trade in food and foodgrains, cotton, jute and silk textiles, tobacco, salt, pharmaceuticals petroleum products, chemicals, coal, building materials, communication equipment and materials, metals, machinery and tools, and (2) monopoly over cigarettes and wines, as well as 13 companies under the Ministry of Foreign Trade having control over (1) export of livestock products (bristles, intestines, feathers, etc.), oils and fats, tung oil, mineral ores, silk and silk fabrics, and other products, (2) import of chemicals, metals, machinery, electric equipment and materials, cinema equipment and materials, and technical services, and (3) land and sea transport of import and export products
3. *Chou's Report, op cit*
4. Besides this bank are the following special banks: (1) Bank of China to specialize in foreign exchange transactions, (2) Bank of Communications, (3) Agricultural Co-operative Bank (established in July 1951), (4) Savings Bank (to be established), (5) China People's Insurance Corporation (established in December 1949) and (6) National Construction (i.e., Development) Bank (established in accordance with GAC decision taken on 9 September 1954 for the supply of capital construction funds and their supervision). The private banks, in the meantime, have, since 1 December 1952, been reorganized to form the Joint State-Private Banking Administration with head office in Shanghai.
5. *Ta Kung Pao*, (in Chinese), Tientsin, 3 April 1953
6. "The State-owned economy of New China", in *People's China*, 16 January 1954, p. 6.
7. *1953 Communiqué, op cit* There were 24 State mechanized farms in the North-East, 12 in the North, 8 each in the East and in the Central South, 5 in the North-West, and 1 each in the South West and in the Inner Mongolia autonomous region (see *People's Daily*, 5 April 1954)
8. *People's Daily*, 20 December 1954, China News Service, Peking, 31 December 1954
9. Chinese Communist Party's Central Committee Decision on Development of Agricultural Producers' Co-operatives, in NCNA, Peking, 8 January 1954
10. *Chou's Report, op cit*
11. Of this total, 130,405 societies are stated to have been formed between the spring and autumn of 1954. The distribution by areas of the 225,405 societies is given as follows:

North	79,538
North-East	60,340
East	46,045
Central South	18,232
South-West	17,745
North-West	3,505
Total	225,405

These societies are mostly in non-rice growing areas
Source: People's Daily, 4 December 1954
12. NCNA Peking, 27 December 1954
13. NCNA, Peking 15 February 1955.

the co-operatives. These co-operatives are thus stated to have "become a powerful aid to State-owned commerce in stabilizing commodity prices and promoting urban-rural trade."[1]

Rural credit co-operation has also shown a rapid increase. By the end of September 1954, 50,000 credit co-operatives were reported to have been in existence, with a total participating membership of 20 million farm households. It is proposed to increase the number of credit co-operatives to 150,000 and the number of participating farm households to 70 million, thus extending the geographical coverage of rural credit co-operation to 50-70 per cent of the villages in the country.[2]

In *handicraft production*, however, only 4,806 co-operatives were reported to have been formed by the end of 1953, with a membership of 300,000. The latter rose to 1.1 million by the end of 1954 and is expected to rise to 5 million by the end of 1957. At present, 20 million people are estimated to be engaged in handicraft production.[3]

The State-capitalist sector

In the early years of the Central People's Government the private industrial enterprises were brought under State control through two "preliminary forms of State capitalism," namely, (1) acceptance by private enterprises of government orders for processing and manufacturing as well as centralized purchasing or underwriting of their products by the State, and (2) purchasing and marketing of the products of private enterprises by the State.[4] In commerce, private enterprises acted as sales agents for State enterprises, by purchasing goods from the State enterprises in wholesale lots and selling them at State-fixed prices; they also acted as purchasing agents for State enterprises, for certain imports or exports, at prices fixed by the State.[5]

When the Five-Year Plan began in 1953, the government found it necessary to co-ordinate more closely the plans of State enterprises with those of private enterprises, and positive steps were taken to bring the private industrial enterprises within the orbit of the plan. The All-China Federation of Industry and Commerce, officially inaugurated on 23 October 1953, adopted a constitution on 12 November 1953, in which one of its basic tasks is stated to be "the direction of private industrialists and merchants, under the economic plans of the State, in the development of production and improvement of management" (article 3). As a result, the process of transforming the private enterprises in industry and commerce into joint State-private (or State-capitalist) enterprises has been quickened. By the end of 1953, 1,000 joint State-private industrial enterprises were reported to have been in existence, whose output in terms of value was 8.2 times higher than in 1949. The proportion which such output occupied in the total industrial output rose from 2 per cent to 6 per cent during the same period.[6]

State-capitalist commerce has taken different forms. As a result of the introduction, in the winter of 1953-54, of planned purchase and marketing of grain and edible oils, enterprises of the grain and edible oil merchants have been transformed into agencies of State commerce; after the introduction of planned purchase and planned supply of cotton cloth in 1954, retail cloth merchants have, in general, established agency relations with State commerce and supply-and-marketing co-operatives. In other trades, other forms of public-private operation have been developed. The complex types of commodities, the different degrees of State control over the source of supply and the varying conditions in major, medium and small cities and in the country-side make it necessary to adopt diverse forms of State capitalism in the sphere of commerce.[7]

THE FIVE-YEAR PLAN AND ITS IMPLEMENTATION

Immediately after 1949 the Central People's Government took steps to introduce centralized planning through the setting up of planinng machinery, holding of planning conferences, drafting of partial plans governing certain economic activities in the State sector, and fixing production targets for certain basic commodities.

In 1952, the planning procedure was laid down and the planning machinery established in the "Provisional Regulations Government Capital Construction"[8] (articles 28–32). First, the Committee on Financial and Economic Affairs of the Government Administration Council issues control figures with directives to the central economic ministries and regional economic organs, which in turn issue control figures with directives to the peripheral units. Secondly, in accordance with the control figures and directives, the peripheral units prepare draft annual plans, which are to be synthesized first by the central economic ministries and regional economic organs and then by the Central Committee on Financial and Economic Affairs. Thirdly, the synthesized plan of the Central Committee on Financial and Economic Affairs, upon approval by the Government Administration Council, becomes the national capital construction plan. It goes to the central economic ministries and regional economic organs, and from there to the peripheral units.

In the meantime, a new administrative machinery was set up late in 1952. This new machinery includes the State Planning Commission[9] and the planning organs of the central economic ministries and of the regional government agencies concerned with economic functions. Six new economic ministries (the First Ministry of Machine Building, the Second Ministry of Machine Building,[10] and the Ministries of Building Construction, Geology, Food and Foreign Trade), in addition to the existing Ministries of Agriculture, Commerce, Communications, Finance, Forestry, Fuel Industry, Heavy Industry, Labour, Light Industry, Railways, Tele-communications, Textile Industry and Water Conservancy, were established to provide adequate channels for effective planning and implementation.[11]

1. Report by Cheng Tsu-Hua, Acting Chairman of the Board of Directors of the All-China Federation of Co-operatives, at the opening session of the First National Congress of Co-operative Societies on 20 July 1954 (NCNA, Peking, 30 November 1954)
2. *People's Daily*, Peking, 23 November 1954.
3. "All-China Federation of Co-operatives issues report on future of handicrafts", NCNA, Peking, 14 July 1954; also NCNA, Peking, 8 January 1955.
4. "The achievements of the All-China Federation of Industry and Commerce", by President Chen Shu-tung, in *Ta Kung Pao*, Tientsin, 8 December 1953, "Proceed further in bringing private industry and commerce to the path of State capitalism", editorial, *People's Daily*, 11 November 1954.
5. *People's Daily*, 9 December 1954.
6. "Public-private jointly operated industrial enterprises improved after conversion", in China News Service, Peking, 6 September 1954.
7. *People's Daily*, 9 October 1954.
8. Promulgated by the Central Committee on Financial and Economic Affairs on 9 January 1952, *Hsinhua Monthly* (in Chinese), No. 2, 1952
9. Li Fu-chun, succeeding Kao Kang, is now Chairman of the Commission
10. This ministry is in charge of defense industries
11. A new Ministry of Local Industry and a National Construction Commission were added in 1954, in accordance with the Organic Law for the State Council (formerly known as Government Administration Council) of the People's Republic of China, approved by the first session of the National People's Congress at its first meeting on 21 September 1954. See *Ta Kung Pao*, Hong Kong, 29 September 1954.

On account of the nature of central planning in mainland China, the Government has substantial powers of making allocations not only of capital resources, materials and manpower but also of semi-finished and finished products, in the State-owned as well as other sectors of the economy.

Objectives, targets and projects

With the launching of the first Five-Year Plan in 1953, mainland China has entered a period of more ambitious economic development. The general features of the plan are revealed in the following principle:[1]

1. The rate of growth of producer goods and defence industries must exceed that of consumer goods.
2. The development of the producer goods industry must be such as to allow "reproduction on an extended scale."
3. The development of agriculture shall be directed to ensuring adequate supplies of grain and industrial raw materials, and to augmenting the agricultural "surplus" with which to finance industrialization and create an "extended scale of reproduction."
4. The rate of growth in labour productivity should be greater than the rise in wages in order to ensure "accumulation of capital."
5. New industrial centres should be established close to raw material supplies.

1 Li Fu-chun (Deputy Chairman of the Committee on Financial and Economic Affairs), "How to promote industrial development in the People's Republic of China", *Hsinhua Monthly*, No. 11, 1953, Peking, pp 13-14. *People's Daily*, 22 May and 16 December 1953.

Target production figures, usually formulated from year to year,[2] are given on a quinquennial basis (1952 = 100) for foodgrains (124),[3] raw cotton (145),[4] and cotton textile capacity (150),[5] but for an indefinite period (5–10 years) for coal (160), electricity (200), steel ingots (400), rolled steel (250), machine tools (350), and mining machinery (200).[6]

While it is difficult to gain an idea of the quantities involved in these percentage increases, for certain items Premier Chou En-lai in September 1954[7] anticipated the achievement of specified quantities by the end of the year. In table 34, the latter are given together with those for China: Taiwan, India and Japan in order to show the position of mainland China in the economic development of the region.

While the *total* 1954 output of major industries in mainland China, as estimated by Premier Chou En-lai, appears to be higher than in India, but much lower than in Japan (with the exception of coal and cotton yarn), the *per capita* output is invariably lower in mainland China than in India (with the exception of coal and paper) and Japan. Mainland China, however, is officially reported to have achieved a much more rapid rate of increase in production after 1949 than India and Japan, which is partly accounted for by the extremely low rate of utilization of existing capacity in the base year, 1949—the year of nation-wide civil war.

2. *In Chou's Report, op cit*, it is stated that the Five-Year Plan in general is "not yet complete and final, and many of its details are being supplemented and amended"
3. Teng Tze-hui, "Rural work its basic task and policy", *op.cit*, gave the target as 130, which was revised downward to 124 in *Chinese Agriculture Semi-monthly*, No 22, 25 November 1954 (Ministry of Agriculture of Central People's Government, Peking)
4. *Ta Kung Pao*, Tientsin, 30 October 1954
5. *Ta Kung Pao*, Hong Kong, 1 March 1955.
6. "Pravada on Sino-Soviet economic relations", NCNA, Peking, 2 October 1953, "China begins its five-year plan", China News Service, 7 October 1953.
7. *Chou's Report, op cit.*

TABLE 34

CHINA, INDIA AND JAPAN: SELECTED ESTIMATES OF INDUSTRIAL AND MINERAL PRODUCTION, 1954

Item	Unit	Quantity				Mainland China = 100		
		China		India	Japan	China: Taiwan	India	Japan
		Mainland	Taiwan					
A. TOTAL PRODUCTION								
Electricity	Mn. kWh	10,800	1,813	7,300	60,000	17	68	556
Coal	Mn. tons	82	2	36	42	2	44	51
Pig iron	1,000 tons	3,030	—	1,930	4,870	—	64	161
Steel (crude)	1,000 tons	2,170	43	1,680	7,750	2	77	357
Cement	1,000 tons	4,730	540	4,420	10,580	11	93	224
Cotton yarn	1,000 tons	830	22	700	470	3	84	57
Paper	1,000 tons	480	27	140	1,900	6	29	396
B. PER CAPITA PRODUCTION[a]								
Electricity	kWh	18.6	197.3	19.6	681.8	1,061	106	3,666
Coal	kg	140	217	97	477	155	69	341
Pig iron	kg	5.2	—	5.2	55.3	—	100	1,063
Steel (crude)	kg	3.7	4.5	4.5	88	121	122	2,380
Cement	kg	8.1	58.7	11.9	120.2	724	145	1,486
Cotton yarn	kg	1.4	2.4	1.9	5.3	171	136	379
Paper	kg	0.8	2.9	0.4	21.6	362	50	2,700

Sources: Mainland China: *Chou's Report, op.cit.* whose figures however do not agree in certain cases with official estimates on individual items; other territories: United *Nations, Monthly Bulletin of Statistics* and national sources.

a. Total population figures used are 583 million in mainland China, 9.3 million in China: Taiwan, 372 million in India and 88 million in Japan.

The emphasis on the establishment of a heavy industry under the Five-Year Plan is "to lay a foundation for the development of national economy and the strengthening of national defence."[1] Thus, of the 600 important industrial units to be newly built or improved,[2] the 156 more important ones to be built or improved with assistance from the USSR include coal mines, oil refineries, power stations, iron and steel works, non-ferrous metallurgical plants, plants for making heavy machinery, automobiles, tractors and aircraft, and chemical works; a large part is expected to be completed by 1958 and the rest by 1963. By September 1954, 17 of these 156 projects had been wholly or partially completed and in operation, including the Heavy Steel Rolling Mill, the Seamless Steel Tubing Mill and the Sheet Steel Mill of the Anshan Iron and Steel Company, as well as the Haichow Open-cut Coal Mine at Fuhsin; while 34 were under construction. Most of the known projects are in the North-East where, in addition to the Anshan Iron and Steel Company and the Fuhsin coal mine, 5 power plants are being expanded, while 3 heavy machinery plants, 3 electrical engineering plants and an automobile factory are being built, and production of shale oil is also being developed. So far, work outside the North-East has been concentrated, in addition to railways and roads, on building new power plants and cotton mills, a tractor factory in the North and an oil refinery in Shanghai. In future, activity is likely to increase outside the North-East, particularly in the North-West, and at Paotow and Tayeh for the iron and steel industry.[3]

Magnitude and pattern of investment

The 1953 budget allocated a large sum of PBY 103,527,000 million, or roughly $4,420 million,[4] to investment for economic development, but actually only PBY 86,000,000 million or 83 per cent were spent, owing to larger military outlay and delays in the implementation of the plan. Roughly, three fifths of the total actual expenditure on economic development were on what may be considered "capital-intensive" projects under "industry,"[5] and "other" (of which defence industries probably constitute a part) categories, while the other two fifths went into what may be considered "labour-intensive" projects under "agriculture, forestry and water conservancy," "transport" and "trade and banking."

With the cease-fire in Korea, the tempo of economic development has been stepped up in 1954. The year's total budget provision for economic development was increased by 32 per cent, with 63 per cent of the total going to "capital-intensive" projects and 37 per cent to "labour-intensive" projects. The annual rate of increase is greater for transport and communications than for trade and banking, industry, agriculture, forestry and water conservancy.

A private estimate put the gross national product of mainland China at $30,000 million in 1952.[6] By converting the total sum in local currency devoted to investment for economic development at the official rate of exchange, the investment expenditure for economic development in 1953, reported to be PBY 86,000,000 million, would be $3,700 million or about 13 per cent of the gross national product as privately estimated above.[7]

Industrial production

The 1953 over-all target for industrial production, lowered twice during the year, is reported to have been over-fulfilled by 7 per cent for the State, co-operative and "state capitalist" sectors, although the quality of industrial products has suffered.[8] The value of modern industrial production in stated to have risen above the 1952 figure by 33 per cent, which is lower than the average annual rate of increase during the period of rehabitilation (1949-52), 36.9 per cent, as "during the period of construction (*i.e.* under the Five-Year Plan) the rate of industrial development necessarily has to be lower."[9]

The rate of increase for 1954 is not officially given, though the value of *modern* industrial production is estimated to rise by 18 per cent.[10]

For many individual industrial commodities, the 1953 target rates of increase of production were reported to have been reached, but in 1954 such rates were set at a lower level, whether for capital goods like power and steel or for consumer goods like cotton textiles. These rates were estimated to have been exceeded in September.

In 1953 the rates of increase were higher for capital goods like metals, machinery, and building materials than for consumer goods such as cotton textiles, paper and sugar.

1. *People's Daily*, July 1954.

2. 300 of them were reported under construction in 1954, 51 being due for early completion.

3. A list of projects in different parts of mainland China known to be USSR aided is given in *Quarterly Economic Review of China and Hong Kong* (The Economist Intelligence Unit, London), No. 8, December 1954.

4. Throughout the section on mainland China, the sum of 1,000 million People's Bank Yuan for 1953-54 has been converted at the official rate of exchange to approximate $42,700. The official rate of exchange has since 6 December 1952 remained at PBY 23,430 to the dollar, as compared with that of PBY 22,270 to the dollar prior to 6 December 1952. (The rates effective in Hong Kong give, however, a higher though fluctuating amount of PBY per dollar). For earlier years the average official exchange rate to the dollar is calculated at PBY 32,477 to the dollar in 1950, PBY 22,687 1951, and PBY 22,270 in 1952.
On 21 February 1955 the State Council (formerly the Government Administration Council) issued the 'Directive on the issue of new People's Yuan and the withdrawal of the old People's Yuan', according to which PBY 10,000 is to be equal to NPBY1. There will be issued by the People's Bank from 1 March 1955 notes bearing five denominations for the new PBY each consisting of 100 cents, namely, 1, 2, 3, 5 and 10 yuan, and six denominations for the subsidary currency, namely, 1, 2, 5, 10, 20 and 50 cents. The old PBY currency notes bearing the larger denominations of 10,000 and 50,000 yuan are to be withdrawn from circulation on 1 April, but may be exchanged for the new PBY currency till 30 April 1955. Old PBY currency notes bearing a denomination of 5,000 yuan or less may still circulate till a date to be prescribed by the government. In the meantime, the official exchange rate is to be adjusted in terms of the NPBY presumably at the same rate as now applies to the old PBY. e.g. $1 = NPBY 2.343. (*People's Daily*, 21 February, 1955).

5. Heavy industry claims 87.3 per cent of the total investment in industry, in the 1954 budget, it includes coal, electric power, petroleum, iron and steel, chemicals and machine-building (*1954 Report on the State Budget*, by Teng Hsiao-ping (Finance Minister), in NCNA, Peking, 17 June 1954).

6 Rostow, W.W. and others, *The Prospects for Communist China* (published by the Technology Press of Massachusetts Institute of Technology and John Wiley & Sons, New York, 1954), p.279. The estimate is based on "tentative and crude calculations" and are "intended merely as indications of approximate orders of magnitude rather than as actual estimates"

7 In a speech he made in the United States, Mr Yoshida, the former Prime Minister of Japan, stated that "Communist China is investing heavily to increase its economic potential investing at a *per capita* rate at least twice that of all current capital investment in South-East Asia". (Speech delivered before the National Press Club, reported in *The New York Times*, 9 November 1954).

8 One example of the deterioration in the quality of industrial products is given in *Ta Kung Pao*, Tientsin, 20 July, 1954, which discussed the problem of inferior quality of consumer goods in detail. A number of examples were given of the extent to which quality had deteriorated in some state enterprises.

9. *Chou's Report*, *op.cit.*

10. *Ta Kung Pao*, Hong Kong, 23 June 1154.

TABLE 35

CHINA: MAGNITUDE AND PATTERN OF INVESTMENT FOR ECONOMIC DEVELOPMENT IN THE MAINLAND, 1953-54[a]

(Amount in PBY '000 million)

	1953				1954		% increase in 1954 estimates over 1953 actuals
	Budget		Actual		Budget		
	Amount	%	Amount	%	Amount	%	
Industry	47,632	46.1	42,862	49.8	54,122	47.8	26.3
Agriculture, forestry and water conservancy	11,768	11.4	11,317	13.2	11,943	10.5	5.5
Transport and communications	14,849	14.3	12,421	14.4	17,649	15.6	42.1
Trade and banking	4,482	4.3	9,989	11.6	12,791	11.3	28.1
Other	24,796	24.0	9,430	11.0	16,722	14.8	77.3
Total economic investment	103,527	100.00	86,019	100.00	113,227	100.00	31.6
Total budget expenditure	233,499		213,883		249,458		16.6

Source: Po I-po (Finance Minister), *Report on the 1953 State Budget*, in *Ta Kung Pao*, Hong Kong, 18 February 1953; Teng Hsiao-ping (Finance Minister), *Report on the 1954 State Budget*, NCNA, Peking, 17 June 1954.

a. 1953 actuals and 1954 budget estimates are in some cases derived from percentage figures as stated in the Finance Minister's *Report on the 1954 State Budget*

Coal output, for which the target for 1953 was 2 per cent below that for 1952, actually rose by 9 per cent (see table 36). Commodities that failed to reach the targets in 1953 were flour, salt, sugar and gunny bags.

TABLE 36

CHINA: INDUSTRIAL PRODUCTION IN THE MAINLAND, 1953-54

	1953 (1952=100)			1954 (1953=100)		(1949=100)
	Target		Actual	Target (Teng)[c]	Estimate (Chia)[d]	Estimate (Chou)[d]
	Po[a]	Wu[b]				
Power	127	127	126	115	120	250
Coal	—	98	109	—	116	260
Petroleum, crude	142	142	144	—	132	—
Pig iron	114	114	119	131	132	1,240
Steel	123	123	131	119	121	1,370
Rolled steel	—	134	134	—	107	—
Copper	139	129	136	—	—	—
Lead	149	—	176	—	—	—
Zinc	154	—	150	—	—	—
Sulphuric acid	—	134	136	—	—	—
Generators	—	291	198	—	—	—
Electric motors	—	141	143	—	—	—
Machine tools	—	105	149	—	125[e]	850
Cement	117	130	135	—	118	720
Timber	138	138	157	—	—	—
Cotton yarn	109	109	113	106	112	260
Cotton cloth	116	116	114	—	109[f]	—
Paper	106	106	115	114	112	450
Sugar	123	123	108	123	158	—
Cigarettes	—	—	136	117	128	—

Sources: Po, *Report on the 1953 State Budget*, *op.cit.*; Teng, *Report on the 1954 State Budget*, *op.cit.*, Wu Lun-hsi, "New China on the road to industrialisation", in *Ta Kung Pao*, Hong Kong, 1 October 1953; *1953 Communique*, *op.cit.*; *Chou's Report*, *op.cit.*; Chia To-fu's statement to the First Session of the First National People's Congress, in NCNA, Peking, 26 September 1954.

a. Formulated in February 1953.
b. Formulated in September 1953.
c. Formulated in June 1954.
d. Estimated in September 1954 by Chia To-fu unless otherwise stated.
e. NCNA, Peking, 12 January 1955.
f. *People's Daily*, 14 January 1955.

Coal output is stated to have surpassed for the first time, in 1953, the pre-1949 peak. This improvement in output, representing a 9 per cent increase over 1952, is attributed to a rise in the labour efficiency in State mines of 11.1 per cent over 1952.[1] In 1954 the coal output was expected to rise to 82 million tons;[2] or by 16 per cent over 1953.

Crude petroleum is stated to have increased in output by 44 per cent in 1953,[3] and by 32 per cent in 1954. In the latter year eight oil refineries and other projects with a total capacity double that of 1953 are reported to have been completed.[4] Activity increased in the principal oil fields in Yumen, Wusu and Yenchang, all in the North-West, and in Fushun, the shale oil refining centre in the North-East.[5]

In 1953, *electricity* production was stated to have risen by 26 per cent; in 1954 it is estimated to rise further by 20 per cent. In the latter year the total production of electricity is estimated at 10,800 million kWh, or 56 per cent over the pre-1949 peak.

There were plans for 1954 to build or enlarge over 160 plants of which 17 plants built or reconstructed in major industrial and mining centres were reported to have raised the total generating capacity by 16 per cent.[6] The plants in Fushun, Fuhsin, Urumchi, Taiyuan, Chungking, Sian (which started operation in 1953) and Chengchow, are among the 156 enterprises being built or renovated with USSR aid.

Hydro-electric power is also being developed, for which surveys are being continued on the various major rivers in mainland China. The Fengmen hydro-electric power station was the largest in the country before the war, but after the

1. NCNA, Peking, 11 January 1954.
2. *Chou's Report*, *op.cit.*
3. NCNA, Peking, 26 April 1954.
4. *Ta Kung Pao*, Hong Kong, 29 October 1954; NCNA, Peking, 8 and 13 January 1955.
5. NCNA, Fushun, 26 March and 4 May 1954. According to rough official estimates 100 million tons of crude oil can be extracted from the known reserves.
6. NCNA, Peking, 13 March 1954 and 6 January 1955.

war three of the four units of 100,000 kW each were removed. In 1954 new turbo-generator sets were installed. On the Hwai River, the first turbo-generator unit was installed in late 1954 at the hydro-electric power station at the Futseling Reservoir, with a capacity of 2,000 kW. When completed in 1956 the station is expected to have five turbo-generator units, with a total capacity of about 10,000 kW. At the Kuanting Reservoir on the Yungting River, a hydro-electric power station is under construction for operation in 1955, using the turbo-generator sets being manufactured by the new Harbin Electrical Machinery Plant.

In 1953, production is reported to have risen by 19 per cent for pig *iron*, 31 per cent for *steel*, and 34 per cent for rolled steel, owing to an expansion in productive capacity and a rise in labour efficiency.[1] Among the principal works completed or restored for production were 6 small furnaces in Maanshan, 2 small furnaces in Lungyen, a steel bar plant in Tientsin, an automatic steel rolling mill, a seamless tubing plant, 2 automatic furnaces, and 4 coking furnaces—all in Anshan.

For 1954, production is officially expected to go up by 32 per cent for pig iron and 21 per cent for steel.[2] The total production for the year is expected to be 3 million tons for pig iron (of which Anshan alone is producing 1.5 million tons[3]) and 2.2 million tons for steel.

Next to Anshan, Tayeh in the mining district near Hankow is being rebuilt as the second steel centre in mainland China.[4] It is proposed to create a new centre at Paotow, present railhead of the Peking-Suiyuan rail line, near rich deposits of iron ore at Pailingmiao and of coal at Tatung. Preparatory work is said to be under way, but no construction or iron and steel facilities has started.[5]

Considerable progress is reported to have been made in the *engineering* industry, through rebuilding or expansion of many old factories from 1949 to 1953 and construction of new ones since 1953. Taking 1949 as the base equal to 100, the total value of output from the State-owned machine works is reported to have risen to 282 in 1950, 473 in 1951, 776 in 1952 and 1,273 in 1953. It is stated that about 50 per cent of the machines currently needed for large-scale economic development are being turned out by the home industry which produces over 1,900 kinds of important machines and electric equipment items.[6]

In 1953, over 100 enterprises were built, renovated or extended, of which the most important included the first automobile factory in Changchun and a pneumatic tool factory in Mukden, heavy machinery plants in Mukden and Taiyuan, a textile machinery plant near Taiyuan, electrical machinery works, a lathe factory and a measuring and cutting tool factory in Harbin and a ship-building yard in Wuchang.

In 1954, work is continuing on most of the projects started in 1953, and a few of the Mukden and Harbin plants are scheduled for completion. The output of machine tools and electrical appliances in 1954 is reported to have risen by 25 per cent over 1953, owing to an increase of investment by 135 per cent over 1953.[7]

Defence plants manufacturing munitions and arms are under the Second Ministry of Machine Building Industry, and budget allocations for defence industries are probably spread out under "Defence expenditure," "Investment for economic development," and "other" or "non-specified" items. In view of the high importance attached to "modernization of defence" by the government, significant growth must be undoubtedly taking place.

Chemicals manufacture is another major and as yet new industry to which the government is devoting much attention. In 1953 the plan for the Central Chemical Industry Administration is reported to have been over-fulfilled by 14 per cent, with the following percentage increases over 1952 for different chemical products; sulphuric acid 36 per cent, nitric acid 48 per cent, caustic soda 13 per cent, pure soda 16 per cent, ammonium sulphate 25 per cent and ammonium nitrate[8] 201 per cent. In 1954, the following percentage increases over 1953 are expected: total output 43 per cent, sulphuric acid 41 per cent, ammonium sulphate 33 per cent, caustic soda 41 per cent, and pure soda 39 per cent.[9]

In *cotton textiles*, the most important consumer goods industry, rehabilitation and development have been rapid. In 1954 the cotton yarn output is estimated to have risen by 92 per cent above the pre-1949 peak to 4.6 million bales (of 400 lb each) and the cotton cloth output by 109 per cent above the pre-1949 peak to 1,960 million metres.[10]

TABLE 37

CHINA: COTTON TEXTILE PRODUCTION IN THE MAINLAND, 1950-54

	Pre-1949 peak = 100		1949 = 100	
	Yarn (1)	Cloth (2)	Yarn (3)	Cloth (4)
1950	101	90	134	154
1951	112	115	149	197
1952	151	167	201	287
1953	171	190	227	327
1954 (estimate)	192	209	255	359

Sources: Columns (3) and (4): For 1950-52 figures see *1952. Communiqué, op.cit.*, for 1953 figures see *1953 Communiqué, op.cit.* 1954 estimate for cotton yarn output is given in Chia To-fu's statement to the first session of the First National People's Congress, in NCNA, 26 September 1954. 1954 estimate of increase in cotton cloth output is given in *People's Daily*, 14 January 1955, at 170 million metres.

Columns (1) and (2): 1952 figures, given in China News Service, Peking, 15 September 1953, are used in deriving those for other years on the basis of data given in columns (3) and (4).

1. Labour officiency is reported to have risen by 28.3 per cent in 1953 as compared with 1952 in Anshan, the steel city of mainland China, and by 15.5 per cent on the average for all iron and steel plants (NCNA, Peking, 15 February 1954.
2. The actual rate of increase is reported to have been 37 per cent for pig iron and 22 per cent for steel (NCNA, Peking, 7 January 1955).
3. NCNA, Peking, 24 September 1954. Shao Hsiang-hua, deputy from the Anshan Iron and Steel Co. to the 1st session of the National People's Congress in Peking, stated that the figure exceeded the peak of 1.3 million tons reached under Japanese occupation in 1943. See also *The New York Times*, 22 August 1954, on "Attlee's visit to the Anshan plants", when the same figures were given by a Chinese spokesman. The 1953 value of iron and steel production supplied by Anshan is stated to have been 12 times that in 1949. (*People's Daily*, 16 February 1954.)
4. NCNA, Wuhan, 10 January 1954.
5. China News Service, Peking, 22 January 1954.
6. Chiang I-wei: "New China's machine-building industry", in *People's China*, No. 12, 16 June 1954.
7. China News Service, Peking, 31 December 1954.
8. The high rate of increase for ammonium intrate is to be noted, in view of its importance to defense industries.
9. NCNA, Peking, 25 December 1954.
10. The 1954 cotton yarn output estimate is taken from *Chou's Report, op.cit.*; the 1954 cotton cloth output is estimated from the pre-1949 peak (1936) of 942 million metres as given in *Economic Survey of Asia and the Far East, 1947*, p. 85.

The expansion of cotton yarn output is attributed to a number of factors, including the rise in the rate of utilization of capacity.[1] improvement in labour productivity under the emulation campaigns, and installation of new capacity with home-made machines. The number of spindles in 1949, less than five million, is reported to have risen by 14 per cent up to 1953 and by 22 per cent up to 1954.[2] The new spindle capacity is installed mainly by the State, which owns and operates 19 of the 20 new mills in operation or still under construction. These mills are no longer established in Shanghai or other coastal cities, but in the interior: 7 in the North, 6 in the Central South, 5 in the North-West, and 2 in the South-West—all cotton-producing areas where railway transport has been or is being rapidly developed. All of these mills, except 2 in the South-West, are spinning mills with power-loom installations. In Peking, Shihchiachuang, Chengchow and the North-West (Sian and Hsienyang in Shensi province), 4 new mills are now in operation, with 4 more being built for operation in 1955 and another 4 being designed for construction and operation around 1956.

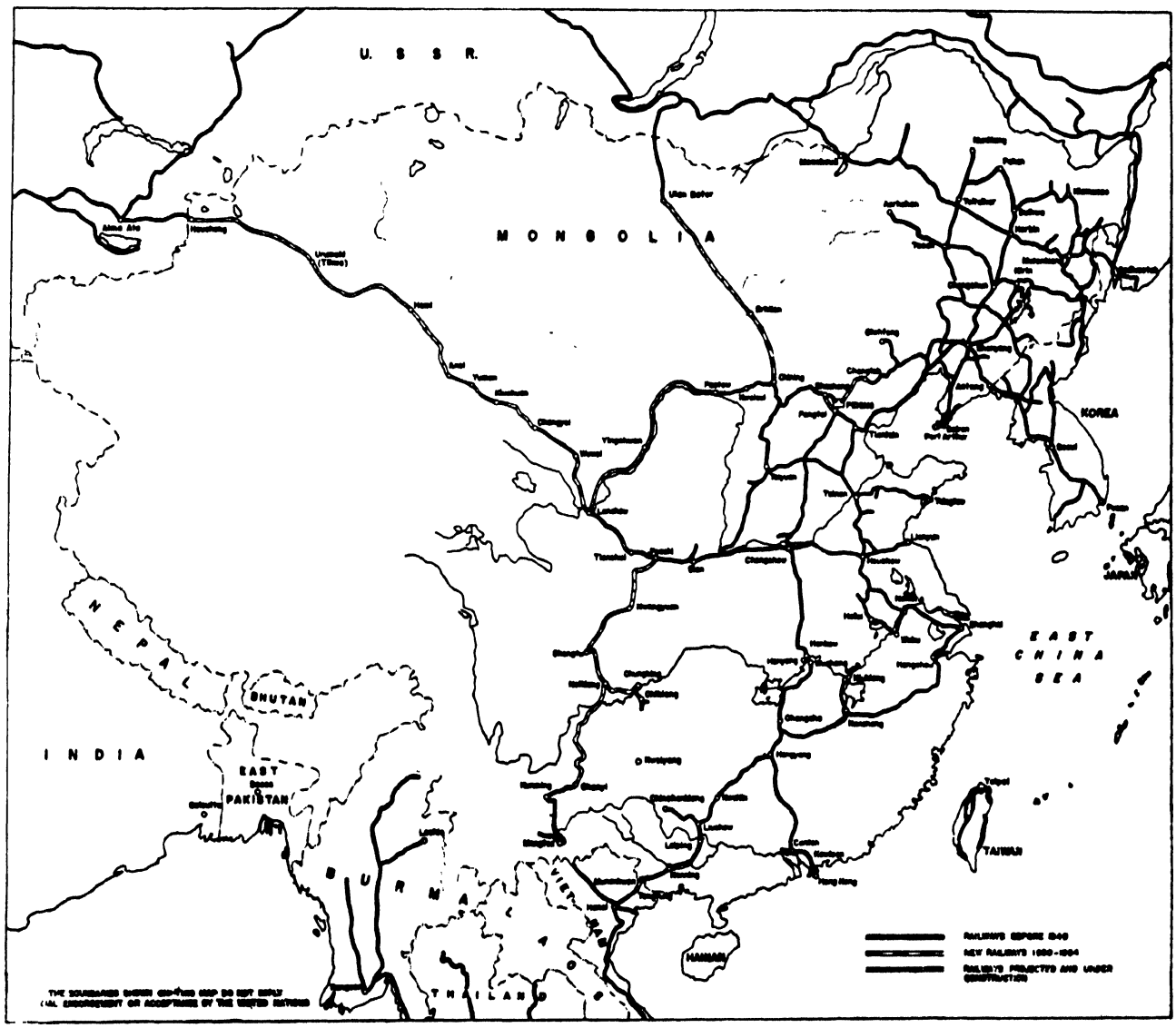
With the rapid rise in cotton yarn output, there has been a corresponding increase in cotton cloth output. The rate of increase is greater for cotton cloth than for cotton yarn output, owing to larger expansion in power weaving rather than spinning capacity.[3]

Transport

Railway and road transport is another task which has absorbed millions of surplus workers from all sources, especially the rural labour reserve. In the early years transport rehabilitation contributed heavily to the establishment of the government's authority and also assisted the movement of commodities to combat inflationary pressure.

1. Estimated at 95.4 per cent among State-owned mills in 1953, owing to the adoption of the three-shift system since 1951.
2. NCNA, Peking, 00 September 1954
3. In 1954, as compared with 1949, the number of cotton spindles is reported to have risen by 22 3 per cent, and that of cotton looms by 26.5 per cent.

RAILWAY MAP OF CHINA, 1954



While the task of *railway* rehabilitation was completed by 1951, the construction of new railways began in 1950, when three new important lines were started: Laiping-Munankwan, Tienshui-Lanchow, and Chengtu-Chungking. The first was completed in 1951, and the other two in 1952.[1] In 1952, two more major lines were begun—Lanchow-Sinkiang and Chengtu-Paoki, as well as a few other minor lines. When the Five-Year Plan was started in 1953, work on those lines was continued while surveying began on ten new ones, including major lines from Paotow to Lanchow and from Chengtu to Kunming. With the signing of the new agreement with the USSR on 12 October 1954, two more major lines will be built for connexion with the Trans-Siberian Railway, namely the Chining-Ulan Bator line via the People's Republic of Mongolia[2] and the Urumchi-Alma Ata line via the north-western province of Sinkiang (or Chinese Turkestan).

Official statements indicate that possibly over 400 kilometres were built in 1950-51, 472 in 1952, 589 in 1953, and 760 in 1954; bringing the total length of railways built during 1950-54 to 2,261 km, as compared with the pre-1949 length of about 22,600 kilometres.[3] The 1954 plan provides for a 15.5 per cent increase in freight and a 14 per cent increase in passengers, although the planned increase in rail line is about 3 per cent. This will result, as in earlier years, in more intensive utilization of the existing capacity and consequent increase in wear and tear.

In the planning of the location of new rail lines, both strategic and economic factors have presumably been taken into account. Externally, mainland China will be further linked with the USSR through (1) the scheduled completion in 1955 of the Chining-Ulan Bator line which is now connected with the Trans-Siberian railway at Ulan Bator, capital of the People's Republic of Mongolia, and (2) the scheduled completion around 1956 of the Urumchi-Alma Ata line, which will be connected with the Turksib railway at Alma Ata, capital of the Kazakh Soviet Socialist Republic, and with the Lanchow-Sinkiang line now being built at Urumchi, capital of Sinkiang province, but the Lanchow-Sinkiang line, started in 1952, has been completed only up to Wuwei.

Mainland China will also be connected with North Viet-Nam through (1) the Laiping-Munankwan railway finished in 1951, and (2) restoration of the Hanoi-Dong-Dang (or Tung-Teng) section in North Viet-Nam and its extension from Dong Dang to Munankwan for linking with the Laiping-Munankwan railway.[4]

Internally, the major new lines being completed or built will link the North-West and Inner Mongolia with the South-West on the one hand, and connect these two undeveloped regions to the rest of the mainland on the other.

TABLE 38

CHINA: CONSTRUCTION OF NEW RAILWAYS IN THE MAINLAND, 1950-54

Line	Length planned (km)	Date construction started	Date construction completed	Length completed up to 1954 (km)
Chengtu-Chungking	505	1950	1952	505
Chengtu-Kunming	798[a]	1954	..	..
Chengtu-Paoki	700	1952	1957	315[b]
Chining-Ulan Bator	1,200	1952	1955	338[c]
Fengtai-Shacheng[d]	105	1952	1955	..
Laiping-Munankwan[e]	410	1950	1951	410
Lanchow-Paotow	1,000	1954	..	—
Lanchow-Sinkiang	2,800	1952		347[f]
Tienshui-Lanchow	346	1950	1952	346
Urumchi-Alma Ata	.	1954	1956	.
Total				2,261

Sources Press despatches by the New China News Agency and China News Service

a. This covers the distance from Kunming to Neikiang The Chengtu-Neikiang section of the Chengtu-Chungking line is 214 km.
b. This is the section from Chengtu northward to Kwangyuan, which was opened to traffic on 1 January 1955 (NCNA, Kwangyuan, 2 January 1955).
c. This length is on the Chinese side
d. Fengtai is a junction point for the Peking-Hankow and Peking-Tientsin railways, while Shacheng is on the Peking-Suiyuan railway
e Munankwan is renamed from Chennankwan.
f The rail track has been laid westward up to Huahsipao west of Wuwei, from Lanchow.

Road transport has been rapidly rehabilitated and developed since 1949. Official statistics show an increase in the kilometrage in operation at year end from 104,102 km in 1950 to 129,614 km in 1952, and 138,585 km in 1953.[5] Of the 138,585 km of roads in operation at the end of 1953, 40,000 km were stated to have been rehabilitated or newly built.[6] In 1954 4,300 km of new road were reported to have been built.[7]

The new highways are mostly in the frontier and the minority people districts; among these are the Sikang-Tibet (2,255 km from Yaan to Lhasa), Chinghai-Tibet (2,100 km from Sining to Lhasa), Chengtu-Ahpa (526 km), and Hainan highways. Rebuilt are the Sining-Yushu and Shangjao-Foochow highways. These highways, according to one of the deputies to the First National People's Congress held in Peking in September 1954, "bear important significance to the economic and cultural development of Tibet and the North-West, the South-West and the coastal areas, to the close relations between the people of various nationalities and to the consolidation of national defence."[8] Of the newly built highways now open to traffic, the most notable are the Sikang-Tibet highway and the Chinghai-Tibet highway, in the building of which a vast amount of civilian labour has been employed in co-operation with the Army.

1. Preliminary work such as surveying and laying out of the roadbed was completed before the Central People's Government assumed control over the area in question.
2. The 388-km Chinese section of this railway, the construction of which started on 1 May 1953, was completed for service on 11 December 1954; it will shorten the run between Peking and Moscow by 1,000 km when the whole railway is completed and open to traffic (NCNA, Huhehot, 11 December 1954).
3. *People's Handbook, 1953*, Ta Kung Pao, Shanghai, 1953, p.409. The plan for 1955 is to build another 1,000 kilometres of railways (NCNA, Peking, 12 January 1955).
4. The Hanoi-Munankwan line (150 km in length) was open to traffic from Hanoi up to the Chinese border in Phu-Lang-Thuong on 30 January 1955. (NCNA, Hanoi, 30 January 1955).
5. *People's Daily*, 27 September, 1954.
6. "Chang Po-chun speaks on communications work at the first session of the National People's Congress", NCNA, Peking, 25 September 1954.
7. NCNA, Peking, 15 January 1955.
8. *Ibid.*

Agricultural production[1]

Agricultural production has fallen short of the planned targets for the first two years of the plan, 1953 and 1954.

The 1953 target for *foodgrains*, originally fixed at 9 per cent above the officially estimated production of 163.6 million tons in 1952, was reduced to 6 per cent above. The actual increase over 1952 was claimed to be about one per cent for foodgrains (165.2 million tons).[2]

The great flood along the Yangtze and Hwai rivers in 1954 is stated to have affected 10.7 million hectares of farm land—essentially rice fields, or one tenth of the total cultivated land. As a result, rice output is reported to be below the 1953 level, in spite of the "increased production of one million tons in Szechwan province not affected by the flood." Wheat output, however, is reported to have risen by 4 million tons or 27 per cent. Similarly, the harvest of maize, millet and other coarse grain crops is stated to have been bigger by 2 per cent, owing to good rainfall in the North-West, Inner Mongolia and other parts of the mainland, though soya bean output was 3 per cent below the 1953 level. The net result is reported to be a record grain harvest of 170 million tons—about 3 per cent more than the 1953 harvest."[3]

The 1953 target increase of *raw cotton* over 1952 was set at 16 per cent, but actually there was a decline of 9 per cent. In 1954, the production is reported to be slightly above the 1953 level For *tobacco*, there was no increase in 1953 but a slight one in 1954. The *oil-producing crops* of peanuts, rape-seeds and sesame are stated to have registered an 18 per cent increase over 1953.

Water conservancy

Water conservancy, including mainly irrigation, drainage and flood control, has been among the first tasks of rehabilitation and development undertaken by the Central People's Government, not only because it vitally affects agricultural production, but also because it can employ a large force of rural surplus labour with relatively small capital outlay.

The extension of area under irrigation follows the traditional pattern which is characterized by projects small in scale but large in number, with the exception of the North Kiangsu Irrigation Scheme now under construction to provide water for 1.8 million hectares of land between the Grand Canal and the eastern coast. Irrigation works completed in the period from 1950 to 1954 (inclusive) included 8.4 million ponds and ditches, 900,000 wells and 600,000 pumps driven by manual, animal or mechanical power, all of which were said to have added 4.1 million hectares[4] of land under irrigation.[5]

With respect to flood control, efforts were concentrated on the rehabilitation and strengthening of dikes along the rivers and the coast, as well as on the execution of the comprehensive flood control schemes on the Hwai river. From 1950 to 1954, 42,000 kilometres of dikes were strengthened and raised to a level generally one metre above the highest flood level on record. The total volume of earthwork completed amounted to 2,900 million cubic metres. The comprehensive flood control scheme of the Hwai river, begun in 1950 and expected to be completed in 1955, comprises essentially the detention of flood flow by a series of natural lakes and depressions (as well as 16 small reservoirs) which have a combined capacity of 12,000 million cubic metres, the repair of 2,000 kilometres of dikes and the dredging of 3,000 kilometres of river channel. Work completed up to 1954 provides 8,500 million cubic metres of detention capacity, which would materially reduce the flood flow in the middle and lower courses of the Hwai river.

Work aiming at comprehensive flood control was also begun on the Yungting river near Tientsin and on the Liao river in the North-East. Schemes for the Han River, a tributary of the Yangtze joining the latter at Hankow, were being prepared and preliminary steps toward the formulation of a comprehensive plan for the flood control of the Yellow River, interrupted in 1948-49, were resumed.

But in 1953/54 drought and flood struck again, despite all the conservancy work that had been done in the previous years, and upset the plan of the Central People's Government to raise production of foodgrains and industrial raw materials, particularly raw cotton. The 1954 flood plagued the Yangtze and the Hwai river basins. As a result of breaches of dikes, inadequate drainage, and failure of some hydraulic structures,[6] 10.7 million hectares of farm land, or 10 per cent of the total cultivated area, were inundated.[7] The number of people directly affected by the flood can be estimated at 50 million[8] and the number of refugees in Hupeh, Hunan and Anhwei provinces that required resettlement in the nearby or far away areas during the flood at about 10 million.[9] The major portion of the area flooded during July and August was under rice, due to be harvested between August and September for early rice and in early November for late rice. Replanting could be done with root crops to be harvested before winter, or winter crops of wheat, barley, broad beans or rape-seed to be harvested during the following year. The loss of foodgrains was serious,[10] as up to the latter part of September over half of the flood area or 5.3 million hectares of farm land was still under water.[11]

After the 1954 flood, a sum of PBY 2,000,000 million or roughly $85 million had been earmarked for the plugging of breaks and the restoration of dikes. It was estimated that the

1 For a definition of the term 'food' in use in mainland China, indices of agricultural production (especially food and raw cotton) during 1949-52, and a summary of factors affecting agricultural production, see article on 'Economic development in mainland China, 1949-53', *Economic Bulletin for Asia and the Far East*, vol. IV, No. 3, November, 1953.

2. The *crop* area for foodgrains in 1952 was 126 million hectares, as compared with 11 million hectares for industrial crops, while the total *cultivated* area in 1954 is officially stated by Premier Chou En-lai to have been 107 million hectares (See *Chou's Report*). The difference is accounted for mainly by double cropping.

3. NCNA, Peking, 6 December 1954; *People's Daily*, 10 December 1954 See however *infra*, section on "water conservancy" for estimated loss of rice crops in areas affected by the 1954 flood.

4. Fu Tso-Yi (Minister of Water Conservancy), "Five years of water conservancy", in *People's Daily*, 8 October 1954.

5. Area under irrigation in 1938 was estimated at 43.2 million hectares; see *Economic Survey of Asia and the Far East, 1950* (United Nations publication, sales No. 1951.II.F.4)

6. See "The floods in mainland China during 1954" in *ECAFE Flood Control Journal* (ST/ECAFE/SER.C/22) to be published in March 1955.

7 *Chou's Report, op.cit.*

8. The number of people directly affected by flooding in 1954 is calculated from the figure of the 1950 flood in the Hwai river basin, which covered a flooded area of 2,110,000 hectares and affected 9,980,000 people. See Hu Huan-yung: *The Hwai River* (Kaiming Book Co., Peking, March 1952).

9. "Report of the Minister of Interior to the first session of the National People's Congress", in *Ta Kung Pao*, Hong Kong, 30 September 1954 The total does not cover the number of refugees in other provinces such as Kiangsi and Kiangsu.

10. Average yield of paddy in mainland China in 1951/52 was reported at 3.8 tons per hectare (*People's Handbook, 1953*). Most of the relatively low lying area still subjected to flooding at the end of September was under paddy. Loss in production of paddy from that area alone would be 3.8 x 5,300,000=20 million tons, or roughly equivalent to 12 million tons of rice.

11 *Chou's Report, op.cit.*

work involved 300 million cubic metres of earthwork to restore 25,000 kilometres[1] of dikes, or 60 per cent of the total length of dikes strengthened in the past five years. The tremendous damage done by the 1954 flood may be attributed partly to the magnitude of the flood, and partly to the quality of work not being able to cope with the situation. Premier Chou En-lai, in his report to the first session of the National People's Congress in September 1954, stated: "The flood of this year (1954) has also revealed many errors in the past with respect to water conservancy activities, as for example, the standards adopted for the design of flood control were generally too low, and many individual structures were not constructed to ensure sufficient safety."

FINANCING OF DEVELOPMENT

Fiscal measures

During the five years for which official budget figures of the Central People's Government are available revenue has expanded rapidly. Starting with a total annual figure in 1950 of PBY 69,000,000 million (or $2,100 million), it has grown, though at a diminishing rate, to 3-1/3 times that figure in 1954, mainly because of expansion of receipts from State enterprises and of taxes from trade and industry, partly because of rising prices, etc. (see tables 39 and 41).[2]

Receipts from State enterprises, (mainly State trading companies), have contributed increasing proportions of the total revenue, rising from 12.5 per cent in 1950 to 35.0 per cent in 1953 and 35.9 per cent in 1954. The sphere of operation of State trading companies has steadily expanded to include foreign as well as domestic trade. These companies, by fixing the prices not only for agricultural products purchased from the peasants and industrial products purchased from private firms and merchants, but also for consumer goods sold to both rural and urban population, in effect levy and collect a concealed form of tax. Their profits have also helped to cover the losses by other State enterprises, mainly in heavy industries.

A second source of revenue is *taxation*. Although this is still the largest source, its relative importance in total revenue has declined from 70.5 per cent in 1950 to 58.4 per cent in the 1954 budget; total taxation has however increased by 177 per cent and total revenue by 234 per cent during 1950-54.

Industry and trade, which contributed 43.3 and 45.0 per cent of the government receipts in 1950 and 1954 respectively, have nominally been a more important source of tax revenue than agriculture, which contributed only 27.2 and 13.4 per cent in these years. Actually, however, the latter has been a more important source than it appears, because of its substantial contribution to the profits of the State trading enterprises, which are derived mainly from transactions with the rural population.

TABLE 39

CHINA: DISTRIBUTION OF GOVERNMENT RECEIPTS IN THE MAINLAND, 1950-54[a]

Year	Tax		Receipts from State enterprises	Other[b]	Total
	Industry and trade	Agriculture			
	Amount in PBY '000 million				
1950	30,080	18,898	8,695	11,761	69,434
1951	59,468	21,660	30,537	30,418	142,083
1952	70,208	26,008	46,579	46,481	189,276
1953	92,520	29,046	75,450	18,461	215,477
1954	104,455	31,142	83,342	12,943	231,882
	Per cent of total receipts				
1950	43.3	27.2	12.5	16.9	100.0
1951	41.9	15.2	21.5	21.4	100.0
1953	37.1	13.7	24.6	24.6	100.0
1953	42.9	13 5	35.0	8.6	100.0
1954	45.0	13.4	35.9	5.6	100.0
	Index (1950 = 100)				
1950	100.0	100.0	100.0	100.0	100.0
1951	195.7	113.6	351.2	267.1	204.6
1952	230.9	134.0	535.7	395.2	272.6
1952	307.5	153.7	870.0	157.0	310.3
1954	347.2	164.7	957.3	110.0	333.9

Source *see supra*, table 35.

a. Actuals for 1950-52, provisional accounts for 1953 and budget estimates for 1954. 1953 actuals and 1954 budget estimates are in some cases derived from the percentage figures as stated in the Finance Minister's *Report on the 1954 State Budget*.

b. Including bonds.

The third or "*other*" *source of revenue*—comprising loans (internally, 1950 victory bonds and 1954 national construction bonds, and externally, the USSR loans in 1950 and 1954), social insurance, Korean-war donations, confiscation of property from the liquidated landlords, "bureaucratic capitalists," etc.—rose rapidly in 1951 and 1952 (the years of the Korean war and the "five antis" movement[3]), but has since shown a sharp decline, its share in the total government receipts falling from 16.9 per cent in 1950 to 8.3 per cent in 1953, and 5.6 per cent in the 1954 estimate. The sum collected under this heading at PBY 13,000,000 million in 1954 is expected to be only 10 per cent higher than in 1950.

Expansion of exports

Repeated official pronouncements have laid emphasis on the importance of foreign trade in the programme of industrialization. The Vice-Minister of Foreign Trade of the Central People's Government said: "The central aim of our foreign trade hereafter is to serve the socialist industrialization of our country in a better way."[4]

1. *People's Daily*, 12 November 1954.

2. It may be noted that the Central People's Government budget, as compared with that of the National Government before 1949, has a much larger coverage both geographically and functionally, as it takes into account the important North-East region as well as many items formerly given under local budgets. For this reason, the former is ordinarily higher than the latter would have been.

3. This is a government-led movement among private industry and trade against (1) bribery of government workers, (2) tax evasion, (3) theft of State property, (4) cheating on government contracts and (5) fraudulent acquisition of economic information for private speculation.

4. "China's foreign trade in past five year", in *People's Daily*, 5 October 1954.

Accordingly, a drastic change in the composition of mainland China's imports and exports has taken place since 1949. In 1953, when the value of trade was reported to have increased by 36 per cent over 1952, 87 per cent of the value of imports were stated to have been "means of production" (mainly machines, equipment, industrial raw materials, and supplies) and only 13 per cent essential consumer goods (sugar, cloth, paper etc.)[1]

On the other hand, the principal exports from the country's agricultural, mining and handicraft industries have in some cases risen, to pay for the increased imports of producer goods required under the Five-Year Plan. A daily newspaper specializing in economic reporting said "the 141 gigantic projects which the Soviet Union helps us build and reconstruct are undertaken by exchanging, in the form of trade, our farm products, native and special products and mineral products for USSR equipment."[2]

Among agricultural exports, the most important are vegetable oils and products, tung oil, bristle, foodgrains, egg products, etc. Mainland China, the leading producer and exporter of the world's tung oil, is claimed to be supplying half of the world's requirements through an annual export of 100,000 tons. Other items reported are as follows: its bristle export (three fourths of the world's requirements) is at the annual rate of 70,000 tons. The export of vegetable oils (from soya bean, peanut or groundnut, rape-seed, sesame seed, etc.) has reached a post-war (1950-53) annual average of 236,000 tons, as compared with the pre-war (1927-30) annual average of 246,000 tons. Export of foodgrains increased to an annual average of 1.55 million tons (1950-53), as compared with 1.15 million tons in pre-war years (1927-30). Export of egg products from mainland China, the world's leading exporter, has reached an annual total of 70,000 tons.[3] In addition, there has also been export of tea, silk, hemp, wool, furs and skins, frozen meat, fruits, flued tobacco and herb medicine, but some of these have not reached pre-war levels.[4]

Among the principal minerals exported, the more important include antimony, tungsten, tin, etc. The handicraft products exported cover a wide variety, such as embroideries, brocade, carvings, cloisonne-ware, drawn-work and lace, lacquer-ware and carpets.

However, despite the increase in the exported quantity of some primary and handicraft products, the proportion of exports to total output is said to remain very small. While a major portion of certain products such as tung oil, bristle, antimony, tungsten and tin is exported, the proportion is limited for other products—less than 1 per cent for foodgrains, 1.5 per cent for frozen meat, and 7 per cent for egg products.[5]

In order to expand exports, on the one hand home consumption of the principal export products is to be reduced to the minimum, and on the other, there is to be "energetic organization of exports, display of the potentials of existing exports, tapping of the sources of new exports and guarantee of fulfilment of the export plans of the State." To achieve the latter, "purchase of goods for export must be strengthened, and growth of production and improvement in the quality of exports actively and systematically aided." To achieve the former, the country "must practice rigid economy, reduce waste, discriminately make exports available and appropriately increase saleable commodities in exchange for imports necessary for economic construction, in the interest of socialist industrialization."[6]

There has been a change in the geographical pattern of trade, in addition to a change in the commodity pattern of trade, in mainland China. The share of eastern Europe (including the USSR) in mainland China's trade rose from 26 per cent in 1950 to 75 per cent in 1953, with, consequently, a decline in the share of the rest of the world from 74 per cent to 25 per cent during the same period. Statistics from trading patners showed mainland China's trade with the rest of the world to have amounted to $672 million in 1953; in that case, mainland China's trade with eastern Europe (including the USSR) in 1953, which is officially stated to have constituted 75 per cent of the total trade value, would have amounted to $2,016 million.

TABLE 40

CHINA: TRADE IN THE MAINLAND WITH COUNTRIES OTHER THAN EASTERN EUROPE (INCLUDING USSR), 1952-54

(million dollars)

	Exports	Imports	Export surplus
1952	323	270	53
1953	391	281	110
First half	207	163	44
1954			
First half	154	132	32

Source United Nations, *Monthly Bulletin of Statistics*, August 1954 and February 1955.

The export surplus in mainland China's trade with the rest of the world, which has contributed in financing the import surplus from eastern Europe (including the USSR), rose from $53 million in 1952 to $110 million in 1953. However, it declined to $32 million during the first half of 1954, from $44 million during the corresponding period of 1953.[7]

1. *Ibid*

2. "Foreign trade and socialist industrialization", editorial in *Ta Kung Pao*, Tientsin, 14 June 1954.

3. Export figures were given for foodgrains, edible oils and frozen meat, in Chen Yun, "Report on planned purchase and planned supply of commodities" to the first session of the National People's Congress, on 23 September 1954 (NCNA, 23 September 1954 or *Ta Kung Pao*, Hong Kong, 25 September 1954); those for other items were given in Hsu Shao-han (Vice-Minister of Foreign Trade), "Development of foreign trade in New China" (*Ta Kung Pao*, Hong Kong, 1 October 1954).

4. "Foreign trade and socialist industrialization", *op.cit.*; Li Chen-jen (Vice-Minister of Foreign Trade) "China's foreign trade in past five years", in *People's Daily*, 5 October 1954.

5. *Ta Kung Pao*, Tientsin, 14 June 1954.

6. "China's foreign trade in past five years", *op.cit.*

7. Mainland China's trade with the rest of the world is mainly with the sterling area (especially overseas territories in Asia and the Far East) and continental western Europe, but also with the Middle East and Japan. There had been no import from the United States, Canada, or Latin American during the period covered by table 40, except for an import of $1.1 million from Canada in 1952; export to these countries had declined steadily from $28.7 million in 1952 to $1.3 million during the first half of 1954. To a certain extent the trade figures given may have been somewhat inflated by the fact that a number of countries record exports through Hong Kong as having come from the mainland, and yet Hong Kong's own trade figures again show that trade with the mainland.

External assistance

The policy of the Central People's Government "to lean on one side" has resulted in the procurement of external assistance from the USSR and other countries of eastern Europe.

Since 1949 the following agreements have been concluded for the provision of financial and technical aid by the USSR to mainland China. On 14 February 1950 the Sino-Soviet Treaty of Friendship, Alliance and Mutual Assistance was signed, in accordance with which several separate agreements were concluded to provide for: (1) a loan equivalent to $300 million to be drawn over a period of 5 years at 1 per cent annual interest from the USSR, (2) transfer without compensation of USSR rights in the Chinese Chungchun Railway in the North-East together with all property belonging to it, not later than the end of 1952; (3) the establishment of four Sino-Soviet companies for the exploitation of oil and non-ferrous metals in Sinkiang, development of civil aviation between China and the USSR and operation of a shipyard in Dairen.

On 15 September 1953, at the 26th session of the Government Administration Council, approval was given to the report by the deputy chairman of the Central Financial and Economic Affairs Committee on his negotiations with the USSR Government for technical and other aid from the USSR to build or rebuild, during 1950-59, 141 enterprises in iron and steel, non-ferrous metals, coal, oil refining, machinery, automobiles, tractors, power, etc., of which 91 were reported to be already in process of building or re-building. Such aid was stated to cover "selection of premises, collection of basic materials for planning, determination of procedure for planning, undertaking of planning, supply of equipment, guidance over construction, installation and operation of machinery, and free provision of technical know-how till the new production is manufactured."[1] Each year Chinese workers and engineering personnel are to be despatched for field training in USSR enterprises, and assistance by USSR experts in Chinese enterprises is provided.[2]

On 12 October 1954 were published the joint declarations of the Central People's Government of the People's Republic of China and the Government of the USSR, which *inter alia* provided for (1) the granting of a USSR long-term loan of 520 million rubles (equal to $130 million when converted at the official exchange rate) for building 15 additional industrial enterprises and for supplying equipment to the amount of 400 million rubles (equal to $100 million) to the 141 enterprises covered in the previously signed agreement; (2) joint construction of a railway from Lanchow through Urumchi (on Chinese territory) to Alma Ata (on USSR territory) with USSR technical assistance; (3) joint construction of a railway from Chining in the People's Republic of China to Ulan Bator in the People's Republic of Mongolia to link with the Trans-Siberian railway branch leading to Ulan Bator, for completion and through traffic in 1955;[3] (4) transfer with compensation, starting from 1 January 1955, of USSR shares in the four joint Sino-Soviet companies set up in 1950-51 in accordance with the 1950 Treaty, to the People's Republic of China; (5) a five-year agreement for scientific and technical co-operation through the interchange of experience in every branch of the national economy between the two countries, to be implemented through the establishment of a Sino-Soviet Commission.[4]

Finally, a beginning is being made in USSR assistance to land reclamation in mainland China, through a Soviet Union gift of equipment sufficient for a 32,000-hectare State farm in Heilungkiang province in the North-East. A group of USSR experts are to act as advisers "so that the Chinese personnel for this State grain farm may learn to master the technique of managing such a big farm within the shortest possible time" and "apply Soviet experience to the reclamation of waste and virgin land."[5]

The Central People's Government has also concluded agreements for scientific and technical co-operation with countries in eastern Europe, particularly East Germany and Czechoslovakia and Poland.[6]

PRICE MOVEMENT AND STABILIZATION

Price movement

When the Central People's Government was established in Peking in October 1949, it was confronted with the hyper-inflation generated in earlier days and the effects of economic dislocation from a nation-wide civil war. From June to December 1949, the price index of essential commodities in principal cities showed an increase of roughly 107 times.[7] By the end of March 1950, however, this runaway inflation had been to a large extent brought under control, and by June 1950 relative price stability was achieved in most parts of mainland China.

However, prices rose again upon the outbreak of the Korean war at the end of June 1950; the rise was intensified after the participation of the "Chinese People's Volunteer Army" in the Korean war in September, and continued till September 1951.

In 1953, the first year of the Five-Year Plan, there was a slight rise in prices owing to the development of an inflationary gap between effective demand and supply. This rise was however arrested through resort to rationing and price control of foodgrains and edible oils in November, and of cotton and cotton fabrics in 1954. The price rise in 1954 was also moderate, in cities for which indexes are available,[8] amounting to less than 1 per cent between December 1953 and October 1954.

1. The *People's Daily* editorial on 10 March 1954 stated that China must provide 30-50 percent of the equipment and supplies for the 141 USSR aided projects.
2. "Li Fu-chun reported on his negotiations with the USSR", NCNA, 15 September 1953, *Ta Kung Pao*, Hong Kong, 16 September 1953.
3. An agreement was concluded on 15 September 1952 between the governments of the People's Republic of China, the USSR and the People's Republic of Mongolia to build the railway.
4. "Communiqué on negotiations between China and the Soviet Union", NCNA, Peking, 12 October 1954.
5. Subject to local soil and climatic conditions, the farm will chiefly cultivate wheat, soya beans and maize and develop animal husbandry. The Ministries of Water Conservancy, Communications and Railways, etc. are to lend active support to the construction of the farm (NCNA, Peking, 16 December 1954). See also NCNA, Harbin, 9 December 1954 and 11 January 1955.
6. On the other hand, external assistance has been provided by the People's Republic of China to the People's Democratic Republics of Korea and Viet-Nam. For details see "Communiqué on negotiations between the People's Republic of China and the Government Delegation of the Democratic People's Republic of Korea" (NCNA, Peking, 23 November 1953; "Communiqué on Sino-Viet-Nam talks on communications and water conservancy", NCNA, 28 December 1954).
7. Yang P'o, "An analysis of the nation-wide price movement in the past year", in *Economic Weekly* (in Chinese), Shanghai, 14 September 1950.
8. These also are the localities where rationing and control have been effectively applied.

TABLE 41

CHINA: INDEX OF WHOLESALE PRICES IN THE MAINLAND, 1949-54[a]

(December 1950 = 100)

1949		1951	
Dec.	50.1[b]	Sep.	114.3[c]
1950		Dec.	113.2[c d]
Jan.	60.7[b]	1952	
Feb.	88.8[b]	June	107.4[c]
Mar.	105.6[b c]	Dec.	106.0[d e]
Apr.	86.8[b]	1953	
May	71.4[b]	Dec.	106.6[e f]
June	82.0[b]	1954	
July	89.2[b]	Oct.	107.3[f]
Aug.	91.4[b]		
Sep.	92.7[b]		
Oct.	96.5[b]		
Nov.	101.0[b]		
Dec.	100.0[b c]		

a Derived index with a common base period on basis of data given in sources for *b*, *c*, *d*, *e*, and *f*, with December 1950 as the base.

b. Index of wholesale prices for 37 essential commodities in six principal cities, with December 1949 as the base, as compiled by the Statistics Section of the People's Bank of China and given for the twelve months of 1950 in Jung Tzu-ho, "Summary of 1950 financial work and policy and tasks for 1951", in *People's Daily*, Peking, 28 March 1951, or *Hsinhua (New China) Monthly*, April 1951, p 1355. It is here re-computed with December 1950 as the base

c Index of wholesale prices for December 1950, September and December 1951, and June 1952, with March 1950 as the base, as given in Yao I-lin (Vice Ministry of Trade), "Adjustment and development of domestic trade in the past three years", in *The Great Achievements in the People's Republic of China during the Last Three Years* (in Chinese) (People's Publishing Society, Peking, December 1952), p 96 It may be noted however that according to the source given under footnote *b* above—the Statistics Section of the People's Bank—the index for December 1950 should be 94 7 if March 1950 be used as the base equal to 100, not 88 6 as given by the Vice Minister of Trade, Yao I-lin Yao's figures is used here in the table, as it was issued later and represented probably a revision of the earlier index compiled by the People's Bank. (Recomputed with December 1950 as the base)

d Index of wholesale prices of 52 essential commodities in seven principal cities for December 1951 and December 1952 as given in Po I-po, *Report on the 1953 State Budget*, *op.cit* (Re-computed with December 1950 as the base.)

e. Index of wholesale prices in seven principal cities for December 1952 and December 1953 as compiled by the Ministry of Trade and given in an editorial in *Ta Kung Pao*, Hong Kong, 16 April 1954. (Re-computed with December 1950 as the base.)

f Index of wholesale prices in seven principal cities for December 1953 and October 1954 as compiled by the Price Bureau of the Ministry of Trade and given in *Ta Kung Pao*, Hong Kong, 25 December 1954. (Re-computed with December 1950 as the base.)

In the earlier period (mid-1949 to mid-1950), a decisive influence was exercised on prices by (1) the improvement of transport and distribution, notably the extension of State trade and price-fixing by the State trading companies and their nation-wide network of branches which worked in close collaboration with the supply and marketing co-operatives; (2) the system of cash control adopted from March 1950 onward to centralize, in the People's Bank, nearly all the currency belonging to and held by government organs, State-operated enterprises and co-operatives, and to economize the use of currency by all government agencies so as to reduce money in circulation; and (3) fiscal measures such as (*a*) the flotation of 1950 victory bonds,[1] (*b*) the adoption of the austerity standard of pay to the government's military, civil and educational personnel through the "public supplies" system, under which the government provided the employees with daily necessities and gave each a small sum of spending money, and (*c*) increase of government revenue, chiefly through the extension of the State-owned sector in the national economy, especially the State trading enterprises.

1. The cash control, together with the flotation of the 1950 victory bonds, accounted largely for the sharp drop in prices after March 1950.

During the Korean war, other measures were adopted, *e.g.*: (1) liquidation of owners of private industrial and commercial enterprises found guilty of one of the following five crimes of (*a*) bribery of government workers, (*b*) tax evasion, (*c*) theft of State property, (*d*) cheating on government contracts, and (*e*) fraudulent acquisition of economic information for private speculation; (2) the "arms donation campaign" which also brought in a sizeable amount of revenue and drained off any excess purchasing power that might help to increase inflationary pressure.

In late 1953, when inflationary pressure was found to develop again through the implementation of the Five-Year Plan, rationing had to be applied to essential commodities, first to foodgrains and edible oils, and then to raw cotton and cotton fabrics. This was followed by the flotation of 1954 national construction bonds.

In the meantime, production had risen, more in industry than in agriculture. Thanks primarily to good weather, peak production in foodgrains and other agricultural products was reported to have been achieved in 1952, which is stated to have since been maintained or slightly exceeded despite unfavourable weather and the 1954 floods on the Yangtze and the Hwai rivers. Industrial production, especially of consumer goods such as cotton textiles, had increased through intensive utilization of existing capacity and installation of new capacity.

Control and rationing of consumer goods

The large-scale programme of investment in economic and cultural development, amounting to PBY 118,000,000 million or $5,000 million in 1953, has given rise to an inflationary gap between effective demand and supply, especially of essential consumer goods, to cope with which rationing has been introduced.[2]

Rationing was first applied to foodgrains on 19 November 1953,[3] in the government "order for the enforcement of planned purchase and planned supply of food," designed to "secure the food required for people's livelihood and national construction, stabilize food prices, and eliminate food profiteering." In accordance with the order, all trade in food is in principle to be taken over by the State, which determines the rations for different categories of population, fixes the official purchasing price and the official retail price, and handles the trade in food through a network of government marketing centres. In cities, ration books may be issued to individuals or purchase may be made against census books for the time being. In market towns, industrial crop areas, famine areas and villages in general, rations to be issued by governments at higher leveles are to be determined on the basis of "democratic discussions to be carried out by the masses."

Up to the end of January 1954, planned supply of food is reported to have been effected in 13 municipalities directly under the Central People's Government, 156 medium cities,

2. Chen Yun, "Report on plannel purchase and planned supply by commodities" to the First Session of National People's Congress on 23 September 1954 (NCNA, 23 September 1954 and *Ta Kung Pao*, Hong Kong, 25 September 1954).

3. The order was released in NCNA, Peking, 28 February 1954.

and 11 *hsien* cities and important towns, with a total population of 60 million; it is being enforced on a wide scale in villages throughout the country, with an estimated population of 140 million.[1]

On 23 March 1954 the Central Financial and Economic Affairs Committee issued a directive on the advanced purchase of agricultural products, in which it was laid down that in 1954 the All-China Federation of Co-operatives would purchase from peasants, through conclusion of advance contracts, food, cotton, peanut, tea, ramie, jute, hemp, silk cocoons, raw silk and wool. Such purchases should principally be carried out by co-operatives and mutual-aid teams. At the time of purchase the payment of a fixed percentage of the total value should be made to the peasants.[2]

Towards the end of 1953 *edible oils* were also brought under planned purchase and planned supply by the State.[3] The output of oil-bearing crops in 1953 was stated to have been 70-80 per cent of the pre-war figure. In a government directive adopted on 17 December 1953, it was recognized that "the shortage of supply of edible oils to meet demand will remain a comparatively long-term issue," and that efforts should from now on be concentrated on increasing the production of oil-bearing crops through improved yield and extended acreage.[4]

In 1954, output of oil-bearing crops increased in many parts of the country. Nevertheless, on 19 September a further directive issued by the Central Financial and Economic Affairs Committee provided that "the State will continue to enforce planned purchase of oil-bearing materials and peasants must sell oil-bearing materials to the State according to the quantity and price fixed by the State. Any surplus which they want to dispose of may be purchased by supply and marketing co-operatives or used for exchange of grain on the State-controlled grain market, but private merchants are not admitted to do such business."[5]

Cotton and cotton cloth were also subject to planned purchase and planned supply, owing to a fall in raw cotton output in 1953 by 9 per cent and an increase in the sales of cotton cloth by 47.8 per cent in the same year.[6] On 9 September 1954 the Government Administration Council approved a report by the Minister of Commerce on "preparations for enforcement of planned purchase and planned supply of cotton cloth and planned purchase of cotton" and adopted an order to the same effect. According to this order, only the State trading companies will handle the purchase and supply of cotton cloth throughout the country. Private cotton mills will produce for State orders, private wholesalers will have to wind up their operations and seek other employment, with or without assistance from the State, and private retailers will become agents of the State trading companies. Home-spun cotton cloth will also be purchased by the State trading companies through the supply and marketing co-operatives, but direct exchange between producers and consumers in their localities will be permitted.

The decision on the planned purchase of cotton provides that the State, with the assistance of co-operatives, will purchase all surplus cotton after the peasants have put aside what they need for themselves. In general, the method of one sale is to be adopted and the local people's governments and supply and marketing co-operatives are to organize the peasants to deliver cotton in an orderly manner according to villages and sections.[7]

1. NCNA, Peking, 28 February 1954. According to incomplete statistics 8.27 million members of the Chinese Communist Party and National Democratic Youth League and basic level cadres and activists from the eight provinces of Hopei, Shansi, Liaotung, Chekiang, Hunan, Hopeh, Kwangsi and Kiangsi conducted extensive propaganda among the peasants. (NCNA, Peking, 16 December 1954.)
2. "GAC Financial and Economic Affairs Committee issues directive on advanced purchase of agricultural products in 1954", NCNA, Peking, 27 March 1954.
3. "Bigger oil crop expected", NCNA, Peking 22 September 1954; Chen Yun, *op.cit.*
4. "GAC directive on increase of oil-bearing crops", NCNA, Peking 28 December 1953.
5. NCNA, Peking, 19 September 1954. The ration for edible oil is 5/16 kilogramme *per capita* per month in Peking but much less in other cities. In Canton, for instance, it is reported to have been only 1/8 kilogramme.
6. The yearly rate of increase in cotton cloth supplied to the market was 33.5 per cent in 1951 and 17.2 per cent in 1952, as compared with 47.8 per cent in 1953. In absolute figures, the volume of cotton cloth sold rose from 58 million bolts (of 40 yd or 36.5 m, weighing about 11 lb) to 130 million bolts during the same period. (NCNA, Peking, 14 September 1954.)
7. NCNA, Peking, 13 September 1954, *People's Daily*, 14 September 1954. See also the emergency directive of the All-China Federation of Co-operatives on collection of cotton (NCNA, Peking, 25 October 1954).

Chapter II. HONG KONG

Hong Kong, with an area of 1,013 square kilmetres, comprises Hong Kong Island, the ceded and leased territory of Kowloon lying behind it, and the small Stonecutters Island. Favoured by its location and excellent harbour, Hong Kong has developed as an entrepot in international trade between China, South-East Asian countries and the rest of the world. Owing to the limited land area, special topography and inadequate water supply, agriculture is unimportant. A substantial proportion of the working population is engaged in trade and related activities, including shipping, banking and insurance and a large part of the national income is accordingly derived from trade and related activities. Thus the level of income and employment of Hong Kong fluctuates with the ups and downs of international trade which are beyond its control; The per capita income is estimated at HK$1,146 in 1949/50.[1] The prosperity enjoyed during the Korean-war boom is over and Hong Kong has experienced depression since 1952. The problem of unemployment arising from the trade decline is further complicated by the large influx of immigrants from mainland China during 1948-50. Industry has however expanded substantially during the post-war years with the inflow of capital from the mainland.

POPULATION AND RELATED PROBLEMS

Before the Japanese invasion in 1941, an unofficial census showed the population to be about 1.6 million. It had fallen to about half a million at the end of the Japanese occupation. A rapid increase in the population followed the cessation of hostilities in August 1945, and at the end of 1947 the estimated total was 1.8 million. In 1948 and 1949, as a result of civil war in China, the Colony received another large *influx of refugees*, and in the spring of 1950 the total population was estimated to be 2.36 million. Some refugees returned to mainland China, but many remained in Hong Kong, and at the end of 1952 the total civilian population was estimated at 2.25 million, including about 400,000 refugees. During the last two years the population, owing partly to immigration restrictions, has become comparatively stable. The natural rate of population increase during the last three years was a little less than 25 per thousand per annum.

Although no official data on unemployment are available, one private estimate indicates that more than 30 per cent of the working-age population in Hong Kong is either unemployed or "under-employed" in the sense of working only part-time.[2] In many Chinese firms the majority of the workers are engaged on a day-to-day basis, either on a flat daily rate or on a piece-work rate, and employment fluctuates considerably.

In recent years there have been a number of applications from employers abroad to recruit local workmen for jobs overseas. A total of 1,309 labourers went abroad during 1953, the great majority to Malaya, Singapore, North Borneo, Brunei, Sarawak, Nauru and Ocean Island, and contracts drawn up in accordance with International Labour Organization specifications were read and explained to all workmen before departure. Most in demand were carpenters, construction and textile workers, and labourers for phosphate mines and oil-fields.

It is estimated that about 15 per cent of the population should be *re-housed*. Steady progress has been made in providing low-cost houses in areas where industry either exists at present or is likely to be developed. Attempts are also being made to encourage industrial development particularly in districts adjacent to squatter resettlement areas through the development of satellite towns outside the urban areas. Work is now in progress on the preparation of sites for new factories and for workers' cottages. The situation has been aggravated by two disastrous fires in December 1953 and July 1954.

Water supply is another serious problem in Hong Kong. As there are no large rivers or underground sources of water the population is entirely dependent for its water supply during the winter months on storage in impounding reservoirs with a capacity of 27 million kilolitres; these can only satisfy, on the average, one half of the potential demand. Restrictions on the hours of supply have to be imposed the whole year round to keep the consumption within the available resources and capacity of the filters. The government is therefore launching a water-supply scheme at Tai Lam Chung, which includes the construction of a reservoir of approximately 27 million kilolitres capacity. A maximum of 90,000 kilolitres per day will be available on completion of the first and second stages of this scheme in two years.

FISHERIES AND AGRICULTURE

Salt water *fish* is the main product of Hong Kong's primary industry and the fishing fleet is comparatively large. It is estimated that Hong Kong has nearly 6,000 fishing craft, manned by a seafaring population of 52,000. The production of fish in 1953 amounted to 31,440 tons.

There has been a considerable expansion in the deep sea fishing vessels during 1954 which now comprise 19 primitive and Japanese type deep sea trawlers and 13 British registered deep sea trawlers. The remainder of the fleet is made up of owner-operated Chinese junk type sailing vessels. Development toward mechanization in fisheries may extend the fishing season and the range of operations. In 1953, a 30-ft mechanized junk was built and is operating as a demonstration, training and survey vessel. The Fisheries Research Unit of Hong Kong University was established in 1953 and a 60-ft fisheries research vessel was launched in November 1953. It is

1. Ronald A. Ma and Edward F. Szczepanik, *National Income of Hong Kong, 1947-50* (unpublished).

2. See Szczepanik E.F.: "Economic System of Hong Kong," in *Far Eastern Economic Review*, 28 October 1954, p.546, based on R.A. Ma and E.F. Szczepanik, *National Income of Hong Kong, op.cit.*

hoped to launch in 1954 a model purse-seiner to be financed by the United Kingdom Colonial Development and Welfare fund, to meet the need for a more modern type of vessel which can be built in local Chinese ship-yards. A Fishing Junk Mechanization Exhibition was held in February 1953 to demonstrate the benefits of mechanization and the credit facilities available to fishermen from local engine importers.

All these activities have resulted in the mechanization of 116 fishing vessels in 1953, as compared with 8 in 1952. By the end of December 1953, the number of mechanized fishing vessels in Hong Kong was 254, and was reported to have increased to 464 around mid-1954.[1] Meanwhile, the Fisheries Division of the Department of Agriculture, Fisheries and Forestry started a programme to train fishing crews in the handling of new gear, deck winches and improved nets.

Although a large portion of the land area in Hong Kong is steep and unproductive hillside, almost 13 per cent has been developed for agriculture and livestock raising. Most of the agricultural land is intensively cultivated by small holders.

The principal *crops* grown are rice and vegetables. Area under paddy accounts roughly for 70 per cent of the total cultivated area. Latest estimates show that about 24,000 tons of rice in milled form, grown annually in the New Territories, represent only six weeks' supply of the Colony's total annual consumption. Production of vegetables meets about three-fifths of domestic requirements. Although the rice produced in the New Territories is more than sufficient for the subsistence of the rural population, the Colony as a whole depends largely on imports for its staple foodstuffs.

Under a grant from the United Kingdom Colonial Development and Welfare Fund a special Irrigation Unit of the Public Works Department has been set up to investigate water supply problems, and work is proceeding on improvement of local conditions through the strengthening and sealing of irrigation channels, the improvement of diversion channels and the development of well-water supplies.

INDUSTRIAL PRODUCTION

Hong Kong is steadily growing as an industrial centre. The number of registered and recorded factories and workshops increased from 1,266 at the end of 1948 to 2,208 at the end of 1953 and the number of workers increased from 63,073 to 100,776, or by about 60 per cent during the same period.[2] Industrial consumption of electricity increased from 30 million kWh in 1947 to 166 million kWh in 1953 and an annual rate of 187 million kWh in 1954 (based on figures for the first eleven months). While political stability, a stable currency, excellent banking and transport facilities, availability of electric power and labour provided a favourable environment for the development of industries, the influx of both capital and skilled labour from mainland China during 1948-50 facilitated particularly industrial expansion.[3] Moreover, some capital is now being diverted out of the Colony's own declining trade into industry. Excellent shipping and trading facilities gave access to overseas markets, especially in South-East Asian countries.

The main industries in the Colony are cotton spinning, knitting, weaving, ship-building and ship-repairing, printing and publishing, and the manufacture of a number of items including metal ware, chemicals (including matches), electric torches, rubber foot-wear, rattan ware and garments as well as food processing and preserving. Industries recently started or significantly developed include nylon knitting, silk-screen printing, glove making, embroidering; and the manufacture of kerosene lamps and pressure cookers, electric irons and kettles, and plastic wares. Electric clocks and gramophone records are also being made but full production has not yet been reached. The textile industry employs about 30 per cent of the total workers employed in registered and recorded factories. In the autumn of 1954, 233,000 spindles were at work in 13 cotton spinning mills as compared with 213,000 at the end of 1953. More than one half of the total output of over 32,000 tons of yarn in 1953 is exported, mainly to South-East Asian countries. There are over 160 weaving factories with a total of some 6,000 power looms, and 273 knitting mills, in addition to some silk and wool mills with a considerable number of hand looms.

This remarkable industrial development took place without the benefit of any protection, subsidies, tax concessions or credit at specially low interest and in spite of the fact that manufacturing had to depend almost exclusively on imported capital equipment and raw materials, and compete with products from Japan, India and other countries in domestic as well as external markets. The main factors responsible for this expansion are the high productivity of labour (due to up-to-date machinery and high skills) and the comparatively low wage rates. Government regulation of trade and industry is kept to a minimum. Competition is making it difficult for the less efficient small work-shops to survive, especially in view of the present low level of foreign demand.

Hong Kong industries were seriously affected in early 1951 by the sudden directional restriction on raw materials exports by the United States. These difficulties have gradually been resolved by location of new sources of supply in Europe and by the recent modification in United States trade restrictions. One of the current problems of industrial expansion is however the availability of building land for new factories. Recently, the government approved a reclamation project recommended by the Inter-Department Committee. Work was scheduled to start on a big new reclamation project to provide new sites for industry at Kun Tong on the eastern shores of Kowloon Bay. The first phase covers an area of 32 hectares which later will be extended to cover 57 hectares. The cost of the first phase was estimated at HK$10 million to be charged to the Colony's Development Fund. It is anticipated that the first sites will be available early in 1955 and the first phase will probably take about three years to complete. Full supplies of water cannot be made available until the completion of the Tai Lam Chung reservoir.[4]

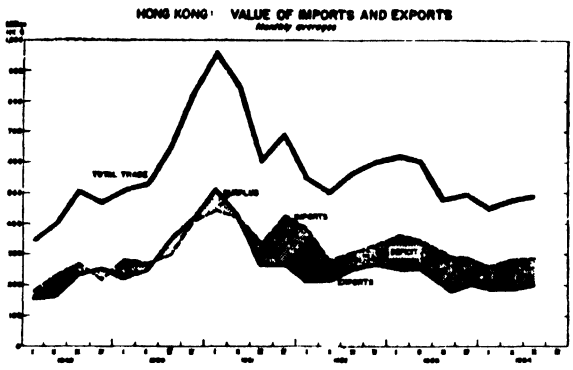
Expansion of power facilities continues. In Kowloon and the New Territories, load continues to grow steadily, as a result of the extensive building activity in this area. During 1953, 345 factories were connected to the supply, as well as a large number of non-industrial premises. During 1954, the new 20,000 kW turbo-alternator, including a boiler, is being put into commission, and the capacity of the generating plant will be 87,500 kW. The expansion programme on the Hong Kong side was, however, hindered by the delay in the delivery of essential plants.

1. *Far Eastern Economic Review*, 12 August 1954
2. *Hong Kong Annual Report, 1953*, p.25
3. It was reported that in 1954, while there was some capital flight from Hong Kong, especially to Indonesia, there was also some capital inflow from Cambodia, Laos and Viet-Nam.
4. "New reclamation for factory sites at Kowloon Bay", *Far Eastern Economic Review*, 2 September 1954.

TRADE

The trade of Hong Kong consists largely of entrepot trade. The level of trade, which fell considerably after the abatement of the Korean-war boom, remained low in 1953 and declined further in 1954, although it showed some improvement during the last four months. The total value of trade for 1954 amounted to HK$5,852 million, which was approximately 11 per cent below that for 1953, mainly because of the redirection of the trade of mainland China and the reactions of several South-East Asian countries to shortage of foreign exchange. Exports to mainland China and South-East Asia and imports from mainland China, Thailand and western Europe were principally affected. The trade deficit for 1954 amounted to HK$1,018 million which was 10 per cent smaller than the trade deficit for 1953.

Chart 25



Direction of trade

The value of imports from mainland China during the first nine months of 1954 fell by 28 per cent below the value in the corresponding period of 1953, and the value of exports by 35 per cent. This substantial reduction could hardly be explained by the United Nations embargo on strategic exports to mainland China, and the United States' restrictions on imports from and exports to mainland China, both of which have remained unchanged. The main reason was mainland China's continuous redirection of its international trade which reduced its entrepot trade with Hong Kong. The traditional exports from mainland China such as soybeans, oilseeds, animal and vegetable oil, etc. were channelled direct to the USSR and eastern Europe instead of through Hong Kong, and the imports from the USSR and eastern Europe also were channelled directly. Even trade with western Europe is increasingly by-passing Hong Kong. While direct British exports of wooltops, chemicals and machinery to mainland China have increased, exports of those goods to Hong Kong chiefly for re-export have fallen.

Indonesia and Thailand, which had been among the best customers of Hong Kong in 1952, reduced considerably their imports from Hong Kong in 1953 and 1954. Falls in their export earnings necessitated severe restrictions on imports. In May 1953, Indonesia imposed a complete ban on imports from Hong Kong which was only partially relaxed towards the end of 1953. Thailand also imposed extensive restrictions on imports in November 1953 and tightened them further in 1954. Exports to several other Asian countries, including Japan, Malaya, Pakistan, India, Ceylon and the Republic of China also declined in 1954, but those to the Republic of Korea increased considerably.

Imports from most Asian countries decreased substantially, especially those from Thailand, which fell from HK$247 million during the first nine months of 1953 to HK$79 million during the corresponding period of 1954, on account chiefly of the reduction of rice imports. Owing to the heavy rice stock with the government, licences for private import of rice were not liberally issued during the first seven months of the year.[1] Total value of imports from Japan increased. In common with the rest of the sterling area Hong Kong had to impose various restrictions on imports from Japan in 1952-53, owing to the Colony's mounting adverse trade balance and the unfavourable balance of payments position with Japan for the sterling area as a whole. By September 1953 the position had improved sufficiently to allow all the restrictions to be progressively removed except for re-exports to some of the scheduled territories.

The drop in exports to mainland China and other Asian countries has given rise to a corresponding drop in imports of manufactured goods from western Europe, for re-export, such as drugs, metals and manufactures, machinery, scientific and optical instruments and matches. Imports from the United Kingdom and West Germany were particularly hit.

Trade with the United States showed some slight improvement in 1954, following some modification in the United States restrictions on trade with Hong Kong in 1953 and 1954, which allowed the export to Hong Kong of various consumer goods and also farm machinery and the import of over sixty different commodities to be under comprehensive certificates of origin.

Exports of local products

While the total value of Hong Kong's exports was declining, exports of local products in 1954 increased by 7 per cent over 1953, in spite of an estimated drop in export prices of 10 per cent. Thus the share of local products in the total export value increased from 23 per cent to 26 per cent.[2] About half the exports of local products were accounted for by cotton manufactures, in spite of stiff competition from India and Japan; other important articles were foot-wear, enamelled household goods and electric torches. The main markets were South-East Asian countries and British Africa.[3]

PUBLIC FINANCE. MONEY AND PRICE

For many years the finances of the Colony have produced budget surpluses. The surplus in 1953/54 was HK$6 million as against HK$72 million in 1952/53, the reduction being entirely due to an increase in expenditure of HK$66 million. Non-recurrent expenditures on public works, which include the water reservoir, reclamation, educational and health schemes, etc., have increased from an actual expenditure of HK$31 million in 1953/54 to an estimated total of HK$69 million in 1954/55. The estimated total revenue has remained at the same level as in 1952/53 in the budgets of 1953/54 and 1954/55.

Budget forecasts for 1954/55, for the first time since 1949/50, reveal a deficit of HK$24 million. Although total expenditure for 1954/55 shows only a small increase of HK$30

1 Importers who obtained import licences had to take a portion of government rice for resale, in order to reduce government stock.

2. The increase in the percentage was partly due to better statistical recording.

3 During 1954, while exports of local products to Indonesia, Thailand and several other Asian countries fell, those to Africa, the West Indies, the Pacific islands and Central and South America rose

million, expenditure on development[1] reveals a significant increase of about HK$60 million over 1953/54. In contrast, expenditure on administration[2] shows a decline of HK$34 million.

The total bank clearance in 1954 remained at the 1953 low level, owing partly to the low level of trade and partly to the dullness in the gold and exchange markets. The decline in world free-market price of gold and the improvement in the payments position of the sterling area, which strengthened the sterling in the free exchange market, reduced the speculative transactions in gold and sterling. Overseas Chinese remittances, heavily reduced in 1953, remained low in 1954. Notes in circulation, which had remained stable since 1950, decreased appreciably in April 1954.

The cost of living index (with March 1947=100) fell from 125 in December 1953 to 115 in December 1954. Its rapid decrease in the last quarter of 1954 resulted from falls in prices of imported rice and from greatly improved supplies of other foodstuffs, mainly pork, poultry and eggs, from mainland China.

CONCLUSION

The further decline in the level of trade was the main factor which accounted for the continuous depressed situation in Hong Kong in 1954. Prospects for the expansion of trade with mainland China seem to be uncertain. The expansion of trade with most other Asian countries depends chiefly on the world demand for and prices of their primary exports, which affect largely their capacity to import.

Industrial expansion continued, although some overseas markets were narrowed by tighter trade and exchange restrictions in some importing countries and increased competition from other industrial exporters, mainly India and Japan. While industrial expansion tends to maintain or even increase some employment in industries, competition with other countries requires improvement of efficiency by means of capital-intensive methods of production. Moreover, the limited expansion in industry was insufficient to absorb the large number of unemployed people arising from the influx of Chinese immigrants and the low level of trade. Further industrial expansion is limited partly by the availability of building land.

The government is making efforts to solve the problems of housing and resettlement of squatters, to improve water supply, to reclaim land and to promote fishery and agricultural production. Investment expenditure on public works has increased markedly in recent years. Protective tariff subsidies, tax-exemption measures and low-interest loan policy are not used for industrial development.

1. The sum of social services, economic services and investment.
2. Roughly "other current expenditure".

Chapter 12. INDIA

India's economy in the eighth year of the country's independence is still in a state of flux, in many aspects. On the one hand, the forces set in motion by the aftermath of partition have not yet spent themselves; on the other, powerful new forces are gradually re-moulding the structure of the country's economy and the life of the people. Thus very little of present-day India can be described adequately in terms of static patterns or unchanging magnitudes.

The population of India is estimated to be around 370 million in 1954,[1] and to be increasing at the rate of 1.25 per cent per annum during the past ten years. There have been a noticeable drope in the infantile mortality rate and a gradual decline in the birth rate in recent years. The average density per square kilometer is now above 130, which ranks among the highest in the countries of the world. The current literacy rate is estimated to be around 20 per cent for the country as a whole; but the Constitution provides for free and compulsory education for all children up to the age of 14 inclusive, and a steady improvement is taking place.

The state of land utilization is now better known as a result of the compilation of the 1951/52 reports, which extended the coverage to 87 per cent of the total area of the country. The net area sown occupies 42.1 per cent and fallow lands 9.8, while forest areas cover 15.6 per cent of the land. The remaining area, about one-third of the total, is equally divided between the area not available for cultivation and the "other uncultivated land excluding fallow lands." The irrigation projects of all kinds, which aim at doubling the irrigated area in 15 to 20 years, are constantly improving both the degree and the extent of land utilization in India.

India has great potentialities in inanimate sources of power except petroleum, of which it imports 95 per cent of its supplies. Coal reserves are abundant, currently being estimated at 43,100 million long tons, of which 2,000 million are good-quality coking coal. The hydro-electric power potential is 40 million kW, although 2 per cent of this only has so far been developed. As yet only one-third of the total output of electric power comes from water power, 60 per cent being accounted for by steam and 8 per cent by diesel power.

India is also favoured with many other mineral resources, e.g. abundant reserves of high-grade iron, the foremost deposits of mica in the world, substantial deposits of manganese, bauxite, titanium, chrome, gypsum, etc. For some of the important non-ferrous metals, however, e.g., for copper, zinc, tin and lead, it is dependent on foreign sources of supply. Estimates of mineral reserves are, of course, constantly being revised. For example, detailed large-scale mapping of the manganese-ore belt in Madhya Pradesh has recently shown that the reserves in this area are far larger than hitherto estimated. And the government is energetically prospecting and surveying for additional mineral deposits of all kinds, especially those which India now lacks.

Of the total population of 356 million in 1950/51, about 40 per cent were estimated to be gainfully engaged; they were distributed among various industries in a manner more or less typical of an under-developed economy. Primary industries, including agriculture, animal husbandry, forestry and fishery, occupied 72.4 per cent, and mining and manufacturing together 10.6 per cent; while the remaining 17 per cent were distributed among banking and commerce, communications, transport, and other services.

Of those gainfully engaged in factory establishments, textile industries, mainly cotton and jute, employed by far the most important part (46.3 per cent); they were followed by food-processing industries (except beverage) (13.9 per cent), tobacco (4.9 per cent), non-metallic mineral products (4.5 per cent), and basic metal industries (4.0 per cent), etc.[2] This distribution of the factory working force reveals the approximate weights of different manufacturing industries, though they are now gradually changing as the country's industrialization programme progresses.

At present India depends less on foreign trade than most of the ECAFE countries. Thus in 1953, imports at c.i.f. prices constituted only 5.2 per cent of the estimated net national product; the percentage may have declined further in 1954. More than one-third of total imports, as indicated in the 1953 *Survey*, have in recent years consisted of food grains and raw cotton. And in precisely these two items the 1953/54 production showed a most remarkable expansion. The Planning Commission estimates at Rs 1,300 million the foreign exchange savings from increased domestic production of food-grains during 1953 compared to the year 1951. In the case of cotton, the estimated foreign exchange saving during 1953/54 from increased domestic production was Rs 480 million as compared to the year 1950/51. The time may not be distant when India no longer needs to import these items, except for special varieties.

In spite of its relatively abundant natural resources, India's per capita real national income now stands at Rs 276 at 1948/49 prices (see table 42), or approximately $60 at current prices, and ranks as one of the lowest even among the generally low incomes of the ECAFE region. Real per capita income, however, is now clearly and definitely rising. Although the index (1950/51=100) was raised to 112 in 1953/54 partly by good weather and record food crops, the actual gain achieved in real national income, even after discounting the effect of good weather, is definitely greater

1. This figure does not include the State of Jammu and Kashmir and tribal areas of the State of Assam. The statistics used in this chapter are mostly Government of India statistics which now commonly include the State of Jammu and Kashmir.

2. Statistics for 1952.

than that projected in the Five-Year Plan. In fact, as the Planning Commission observed, "it would appear that the plan target of raising the *per capita* income level in the country by about 5 per cent over the five years of the Plan was actually achieved in 1952/53."[1]

TABLE 42

INDIA: ESTIMATES OF PER CAPITA REAL NATIONAL INCOME

(Rupees at 1948/49 prices)

Year	Per capita income	Index	Plan target
1950/51	246	100	100
1951/52	252	102	101
1952/53	261	106	102
1953/54	276	112	103
1954/55	..	.	104
1955/56	.		105

Note: Per capita real income figures for 1950/51—1952/53 are taken from the governmentestimates of national income for 1948/49 to 1951/52 and *Five Year Plan Progress Report for 1953/54* (Planning Commission, Government of India), p 7. The figure for 1953/54 was estimated on the basis of indexes of agricultural production and of industrial production, government expenditures, both central and local, and gross earnings of railways. The increase in agricultural production for 1953/54 as indicated by the index was discounted by 1.3 percentage points for the factor of increase of coverage in foodgrain statistics. Weights were derived from the value-added figures by industries as calculated for 1950/51 in the *Final Report of the National Income Committee*.

Furthermore, all the indications thus far point to the likelihood of at least maintaining the 1953/54 level of per capita real income during the current year.

THE FIRST FIVE-YEAR PLAN

The techniques and instruments of planning

The exact nature of planning as practised in India today is constantly evolving and therefore cannot be described in a hard and fast manner. Broadly, it rests upon the premises of mixed economy and emphasizes democratic control. And "the basic premise of democratic planning" is stated by the *First Five-Year Plan* (1952) to be:

> "that society can develop as an integral whole and that the position which particular classes occupy at any given time—a product of various historical forces for which no individual or class as such can be held responsible—can be altered without reliance on class hatreds or the use of violence. The need is to secure that the change is effected quickly and it is the positive duty of the State to promote this through all the measures at its command."

More specifically, the Planning Commission envisaged originally such possibilities as: (*a*) "State trading at the wholesale level in respect of selected commodities"; (*b*) "the progressive socialization of agricultural marketing and of processing industries in the rural areas through the agency of co-operatives"; (*c*) "fiscal policy as a major device for bringing about a postponement in increases in the standard of living to the maximum extent possible" and also as a device for "reducing inequalities of income and wealth"; and (*d*) physical control used "to supplement financial controls" in order to mitigate "the excessive pressure on a few commodities which tend to limit the rate of progress."[2] Taking the position that "for one to ask for fuller employment and more rapid development and at the same time to object to controls is obviously to support two contradictory objectives",[3] the Planning Commission prepared itself to meet different possible circumstances which would call for various degrees and combination of controls.

Three years' experience of planning, however, has shown that its most important instrument has been government money, used to shape and influence the pattern of investment expenditures. If we assume a rate of saving of roughly 5 to 6 per cent during the first three years of the Plan, an investible fund of roughly Rs 15,000 million was available during those years, so that approximately one half[4] was siphoned through government channels. These funds were generally spent directly by the government in accordance with the priority indicated in the Plan mainly to satisfy the needs of over-all economic development. Investment planning in the organized private sector, on the other hand, was largely left to private business leaders themselves. The government did use some administrative powers to control new capital issues and importation of machinery. But the main positive encouragement of the private sector by the government was protection, i.e. the effective use either of customs duties or of quantitative import restrictions.[5] In the early years of the Plan, distribution and price controls on foodstuffs were carried out quite successfully; but no comprehensive price policy was systematically applied.

A further significant instrument of planning appears to have been a group of measures intended to arouse a new spirit of enterprise and economic betterment at the grass-roots. The Five-Year Plan itself was intended, it appears, to focus the people's attention on the need for work in economic development and the magnitude of the task involved therein. From the very beginning of the Plan, public discussion was encouraged to the utmost; and repeated conferences were held with leaders in different fields before the Plan was finalized. Then in 1952, the Bharat Sewak Samaj, a non-official and non-political body, was created specifically to organize and develop the people's voluntary efforts in carrying out the purpose of the Plan. The organization now conducts a varied programme through 400 district branches. Among other activities, it organizes voluntary labour for local works, runs students' camps and adult education centres, and conducts economic surveys of villages to assist planning from below. The slogan "Planning from below" seems to be receiving greater and greater emphasis.

A more noteworthy instrument of planning in this sense, applied in the rural areas of India, is the Community Development Programme and the National Extension Service. The widely circulated term "community projects" comes under this programme. Its general aim is "to bring about a change in the mental outlook of the people, and to instill in them an ambition for higher standards of life and the will and the determination to work for such standards."[6] Its basic principle

1. *Five Year Plan Progress Report for 1953/54*, p.7.
2. Government of India Planning Commission, *The First Five Plan*, chapter II
3. *Ibid*, p.43.
4. The total outlay under the Five-Year Plan was Rs 8,848 million during the three years, of which about one fifth is regarded as expenditure of a recurring nature.
5. The Tariff Commission, which started functioning in January 1952, taking over the work of the earlier Tariff Board, has recommended the continuance of protection to several industries and the grant of protection to many new industries which applied for it. Most of these recommendations have been acted upon by the government.
6. *Five-Year Plan Progress Report for 1953/54*, p.94.

TABLE 43

INDIA: ANNUAL RATE OF EXPENDITURES UNDER THE FIVE-YEAR PLAN (PUBLIC SECTOR)

(million rupees)

	Plan	1951/52 to 1953/54		1954/55	
	annual average	annual average	% to the plan	Budget estimate	% to the plan
Agriculture and community development	747	359	48	899	120
Irrigation and power	1,234	1,000	81	1,675	136
Transport and communications	1,072	747	70	1,470	137
Industry	356	114	32	330	93
Social services[a]	979	662	68	1,168	119
Others	110	67	61	175	159
Total	4,498	2,949	66	5,717	127

Source: Based on *Five-Year Plan Progress Report for 1953/54*.

a. Including rehabilitation of displaced persons.

is that the motive force for improvement should come from the people themselves and also that the co-operative principle should in general be applied to solve various problems of rural life. An immense variety of projects is included: digging compost pits, distributing fertilizers, seeds and agricultural implements, holding demonstrations, guiding fruit and vegetable gardening, building and repairing wells and tanks, setting up breeding centres, making village roads, etc. It is intended, with a relatively small government expenditure on the programme, (about 4 per cent of the total outlay on the Plan for the five years) to exert leverage through social education and release the dormant energy of villagers to better their own lot. The programme would also contribute to the absorption of underemployed rural manpower at a capital/output ratio far lower than in the case of usual developmental expenditures.

The programme began only in October 1952, and it is still too early to assess its long-range significance. But the entire approach seems peculiarly suited to India and the success of the Five-Year Plan may depend a great deal on the vigour and dynamism that this programme can sustain.

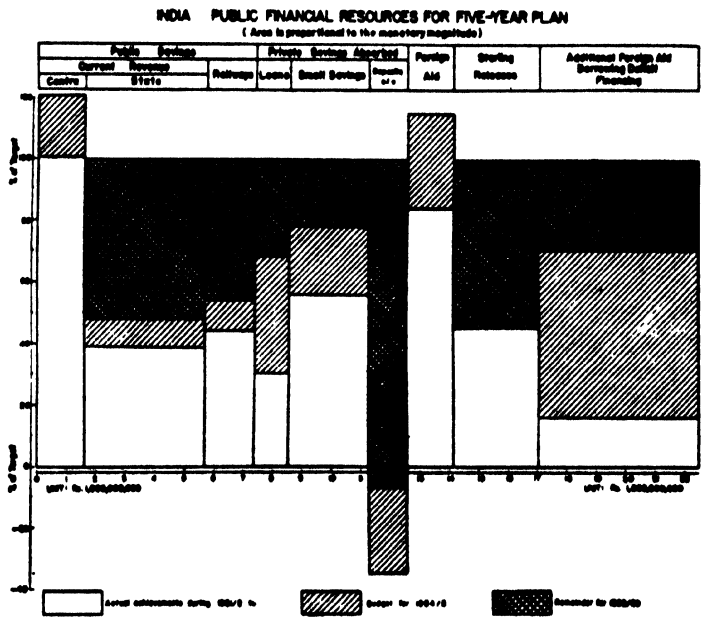
The Plan in its fourth year

The First Five-Year Plan is now in its fourth year; the resources mobilized and expenditures incurred in its first three years give perhaps the best conspectus of its achievement.

For the public sector, the target of aggregate development expenditures for five years now stands at Rs 22,850 million.[1] About 40 per cent of this sum, Rs 8,848 million, was spent in the first three years—11.3 per cent in the first year, 11.8 per cent in the second, and 15.5 per cent in the third. In relation to the target, the actual outlays incurred in specific sectors fell short in various degrees. In table 43, the annual rates accomplished for the first three years and the budget estimates for the fourth year (1954/55) are compared with the average annual rate of expenditures envisaged in the Plan in terms of broad classifications.[2] It can be seen that (*a*) expenditures for irrigation and power came closest in the first three years to attaining the average annual rate implied in the Plan; (*b*) those for industry, and to a less extent, those for agriculture and community development lagged markedly; and (*c*) the annual rates of expenditure in 1954/55 in all the sectors except industry are budgeted to exceed considerably the average rates in the Plan. It is doubtful whether these budget estimates can actually be fulfilled.[3] The shortfall in expenditure is obviously a matter for concern.

The financing of the public sector is also uneven and suggests possible future strains. Chart 26 presents in a summary form the actual achievements for the first three years and the budget estimate for the current year in relation to the Plan target by major sources of funds.

Chart 26



1. The target was raised for the second time by Rs 860 million towards the end of 1954. Detailed discussions below on the Plan figures, however, are on the basis of the target as it stood in October 1954. A further expansion of Rs 120 million is reported to be under consideration.
2. The comparison must be made with caution, for it is only to be expected that the later years in the Plan will have a higher rate of expenditures than in the first few years. Further, it must also be borne in mind that the Five-Year Plan figures cited in this section are not adjusted for price changes. See, *infra*, the section on "Prices and monetary development".
3. Mr. V. T. Krishnamachari, Deputy Chairman of the Planning Commission, in his address to the National Development Council in November 1954, forecast a short-fall of 12.5 to 15 per cent in the government expenditure under the Plan for the five-year period. It amounts roughly to Rs 3,000 million.

For the Plan as a whole, budgetary resources, including private savings absorbed by the government, are to account for 56 per cent of the public sector's proposed total expenditures, the remaining gap being filled by external assistance and deficit financing. In the first three years budgetary resources made available reached 42 per cent of the five-year target (accounting for 61 per cent of the public sector's total expenditures during those years) while expenditure reached only 40 per cent; budgetary resources therefore appear to be keeping up with expenditure. But this is slightly deceptive, since most of the current revenue accruing from the central government depended largely on the exceptionally buoyant revenues of the Korean-war boom. This current revenue contributed practically nothing in 1953/54; and in 1954/55, when estimated expenditures are 27 per cent above the average annual rate of the Plan, the budget estimate of revenues from internal sources is 10 per cent below its average annual rate.

There are still some uncertainties about how the financing will work out for the whole five-year period; but a fairly definite general picture has emerged. Private savings, absorbed by the government as loans, small savings, etc., are likely to meet the target, and may even exceed it if the rate of expenditure is accelerated. But this may fail to offset the almost inevitable shortfall in contributions from revenue surplus of States and profits of government enterprises. External assistance appears to be adequate, while the use of sterling balances to be matched by deficit financing had not been made in the last two years and is most unlikely to reach the target. If the total amount of the revised Plan is to be spent within five years, the probable shortfall in resources will be Rs 2,500 million (44 per cent of the year's projected expenditure) for 1954/55 and Rs 4,000 million (50.5 per cent) for 1955/56. They constitute approximately 2.5 and 4.0 per cent respectively of the country's national income and give a measure of anticipated inflationary pressure.

As for external assistance, loans and grants authorized thus far total Rs 2,420 million. During the Plan's first three years Rs 1,319 million have been utilized, and in the 1954/55 budget credit is taken for an additional Rs 480 million. Details are given in table 44.

TABLE 44

INDIA: EXTERNAL ASSISTANCE

(million rupees)

	Authorized	Utilized (1951/52 to 1953/54)
Loans		
US Government (wheat loan)	904	904
International Bank		
Steel project loan	150	..
Loans for Damodar Valley Project ..	50	..
Bombay electric power project	78	..
Undrawn balance of loans extended in the pre-Plan period	71	55
Grants		
US Government (Technical co-operation assistance)	816	211
Grants under Colombo Plan		
From Canada	264	92
From Australia	57	41
From New Zealand	3	3
Ford Foundation	24	15
Norwegian Government	3	
Total loans and grants	2,420	1,319

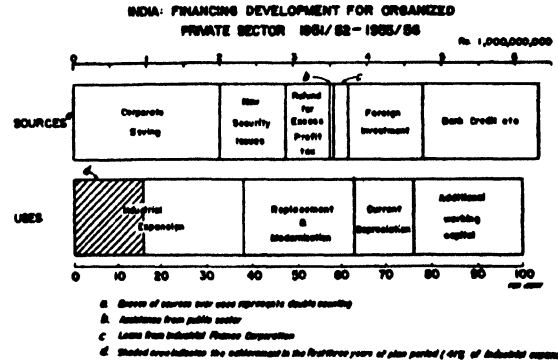
Source: Five-Year Plan Progress Report for 1953/54, pp.25-26 and *International Financial Statistics*, January 1955.

Since the drafting of the Five-Year Plan, which originally had in sight total external assistance of Rs 1,560 million in five years, several new sources of aid have appeared, for example, the new International Bank loans for the steel project (December 1952), the Damodar Valley Project (January 1953) and the Bombay electric power project (November 1954). Authorized amounts of grants have also reached about double what was originally assured. There is also a USSR loan on a steel project, on which an agreement is reported to have been signed in early February 1955.

While financial resources are hardly abundant they have probably not delayed expenditures under the Plan. The Planning Commission attributes the delay to such causes as late finalization of the Plan, delayed commencement of some of the schemes, insufficient prior working out of schemes, and the time needed for setting up necessary administrative machinery. In short, the principal difficulties appear to have been organizational. Unavailability of certain types of equipment as well as shortages of technical personnel[1] also seem to have hindered the smooth progress of the Plan.

Although the government is investing directly under the Plan in a number of industrial fields, such as steel, locomotives, ammonium sulphate, telephone manufacturing, etc., the major portion of industrial development is left to the private sector. However, for 42 major industries the Planning Commission formulated developmental programmes, with private business participating voluntarily: a five-year financial programme for the organized private sector was worked out indicating the probable sources of funds and the uses to be made of them. (See Chart 27) The total envisaged for the five year period is Rs 6,130 million of which "industrial expansion" is estimated to take Rs 2,330 million, or Rs 466 million per annum. Actual achievement in the first three years totalled approximately Rs 960 million, or 68.7 per cent of the target annual rate. Although accurate data are not available, expenditures on "replacement and modernization" are also estimated to be running short of the target annual rate.

Chart 27



Generally speaking, the supply of investible funds, for the 42 industries covered by the Plan, is said to have been inadequate. For example, it is estimated that against the target annual rate in corporate saving of Rs 400 million only the annual rate of Rs 90 million was achieved in the first two years. For new security issues, against the target annual rate of Rs 180 million the achieved rate was Rs 110 million

1. The following categories of personnel are mentioned by the *Five-Year Plan Progress Report* as having been in short supply thus far: village level workers, basic education teachers, health visitors, public health nurses, sanitary inspectors, overseers, draughtsmen, skilled operators and mechanics for the operation and maintenance of heavy earth-moving equipment, tool makers, experienced architects, and qualified accountants.

during the first two years.[1] This somewhat unsatisfactory state of affairs led to the setting up by the Reserve Bank of India with government approval of a "Committee on Finance for the Private Sector" in October 1953 (the Shroff Committee). The committee was asked especially "to examine why investment in the private sector has not reached the level envisaged in the First Five-Year Plan and in this connection to consider the factors, other than taxation, which influence investment in this sector." In the spring of 1953, the government had already set up the Taxation Enquiry Commission to make a comprehensive enquiry into industrial finance in relation to taxation.[2] The report of the Shroff Committee was made public in April 1954 and the report of the Taxation Enquiry Commission was submitted to the government towards the end of 1954.

A great deal has been said of the difficulties of mobilizing sufficient equity capital for the private sector. But a recent study[3] by the Reserve Bank of India, with a 44 per cent coverage of the aggregate paid-up capital of all public limited companies, reveals that even net of depreciation profits of Rs 364 million[4] were retained in these businesses in 1951 for further investment. Gross profits, inclusive of depreciation, reached Rs 629 million. The year 1951 was no doubt a prosperous year. But if these figures are compared with the target annual rate of gross corporate saving of Rs 400 million and if the difference in coverage is taken into account, corporate savings can hardly be treated as such a bottleneck as they are often claimed to be.

A number of studies[5] have shown that about one-third of new security issues were retained profits transformed into bonus issues. If that is so, net increase in paid-up capital of manufacturing (joint stock) companies during the three years from 1951/52 to 1953/54 would amount to Rs 706 million[6] net of bonus issues, an annual rate of Rs 235 million which compares quite favourably with the target annual rate of Rs 180 million for 42 industries.

The above analysis hardly suggests an inherent lack of investible funds for expanding private industries. Difficulties seem to lie, *inter alia*, in mobilizing equity capital for risky ventures. Recognizing this, the government has decided to set up two new corporations for industrial financing. While the established Industrial Finance Corporations (both of central government and of several States) confine themselves mainly to granting loans to, or guaranteeing loans raised by, established industrial concerns, the proposed Industrial Development Corporation will principally start new industries with government money in spheres where the size of capital required or the risk involved deters private capital. The government may operate the projects directly, with a view to their ultimate transfer, in general, to private hands, or may collaborate from the beginning in varying degrees with private enterprises. This corporation is also to be the agency through which the government may grant its special loans for modernising the cotton textiles and jute industries.

The Industrial Credit and Investment Corporation, originally conceived in early 1953 in connexion with informal proposals from the International Bank for Reconstruction and Development and from the United States Government for financial assistance to stimulate India's private industries, is also now taking shape. Its capital is to be provided from (*a*) a $10 million loan from the International Bank; (*b*) a Rs 75 million loan, interest-free, by the Government of India, to be made from the counterpart funds of the $15 million assistance by the United States Government; and (*c*) the equity capital to be raised from private sources in India, the United Kingdom and the United States totalling Rs 50 million. This corporation will invest mainly in developing industries capable of development by the private sector, so that in general there will be no jurisdictional conflict with the government-owned Industrial Development Corporation. It will provide finance by way of long and medium term loans, participate in the equity capital of industry, or guarantee loans for other private investment. It will also furnish managerial, technical and administrative advice, and assist in obtaining such services to the Indian industry. The Government of India is to appoint a Director on the Board of the Corporation and shareholders' voting rights will be so limited as to ensure that the corporation is run in the wider interests of industrial development in India and not for the benefit of any one group of industrialists. The corporation is expected to be registered by the end of January 1955.

These two new corporations will undoubtedly give a new impetus to industrial financing for the private sector. A consortium of financial institutions for underwriting or investing in new issues of industrial companies has also been recommended by the Shroff Committee, and is under consideration by a committee appointed by the Reserve Bank in July 1954. Such an arrangement could enable private banks to participate in industrial financing far more than before without any substantial changes in the structure of their liabilities.

THE CURRENT SITUATION AND POLICIES

Agricultural production

Generally favourable weather conditions contributed greatly to a sizable increase in total agricultural production for 1953/54 over 1952/53, the index number of agricultural production (1949/50=100) rising 11 per cent from 102.0 to 113.5. The increase was for all major crops, except jute and sugar cane where prices seem to have affected planting adversely. Foodgrain production[7] in particular at 66 million tons,[8] or 22 per cent above the base year (1949/50), exceeded by more than four million tons the target set in the Five-Year Plan for 1955/56. This bumper crop has made it possible further to relax controls on prices and movements of foodgrains. On 1 January 1954, coarse grains were generally de-controlled. All restrictions on rice were removed effective July 1954. And on wheat all controls, except certain restrictions on inter-zonal and inter-State movements, have been lifted. Now there is even talk of exporting good-quality rice abroad.

1. *Report of the Committee on Finance for the Private Sector*, p.12.
2. The terms of reference for the commission are actually far broader than this. They cover, for example, the examination of "the suitability of the present system of taxation with reference to the objective of reducing inequalities of income and wealth."
3. "Company finances in India, 1950 and 1951", in *Reserve Bank of India Bulletin*, August 1954, pp.768-813.
4. If the coverage is restricted to texiles, chemicals and matches, engineering and other manufacturing and processing, the paid-up capital covered will amount to Rs 2,085 million or 23.5 per cent of the aggregate paid-up capital of public limited companies registered in India, and the net corporate saving comes to Rs 279 million.
5. For example, from the data available from the Controller of Capital Issue regarding the consents granted for "further" issues during 1951 and 1952, it is seen that nearly one-third were for bonus issues. Similar results were obtained in the studies made by the Reserve Bank of India for the period covring 1946 to 1951.
6. Net increase in paid-up capital of all the joint stock companies during these three years amounted to Rs 1,388 million, of which the increase in manufacturing companies was Rs 1,058 million.
7. In India, the spring crop of wheat in, say, 1955 is grouped with Kharif crops of 1954 to make a total of foodgrain production of the crop year 1954/55. Here this convention is followed in order to make the comparison with the Plan target possible.
8. The long ton unit is used for the discussion of foodgrains here.

The whole increase in the production of foodgrains, however, cannot be regarded as permanent. A study of the variation in production of the principal foodgrains in representative States of India from 1910 onwards shows that in any one quinquennium the best year's production may vary from the median by well over 20 per cent. Theoretically, therefore, the 22 per cent increase of 1953/54 over 1949/50 could be due largely to favourable weather. A further analysis in terms of regions and States suggests that wherever the increase was sizable either the weather conditions were favourable as in the north-west and central regions in general, or statistical coverage had clearly increased, as in Rajasthan. On the other hand, regions such as Uttar Pradesh and Bombay, with large expenditures on agricultural development, did not show very encouraging increases over the base year. Reported production may also have been increased because hoarding by producers was discouraged (and hence honest reporting encouraged) by the psychological effect of easier supplies.

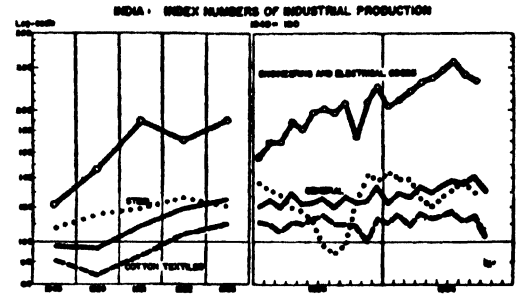
The Planning Commission estimates that "out of the total increased production of foodgrains of 11.4 million tons (compared with the base-year figure of 1949/50), something like 5 to 6 million tons represent a more or less permanent gain which will be retained in an 'average' year."[1] Although this estimate may seem optimistic, developmental expenditures on irrigation, reclamation,[2] etc., as well as the rapid diffusion[3] of the so-called Japanese method of rice cultivation are certainly making Indian foodgrain production more productive. Increasing use of chemical fertilizers, in particular, is a notable feature of the last few years. Some permanent improvement in foodgrain production is indicated by the expectation that 1954/55 production will maintain the 1953/54 level in spite of the extensive flood in the North-East.

Among other crops, cotton output in 1952/53 maintained the previous year's level of 3.1 million bales, while in 1953/54 the estimated production was 3.9 million bales. The production of oilseeds at 5.6 million tons in 1953/54 is close to the target for 1955/56 envisaged in the Five Year Plan. Production of jute which declined slightly in 1952/53 as compared with 1951/52 suffered a further decline in 1953/54, due to adverse weather conditions and greater fall in price relative to paddy. Production of sugar cane was also lower. On the whole, in 1952/53 and 1953/54 agricultural production had improved substantially over 1951/52 and this has reacted favourably on the whole economy.[4]

Industrial activities and transport

Although India has had cotton mills for a hundred years, the industrial sector of the economy as a whole has only recently begun to develop in its diversified manner. The industrial production index, as now compiled, still gives 60 per cent of the total weights to cotton textiles and jute and another 12 per cent to coal. The movement of this index with several components is shown in chart 28 and records a continuing rise in industrial production as a whole with the annual rate of increase declining from 11.6 per cent in 1951 and 10.0 per cent in 1952 to 4.9 per cent in 1953 and 5.0 per cent in the first half of 1954 relative to the corresponding period in the previous year. The rapid expansion after the Korean-war boom now seems to be slowing down to a more or less normal rate of increase.

Chart 28



The most significant progress, however, is the diversification of the industrial structure through the expansion, for example, of engineering and chemical industries. Remarkable examples of increases in manufacturing capacity between 1950/51 and 1953/54 are ammonium sulphate (441%), bicycles (265%), sheet glass (258%), diesel engines (189%), rayon filament (180%), cables and wire (165%), and caustic soda (100%). Of these young industries, however, only a few have approached the capacity targets indicated in the Five-Year Plan; and in actual production, most manufacturing industries in 1953/54 are still well short of the targets set for 1955/56.[5] Among the 42 industries specified in the Five-Year Plan, current production has already gone over the Plan-end targets only in mill-made cotton cloth and vegetable oils. In some manufactures (e.g. automobiles, agricultural implements and machinery, ring spinning frames), slow development is said to be due to a fall in effective demand for domestic products. In some others (e.g. aluminium production), the delay in providing the necessary electric power is given as the explanation for the expansion scheme's falling behind schedule.

On the whole, however, industrialization is progressing more or less on schedule. Many important industrial projects got under way during 1953/54. In the government sector, after further progress on the steel plant agreement with the Krupp-Demag combine calling for tenders and the construction of the plant are now expected to begin during 1954/55. The Hindustan Housing Factory started the manufacture of components of pre-fabricated houses during 1954; the government machine-tool factory at Jalahalli turned out the first batch of lathes in November 1954; the Integral Coach Factory, Perambur is expected to manufacture its first coaches in 1955; and the Penicillin and D.D.T. Factories to start operating by March 1954.

In the private sector also, there are a number of major industrial projects at varying stages of development in the current year, such as the petroleum refineries of the Standard Vacuum Oil Company and Burmah Shell, the former of which

1. *Five-Year Plan Progress Report for 1953/54*, p. 58. According to the final estimate, the total increased production of foodgrains in 1953/54 was 12 million tons over the base-year figure.
2. The programme of reclamation of land carried out by the central government has resulted in reclamation of about 270,000 hectares of waste land in the first three years of the Plan as against the five-year target of 550,000 hectares.
3. In 1954, the so-called Japanese method covered an area of 162,000 hectares; in 1955, it is expected to spread over 809,000 hectares.
4. *The Consultative Committee for Co-operative Economic Development in South and Southeast Asia, Third Annual Report*, p.86.
5. If we compute, for the 42 industries specified in the Five-Year Plan, the percentage increase in capacities of 1953/54 over 1950/51 and also the percentage increase in actual production of 1953/54 over 1950/51 and rank them in order of relative magnitude of increase, we find that capacity increases and production increases are inversely correlated. Generally speaking, where capacity increases were high, production did not rise very much; and where production rose markedly it apparently was by way of utilising the existing capacities.

began production in July 1954;[1] a sheet-glass factory, with an approximate annual capacity of 10,000 tons of sheet glass, which went into production in July 1954; a plant to manufacture 1,200 tons of cellulose acetate rayon filament; and many others. For a young industrial country like India, significance should also be attached to a list of new products manufactured for the first time during the past year, such as staple fibre, cement grinding media, hosiery knitting needles, multi-spindle drilling machines, aureomycin, synthetic acetic acid and acetone, etc.

Of the established industries, cotton textiles are beyond doubt the most important; and here converge a number of problems peculiar to this country. The country now requires about 4,600 million square metres per year for domestic consumption at the *per capita* rate of 12.35 square metres; against which the current annual production is 5,440 million square metres, 4,100 million by mills, 1,170 million by handloom, and 170 million by small-scale powerloom units. The programme of development now envisaged by India as proposed by the Textile Enquiry Committee is to raise annual consumption to 15 square metres *per capita* by 1960, thus raising the domestic requirements to 6,020 million square metres, and to attempt to maintain the export target of 836 million square metres at the same time. The composition of supply, however, is to be adjusted in such a way that while the mill production will be pegged at 4,180 million square metres the handloom sector will be expanded to double the present volume of production through the replacement of the existing 1.3 million ordinary handlooms by power looms and semi-automatic looms over the coming six-year period. It has been recommended by the Textile Enquiry Committee that mills may be modernized through the phased programme of introducing 5,000 automatic looms a year. Such a programme of modernization of the industry as a whole, which is called for in the interest of economic use of resources, has to be harmonized with a number of equally important considerations, such as the preference of the Indian people for handloom products and the necessity of maintaining employment in the industry.[2] The handloom sector, for example, now affords employment to approximately 1.5 million people in terms of whole time work for 200 days in a year, with a possible unemployment of about 400,000. Moreover, despite the fact that this sector is now subsidized by a special cess on mill cloth, it continues to suffer from a number of handicaps, such as the irregular and uncertain supply of yarn of the right counts, lack of facilities for dyeing yarn, lack of facilities for marketing, difficulties of finance, etc. All these problems and many others lie ahead of the cotton textiles industry of India.

Any plan of rapid economic development calls for a co-ordinated programme of expansion of *transport* facilities. As the implementation of the Five-Year Plan progressed, it was soon discovered that the provision for transport development was not adequate. In fact, the Planning Commission admits that "the transport difficulties became specially noticeable during the third year of the Plan i.e., 1953/54 . . . The movement of essential traffic including coal, soft-coke and brick-burning coal continues to be subject to the limitations of (railway) line capacities over certain sections and the availability of rolling-stock".[3] Thus, for the railways, the development target for the Plan period has been further raised recently. For example, the target of procurement, under the Plan, for locomotives was raised from 1,038 to 2,062; for wagons from 49,143 to 60,428; and so on. At the same time, measures to supplement rail transport facilities with other means of transport, particularly road transport, are receiving special attention. An inter-departmental study group is now working on various aspects of the problem of improving transport facilities to match the developmental requirements, and its recommendations are expected to come out shortly.

In the programme for shipping development progress in adding overseas tonnage has been slow. Of the 70,000 gross registered tons proposed for the Plan period none were added in the first two years and only in the third year was an addition of 14,000 GRT made. Development of major ports has also been behind schedule. Of the total expenditure of Rs 243 million provided for the four major ports for the five-year period, only Rs 28.5 million, or less than 12 per cent, has been spent by the end of the third year. But here the shortfall has been mainly due to the slow finalization of the Plan and the unavoidable delay in the delivery of equipment and machinery that has been ordered. Increasing attention is also being given to the development of inland water transport.

Related to the problem of business activities as a whole is the question of the *Indianization of foreign firms* in India. It has been the policy of the Government of India since independence to promote the idea of gradually increasing the proportion of Indian personnel in the higher-paid technical and managerial categories in predominantly foreign-controlled companies in India. The method used for bringing this about has been largely exhortation except for the occasional resort to the visa authority of the government in the case of non-British foreign nationals. Statistics compiled by the Ministry of Commerce and Industry seem to indicate a steady progress in this regard.[4]

Along with the question of Indianization of firms, the Government of India has announced the policy of gradually enlarging the share of Indian firms in foreign trade and the ancillary services of exchange banking and insurance. A beginning was made with a sample survey of the relative shares of Indians and non-Indians, conducted by the Reserve Bank and published in 1954. The broad picture emerging from the survey, which relates to 1951 and 1952, is that 70 to 75 per cent of India's import is in the hands of Indian firms while their share of the export trade is somewhat smaller,

1. The present requirements of India are about 80,000 bbl of crude oil per day. These two refineries and the proposed Caltex refinery, when completed, would refine 75,000 bbl per day. The total foreign investment in these three refineries will amount to Rs 500 million. Foreign private investment of this magnitude has never been undertaken in any other industry in India since independence.

2. See, *infra*, the section on "Prospects and policies".

3. *Five-Year Plan Progress Report for 1953/54*, p.227

4. The proportion of Indians in the salary group of Rs 1,000 or above has risen from 7.9 per cent in 1947 to 24.4 per cent in 1952 and to 32.4 per cent in 1954, although the absolute number of non-Indians in this category is generally on the increase, from 5,844 in 1947 to 7,008 in 1954. The predominance of foreign nationals in the higher-salary group is especially marked in certain types of business, such as plantations and jute mills. No doubt, such a break-down of high-salaried personnel may not by itself reveal very much From the standpoint of the Indianisation programme it may be more important to know the qualitative character of controls retained by foreigners.

being 60 to 68 per cent.[1] The commodity-wise analysis shows that for tea export and oils import, non-Indian firms hold the major share. As for the foreign exchange business, the share of British exchange banks is by far the largest, financing more than half of India's export trade and about 60-65 per cent of its import trade. The share of Indian banks is altogether about one-fourth.

Unemployment and labour supply

From the outset of the Five-Year-Plan, the Government of India seems to have been aware of the problem of unemployment and of chronic under-employment, and, in particular, of the fact that the employment opportunities for the educated class have in recent years been severely limited in relation to the supply of such personnel. However, the First Five-Year Plan did not lay its primary emphasis on full employment on the ground that "if productivity of labour cannot be increased in the short run, and particularly if the availability of basic essentials like foodgrains cannot be increased, a programme of full employment, designed primarily to put to work all idle labour, runs the risk of breaking down on account of excessive pressure of money incomes on available supplies".[2] And on the educated class, the Planning Commission took the position that "it is only when a more rapid expansion of the industrial sector than is envisaged in the present Plan takes place that there will be a possibility of increasing avenues of employment for the educated class."[3]

Although the implementation of the Plan has been behind schedule, it must be said that it was not intended from the beginning that the First Five-Year Plan should make any substantial headway towards solving the unemployment problem. But the problem leapt to the forefront of political and economic discussion in the spring of 1953 and has since attracted a great deal of attention.[4] Many local surveys on unemployment were initiated after this, and the sustained public discussion on the unemployment situation in urban areas finally led at the end of 1953 to an increase in the size of the Plan by Rs 1,800 million,[5] which amount was specifically designed to promote the creation of jobs for the educated class. Some of the surveys which were initiated at the time have been completed and reveal the general picture of unemployment in relation to the population and the working force. A sample survey of 4,000 households of Calcutta city, for example, showed that the working force consisted of 40.3 per cent of the population, and that of the aggregate working force roughly a fifth was found unemployed and half of the unemployed persons belonged to the white-collar groups. The result of a survey in Travancore-Cochin is somewhat similar, indicating the ratio of unemployment to the working force of 16.1 per cent for men and 13.2 per cent for women. The survey further revealed that the unemployment in both the sexes was highest in respect of families with an annual income of over Rs 1,000, thus indicating that the incidence was highest in the case of the middle class.

These and other surveys give an approximate picture of the unemployment situation which is not new in India. There are few comprehensive, reliable statistics permitting to ascertain current changes. Employment figures in the central government and mining are currently available, and both show a steady rise for the past several years up to the middle of 1954. One indication of current changes in the employment situation is afforded by monthly statistics of the employment exchanges. There, the monthly number of placements as percentage to the total number on the register at the end of each month has declined continuously in the past few years from 8.4 per cent for June 1952, to 3.4 per cent for June 1953, and finally to 2.7 per cent for June 1954. In terms of absolute figures, the number on the register increased by 44 per cent while the number of placements decreased by 54 per cent between June 1952 and June 1954. For the reasons that persons who are already employed often seek better employment through the exchanges and also that greater and greater use is being made of these exchanges by job seekers in urban areas, the statistics derived here may not tell very much about the actual trend in unemployment. But at least the fact of declining trend in placements is indicative of less active demand for labour in the markets covered by the exchanges.

In short, the problem of unemployment or chronic under-employment has been with India for many years, but it appears that unemployment in urban areas, particularly of the educated class, has been becoming steadily worse in recent years. This fact has acted as stimulus to bring about a somewhat sudden awareness of the problem of unemployment in general and is now apparently forcing the hand of the government to set its sights rather high in the Second Five-Year Plan to cope with this problem.

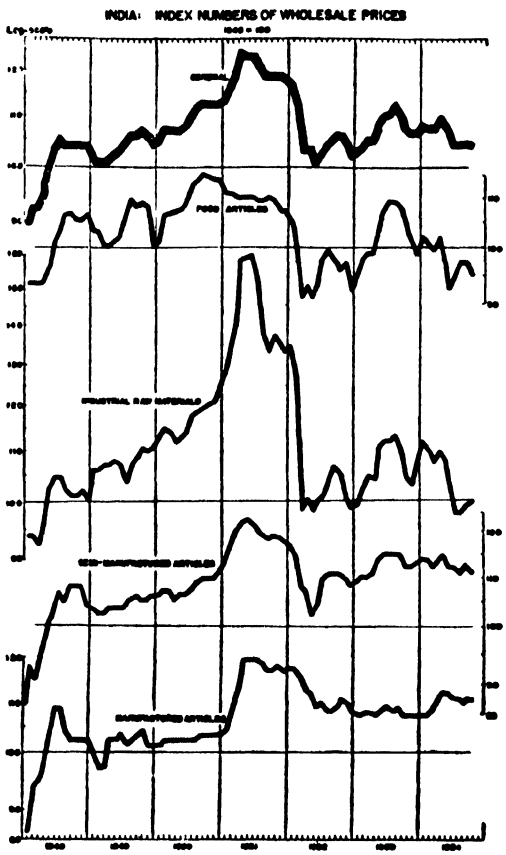
Prices and monetary developments

In four and a half years since the outbreak of the Korean war, wholesale prices in India experienced two peaks and one trough. They first rose, in consonance with the international trend in prices, to a level 15 per cent higher than the pre-Korean-war figure, and hit the peak in April 1951. The downward movement lasted thirteen months until May 1952 when the general index stood at about 8 per cent below the pre-Korean-war base. It ascended again until August 1953 when it struck a minor peak, or 3 per cent above the base. Since then, the trend has generally been downward, and by August 1954 it stood 4 per cent below the level of June 1950. A comparison of the current level with that of the month when the Five-Year Plan was initiated shows a decline in prices recorded of as much as 16.5 per cent.

Group components of wholesale prices have moved roughly in consonance with the general index, the only significant exception being prices of manufactured goods. While other components have generally moved downward since August-September 1953, manufactured articles have maintained themselves and, as a group, they are currently at the level 8-9 per cent higher than the pre-Korean-war base. If food articles and raw materials components are combined into one index and compared with the component index for manufactured articles, the gap between them in August 1953 was 7 percentage points relative to the pre-Korean-war base and it rose to 21 percentage points in August 1954.

1. These figures, however, exclude the traders who are entitled to the special facilities of retaining the proceeds of their exports and utilising them for financing imports. These facilities are mostly enjoyed by big European firms; and if they are taken into account, the consolidated share of Indian firms is lowered by 5 to 9 percentage points from the figures given above.
2. *The First Five-Year Plan*, p.24.
3. *Ibid.*, p.656.
4. *Economic Survey of Asia and the Far East, 1953*, pp.65-66.
5. A further expansion of Rs 360 million was made in late 1954.

Chart 29



Movements of individual prices are of course varied. Significant trends to be noted in the course of last year are as follows:

(*a*) Prices of cereals, with a marked seasonal pattern of a peak in August, maintained their downward trend through the year 1954, obviously reflecting the substantial improvement in the supply situation unaccompanied by any increase in effective demand. The further relaxation of controls in foodgrains in 1954 was not followed by any such rise in prices as occurred during the decontrol experiment of 1947/48.

(*b*) Prices of oilseeds generally declined during a year up to September 1954, showing a fall of 32 per cent as a group. This, however, should be seen against the background of the 23 per cent rise which took place during the previous year. Even as the prices fell, the government took a cautious attitude on the export quota, being anxious to keep at a reasonable level prices of edible oils at home. The ban on export of groundnut oil was lifted in July, but an export duty of Rs 350 per ton was imposed and the market failed to respond. The duty was subsequently lowered to Rs 225 per ton.

(*c*) Jute manufactures, which had felt the impact of substitute commodities in the world market, still stood at prices of 84 per cent of the pre-Korean-war base despite the fact that there had been a rise of 22 per cent during the year ending in September 1954.

(*d*) A most remarkable rise, of 63 per cent, took place in the price of tea between September 1953 and September 1954, mainly under the stimulus of an increased demand abroad.

The trend in the consumer price index for the working class has followed more or less the pattern of movements in wholesale prices. For India as a whole, the third quarter of 1953 recorded a peak (113, with 1948=100), largely a reflection of high prices in food articles. Since then, the index has been gradually falling for more than a year and stood in the autumn of 1954 at a level slightly above the pre-Korean-war figure. The change is beyond doubt due to the improvement in food supply; but it may be pointed out that the food component in the consumer price index has shown a greater flexibility in the price-rising phase than in the price-falling phase when compared with the food component in the wholesale price index.[1]

Net output of the government sector occupies now close to 10 per cent[2] of India's net domestic product and naturally the effect of fiscal operations on the monetary situation is considerable. Table 45 gives the magnitude of deficit of the Central Government for recent years, with the break-down showing the method of financing. According to the concept of deficit, as adopted by the Government of India, which is the sum of the increase in floating debt and the decrease in cash balance, the deficit approximates the net increase in purchasing power in the community arising out of budgetary operations. The total deficit in this sense was Rs 645 million in 1952/53, and is estimated to have been Rs 1,283 million in 1953/54 and Rs 2,379 million in 1954/55. If deficits of State governments are added on a consistent basis, the over-all deficit of the public sector becomes Rs 850 million for 1952/53, Rs 1,540 million for 1953/54 and Rs 2,930 million for 1954/55. Since the final accounts figures often turn out to be widely different even from revised estimates, it is as yet too soon to assess the impact of budgetary operations upon the monetary situation of the country either for 1953/54 or for 1954/55.

TABLE 45

INDIA: FINANCING OF CENTRAL GOVERNMENT BUDGET DEFICIT

(million rupees)

	1952/53 A	1953/54 RE	1954/55 DE
Deficit	878.1	2,570.5	4,164.9
Domestic borrowing (net)	242.7	2,087.5	4,286.1
(of which, Treasury bills (net))	(9.5)	(800.0)[a]	2,500.0)
Decrease (+) and increase (−) in cash balance	635.4	483.0	−121.2

Sources: United Nations Fiscal Division and Reserve Bank of India.

General note: The deficit of Central Government has been adjusted to include credits under the annuity for sterling pensions, receipts for sale of war surplus stores and under State trading schemes (net) and net payments under "remittances". "Domestic borrowing (net)" includes foreign borrowing and receipts of Special Development (foreign aid) Funds. A denotes accounts, RE revised estimates and DE draft estimates.

a. The latest estimate gives Rs 200 million.

1. Thus when the latter fell by 12.5 per cent between 1951 and 1952, the former fell only by 1 per cent. When the wholesale price rose by 11.3 per cent between the first and third quarters of 1953, the consumer price rose by 13.3 per cent. The latest fall in consumer food prices has been more or less parallel with that in wholesale prices, but the consumer food price index now stands about 10 percentage points higher than the wholesale counterpart whether the pre-Korean-war base or the 1948 base is used.
2. Such percentage was 7.2 in 1950/51. But since then the scale of government operations has expanded nearly by 50 per cent.

It appears fairly certain, however, that taking account of the latest revision reported, the over-all deficit as defined by the Government of India in 1953/54 was not very far above that of 1952/53, or equivalent to roughly one per cent of India's national income. For the current year, it is still too early to make any assessment.

Even though government borrowing from sources other than central bank may have a net inflationary effect upon the economy, it is also pertinent to ask how far total expenditures are being met by current surplus. For the Central Government, the percentage of developmental expenditures covered by current surplus has declined from 100 in 1951/52 to 43.4 in 1952/53, and to 6.7 in 1953/54; in 1954/55 there is no current surplus to finance the developmental expenditure.[1] Although the increase in expenditures is mainly due to the developmental programme, the recent declining trend in tax revenue is no source of encouragement. The government set up the Taxation Enquiry Commission in the spring of 1953 to make a thorough-going review of the present tax system, and the commission's recommendations were submitted to the government towards the end of 1954. It is now up to the government to make whatever adjustments are needed.

The over-all deficit, along with the external payments surplus, were clearly reflected in an increase in money supply with the public of 5.3 per cent in 1953/54. The general index of wholesale prices rose by 3.1 per cent during the same period. But when we compare the average price levels of the first nine months of 1953 and 1954, there is even a slight fall. Thus it seems certain that the increase in money supply of 1953/54 was in accordance with the growing requirements of a developing economy, reinforced by the restoration in a substantial measure of free trading in foodgrains.

A longer-range view of the monetary situation is again different. For the three full years of the Five-Year Plan ending in March 1954, there is recorded a decline in money supply with the public of Rs 1,203 million, or 6.1 per cent, despite the fact that the over-all deficit totalled Rs 963 million during the same period. Factors which accounted for the contraction were firstly the external payments deficit (which resulted in the decrease of foreign assets held by the Reserve Bank), secondly a sizable increase in time deposits, and thirdly a continuous decline in the rupee securities held by the Reserve Bank. In view of the substantial expansion in agricultural and industrial production, and thus of trading activities as well during these three years, the monetary situation under the Plan must be considered as under satisfactory control.

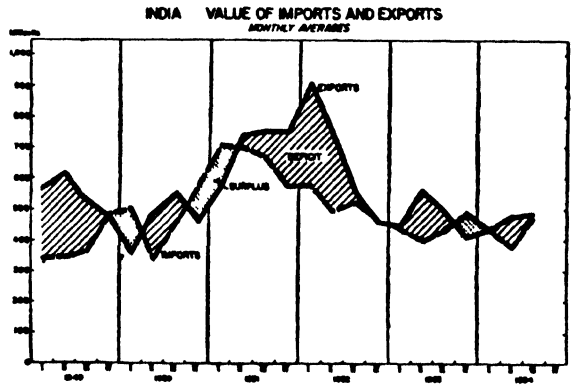
The current situation, however, points to a slightly more expansionary trend than in the previous year. During the months of May to September 1954, the so-called slack season, the decline in total money supply was Rs 815 million, which is the smallest seasonal decline since 1948 and amounted to only 45 per cent of the increment in money supply during the preceding busy season. This relative buoyancy in the slack season seems to be accounted for by failure of scheduled banks' credit to contract as much as usual and also by a substantial increase in rupee investments of the Reserve Bank. However, by the end of 1954 there was as yet no sign of untoward monetary development in spite of the fairly large deficit that is expected.

One of the most significant developments between the Centre and the State governments in the financial field is the increasing aid from the Centre, given in the form of shared taxes, grants and loans. Such aid increased from Rs 1,497 million in 1951/52 to Rs 2,665 million in 1953/54 and Rs 3,666 million in 1954/55. The inability of the State governments to meet their increasing development expenditures through increased taxation and borrowing has led to increasing aid by the Centre.

Trade and payments

The downward trend in commodity trade, observed since 1951-52, continued in 1953-54. Both imports and exports declined in 1953 from the previous year's total. But since imports declined more than exports, the trade balance improved by as much as Rs 1,380 million, but still with a deficit of Rs 456 million. A similar trend continued into the first half of 1954, when the volume of trade declined further and the trade balance kept on improving relatively to the corresponding period in 1953. Thus the government continued its general policy of liberalizing imports and promoting exports, such as the increased import quotas for sugar and rayon yarns and the abolition of export duty on manganese ore. Also, a system of giving a rebate of import duty on raw materials and components used in the manufacture of goods subsequently exported has been further broadened in 1954.

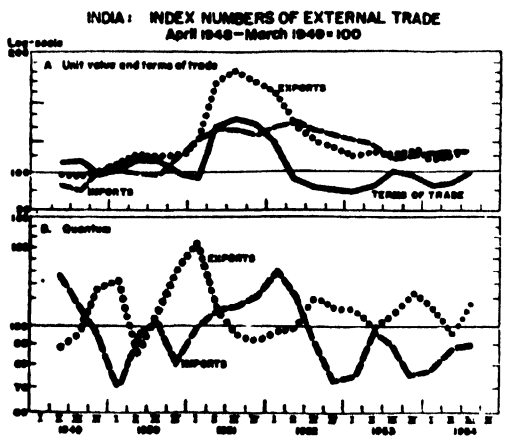
Chart 30



The decline in value of external trade is partly due to the general fall in prices of both export and import goods from the peak of 1951-52. But even the quantum indexes show a slight downward trend, being 83 cent of the 1948-49 level for imports and 103 for exports in the first half of 1954 as compared to 85 and 104 respectively for the same period in 1953. The net terms of trade, which deteriorated after the Korean-war boom, have gradually recovered in the course of 1953-54, recording an improvement of 14 per cent in the second quarter of 1954 over that of 1953.

1. Based on the accounts figures for 1952/53, the revised estimates for 1953/54, and the draft estimates for 1954/55. Fiscal year ends on 31 March.

Chart 31



More specifically, the decline in imports is largely accounted for by reduction in imports of foodgrains and raw cotton made possible by larger domestic supplies. Purchases of raw jute from Pakistan also shrank, but this is to be explained more by the lower level of home manufacturing. However, a longer-range comparison between 1948 and 1953 indicates that relative weights of major import commodities in the total have not shifted very much, the only exception being a sizable increase in mineral oils from 6.9 per cent to 14.6 per cent. On the export side, the decline in 1953 from the previous year is generally explained by the price factor, but commodity-wise the decline is especially pronounced in jute products and vegetable oils. Tea was an exception, showing an increase in value of nearly 30 per cent on the strength of the price rise. A comparison of the relative composition of exports between 1948 and 1953 reveals that the share of jute products declined from 37.0 per cent to 22.1, while those of tea and of cotton products rose from 13.6 to 20.5 and from 9.0 to 12.7, respectively.

Reflecting the improved balance in commodity trade, the balance of payments for 1953 resulted in a surplus of Rs 591 million on current account as compared with the Rs 17 million surplus for the previous year. The improvement was especially marked in the fourth quarter of 1953, a direct reflection of the surplus in trade balance. The first quarter of 1954 continued with surplus in the payments balance as a whole of a scale similar to that of the same quarter in the previous year. Such changes in the balance of payments trends are further reflected in the foreign exchange reserves of the country which can be approximated by the movement of foreign assets of the Reserve Bank. It recorded a significant rise in the second half of 1952, then a decline towards the autumn of 1953, and again a rapid rise up to the spring of 1954 to a level about Rs 400 million higher than a year earlier. The trend since then is again declining, but by the end of September 1954 foreign assets held by the Reserve Bank were higher than at the same time in 1952 or 1953 by Rs 300 million or more.

Changes in the regional pattern of payments are also to be noted. Over the short run, the outstanding change in 1953 compared with 1952 was *vis-a-vis* the dollar area, where an improvement of Rs 1,422 million took place, mainly due to a decline in wheat imports. The position towards the sterling area, Pakistan, and OEEC countries has deteriorated by nearly Rs 400 million in each case, while India's relation with other non-sterling countries (excepting OEEC countries) has improved considerably, by more than Rs 300 million. In each case the shift has been mainly the result of changes in commodity trade which have been discussed earlier. A longer-range shift in the regional pattern of commodity trade is also significant. Whereas ECAFE countries took 27.8 per cent of India's exports and shipped 23.9 per cent of its imports in 1948, their share declined in 1953 to 19.1 and 13.6 respectively. Meanwhile, the share taken by western Europe increased both in exports (from 31.2 to 36.6 per cent) and imports (from 31.4 to 42.5 per cent) between these years.

PROSPECTS AND POLICIES

India's economy is often described in broad institutional terms as based on the principle of 'mixed economy.' Though no precise definition of this term is generally accepted, it commonly connotes a condition where private enterprise is encouraged to function within limitations set by a type of State planning, designed for social welfare and exercised by democratic control.

India's task is so to accelerate its economic development, while adhering to the precepts of mixed economy, as to absorb an enormous number of unemployed into productive work within a reasonable time. One estimate, admittedly crude, places the total number of people unemployed at about 15 million.[1] If so large a surplus working force is to be absorbed in, say, ten years, the annual increase in productive employment has to be 1.5 million plus an increment of 900,000 due to the increase in population. The creation of 2.4 million new jobs annually, with the average income per head of Rs 1,000 in the non-agricultural sector, would require the total investment in the economy of the order of Rs 10,000 million, making allowance also for the considerable investment in agriculture that would be needed.[2] Such a target is formidable, when compared with the current annual rate of net investment of about Rs 5,000 or 6,000 million, and indicates the magnitude of this problem which India has to solve *pari passu* with the equally important task of increasing productivity.

Full employment and maximum production have been two aspects of India's problem which *in abstracto* could be complementary but in certain actual cases are found difficult to harmonize. The controversy during 1954 over a rationalization measure, the introduction of automatic looms in cotton mills, provides an example. The Congress Parliamentary Party acted against it in March 1954 in the interest of the security of the workers concerned; a special conference convened in April, under the auspices of the Planning Commission, on receipt of an application from two companies for permission to install such looms, reached no conclusive decisions; and after months of controversy and a final thorough debate in September the Parliament defeated a resolution placing full employment before maximum production, and passed one that suggested a compromise.

In the early years of the Plan the positive measures demanded of the government to improve the situation were not difficult to perceive. But as the task has become more concrete and definite, issues have been recently joined on

1. Speech by Mr. C.D. Deshmukh in the Parliament, 20 December 1954.
2. Figures in this sentence are also taken from Mr. Deshmukh's speech on 20 December 1954. Presumably, he is thinking of new jobs in the non-agricultural sector, for the annual increment of working force in India is nearly 2 million. It seems to be implied also that the capital/output ratio of the non-agricultural sector would be about 3 to 1.

many fronts, and definite solutions demanded of often conflicting *desiderata*. For example, the report of the Shroff Committee states that "the rate of return which entrepreneurs can obtain or expect at present is not sufficient both to satisfy all the needs of labour and to provide adequate resources and incentive for further investment." Though this statement may well be disputed, it cannot be denied that private capital in India knows clearly what to ask for, and is stating it more articulately than before. In fact, when the Shroff Committee discusses as factors inhibiting private investment "the constant threat of nationalisation overhanging undertakings in the private sector", and "procedural uncertainties and difficulties which arise from the regulative powers assumed by the State", it is presenting a challenge to planners of India how best to harmonize the precepts of mixed economy with a rapid economic development.

In 1955 the Second Five-Year Plan will take shape, and it is generally expected that industries will receive a greater emphasis than in the first Plan. If the current Plan has laid stress on a more effective utilization of existing capacities in industries, the coming Plan is expected to call for expansion and modernization of capacities in many lines. And the role of private capital will naturally be greater in this process. Signs are not wanting of capital's increasing confidence, such as the continual rise in the prices of private industrial shares by as much as 30 per cent between September 1953 and September 1954 and also public utterances of business leaders indicative of a firmer grasp of events at the present juncture.

The government, on its part, does not seem to have departed from the general philosophy of mixed economy.[1] Rather, it has continued the pragmatic search for techniques and instruments of planning peculiarly adapted to the country, and succeeded in diversifying the forms of co-operation between public and private sectors, as in the formation of the Industrial Development Corporation and the Industrial Credit and Investment Corporation. On specific issues, however, it will be called upon more and more to give definite answers to problems arising from conflicts and strains peculiar to a country which is trying to achieve a rapid economic development under the conditions of mixed economy.

1. The Indian National Congress at its party meeting in January 1955 adopted a resolution which stated that "planning should take place with a view to the establishment of a socialistic pattern of society where the principal means of production are under social ownership or control".

Chapter 13. INDONESIA

With a population of 80 million, Indonesia has an area of 1.9 million sq. km. In some islands (especially Java) population is dense and disguised unemployment is common; in others it is sparse but natural resources are available for development.[1] Out of the total area of 190 million hectares only 11 million hectares or less than 6 per cent are cultivable, with 6.6 million under paddy and 450,000 under tappable rubber. Small-holding agriculture remains the mainstay of the people, but estate agriculture, introduced in the last few decades of the nineteenth century, turned many subsistence cultivators into wage earners and increased the economy's dependence on imported food.

Indonesia is one of the raw-material producing countries of the region exporting rubber, tin, petroleum, copra and sugar—all products with fluctuating world markets.

Industrial production, mainly handicrafts, is comparatively limited at present. The once highly developed handicraft production of batik, metal and woodwork has dwindled under the competition of imported manufactured goods and the influence of estate agriculture. Before the second world war the government made a serious attempt to re-establish or promote handicrafts and small-scale industries which has been continued after the war. Until recently there has been practically no industrial processing of Indonesia's main export materials and manufactured industry has been a rather recent development. Modern means of transport and communication were introduced earlier, but Indonesia's three thousand islands, spread out over nearly four thousand miles of sea, raise special transport and communication problems.

In the last few years an increasing proportion of the economy is being governed, directly or indirectly, by public authority. The government has established many organizations to implement its development programme. For instance, the Food Fund manages the import and sale of rice, the Copra Fund the domestic sale and export of copra; the Department of Industry and the Bank Industri Negara (a State industrial bank) finance, control or operate various industries. The Bank Indonesia, established with effect from 1 July 1953, has assumed certain central banking functions but there is still need to perform these and other functions adequately. Increasing control has been imposed on foreign trade and exchange. Various measures have been adopted to increase the role of Indonesian interests (and to decrease the role of Dutch or Chinese interests in various sectors of the economy. KLM (Royal Dutch Airlines), who have owned Garuda-Indonesian Airways jointly with the Indonesian government, have recently reached an agreement with the government to withdraw from the ownership and management of the Airways. Finally the National Planning Bureau is co-ordinating nation-wide plans which are being implemented by each ministry.

1. Economic and political conditions in Indonesia are not suitable at present for their utilisation on any significant scale.

DEVELOPMENT PLANS AND POLICIES

The National Planning Board was established in 1952 both to make plans for the development of the economy and to lay down the principles for building up a sound national economy. The Board consists of the Cabinet-ministers in charge of matters pertaining to the economic and social development of the country and is presided by the Prime Minister.

The Board has at its disposal the National Planning Bureau,[2] which serves as the executive unit of the Board and is charged with the preparation of an economic and social plan on a nation-wide scale. Owing to insufficiency of trained personnel the Bureau could only start to work by September 1953, while due to lack of basic data it could not complete its five-year plan by the end of 1954. In the meantime, particular development schemes sponsored by the various Ministries are scrutinized by the Bureau before they are finally approved by the Planning Board. The most significant aspects of the various plans are set out below.

While increase of food-production has a very high priority, because it needs less capital, conserves foreign exchange and reduces the country's dependence on imports, the plan aims at industrial development in the shortest possible time.

A pre-requisite for industrial development is the availability of sufficient and cheap power. The plan therefore aims in the first place at the establishment of new and the development of existing power-stations. Two big projects have the highest priority, i.e. the Asahan-project and the Djatiluhur-scheme. Under the Asahan project scheme, which has been drawn up as a result of the survey of the Asahan Valley and the surrounding region, installation and generation of 800,000 kW of hydro-electric power would be possible. Although at present it is contemplated that all of this potential power will eventually be tapped, it is expected that within the next five years 100,000 kW will be generated especially for the fertilizer factory. This development—the generation of 800,000 kW—could provide cheap power for a number of industries such as the manufacture of aluminium, fertilizers, pulp and paper, cement, iron and steel.

The Welfare Plan for West Java contemplates the provision of improved irrigation facilities in the North Western region of Java. It is proposed to build two water reservoirs, the Waduk Djatiluhur and the Waduk Tarum, in the Tjitarum River. This scheme will improve the water supply of Djakarta and will also provide navigation facilities for river vessels up to 500 tons, between Djakarta and Tjirebon, a distance of 200 km. The above-mentioned project will also provide hydro-electric power of about 350,000 kW which will provide power for a number of industries in and around Djakarta and in West Java. It is expected that within the next five years only the Waduk Djatiluhur will be built and 150,000 kW will be generated.

2. UN Technical Assistance experts have played an important role in the work of the Bureau.

Food production development can be summarized as follows. In 1952 $130 million[1] or about 20 per cent of total foreign exchange earnings were absorbed by food imports. Food production was 10 per cent less than requirements, and the Kasimo-Wisakaseno Welfare Plan was promulgated in 1952 to eliminate this shortafall by using improved methods and better seeds, fertilizers, irrigation facilities, and implements, so as to achieve food self-sufficiency by 1956. However due to the favourable weather and the activities of the farmers themselves the production of rice has reached the stage of self-sufficiency in 1954, so that the imports of 150,000 tons have been used primarily for precautionary measures. The production of other food crops has increased satisfactorily, so that no export restriction has been applied to corn and tapioca. The acreage under cultivation was also increased.

In 1954, the government has prepared a Rp 6,000 million Five Year Agricultural Plan,[2] which will be the basis of the over-all national planning with respect to agricultural sectors now being prepared. The plan includes the raising of rice production on a self-sufficient basis from 7.1 million tons annually to 8.6 million tons; and of the production of animal protein to about 70 per cent of the requirement or about 1,920,000 tons of fish and meat at the end of 1959.

The plan also aims at an annual production of fibre (rami and cotton) of 48,000 tons covering about 25 per cent of the requirements; at the annual replantation of 87,000 hectares of small holders' rubber plantation and the rehabilitation of the estates' production to the pre-war level. Another development plan is a Rp 2,387 million Five Year Irrigation Plan to increase the irrigated area by 870,000 hectares (including 314,000 hectares of rice fields).

The *transfer of population* mainly from Java which contains about two-thirds of the total population of Indonesia and where about 30 per cent of the rural population are underemployed) to sparsely populated islands is under constant active consideration. Such a transfer of population to areas with adequate dry farming land will be an important basis of agricultural improvement and the only possible solution to the problem of overpopulation. Accordingly, the three Ministries of Social Affairs, Defence and Internal Security have moved respectively civilian population, rehabilitated members of dissident groups and demobilized forces and police employees; they intend if possible within a few years to move 500,000 people per annum. During 1953 some 50,000 people in 10,000 families moved from Java to South Sumatra and South Borneo, at a cost of Rp 67 million. Under the plan for transfer of population in 1954, each family is allotted a tract of 1¾ hectares of irrigated field and ¼ hectare of garden plot, in addition to provision of textiles, cooking utensils, agricultural implements, seed food for 6 to 12 months and a house; and other facilities.[3] A five-year plan has now been prepared, on the basis of experience from 1951 to 1953, to speed up the transfer of population during 1955-59; more than half the area settled will be in Sumatra, and almost 16 per cent in Maluku Island.

A number of plans for *industrial development* had been formulated before the transfer of sovereignty in December 1949. Soon after the transfer, the Department of Industry gave top priority to preparing an industrialization plan on the basis of earlier material available,[4] and published in March 1951 a two-year programme entitled: "Urgency Industrialization Plan." This Plan budgeted Rp 185 million and $13.5 million of foreign exchange for 1951 and Rp 121 million and $10 million for 1952. It also indicated that for subsequent years Rp 576 million and $45 million should be provided. The plan aimed at the improvement and expansion of facilities for industrial research; the extension of loans and credits to cottage- and small-scale industries with a view to their mechanization; establishment of twenty-three "Central Production Plants"; and setting up through government-sponsorship of large industrial plants in vital sectors of the economy.

The Two-Year Urgency Plan (1951-52) was only partially carried. The implementation of the loan-mechanization plan for cottage- and small-scale industries has been delayed and machines ordered for them are arriving in stages only now. The short term projects for large scale industries were for the greater part not yet completed by the middle of 1954 and work has not started on a number of projects. The progress made on long term projects was even less. With regard to the central production and processing units, the 1951 programme covering 8 "induks" (central units) was completed while the 10 projects of 1952 programme are still in the initial stages of implementation.

After 1952, the Ministry of Economic Affairs continued the Urgency Plan, which, in the absence of any long-term plan, still remains in force. However, it placed industries under four newly defined groups: (1) important industries to be financed and operated only by the government; (2) traditional handicrafts under Indonesians, such as batik, gold and silver forging and working, tin-smithing, tanning, book printing and binding, cigars, and oil processing and other small-scale industries, to be reserved for Indonesian nationals; (3) basic industries to be open to foreign participation but with Indonesian majority control; (4) all other industries to be open to participation of full control by foreign interests.

During 1953 and 1954 plans were prepared to conserve foreign exchange and provide local employment selecting only those industries which (*a*) require availability of local raw materials only, (*b*) do not require extensive research or laboratory investigation, (*c*) are simple in management and operation and (*d*) will produce consumer goods in common use.

Since 1954 the Department of Industry has been giving more attention to the establishment of medium and large-scale industries. In this connection and in accordance with the intention of the government to plan for a five-year period, planning in some specific branches of the industry was made by the United Nations experts attached to the Ministry of Economic Affairs.

It is the intention of the government to stimulate and regulate the industrial development in the right direction by enacting laws and regulations. Additional measures taken in this direction were among others: (1) assistance given by the institutes, (2) procurement of capital goods, (3) training of managerial personnel and skilled labour, and (4) discontinuation of import products. The private sector experienced the same difficulties as encountered in the government sector.

1. Figures in dollars are based on the official rate of exchange, i.e. $1= Rp 11.4 in 1951. Free market rate is three to four times as high at the time of writing.
2. The Five-Year Plans referred to in this chapter cover in all cases the period 1955-59.
3. *Indonesia*, 8 February 1954 (Indonesian Legation, Bangkok). The cost of transmigration from Java to Sumatra is roughly worked out at Rp 7,500 for a family of 5 people and covers cost of transportation, food, agricultural implements, housing, land clearing, etc.
4. Including an Industrial Plan of 1948 and the Kasimo Plan, based on a 1946 policy directive.

For *transport* rehabilitation, 298 railway carriages and 27 diesel locomotives were ordered in 1953, and of these 40 carriages and some locomotives had already arrived by September 1954 and the rest were expected by the end of the year. The Indonesian Government and the Royal Dutch Airlines (KLM) concluded, in place of the existing 26-year contract, a new six-year contract, effective from 30 April 1954, providing for the complete withdrawal of KLM from the ownership and for technical assistance of some KLM officials on behalf of management of the government-owned Garuda-Indonesia Airways. The entire KLM-held stock is to be taken over by the Indonesian Government for appropriate compensation.[1]

For the training of *technical and managerial skills*, some 200 technical schools are maintained by the Ministry of Education; 30 vocational training centres by the Ministry of Labour; and a number of industrial institutes for higher level training by the Industry Department of the Ministry of Economic Affairs. Almost all government departments and most of the larger companies operate separate training schemes for their personnel. College and university training is provided in the fields of medicine, law, economics, business, agriculture and science. The Ministry of Education has also sponsored 212 fellowship awards, of which 114 were from the United Nations technical assistance programme. Expansion of the training facilities, including an institute for public administration, is being planned.

Capital formation and development financing

In an economy where estimated *per capita* national income (at constant prices) as compared to pre-war levels has declined by about 12 per cent,[2] it is but natural that savings have also fallen off. In recent years, although gross capital formation has been estimated at about 5 per cent of total national income, there is practically no net capital formation. To finance the development plans, higher capital formation from domestic and/or foreign sources will be necessary.

The Bank Industri Negara, a state bank established in 1951, has played an important role in industrial financing, with funds from the following sources: (*a*) Rp 240 million paid-up capital (at the end of 9153), (*b*) government deposits (Rp 186 million at the end of 1953) and (*c*) bonds (primarily for housing) floated by the bank (Rp 50 million in April 1954, and another Rp 50 million floated at the end of 1954).[3] It granted credits, ranging from 3 to 10 years, of Rp 140 million in 1952 and Rp 240 million in 1953, and plans to grant credits of Rp 260 million in 1954 (of which Rp 126 million are for private enterprises). The outstanding credits at the end of 1953 amounted to Rp 351 million[4] as compared to Rp 250 million at the end of 1952. In addition during 1953 the bank directly participated in industries to the extent of Rp 85 million.

The total government expenditure on development for 1954 is expected to be Rp 1,300 million. A 12,000 million franc credit from France[5] and possibly other foreign loans will be available.[6]

Although the foreign investment policy is yet to be adopted by the Parliament, the Finance Minister issued in February 1954 a foreign investment policy statement emphasizing the foreign investors' need for internal security and freedom to transfer a reasonable part of their income and profits and laying down a tax policy designed to stimulate development. Foreign investment is acceptable only in industry not in trade,[7] banking or transport. Immediate reactions to the policy statement were not very encouraging, but since then, several French, German and Japanese firms have submitted investment proposals and the oil companies have increased their investments, e.g. the Standard Vacuum Oil Company plans to invest $80 million during 1955-57. Small investments totalling $3.5 million also came from Hong Kong Chinese. A special committee has drafted detailed legislation for a comprehensive foreign investment policy along these lines, and its proposals are now before Parliament.

Indonesia is a member of the Colombo Plan Consultative Committee, the International Bank for Reconstruction and Development and the International Monetary Fund. This should increase the inflow of foreign aid and foreign capital.

The Industrial Development Corporation formed by the Indonesian Chamber of Commerce and Industry in April 1954 is to help in establishing several industries conforming to government requirements, by acting as intermediary between the businessmen and the government, or between different industries, in arranging power supply, allocating foreign exchange and securing government orders for domestic industries; it is also to act as an intermediary between Indonesian businessmen and foreign businessmen, international organizations and trade institutions. The corporation is to take part in establishing factories where no initiative is being shown by others. It enjoys the close co-operation and support of various government authorities and credit institutions such as the National Planning Bureau, the Department of Industry and the Bank Industri Negara.

1 The management will be handed over to a government-appointed board. KLM will continue to give technical assistance until 1960.

2 Mr. S Daniel Neumark, (National Income Adviser to the National Planning Bureau) "The National Income of Indonesia, 1951-1952", in *Economics and Finance in Indonesia*, June, 1954.

3 The success of both bond floatations was largely due to the government's new regulation permitting foreign holders of Indonesian bonds to sell them in foreign capital markets. Foreign investors with funds blocked in Indonesia have thus bought the bonds as a means of transferring money out of the country.

4 Amongst the industries which received credits, sugar took about 50 per cent. Others included: ship-building (Rp 7 million, ultimately to be raised to Rp 25 million), iron and steel (Rp 10 million), paint industries (Rp 2 million), rubber milling, glass factories, etc.

5 The "Industrial Development Agreement by the Republics of Fraance and Indonesia" effective from 22 June 1954 for a period of one year provides financial credits to the extent of 12,000 million francs for the manufacture and delivery of capital goods ordered in France, repayment can be extended to a maximum of 7 years from the date of the order according to the nature of capital goods contracted Further, the French Government has agreed to use its good offices so that French manufacturers will provide free-of-charge qualified technicians for a reasonable period of time to start plants on the one hand and to train technicians and managing staff on the other, for projects like thermal and hydro-electric plants, railways equipment, diesel and electric locomotives, mining industry equipment, chemicals, etc. to implement the agrement. A joint committee has been envisaged which will examine and solve the problems of implementing the agrement with the advice of experts.

6. Loans and grants from abroad were expected to amount to Rp 454 million in 1954, including a loan of $2.9 million from the United States Export-Import Bank and grants from the United States Foreign Operations Administration of $7.1 million ending in June 1954. But it is estimated that no more than Rp 200 million was actually received.

7. As of 1954 only 11 per cent of the Indonesian imports may be handled by foreign trading companies, another 15 per cent by non-Indonesian residents, and the rest by Indonesian trading firms. This led to some Indonesian merchants taking out ficitious licences which they later transferred secretly to non-Indonesians at a high premium. The Indonesian ferred secretly to non-Indonesians at a high premium. However, special steps have been taken to stop this practice. The Indonesian Minister of Economic Affairs is reported to have said at the beginning of October that all foreign trading enterprises in Indonesia will be converted into Indonesian- owned enterprises.

AGRICULTURAL AND MINERAL PRODUCTION

Rice production in 1954 was 435,000 tons more than in 1953 because of the greater area sown and the increased productivity resulting from the prolonged rainy season. The rise in rice output was attributed, *inter alia*, to a marked decrease (due to falling prices) in the output of rubber and copra and a switch of labour to rice cultivation; and also to planting of new land in North Sumatra and Celebes. It was also due to government measures which were mainly directed towards intensive cultivation.[1] The plans to extend the acreage of cultivation were, however, slowed down by shortages of finance and "know how". Yet rice production continued improving and consequently the volume of rice imports was reduced to 291,000 tons in 1953 as compared with 649,000 tons in 1952. The stocks of rice with the Food Fund increased to 428,000 tons in 1953 as against 72,000 tons in 1951, thus making it possible to stabilize the rice price at a lower level.

Amongst the export crops, the 1952 world recessionary trend continued during 1953 for *rubber*. In 1954, this trend was arrested as the result of a rise in world consumption of natural rubber (following the decline in the rubber price, which led the United States to reduce its synthetic rubber production). Output was stimulated by the government's export inducement policy of 12 October 1953 and the rehabilitation of estates. These favourable developments should not, however, minimize the urgent need for replanting the aged trees which has been hindered by the misgivings of foreign estate producers as to their future. The monthly average of rubber exports fell from 58,496 tons in 1953 to 57,680 tons during the first half of 1954, and the monthly value of rubber exports for the first half of 1954 fell by 23 per cent to Rp 197 million from Rp 257 million in 1953. In the third quarter of 1954 trade agreements (including those concluded with mainland China and Poland) and the incentive of greater freedom of transfer of capital given to foreign-owned estates helped to reverse the downward trend. The government felt that industrial processing at home would solve the problem of quality. To achieve this, the export of slabs of 3 cm and above was prohibited and consequently rubber remilling factories began functioning even for small holders in Sumatoran Selantan, Tengha, Kalimantan Selatan and Burat.

The pressure of world demand on a limited supply of coconut and palm oil provided an incentive for an increase in *copra* production; and the rapid expansion of co-operative societies and the efforts of the Copra Fund helped to promote sales and exports. The monthly volume of copra exports increased to 15,800 tons in the second quarter of 1954, as against 13,900 tons in the first quarter. The increase in domestic industrial processing has increased the ratio of domestic consumption of copra in the form of coconut oil and soap, important consumption items of the local population. Yet notwithstanding this increase production has expanded so much that copra has become an important foreign exchange earner for Indonesia during the fifties. The Copra Fund which handles domestic purchase and expoprts of copra has fixed the 1959 production target at 920,000 tons.

Tea production and export increased in 1954, as a result of an increase in the estate acreage and successful reduction of blister blight; a decrease in the Indian tea-crop by 9,800 tons during 1953, together with an intensive sales effort and the de-rationing of tea in the United Kingdom, helped to raise the demand and the price for Indonesia's tea. Output during 1954 is estimated at 45,000 tons as against 37,000 tons in 1953, raising Indonesia's share of world production from 5.5 per cent to over 7 per cent. The monthly volume of tea exports for the first half of 1954 amounted to 3,200 tons, 33 per cent more than in 1953, and with rising prices the monthly value of exports increased much more i.e. by 50 per cent from Rp 22 million in 1953 to Rp 34 million in 1954.

The production and export of *coffee* were even more favourable in 1954 because the world price of coffee was about 60 per cent higher than in 1952/53. The production advanced to 61,700 tons from 46,000 tons, the price rose to 90 cents from 58 cents per lb; exports rose to 32,200 tons from 18,400 tons.

Favourable weather conditions for *sugar* increased the yield per hectare and total output increased in 1953 notwithstanding a reduction of the planted area and losses due to wilful destruction, theft and cane fires. In 1954 planting proceeded as planned with an increase of 7 per cent over 1953 in the planted area and an estimated increase of 16 per cent in the crop. The domestic consumption of sugar has also risen. The monthly exports for the first half of 1954 fell 30 per cent from 7,800 tons in 1953 to 5,550 tons, but this fall was offset by a rise in prices so that total export value did not fall. In 1954 sugar exports are not expected to be as high as they were during 1953. However, to encourage sugar exports and to neutralize the obstacle of high cost, the suspension of export duty on sugar was continued during 1954 in addition to reduction of the premium charge[2] from Rp 15 to Rp 5 per quintal for the 1953 crop. The exclusive reservation to Indonesian merchants of the export trade in sugar to Asian countries gave them a permanent footing in the sugar trade, because sugar exports from Indonesia were mainly shipped to those countries. Indonesia is not, however, a signatory of the International Sugar Agreement.

Monthly production of *tin-in-concentrates*, having fallen sharply in early 1953, recovered later in the year, but declined again in the first quarter of 1954, though to a level still about 8 per cent higher than in the corresponding period a year before. It has risen considerably since. The United States purchase of nearly two-thirds of Indonesia's tin output has prevented any ill effects of the 1953 world price slump on Indonesia. The recent signing of the International Tin Agreement has also created a favourable impression in the world market for tin. The monthly volume of exports in both the first and second quarters was lower than the 1953 average, while the value was about 35 per cent lower.[3]

An increase of 250 per cent in the value of *petroleum* exports and of 20 per cent in crude oil production from 1952 to 1953, and a 10 per cent increase in the value of exports of petroleum products, raised the total value of exports of this group which had been Rp 560 million in 1950 to Rp 2,300 million in 1954. Witn increased imports of crude

1. The Service for Indigenous Agriculture has been working since 1953 on seed improvements, fertilization and protection from disease and has started 8 new seed farms; it has encouraged the use of tractors and tried to check soil erosion.

2. This charge refers to a tax levied on sugar producers for the purpose of creating an insurance against damage. The tax collected is credited to a fund called Sugar Cane Damage Fund.

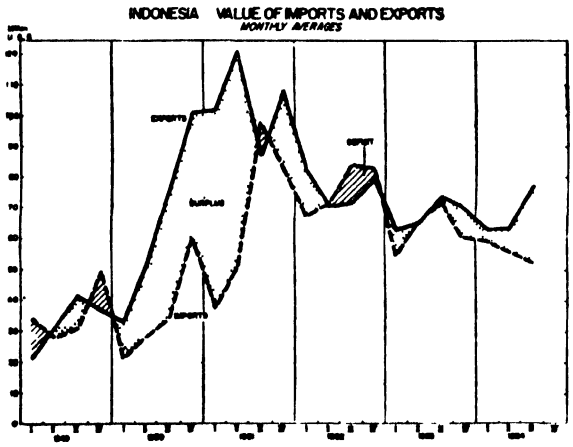
3. The export value fell from a monthly average of Rp 77 million in 1953 to Rp 50 million in the first half of 1954.

oil for refining from North Borneo, the refining of imported crude oil in Indonesia rose to 2.3 million tons in 1953 from 1.9 million in 1952.[1]

For the first half of 1954, the monthly crude oil production was 850,000 tons as compared to 852,000 tons during the corresponding period of 1953. The monthly volume of petroleum exports for the first half of 1954 was 740,000 tons as against 800,000 tons during 1953, but due to exports of refined petroleum the monthly value of exports was higher, being Rp 199 million as compared to Rp 191 million in 1953.

Plans have been drawn up to develop production of *aluminium* at Palembang in Sumatra from the deposits of bauxite in Butan Islands (estimated at 18 million tons).

Chart 32



TRADE AND PAYMENTS

Indonesia's terms of trade were slightly more unfavourable in 1954 than in 1953. The monthly volume of exports of rubber, tin, petrol, sugar and palm was lower for the first half of 1954, while that of tea and copra was higher than in the first half of 1953. Between the first half-years of 1953 and 1954 the value of exports remained unchanged, but there was a marked increase after June 1954. The volume and value of exports of major commodities for 1954 can be divided into three groups: first, tea and copra for which both volume and value of exports increased because of a rise in world price and demand; next petrol and petroleum products for which the volume of exports fell but prices rose more, so that the total export value increased slightly; finally for rubber and tin both the volume and the value of exports fell. The improvement since the middle of 1954 in the prices of rubber and tin has raised their export value and brought a rise in the monthly value of total exports from July onward.

The major factors tending to increase Indonesia's exports were the improved productivity resulting from better labour relations, and the introduction of an export inducement system[2] which helped to increase export proceeds in local currency.

While the value of imports in the first half of 1954—exclusive of petroleum—more or less equalled the value in the corresponding period of 1953, the third quarter of 1954 saw a decline in the value of imports as a result of the restriction since May last in the issue of foreign exchange licences. The fall in prices as compared with last year added to the decline in the value of imports. The shift from consumer goods imports to imports of raw and auxiliary goods which began in 1953 continued throughout the first three quarters of 1954. The import surcharge system introduced in August 1952 is still in operation.[3]

The changes in the volume and value of imports and exports resulted in an increase in trade surplus; *e.g.* the monthly average trade surplus rose to Rp 267 million in July and Rp 284 million in August 1954, as against Rp 64 million in 1953 and Rp 70 million in the first half of 1954. This contrasts with a monthly deficit of Rp 7 million in 1952.

While there is a surplus in the balance of trade, the balance of payments was in deficit up till the middle of 1954. A surplus trade balance is often converted into a deficit balance of payments by invisible imports including foreign investment incomes, insurance and salaries of foreign workers which amount to about 75 per cent of total invisible imports. The foreign exchange reserves which were accumulated during the Korean-war boom of primary commodity prices dwindled during 1952 and 1953 and the first half of 1954. In the first half of 1954, the unfavourable balance of trade with Japan amounted to Rp 695 million and that with the United States showed a favourable balance of Rp 86 million. *Foreign exchange holdings* fell by Rp 2,509 million and Rp 1,386 million during 1952 and 1953 respectively, reducing the total holdings at the end of 1953 to Rp 2,231 million as against Rp 6,126 million at the end of 1951 and Rp 3,617 million at the end of 1952. In one way the 1953 position was better because the government foreign debts were reduced by Rp 82 million whereas during 1952 government debt increased by Rp 897 million. To correct the critical situation in invisible payments during 1953 and the first half of 1954, a number of measures were announced, whereby the balance of payments position during the third quarter of 1954 recorded a marked improvement, arresting the downward trend and bringing about an increase in foreign exchange holdings from Rp 960 million at the end of June 1954 to Rp 2,446 million at the end of September 1954.

1. The imports of crude oil were mainly meant to offset the disequilibrium between production of crude oil and excess refining capacity of Batafsche Petroleum Mattaschappij in Indonesia which resulted from the suspension of production in the oil-fields at Sumatora Utara (Atjah) and Djawa Tengah. In April 1954 these fields were provisionally taken over by the Ministry of Economic Affairs.

2. Exporters of a few products receive, in addition to payments in local currency at the official rate of exchange, an inducement certificate (denominated in rupiah) in the amount of 5-10 per cent of the rupiah value of their exports. Such certificates are required in order to obtain exchange for the import of some luxury goods and are either so utilised by the exporters or sold to other importers. The price of these certificates has risen to Rp 1.11 for every Rp 1 certificate.

3. The surcharge system was introduced in August 1952 when import commodities were divided into four groups according to their essentiality, namely, A, B, C and D. On A, no surcharge was levied; on B, 100 per cent surcharge was levied and on C, 200 per cent. Category D was not to be provided with foreign exchange. In addition, "down-payments" of 40 per cent were required on application for exchange for B and C imports. In February 1953, a new list was made, in which most imports had to pay a surcharge of 33 per cent and the down-payment required was raised to 75 per cent. All items in category D were transferred to category C. As a result, Rp 440 million were withdrawn from circulation on account of down-payments during 1953. In October 1953 down-payments for capital goods and raw materials were reduced to 50 per cent to encourage industrial development. Effective from 12 July 1954 the obligatory down-payment has been increased from 50 to 75 per cent for goods essential to Indonesian industries and from 75 to 100 per cent for all other imports.

PUBLIC FINANCE, MONEY AND PRICES

Public finance

The budgetary position in Indonesia changed from surplus to deficit after 1951. The 1954 provisional budget estimates (which have not yet been passed by the Parliament) show a revenue of Rp 10,971 million and an expenditure of Rp 13,512 million, with a deficit of Rp 2,541 million. As compared to 1953, the revenue and expenditure budgeted for 1954 are lower by about 12 per cent. The 1954 decline in government revenue can be attributed to a decline in receipts from export[1] and import duties and in tax on income and wealth. Defence expenditure fell proportionately as the total expenditure, remaining at about 22 per cent of the latter.

To improve revenue, a number of regulations have been introduced. Important amongst them is the company tax which ranges from 40 per cent to 52.5 per cent, on taxable profits ranging from Rp 500,000 to Rp 2.5 million and over, but imposes lower rates, from 25 to 40 per cent, upon business houses opened after 1949. Further, with effect from 1 January 1954, the excise duties on beer and spirits have been raised from Rp 30 and Rp 400 per hectolitre to Rp 82.50 and Rp 750 respectively. A fiscal regulation incorporated in the Revalorisation Decree on Company Tax 1953 provided for increasing the value of company assets in view of inflation and devaluation.

The budget deficit amounted to Rp 3,087 million in 1953 and was covered by loans from the Bank of Indonesia (which issues notes), profit on gold,[2] and down-payments from buyers of foreign exchange. In 1954 total government loans from the Bank of Indonesia increased by Rp 3,200 million to Rp 4,600 million from Rp 1,400 million by the end of 1953 (the increase during 1953 over 1952 being only Rp 717 million).

Monetary situation

The financial institutions in Indonesia include several State banks, namely the Bank of Indonesia (established on 1 July 1953 to replace the Java Bank and carry out the central banking functions of issuing notes and acting as a government banker), the Bank Industri Negara, the Bank Negara Indonesia, Bank Rakjat Indonesia, desa banks (rural banks), together with seven foreign private banks, a number of national private banks, pawnshops, savings banks, the Jajasan Kredit and the Djakarta Stock Exchange.[3] Since the formation of the Bank of Indonesia and other State banks, the money market has become relatively better organized.

The monetary situation of Indonesia is affected by the budget and the payments position. Under normal conditions, in view of the great dependence of the Indonesian economy and the government budget on foreign trade, especially exports, the balance of payments would play a very important role. In 1953 and 1954, however, the government budget played a much more active role, on account of a high level of defence expenditure which led to huge borrowings from the Bank of Indonesia, thus increasing the money supply and inflationary pressures. The increase in food production has not been able to arrest the strong inflationary pressures, in the face of shortage of consumer goods imports.

Money supply increased from Rp 5,132 million in 1951 and Rp 7,642 million in 1953 and Rp 9,666 million on 29 September 1954—an increase of about 90 per cent over 1951 and 26 per cent over 1953. The increase was mainly due to the increasing note circulation of the Bank Indonesia. The increase in note circulation, however, was accompanied by a decline in gold and foreign exchange reserves. The monetary

1. Only copra, coffee and pepper are subject to export duty (but at lower levels) out of seven commodities on which additional tax levy was imposed in 1952; rubber was released on 1 January 1954. Also, from the general export duty of 8 per cent exemptions were granted which contributed towards a substantial falling off in revenue on export duty.

2. In May 1953 gold holdings were revalued at 12,796.05 rupiah per kg. fine or 11.37 rupiah per U.S. dollar.

3. A consolidated balance sheet is published for three State banks and seven private banks, which form a major sector of the money market.

TABLE 46

INDONESIA: INFLATIONARY INDICATORS

	1950	1951	1952	1953	1954		
					I	II	Sept
Balance of payments	..	+627	−2,947	−1,516	.	..	..
Budget surplus or deficit[a] (Total current transactions)	..	900	−4,300	−3,087	−3,150[b]	..	..
Domestic loans and advances[c]							
Bank Indonesia	..	2,870	5,759	5,833	6,806	7,910	8,655
Other banks	..	1,717	1,729	1,867	1,981	2,004	1,977
Money supply[c]	..	5,132	6,719	7,642	8,014	8,814	9,666
Notes	..	3,328	4,349	5,218	5,335	6,115	6,570
Deposit money		1,804	2,370	2,424	2,679	2,698	3,095
Retail price of food in Djakarta (1948=100)	113	189	199	211	221	220	224
Foreign exchange holdings[c]	..	6,126	3,617	2,231	—	960	2,446
Advance to government[c]	..	1,317	4,555	5,272	6,126	7,249	8,013
Government bond yield[c] (% per annum)	3.50	4.28	4.10	3.40	3.27	3.16	..

Sources: Government of Indonesia, IMF, *International Financial Statistics*
Bank Indonesia, *Report for the year 1953/54.*

a. Revenue includes loan proceeds.
b. Whole year's estimates.
c. End of period.

cover (in gold and foreign exchange reserves) for note and demand liabilities declined from 80 per cent at the end of 1952 to 40 per cent at the end of 1953, 24 per cent at the end of January 1954, and 19.9 per cent in July 1954; it rose to over 20 per cent in the next week and has since been maintained above 20 per cent.[1] As the normal statutory minimum of gold and foreign exchange reserves was 20 per cent, resort to an escape clause providing for a further reduction of the minimum reserve to 15 per cent was taken on 17 June 1954. The cover percentage was restored to 20 per cent at the end of September 1954 when foreign exchange holdings had increased from Rp 960 million at the end of June 1954 to Rp 2,446 million,[2] because of better exports during the third quarter.

The government borrowing amounted to Rp 8,013 million on 29 September 1954 and generated strong inflationary pressures. An additional, though limited, factor was the increase by Rp 110 million from the end of 1953 to the end of September 1954 in domestic private credits granted by other banks.

Prices

The general price level and the cost of living rose in the first nine months of 1954 as compared to 1953. Retail prices of foodstuffs in the countryside showed only the normal seasonal movements, probably due to the increased production of foodstuffs particularly of rice, but rose slightly in urban areas. In 1953, the cost of living for those families using mostly home-produced goods changed but little, while that for those using imported goods rose to an appreciably greater extent. In the first 9 months of 1954, however, the cost of living index for both categories of families registered an equally appreciable rise of about 9 per cent.

Wholesale prices of imports showed a continuous upward trend in the first 9 months of 1954, with the exception of textile prices which fell temporarily below the 1953 average. Export prices, especially for estate produce, improved considerably in the later months of 1954.

Prominent among the contributory causes of the rise in the general level of prices and the cost of living in 1954 were wage increases not accompanied by an increase in productivity, particularly in estate agriculture and some other larger industries where powerful trade unions successfully pressed for wage increases, and the shortage of consumer goods imports arising from the tightening of import restrictions.

The inflationary pressure generated by the budget deficit and increased monetary circulation was offset to some extent by the increased food production and partly by the increased balance of payments deficit.

CONCLUSION

For Indonesia 1954 marked another year of governmental efforts at readjusting the economy to the worsened terms of trade, while at the same time continuing its developmental efforts at diversifying the economy. However, these efforts had not met with complete success, but had been rendered more difficult by the exhaustion of anti-inflationary effects from monetary measures so far instituted and administered.

Food production, which showed a significant increase in 1954, served as a stabilizing influence on the general price level in the face of shortages in imported consumer goods. With the continuing decline in rubber prices Indonesia's terms of trade were, on the whole, less favourable than in the preceding year. The surplus in the balance of trade was more than offset by a deficit in the invisibles account, thus continuing the trend of decline in foreign exchange reserves. This trend was, however, reversed in the middle of the year by increased value of exports from better rubber and tin prices and a reduced value of imports as a result of tightened restrictive measures and a lower level of import prices.

A large budget deficit, caused by a high level of defence expenditures, was financed mainly by borrowings from the central bank. This led to a large increase in money supply and generated strong inflationary pressures. Wage increases in industries (where labour was strongly organised), not founded on real increases in productivity, had also contributed towards the inflationary tendency. But for the increased production of food and the considerable deficit in external payments, the rise in the domestic prices and cost of living would have been sharper.

Increased production and higher export prices, supported by an improved budgetary position, would help to stabilize Indonesia's economy in the short run. In the long run, diversification of the economy and transfer of population from the densely to the sparsely populated areas of the country appear to be essential.

1 IMF, *International Finance News Survey*, No. 36, 1954.

2 Bank Indonesia balance sheet, 29 September 1954.

Chapter 14. JAPAN

One of the most important features of the economy of Japan is dense population for the available resources of land and minerals. Population pressure has been aggravated since the war by the repatriation, both of armed forces and of overseas Japanese, form the former Japanese possessions. The rate of natural increase, though lower than in many other parts of Asia, is also fairly high. It is serious because the resources for expansion of the economy are limited.

Low pre-war living standards provided a cheap reserve of labour and kept the level of real wages in industry lower than in most other developed countries. The land reform introduced during the occupation resulted in a much larger proportion of the proceeds of the land going to those who farmed it and a smaller proportion going in rent. The consequent higher standards of living in rural areas, together with the strengthening of trade unions under the occupation, has increased the bargaining power of labour and resulted in labour's securing at least for the time being the greater part of any gains arising from increased productivity.

There are great differences in earnings between the large industries where the labour movement is generally fairly well-organized and the smaller industries. This great disparity[1] may have strengthened many smaller and relatively inefficient industries which might otherwise have been eliminated by competition.

Unlike most countries in Asia, Japan does not suffer from any serious shortage of skills. Education, both general and technical, is abundant and has actually been extended since the war.[2] Almost the only sphere in which some shortage of technical education is reported is in the heavy industries and at the managerial level.

Japan, with about half the labour force employed in non-agricultural pursuits, is much more industrialized than any other country of the ECAFE region. It has developed its industries with marked orientation towards foreign trade. A substantial portion of the raw materials for modern industries had to be imported, and many of the industries depended on overseas market.[3] After the war, the extent of dependence on foreign trade has been slightly decreased. However, many of Japan's imports today are not easily replaceable by domestic supplies: at least 20 per cent of food grains requirements and 40 per cent of raw materials needed for industries as a whole[4] are estimated to be the irreducible minimum that has to come from abroad. Any further expansion of its economy, either through the increase in population or through a rise in *per capita* industrial activities, would, more likely than not, increase Japan's dependence on foreign foodgrains and raw materials. From the long-range point of view, it is essential, therefore, that Japan's external current accounts be balanced through normal transactions of goods and services. At least until the end of 1953 such a balance was far from being achieved and the deficits were largely offset by special procurements and United States aid. It may be noted that in 1953 normal current receipts on goods and services occupied only 78 per cent of corresponding payments. In so far as Japan's imports are more or less inflexible, this gap points up roughly the magnitude of the problem it faces in attaining the economic viability through normal trade.

The war damaged the economy a great deal. Some of the capital resources that could have assisted the reconstruction of Japanese industry have been eliminated by the dissolution of big industrial enterprises during the occupation while many pre-war sources of supply and markets both in the former Japanese Empire and in China have been lost; in the process, Japan's trade with South and South-East Asia has increased in importance, but the slow post-war rate of recovery of this region as well as other factors have prevented a large expansion.

The low level of incomes generally prevailing in Japan did not prevent a high rate of capital formation before the war. This was partly financed by inflationary methods, the weak bargaining power of labour preventing any serious cumulative rise of wages and prices. The main source was the large savings arising from the concentration of wealth and the ploughing back of the profits of big industrial enterprises. Since the war the rate of net capital formation, including additions to stocks, has averaged about 20 per cent of national income, a rate that ranks high even among highly industrialized countries. The proportion of the capital formation contributed by the public sector rose from 17 per cent in 1934-36 to more than 25 per cent in 1951-53. Private savings which accounted for 62 per cent of total savings before the war declined sharply immediately after the war, but recovered to 50 per cent in 1951. Both capital consumption allowance and undistributed corporate profits also declined sharply. As a result, loans from financial institutions including government banks have accounted for almost two-thirds of the supply of industrial funds in the post-war period.

Aided by the high rate of capital formation, Japanese economy has made a remarkable recovery from war devastation, and by the end of 1953, for the first time, pre-war *per capita* standards of consumption were restored in urban as well as rural households. Pre-war standards of labour productivity and real wages have also been regained.

1. According to a specially detailed survey conducted in April 1954, wages in small concerns (employing 10-29 workers) were generally 40 to 70 per cent of those in the largest group (employing 1,000 or more) for comparable types of employment with similar years of experience.

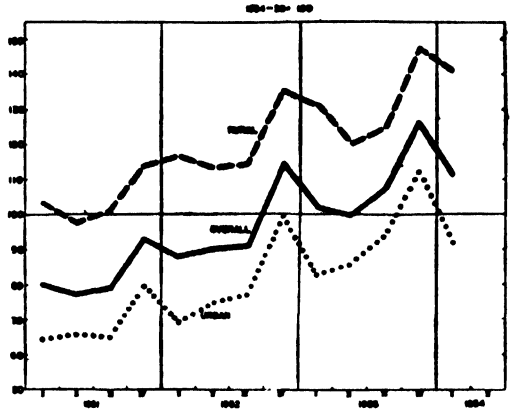
2. The abundance of education makes for a very low salary premium for any kind of skill so that the margin above the rather low basic standards of living is less in the Japanese middle class than in the middle classes of most other countries in Asia.

3. However, the heavy industries were mainly concentrated on production for the local market and for armaments before the war.

4. The Economic Counsel Board has estimated for 1952 that the degree of dependence on imports was 22 per cent for food grains, 43 per cent for industrial raw materials, and 12 per cent for articles of personal consumption.

Chart 33

JAPAN: CONSUMPTION EXPENDITURE LEVEL



The Government of Japan does not favour detailed planning of the economy. The Economic Counsel Board seeks to predict the different magnitudes within the economy and, it may be presumed, draws the attention of the Government to any unsatisfactory tendencies. For guiding economic development, the Government relies on indirect methods, including use of the banking system, allocation of foreign exchange, and loans at special rates. However, a six-year plan for over-all economic development was drafted by the Economic Counsel Board under the new Cabinet in December 1954.

The mechanism of financial control is on the whole fairly effective. The Bank of Japan exercises a substantial control over the commercial banks through detailed supervision of their loan requirements. Recently there has been some difficulty in reducing the budgets of local authorities and attempts have been made to strengthen central government control over their finances by adjusting the system of grants.

LONG-RUN POLICIES AND PLANS

Apart from the six-year plan mentioned above, a considerable number of programmes have been developed by different ministries and authorities. The central theme which runs through them appears to be the attainment of economic viability through normal trade. The erasing of the deficit on current transactions, which was as high as $1,000 million in 1953 but was reduced to $496 million in 1954, could be brought about through either (*a*) expansion of exports, (*b*) curtailment of import needs via development of substitutes at home, (*c*) reduction of the import contents of exports as a whole, or (*d*) stricter controls on importation of luxury and semi-luxury goods. These measures, except the last one, would involve varying degrees of long-range planning. The Government of Japan has embarked on a number of specific schemes in this direction. Related to the programme of export expansion are, for example, the modernization scheme of iron and steel industry, the subsidy programme for ship-building, and the plans of developing industrial fuel base, i.e. coal and electricity. Measures to curtail import needs are typified by a scheme to expand food grain production and a five-year plan for the expansion of the synthetic fibres industry.

The first programme for modernizing *iron and steel* making, inaugurated in 1951, is to be completed within 1954/55. It emphasized a stronger integrated system, blooming mills and the modernization of equipment for flat rolled products like strips, hoops, etc. Inflation has nearly offset the cost-reducing effects of modern equipment in terms of money; but the programme, on completion, is expected to raise productivity and lower costs per unit. The difficulty of securing needed funds seems likely to hinder the further modernization that has been discussed.

Under the annual *ship-building* programme since Japan was released in 1949 from the restriction on building ocean-going ships, 1.3 million gross tons had been built, up to 1954. It was then agreed that the scale of the current annual programme should be reduced, to build 19 cargo boats amounting to 154,000 gross tons. The greater part of the expenditures on ship-building has been met from government funds through the Japan Development Bank. Further, in 1953, the National Diet passed a law to subsidize the interest payments by ship-owners, on loans for ship-building from the city banks above a stated minimum rate of interest (5 per cent per annum), with a view to strengthening the ship-owners' competitive power.

For the *coal* mines, a five-year programme of opening vertical pits was adopted early in 1953, in order to cut down production cost which has risen as the natural condition of coal mines deteriorated. As the sluggishness of coal mining has become more serious plans are now being worked out to control the industry, restrict the opening of new pits and merge existing enterprises, etc.

In 1952 the *Electric Power* Resources Development Company was established with a capital of Y100,000 million, the greater part to be invested by the government. This company, with nine regional power companies, is playing a major role in the five-year power development programme started in 1953 with government funds. A $40 million loan from the International Bank for Reconstruction and Development was obtained to construct thermal power stations, and a plan to invite more foreign investment is being considered. The five-year plan was revised towards the end of 1954 and it now envisages the increase of generating capacity by 4.6 million kW in five years ending March 1959.

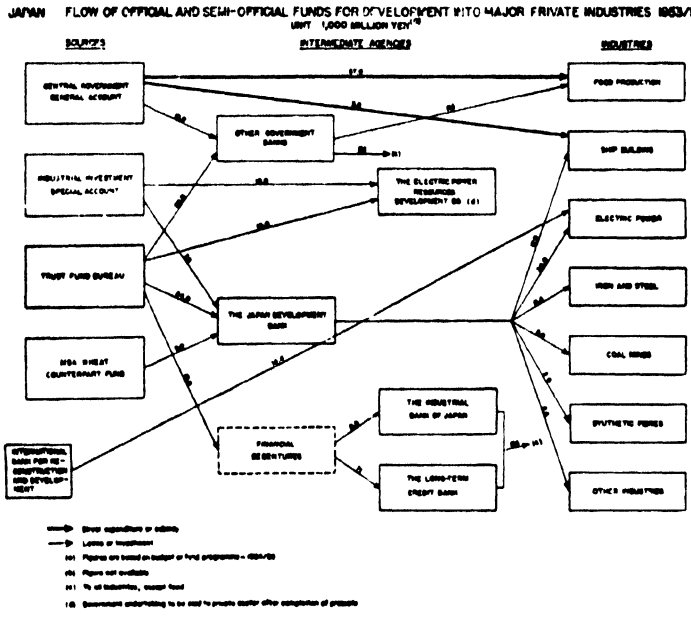
The value of *food* imports has been increasing and it is estimated that the annual increase in demand for food grains is 200,000 tons, owing to the increase in the population alone. A substantial amount of government funds was spent on increasing food production between 1946 and 1952. In 1953 the first five-year plan was initiated by the Ministry of Agriculture and Forestry to increase food production by means of subsidies and credit estimated to total Y420,000 million; for 1954/55 the programme provided for the realization of not more than one half of the target set for raising the production potential under the Plan. The over-all production increase, from increased acreage and improved land, techniques and varieties, is expected to be approximately 2.3 million tons (computed in brown rice) in the final year. However, owing to the pressure of population on food resources and the coincidental abandonment of cultivation in some areas, the net improvement in the supply-demand position is estimated to be very limited. More recently, the study of large-scale agricultural development projects such as the Aichi Canal Project, and land reclamation by drainage and development of the peat bog area, has started.

A five-year plan to increase the production of *synthetic fibres* was initiated in 1953 by the Ministry of International Trade and Industry. The actual output of three synthetic fibres (nylon, vinylon and polyvinyliden chloride) was about

3,600 tons in 1952/53 and the ultimate goal for a total combined output is about 45,000 tons. Some curtailment of import requirements for raw natural fibres is expected.[1]

Government funds for the development of the above industries, except those for the expansion of food production, flow mostly through the Japan Development Bank. Thus the loans outstanding of the banks as of the end of October 1954, classified by industries, give a broad picture of relative weights given to each industry. Of the total loans outstanding of Y342.500 million, nearly one half (Y159,800 million) was for the electric power industry, about 30 per cent (Y99,400 million) for ship-building. 10 per cent ($35,000 million) for coal mining, a little over 4 per cent (Y15,300 million) for iron and steel, and about 1 per cent (Y3,900 million) for synthetic fibres. These five industries accounted for more than 90 per cent of the total loans outstanding of the Japan Development Bank. In addition to this bank, the Electric Power Resources Development Company, which is financed largely by government funds, is engaged in the development of new electric power projects. The Japan Industrial Bank and the Long-term Credit Bank etc., which are supplied partly by the government with resources for investment, also play an important role in financing the development of major industries.

Chart 34



As to the commodity structure and geographical distribution of Japan's *foreign trade*, certain shifts of a long-run character are being contemplated. For example, emphasis is now being laid on the substitution of heavy-industry products for light consumer goods in Japan's exports. The weak competitive position of Japan's heavy industries is attributable to their producing mainly for armaments and the local market in pre-war days, to the high prices of their raw materials and to the delay in the post-war modernization and rationalization of facilities. The Heavy Machinery Export Association, with the aid of a government subsidy, has established several overseas consulting offices in South-East Asia and Latin America, to undertake market surveys and provide technical services[2] on the spot.

More recently the Ministry of International Trade and Industry has set, for 1957, an export target totalling $1,740 million in value (or $470 million more than in 1953); of this, $1,099 million is to come from thirty-two selected export industries classified into the following six groups: (1) Japanese specialities, such as pearls and certain flavourings; (2) non-durable consumption goods, such as textiles and china wares; (3) durable consumption goods, such as sewing machines and cameras; (4) standardized goods, such as ammonium sulphate and cement; (5) new materials, such as synthetic resins and titanium; and (6) industrial machines and ships. With the decline in special procurements following the armistice in Korea, attention is now being directed to the possibility of obtaining increased offshore purchase orders under the present United States aid programmes where commercial procurement is being employed.

In the allocation of Japan's import orders emphasis is laid on South-East Asia. Total imports into Japan are estimated at $2,000 million in 1957 ($410 million less than in 1953) but imports from South-East Asia are expected to increase, because it is considered specially necessary to transfer imports of raw cotton, crude sugar, iron ore, crude oil, etc., from dollar areas to South-East Asia, and to promote exports by bilateral negotiations. With some countries of South-East Asia, however, trade development has been hampered by outstanding reparations problem.[3]

Japan also plans to develop trade with mainland China during the next few years. At present trade with this area is hampered by the embargo on most of the exports which the Government of the People's Republic of China would be willing to take and Japan able to supply. Recently, as a result of the unofficial agreement reached at the end of 1953, trade has been expanding. In 1954 exports reached $17.6 million and imports $22.7 million, according to the foreign exchange statistics of the Bank of Japan. Comparative figures for 1953 were $3.1 million and $11.1 million respectively. This expansion was chiefly in textiles (mainly rayon yarn), chemicals (including fertilizers, dyestuffs and drugs) and machinery; coal, rice and soya beans were the principal increased imports. The present level of imports is still only about half that of 1950, but the long-range plan for 1957 envisages an expansion to about $70 million a year. This would still be far below mainland China's pre-war proportion of Japan's total import trade.[4]

Important psychological obstacles to Japan's trade still remain to be overcome, particularly in countries which were occupied by Japan during the war. The foreign exchange banks, merchant fleets and overseas branches of commercial firms, which formerly made a large contribution to the development of trade, were largely destroyed during and after the war. There has been considerable opposition to the re-establishment of such organizations, and their absence has

1. For cotton and wool textiles, virtually all the raw material must be imported, for rayon about one quarter (a Japanese factory to produce wood pulp for rayon is being established in Alaska in 1954); the newer fabrics have no petroleum base, and can be produced almost entirely from Japanese limestone and coal, though this will require more electric power.

2 Difficulties in servicing Japanese equipment in the South-East Asian region are a serious obstacle to Japanese capital exports.

3. With Burma, a reparations agreement was signed in November 1954 providing, in addition to reparation by goods and services, for economic co-operation amounting to $50 million through investments and loans.

4. Before the war, mainland China was an important source of raw materials for the Japanese heavy industry and an important market for Japanese consumption goods. It is unlikely that this position could be restored, since mainland China's pattern of trade has changed. There may seem, however, be an important market for the products of Japanese heavy and chemical industries.

seriously impaired the necessary servicing facilities related to the export of capital goods. Sharp competition has also developed among many of the small trading firms, each with insufficient capital to give it stability. Steps are now being taken to facilitate the merger of trading firms, and taxation measures have been introduced to encourage the accumulation of capital. Under the 1954 Foreign Exchange Bank Law, a commercial bank has been reorganized into a foreign exchange bank to engage mainly in foreign trade financing.

Aside from the measures directly related to the question of attaining economic viability, special mention may be made of Japan's post-war efforts to cope with the *over-population*.[1] These have been directed mainly to reducing the birth rate.[2] In the Eugenic Law now in force provision is made for induced abortion on economic as well as medical grounds; and in 1953 induced abortions were equivalent to more than half of the live births. The fall in the birth rate (to two-thirds of the pre-war rate in 1953) and simultaneously in the death rate, is changing the age structure of the population; a more comprehensive population analysis has recently been started by both governmental and non-governmental institutions to deal with this and other aspects of population policy.

RECENT DEVELOPMENTS

The policy of deflation

The year 1954 is characterized as a year of deflation in Japan, although indicators do not uniformly support this description.

The advent of the so-called "deflation" policy towards the end of 1953 was occasioned by the rapid declining trend of foreign exchange holdings through the widning gap in the normal commodity trade. While the value of exports in 1953 at $1,275 million (according to Customs Office statistics) was almost the same as in the preceding year, imports were $2,410 million, or in value 19 per cent and in quantum 37 per cent more than in 1952. Thus even with the receipts from special procurement about equal to those in the preceding year,[3] the foreign exchange balance in 1953 registered, for the first time since the outbreak of the Korean war, a deficit amounting to $193 million. A bad rice crop due to typhoons and floods necessitated a greater volume of foodstuff imports; and higher domestic price levels in general and preferential treatment of import financing did stimulate speculative as well as ordinary imports. But the rapid expansion of personal incomes (and hence of consumption) because of increased private investment in durable equipment and government spending[4] was no less a factor in the general expansion of imports.

As the main cause of serious deterioration in the balance of payments was considered to lie in excessive imports, the government made it the immediate objective to cut the value of imports down to the combined probable values of exports and special procurements. For this purpose it was considered that curtailment of inflationary cost expansion was not enough and that high domestic purchasing power, which was both a stimulus to increased imports and a barrier to exports, should be curtailed. Since spending by the government and investment both stimulate domestic purchasing power, measures to reduce government expenditures and tighten credits were put into operation towards the end of 1953.

As this policy was implemented in the course of 1953-54, deflationary measures were carried out mainly in the monetary sphere and not so much on the fiscal side.

When the 1954/55 budget was drawn up the general account expenditure was placed at Y999,600 million, $27,700 million less than the 1953/54 budget figure,[5] but Y125,600 million larger than the 1952/53 accounts figure. No positive measures were taken to increase revenue,[6] but it was decided that the 1954/55 budget should be strictly balanced and that there should be no inflationary borrowing or releasing of funds accumulated in the past. One deflationary feature on the expenditure side was the sizable cut in government investment and loans, in general and other accounts, from Y338,900 million in 1953/54 to Y280,500 million. Appropriations for public works and measures to increase food production were also cut down by some Y12,600 million or 7 per cent. However, defence expenses, grants and transfer of revenues to local governments, pensions for ex-service men, social and labour expenses, personal expenses and other expenses with a leaning towards consumption increased. In particular, it is noteworthy that the standard pay scale of government officials was raised by about 10 per cent in January 1954. In June 1954. the government agreed on a working budget designed to achieve a total saving of Y35,800 million, which brought within its scope the special accounts and accounts for government affiliated agencies as well as a Y19,900 million saving in the general accounts. As a part of this Y19,900 million saving in the general account was spent afterwards, the net saving was reduced to Y15,347 million. A supplementary budget of Y30,825 million was passed in November 1954, out of which Y30,534 million was financed by saving and suspended disbursements. Accordingly, the net increase of the budget was no more than Y291 million and the total amount of the general account finally came to Y999,879 million, still 14 per cent higher than the 1952/53 account figure but 2.7 per cent lower than the 1953/54 figure.

In local finance, while the government succeeeded in checking the rate of increase slightly by instructions to adjust the administrative structure and control expenditure and by tighter control of local bond issues, budgeted expenditure was still some Y50,000 million greater in 1954/55 than in 1953/54; and hence the net total of the general accounts of both national and local budgets in 1954/55 was Y1,571,000 million, an actual increase over the Y1,527,300 million in 1953/54.

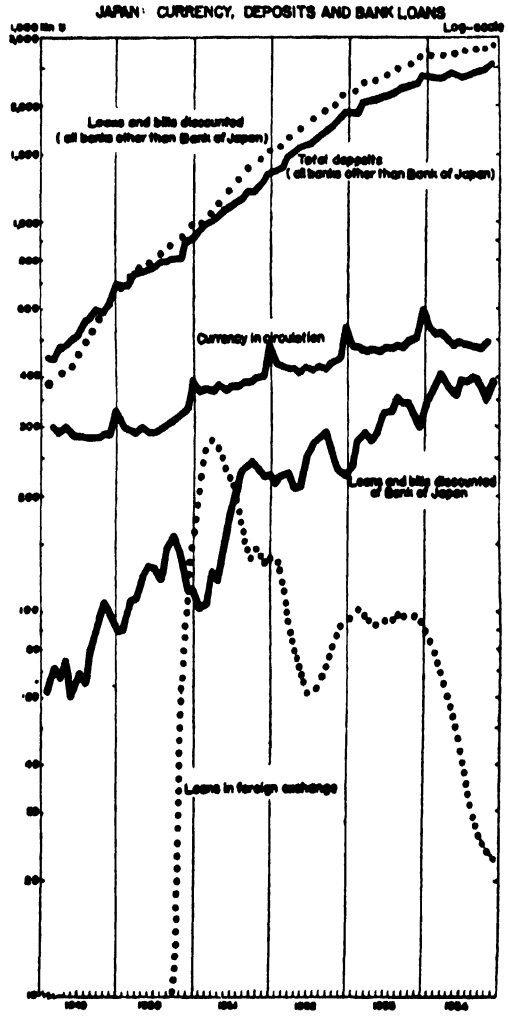
The economy measures of the 1954/55 budget can thus hardly be termed really deflationary. The balance of the government's cash transactions between April and September registered heavy net payments of Y27,800 million as against net receipts of Y52,300 million in the same period in 1953. This seems to have been due partly to a carry-over of payments appropriated in the 1953/54 budget but not paid.[7] The pay-

1. The loss of about 44 per cent of territory as tre result of the war, the repatriation of over six million civilians and ex-service-men from abroad, and the annual population increase of more than one million all contribute to the post-war problem of over-population in Japan.
2. Though emigration is subsidised by the government, the number of emigrants has been very small.
3. The receipts from special procurement amounted to $809 million in 1953, or 38.2 per cent of total foreign exchange receipts, as compared to $824 million in 1952.
4. It is estimated that private investments in durable equipment and government spending in 1953 were Y150,000 million and Y160,000 million more respectively than the year before. The national income for the year was 16 per cent higher than in 1952 and personal consumption rose by about 20 per cent, or 700,000 million.
5. In 1953/54 the budget was abnormally increased by poor harvests and disasters.
6. An attempt to introduce at extile excise duty was defeated in the Diet.
7. Expenditures scheduled in the budget for 1953/54 but not realised were Y213,200 million at the end of March this year. Of this total, Y84,100 million were disbursed in April and May and the remaining Y129,800 million, excluding unused Y8,300 million, were carried forward to the fiscal year 1954.

ment of these sums early in 1954/55 increased the disbursements on public works, defence, pensions etc. It was also partly due to disbursement from the food control account, bigger than had been expected because of the abundant 1954 crops of wheat and barley, the high government purchase price fixed for wheat, and the high proportion of bonuses for early rice deliveries which resulted from the unusually early crop.

Such big payments from government funds affected the Japanese economy in two ways. The fiscal disbursement (*e.g.* pensions to ex-service men, purchase of wheat, higher salaries for government officials) directly increased consumers' income and so stimulated consumption demand. It also assisted the banks' liquidity and relaxed their attitude toward increased loans. In the latter half of 1954/55 substantial excess payments for government purchase of rice are foreseen, and thus the Economic Counsel Board expects, for the whole fiscal year, an excess payment of Y107,800 million.[1]

Chart 35



In contrast to the continued expansionary character of public finance, the monetary policy since the end of 1953 has been on the whole deflationary. This is in contrast to the situation in 1952/53 when the fiscal system was deflationary and the monetary policy inflationary. Systematic measures to tighten money, chiefly by changing the Bank of Japan's loan policy, were carried out in October 1953 and in January, March and October 1954. The bank's effective rates were raised by strengthening the progressive interest rates system under which money rates higher than the official rates are charged on Bank of Japan loans in excess of certain fixed limits, and the preferential arrangements for financing imports were curtailed.

First the progressive interest rates system was tightened. By revising the formula for computing the range of loans to which official rates could be applied the bank increased the range of loans at graduated rates. The graduated rates were raised to a level 0.73 percentage points higher than the rates charged by city banks in March 1954. As a result the effective (average) interest rates of the Bank of Japan rose from 6.4 per cent in September 1953 to 7.9 per cent in September 1954 and exceeded the cost of bank money (about 7.3 per cent).

The special foreign exchange loan for banks (established in September 1950, to cope with accumulations of foreign exchange holdings, especially of sterling) was applied to 17 items, in September 1953, and loans then outstanding were Y96,000 million. Seven items were removed from its scope in October 1953, and the loan system itself was completely abolished in March 1954, the outstanding loans by October 1954 falling to Y24,100 million.

Measures were also taken to reduce the privileges of import settlement bills and stamped bills covering funds for taking delivery of imported goods. First the privileges ceased to apply to non-essential goods. The applicable interest rates were raised, by about half a percentage point by the Bank of Japan in January 1954 and by city banks in October 1954, and a graduated rate was also applied to import settlement bills in October 1954. The term of these bills was also shortened to about one month. As a result, outstanding import settlement loans dropped sharply from Y114,800 million in October 1953 to Y56,700 million in October 1954. In the Foreign Exchange Budget the total allocation for import was reduced from $2,560 million in 1953/54 to $2,190 million in 1954/55, and the guarantee to be paid by importers was revised in April 1954 as a measure for restricting imports.

Apart from the withdrawal of the special privileges of importers, the process of restricting credit has been rather unselective. The choice of the lines in which credit shall be restricted has been determined by the Federation of Bankers' Associations of Japan. The chief criterion laid down is restriction of equipment funds; but these have not in fact contracted as much as expected. The only reference to unnecessary consumption is an injunction to restrict urgent working capital advances more closely when they are likely to lead to an expansion in individual consumption. Only for small businesses is export promotion made a criterion for obtaining loans. In short the banks have been given substantial discretion in selecting customers for whom they will curtail credit and the restriction has therefore probably been applied mainly on the basis of ordinary commercial credit criteria. Its chief effects appear to have been a general curtailment of business activity particulary among small businesses and the resuscitation of monopoly tendencies[2] in certain sectors of the economy.

1. Excluding foreign exchange special account, the total of excess payments is estimated at Y134,800 million.

2. Merger of enterprises, especially of big ones, increased in April-September 1954, compared with the corresponding period of 1953.

Effects of the monetary restriction

It cannot be doubted that the policy of monetary restriction pursued since the end of 1953 had an effect on various sectors of the economy, such as prices, production and employment. Effects became apparent around spring of 1954 and dominated economic trends at least for a few months. But by the end of the year the economy again showed a sign of a slight upturn, apparently supported by increased effective demand arising out of the government sector and exports.[1] Commodity balance of trade also improved markedly during the year. But how far this improvement was due to the policy of monetary restriction as intended is not easy to ascertain. In view of the decline of investments in durable equipment it is also doubtful if any more genuine cost reduction was achieved during the year than there was in preceding years.[2]

For the first time in 23 years, the Bank of Japan note issue at the close of 1954 registered a figure smaller than that of preceding year. The central bank credit as reflected in the outstanding loans and discounts of the Bank of Japan was also smaller at the end of December 1954 by 19 per cent when compared with the corresponding figure of 1953.

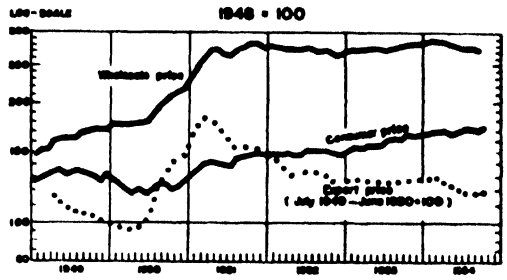
Net deposits[3] of all banks decreased a little in the first half of 1954, but by October were a little above the January level. The net deflationary impact of monetary restrictions may be gauged by comparing the increase of net deposits between January and October 1954 (Y93,400 million) with the corresponding figure (Y309,100 million) for 1953. Loans also expanded between January and October 1954 by Y136,400 million, but the deflationary impact can again be seen by comparing this with the expansion of Y412,000 million in the same period of 1953. Among these loans, advances of equipment funds started declining markedly only in the third quarter of 1954, whilst the restriction on funds for the supply of working capital was already severe in the first quarter and was reversed somewhat in th ethird quarter. The rate of expansion of loans slowed down for almost all industries, except local public bodies. Loans to the wholesale and retail trade contracted by Y57,700 million between January and August 1954. Loans to medium and small enterprises with a capital of less than Y10 million showed an excess of collection in all industries, indicating the financial difficulties of these enterprises.

Other sources of capital to industry have also contracted. Estimates for the fiscal year 1954/55 prepared by the Ministry of Finance show a decline of Y33,500 million in retained profit and depreciation (internal funds) compared with 1953/54, and a decline of Y43,700 million in new equity issues, while government funds have remained virtually unchanged.

Wholesale *prices* which had been rising up to February 1954, began falling in March partly owing to dealers' financial difficulties, dumping of commodity stocks, bankcruptcies, etc. In October, however, by which time a decline of 7 per cent was registered, the declining trend appears to have been arrested. A lead was taken by raw materials prices in September, recovering by more than 4 per cent by the end of the year, and was followed by those of semi-finished goods. The average of wholesale prices of all commodities in the last quarter of 1954 was actually higher than that of the third quarter. Retail prices, on the other hand, after rising up to April 1954, remained virtually unchanged in the subsequent months at a level about 3 per cent higher than that of October 1953 and started weakening only in the closing months of the year. A similar trend is observed for the consumer price index (all cities), for which a post-war peak was, in fact, recorded in October 1954 and thenafter a decline set in. Such lags are typical in short-run fluctuations of a modern market economy.

Chart 36

JAPAN: INDEX NUMBERS OF PRICES



The export price index has fallen continuously since April 1954, and in September was 7 per cent lower than a year before. The import price index has also declined, a little every month, since April 1954.[4] Here again, however, the declining trend was arrested for both indices in the last quarter of the year. It is especially to be noted that whereas the wholesale price index in 1954 stood at a level higher than in any previous year, actually 5 per cent above the international peak year of 1951, Japan's export price index in 1954 was 25 per cent lower than in 1951.[5] The net terms of trade, however, have not worsened for Japan inasmuch as import prices stood at a still lower level relative to the pre-Korean-war period.

Cash *earnings* of workers employed in manufacturing industries in 1954 were, month by month, consistently higher than in the previous year, although the uptrend appears to have been arrested in the latter half of the year. Workers employed in smaller establishments, however, felt the impact of the deflationary condition. And even those in bigger ones suffered a greater degree of arrears, especially in coal mines and shipbuilding. Wages in arrears,[6] as canvassed by the Ministry of Labour, amounted to Y2,042 million, affecting close to 200,000 workers, in October 1954, which is more than twice the sum in April the same year.

Whether the deflationary policy in fact encouraged rationalization as intended, thus reducing the cost of labour factor, is yet too early to tell. But indices of labour cost, as a function of labour productivity and unit wage payments, have not, on the whole, shown any noticeable change betweeen the

1. In the third quarter of 1954, for example, the supply of private equipment funds (exclusive of internal funds) was Y32,400 million less than the amount in the corresponding period of 1953. But in the same quarter, the current general account expenditure of the central government was Y27,900 million higher and the current foreign exchange receipts Y20,600 million higher than the corresponding figures of 1953.
2. It was estimated that the rate of increase in labour productivity of most industries in the third quarter of 1954 was only 10 per cent of that in the corresponding quarter of 1953.
3. Total deposits less cheques in course of collection.
4. The rate of all in the import price index was smaller than that in the wholesale price. This is in contrast to the situation in 1953 when the import price index fell by 18 per cent but the wholesale price rose by 3 per cent.
5. The disparity between export prices and domestic prices can be explained partly by comparatively higher prices for foodstuffs and construction materials and partly by export promotion measures such as raw material tied to exports and other forms of the link system.
6. Amount of wages which ought to have been paid but were not paid or delayed, due to the financial difficulty of employers, as of month-end.

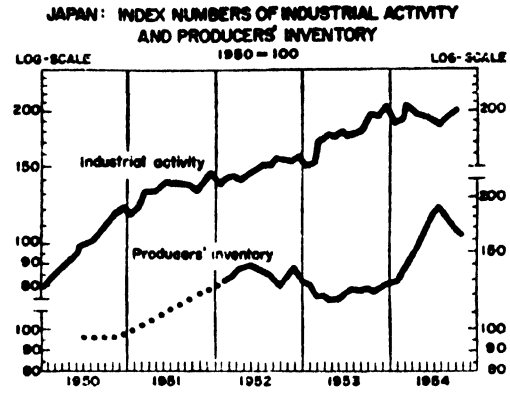
third quarter of 1953 and a year later. The arithmetical average of such indices for 11 major industries[1] actually rose 2.3 per cent during the year, whereas wholesale price index declined slightly meanwhile. Implied squeeze on profits is corroborated by the drastic decline in corporate profits as declared for tax purpose by 635 manufacturing companies (with paid-up capital of Y100 million or higher) on settlement of accounts for the half-year ending in September 1954. Aggregate net profits for the period amounted to Y42,750 million, or 32 per cent less than the previous half-year. Profits of textile companies were reduced to about one-third and those of metal manufacturing companies (mainly steel) were reduced by 60 per cent.

In the sphere of *production*, agriculture was little affected by the deflationary policy and depended more on weather conditions which in 1954 were more favourable than a year before. The wheat and barley crops were a post-war record, in 1954, the official final estimates being 1.5 million tons for wheat, 1.2 million for barley and 1.3 million for naked barley. The 1954 rice crop is officially estimated at 9.1 million tons[2] (0.9 million tons more than in 1953 but 8 per cent lower than the average crop). The total quota for delivery of rice is 3.3 million tons (1.2 million tons more than the quota, and 0.2 million tons more than the actual delivery in 1953). Government purchasing prices for barley and naked barley were reduced by 1.6 per cent and 0.9 per cent respectively, while for wheat the price was raised by 4.9 per cent. For rice, the average (effective) government purchasing price was reduced by 2 per cent (to Y9,718 per 150 kg) including bonuses and special payments.[3] However, the income of rice farmers is expected to be greater than in 1953, because of larger quantities delivered. Thus over-all agricultural production in 1954 is expected to increase considerably, as compared with 1953. Although non-agricultural income of farmers has declined by 13 per cent, the farming family income as a whole is estimated to have risen by 10 per cent in the period from April to September in 1954 as compared with the corresponding period in 1953. However, the condition of farmers cultivating less than 0.5 hectares has definitely deteriorated in the course of the year.

In the sphere of industry, the index of industrial activity (1950=100) which had been rising during 1953 maintained (apart from a normal seasonal recession) the high level achieved at the end of that year, until a decline began in April 1954, which continued through the next four months. In September the trend was again reversed and the index for the last quarter of the year, 202, recorded the highest ever achieved. For the year as a whole the index stood 6.5 per cent above the level of 1953.

In the first half of 1954, tight money affected distribution first, particularly the wholesalers, bringing about inventory adjustment along with declining wholesale prices; then manufactures felt the effcts of this adjustment in an increase in their stocks, which in turn led to a contraction of production. Indices of producers' stocks, which had been increasing rapidly since the beginning of the year, began to decrease in August.

Chart 37



There are voluntary agreements to restrict production among the big enterprises in the coal, steel, radio set, caustic soda, and tyre industries.[4] The decrease in producers' stocks after August is attributed partly to these restrictions of production, but the index of producers' stocks in September 1954 was still 42 per cent higher than a year ago.

The trend of production varied with different lines of industry. Firstly, there were those which, even before the restrictive measures were taken, had been suffering from recessional conditions, such as coal mining, carbide, radio, woollen fabrics, paper, pulp, etc. Secondly, there were those which, in spite of the generally deflationary condition, remained strong throughout the year, such as ammonium sulphate, cement, petroleum and products, etc. Thirdly, industries which appear to have been affected most strongly by credit tightening were iron and steel and cotton textiles. Both were hit severely by the stringency of short-term credit and weakened in prices. Prices of semi-finished steel products, for example, declined by 20 to 30 per cent between October 1953 and August 1954. Cotton yarns, too, declined in prices by 30 per cent within a year since the autumn of 1953, dragging down the group price index of textiles as a whole to a level almost 9 per cent below the pre-Korean-war level. No other group index was below this latter level in October 1954. Partly because they were hit most severely by the monetary restriction, these two industries, with lowered prices, sought energetically their markets abroad and succeeded by the latter half of 1954 in halting any further depression.

Trend in *employment* has also reflected the deflationary condition of the economy as a whole. The number of totally unemployed, which had remained remarkably stable from 1950 to 1953, started increasing in the spring of 1954 and by August reached a level 65 per cent above that of a year before. The employment index of regular workers in mining (1947=100) declined from April 1953 owing to a reduction of workers by the major coal-mining companies, and continued to worsen month after month. The employment index of manufacturing industry from January to June 1954 was above that of the same period in 1953 because high production in 1953 led to a larger number of new entrants from schools in April; but since May, it has been declining, and in August was lower than a year before.

1. Economic Counsel Board, *Monthly Economic Bulletin* (in Japanese), December 1954, p.47. Industries covered are: coal-mining, iron and steel, meta-lmining, ammonium sulphate, petroleum and coal manufactures, paper pulp, electrical machinery, rolling stock, silk manfacture, cotton-spinning, and chemical fibres.

2. These figures are for brown rice.

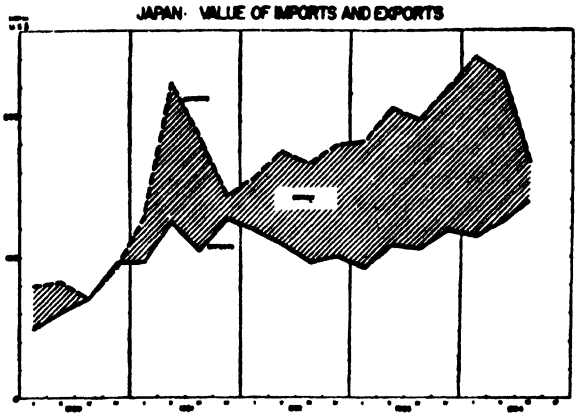
3. The actual amount received for a given quantity of rice depends on the proportion earning bonus. For a given proportion the effective price was reduced in 1954, but the proportions earning bonus have risen because of the early crop.

4. Economic Counsel Board, *Monthly Economic Bulletin* (in Japanese), October 1954 and January 1955. Quantity of production is usually reduced according to installed capacity or past production of each enterprise or by allocation of the raw materials imported.

Trade and payments

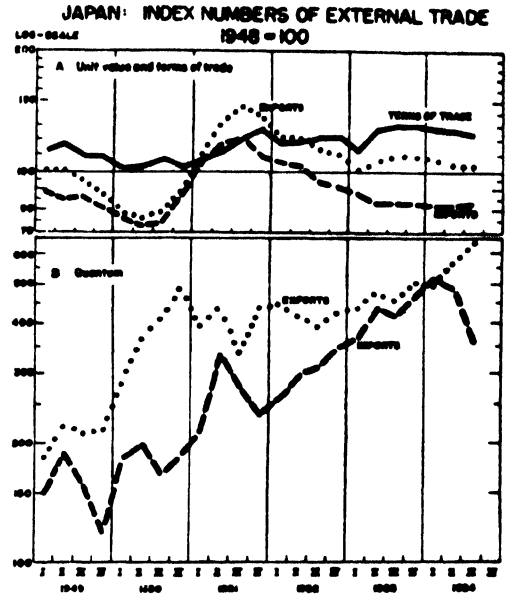
Trend in trade and payments is the result of an interaction of both internal and external forces and cannot be explained solely in terms of the domestic situation or policies. The policy of monetary restriction pursued in Japan since the last quarter of 1953 was principally aimed at improving its external position via reduction of domestic purchasing power. As over-all trade statistics of 1954 reveal, there seems to have been a good progress made in this direction.

Chart 38



Total exports (Customs Office figure) in 1954 amounted to $1,630 million, or 28 per cent higher than in 1953, while imports amounted to $2,380 million, or practically the same level as in 1953. Improvement was especially marked in the latter half of 1954, when exports at an annual rate reached the record level of $1,820 million and imports declined to $1,976 million (annual rate), an improvement in the trade balance of $1,000 million (annual rate) in comparison with the same period in 1953.

Chart 39



Commoditywise, the expansion of *exports* was greatest in textiles and metals. These two groups together accounted for 73 per cent ($258 million) of the total increase of 1954 over 1953. In fact, all the export commodity groups gained more or less, probably reflecting, in part, the over-all increase in the world trade in 1954. An analysis of the increases and decreases of exports by commodities and countries in which expansion has been achieved can help to determine what factors have been chiefly responsible for the gains so far achived.

TABLE 47

JAPAN: CHANGES IN EXPORTS BY PRINCIPAL COUNTRIES AND COMMODITIES BETWEEN JANUARY-NOVEMBER 1953 AND JANUARY-NOVEMBER 1954

	Textiles[a]		Metals		Machinery and Vehicles[b]		Grand total of exports	
	1954 (Jan-Nov)	Increase (+) or decrease (−) over same period in 1953	1954 (Jan-Nov)	Increase (+) or decrease (−) over same period in 1953	1954 (Jan-Nov)	Increase (+) or decrease (−) over same period in 1953	1954 (Jan-Nov)	Increase (+) or decrease (−) over same period in 1953
Sterling area								
Australia	15.2	+11.5	1.5	+ 0.7	..	..	24.6	+17.1
Burma	21.8	+ 6.3	7.2	+ 3.1	2.6	+ 1.8	41.9	+13.2
Pakistan	18.0	+13.4	3.2	+ 0.8	8.0	+ 2.4	32.9	+16.4
United Kingdom and colonies	72.9	+34.7	9.6	−16.2	2.7	+ 1.1	135.8	+45.5
Open account area								
Argentine	1.1	+ 0.8	38.4	+33.4	0.3	+ 0.3	47.0	+38.0
Brazil	8.2	+ 5.3	36.4	+31.1	11.5	+ 8.1	82.5	+68.0
Indonesia	70.4	+ 9.0	14.4	+10.4	3.4	+ 3.1	116.5	+36.5
Dollar area								
United States	48.6	+ 6.2	6.4	−18.9	14.9	−10.7	226.2	−16.6
Grand total	486.2	+140.9	178.7	+30.1	97.0	+10.4	1,370.0	+323.5

Source: Bank of Japan: *Foreign Exchange Statistics Monthly.*
a. Cotton, silk and artificial fibre yarns and products.
b. Including optical goods.

Table 47 shows the increase or decrease in the main exports in the sterling area, the open account area and the dollar area together with principal countries with which there has been any marked change. It will be noticed that the expansion is confined to the open account area and the sterling area. Exports to Argentine, Brazil and Indonesia in the open account area have increased greatly. In Argentine the expansion is mainly one of export of metals; in Brazil, of metals, machinery and textiles. In Indonesia there has been large expansion in textiles as well as in metals, machinery and other capital goods.

The trade agreement with Argentine was renewed in February 1954 providing for $90 million trade each way, which has probably stimulated Argentine's purchases, helping to overcome the adverse balance in the account. With Brazil an agreement was signed in June 1953 and renewed in 1954 for a further year, with a deferred payment system. Also Japan has been actively buying Brazilian goods to help to meet Brazil's exchange difficulties in buying from Japan. In Indonesia substantial debit balances have accumulated in the open account and in view of the difficulties in settling the reparations problems, it is difficult to predict how payment will, in fact, be made. This gain in exports can, therefore, hardly be regarded as very significant.

Since losses in the dollar area are offset by substantial increases in exports to Pakistan, Australia, Burma, and the British colonies, it is worth giving the latter some further attention.

Here, expansion has been assisted by successful trade negotiations, including the Anglo-Japanese payments agreement in October 1952, followed by a conference in January 1954 which has greatly assisted Japan's trade in British colonial markets. In the Australian market Japanese textiles were assisted by the removal of many restrictions on Japanese goods, both in October 1953 and early in 1954. In Burma, Japan has benefited greatly from the revised tariff introduced at the end of 1953, especially for its textiles; and the conclusion of a reparations agreement providing for joint investment will stimulate exports of capital goods. Exports of textiles to Pakistan have benefited from a trade agreement reached in April 1953, and exports of machinery from an agreement on terms for deferred payments reached in October 1953. These successes in the sterling area are largely independent of the policy of monetary restriction in Japan. Nevertheless, these are competitive markets, and probably at least a part of the increase in trade was due to lower export prices, and even more to the improved quality of Japanese goods in recent years.

In general, the factor of prices was definitely an element in the situation. For example, the increase in exports to Argentine, Brazil and Indonesia may be partly a result of reduced prices, since textiles and metals figure prominently in trade with them and these are the products in which price falls have been greatest.[1] It must be pointed out, however, that some of the price reduction of Japan's exports in 1954 was due to a special link system (the so-called "below-cost compensation link system") through which exports of certain commodities such as heavy machinery, ships, rails, etc. were linked to import licences (with foreign exchange allocations) for especially profitable goods, such as crude sugar and petroleum. Towards the end of 1954, however, the Japanese Government seems to have realized to what excesses the export drive had gone and announced its intention to abolish such extreme measures for export promotion. Although price reduction was a factor in the expansion of the country's export trade, it is doubtful how well-grounded such reduction was in terms of improvement in productivity.

There was a time lag between the adoption of the policy of curtailment and actual curtailment of *imports*, as a large part of the imports of food grains, necessitated by the bad 1953 rice crop, arrived in the first half of 1954. The total value of imports, which had exceeded $200 million in every month from December 1953 to May 1954, dropped to $196 million in June and has since declined to an average level of less than $165 million in the latter half of 1954. This latest decline is quite impressive and is partly accounted for by a slight fall in the unit value of imports. But a closer analysis of quantum figures for major import commodities reveals varying forces at work in bringing about this result (see table 48). In the latter half of 1954, import of major foodgrains, in particular rice, was distinctly less than in the first half, but was comparable to the average level between 1950 and 1953. Import of soya beans was substantially below the level of 1953, but here also the average level of 1950-53 was maintained. As for industrial raw materials, import for textile industries was generally lower and that for heavy industries higher in the latter half of 1954 than in the peak import year of 1953. However, in comparison with the average of 1950-53, imports of raw materials in the latest half-year were generally higher, but not to the same extent as the index of manufacturing production was higher (40 per cent) than the average of 1950-53. In the case of certain commodities, such as raw wool, rubber, hides and skins, hemp and vegetable oils, the weak demand can be traced to the desire of business for inventory adjustment. Average inventories of imported raw materials as a ratio to their factory consumption during a month have declined for most of the commodities in the second half of 1954, and this fact suggests probable recovery in import demand for them in 1955.

TABLE 48

JAPAN: IMPORTS OF FOOD AND RAW MATERIALS

(monthly average)

(Thousand tons, except as indicated)

	1950-53 (average)	1953 (Jan-Dec)	1954 (Jan-Jun)	1954 (Jul-Dec)
Rice	73	90	177	81
Wheat	136	141	206	158
Barley	58	59	92	36
(Above total)	(268)	(289)	(475)	(255)
Sugar	58	91	85	84
Soya beans	24	37	60	24
Iron ore	283	358	415	419
Raw cotton	38	45	53	37
Rubber	8	8	7	7
Raw wool	5	8	7	5
Hemp, jute, etc.	5	7	8	6
Phosphate rock	85	88	112	121
Salt	110	115	128	161
Petroleum ('000 kl)	454	783	904	837
Coal	229	410	284	317

Source: For 1950-June 1954: Ministry of Finance, *General Survey of Foreign Trade*, November 1954.
For July-December 1954: Ministry of Finance, *Summary of Foreign Trade*, December 1954.

1. Between February and September 1954, the over-all export price index declined by 9 per cent, the specific index for textiles by 11 per cent and that for metals and manufactures by 14 per cent.

The favourable turn in commodity trade balance, as noted above, has reversed the trend in Japan's *balance of payments* from the average monthly deficit of $16 million in 1953 and the similar deficit of $29.6 million in the first half of 1954 to the surplus of $46 million in the second half of 1954. The turn came actually in June, gained momentum towards the end of the year, and finally produced an excess receipt of $100 million for the year as a whole. Thus Japan's foreign exchange holdings as of 30 November 1954 stood at $975 million. Such an improvement is remarkable especially in view of the fact that receipts from special precurement, which occupied close to 40 per cent of the total foreign exchange receipts in 1952-53, declined steadily during the year, totalling $596 million in 1954, against $809 million in the previous year.

Whilst the balances of payments with the sterling area and the open account area were substantially improved, that with the dollar area deteriorated. Imports from the dollar area increased despite the general import curtailment, and between April and September 1954 were some 60 per cent of total imports. This heavy dependence on the dollar area for imports is partly due to the increased imports of wheat, raw cotton and electrical machinery financed by the United States Foreign Operations Administration aid, the United States Export-Import Bank and the International Bank for Reconstruction and Development.[1] As these financial aids were to some extent direct contributing factors to the improvement of the balance of payments and also there were increased credits tied up in the open account, the permanent improvement in the balance of payments is much less than the above figures indicate.

PROSPECTS

With an increase of its industrial production by 100 per cent in four years after the outbreak of the Korean war, Japan still faces the problem of economic viability as a major task for its future. In a sense, the windfall of the Korean-war boom made it more difficult for Japan to regain its genuine equilibrium by prejudicing its industrial structure in favour of those sectors which were especially receptive to extraordinary non-competitive demand of a war-like situation. The period of windfall is now passed, leaving in its wake an average standard of living 48 per cent higher than the *status quo ante* and over-inflated heavy industries which had had little experience of international competition under normal trade conditions. Theoretically, profits of the boom could have been utilized for the development of a well-rounded industrial structure. But in practice the basic economic motive forces had more or less free play.

Domestic prices, which, under the stimulus of the Korean-war boom, had risen by 1951 to a level 66 per cent above that of April 1949 (when the single exchange standard of Y360 to a dollar was established), have continued to rise in the course of the following three years, in marked contrast to the trend in most other countries. This disparity combined with the fixed exchange rate naturally discouraged Japan's exports and gave an added stimulus to increases in imports. The so-called "deflation" policy was adopted towards the end of 1953 mainly for the purpose of restoring the external equilibrium; but it was confined largely to the monetary sphere while fiscal disbursements on the whole went on increasing.

The policy of monetary restriction did yield some results after a year. Prices came down by 5.6 per cent during the year following October 1953, and the commodity balance of trade improved markedly by the latter half of 1954. But while the deflationary tendency appears to have come to a stop with some improvement in price-cost relation, the expansion of exports is largely explained in terms of successful trade negotiations and the price cut due to changed market conditions.

The balance of payments crisis is, for Japan, not an immediate issue inasmuch as a large part (about one-fourth in 1954) of the current foreign exchange receipts is still being earned through the special procurement of the United States forces stationed in Japan. However, the very fact that the balance is being achieved thanks to an extraordinary income implies the possibility of a sudden dislocation when and if that income disappears abruptly, while the fact of balance today might be conducive to postponement of measures for further development.

The Government of Japan has of late showed a greater inclination to the possibility of external aid or capital import from abroad not only as a balancing factor but also as a source of funds to modernize its industries. Here also, however, limitations are inherent as is exemplified by the problems created by the recent negotiation with the United States on the purchase of the latter's surplus agricultural commodities. Although Japan may be able to purchase with its own currency rice, wheat, etc. from the United States, the consequent decrease in purchase of these goods from other countries is likely to reduce Japan's exports to them, and thus its foreign exchange earnings.

Increasing attention is now being directed towards relaxing the embargo on trade with mainland China. Such an action would open the possibilities of obtaining at cheaper prices raw materials for Japan's heavy industry as well as of expanding the market for some of its major export industries. However, too high an expectation cannot be placed on the favourable effect of these possibilities. If a sizable unbalance in trade tends to emerge whenever Japan tries to expand its productive activities, more far-reaching measures may become necessary than have hitherto been considered.

1. Excluding the imports financed by external aid, a substantial increase was seen in the imports of foodgrains from the United States and Canada, of raw cotton from Mexico.

Chapter 15. KOREA[1]

For the Republic of Korea 1954 is the first year of post-war reconstruction of a divided economy. Not only did its liberation from Japanese rule have the effect of cutting it off from many markets and sources of raw materials and nearly all its trained managers and technicians; but the separation of the northern provinces, begun at the liberation and accentuated by the Korean war, deprived the light industry of south Korea of its power and heavy industrial base, and its agriculture of the main source of fertilizer on which the rice supply largely depended.

The disintegration of Korean economy at the time of liberation, the great destruction of productive equipment during the Korean war, and the maintenance of large defence forces, have compelled the South Korean economy to depend heavily on external aid and to make long-run plans by which this aid can, over a limited period, build up an independent economy.

The government inherited from the military administration 2,400 business and industrial units and over 160,000 residences. Of these more than two-thirds of the businesses and about two-fifths of the residences had already been sold by 1 June 1954. Under the constitution of the Republic of Korea, which was promulgated in 1948, it was laid down that considerable sectors of the economy should remain in government hands. However, the government in 1954 put forward several constitutional amendments designed to free its hand for further development of private enterprises and recently sales of all state-owned mines except a few to Korean nationals by 1955 have been decided. The shift of government policy to encourage private enterprises has gradually and effectively been implemented, and the government control and ownership of large industries will be eliminated in due course of time. The urgent need for foreign capital has also stimulated increasing interest in extending private enterprises.

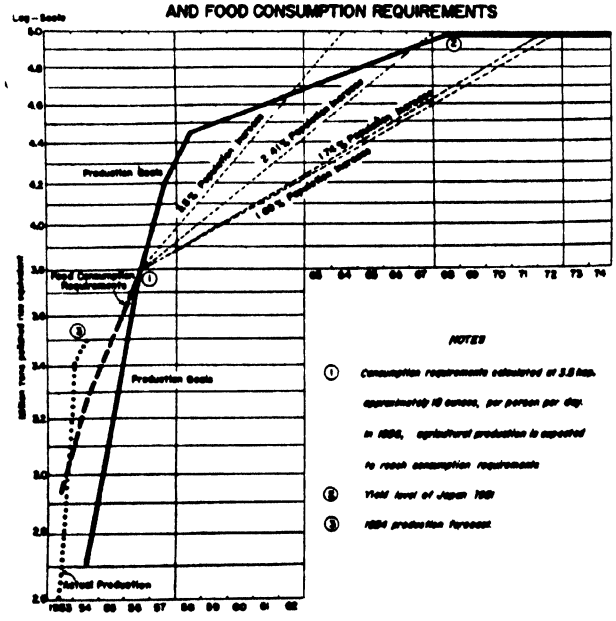
Neither the United Nations Korean Reconstruction Agency (UNKRA) nor the United States Foreign Operations Administration (FOA) base their present activities on the assumption that there will be a permanent system of planning for South Korea's economy, though the detailed programming of the different industries and their interactions probably goes as far as is found in any democratic society. But to ensure an underdeveloped economy that can balance its budgets and operate effectively it is necessary to plan for adequate capital equipment, and still more for adequate exports.

The dependence on the United States market is likely to diminish as South Korea's minerals find other buyers.[2] As Japan is the only rice-deficit country with a preference for the Korean type of rice, the restoration of the country's role as a rice exporter may increase its dependence on Japan as a market. The government, however, is anxious to be as little dependent on Japan as possible; it has, for example, shown great reluctance to allow Japan to be included among the countries from which tenders for supplies of goods bought with United States aid funds may be obtained.

Nevertheless it is difficult to see how south Korea can be economically independent without substantial exports of food. Only in agriculture has its rehabilitation so far exceeded expectations. Plans for development of irrigation, fertilizers, seed selection, etc. are designed to produce a regular surplus for export by about 1957. A serious long-run problem, however, is the rapid rate of population growth (one estimate of which is over 3 per cent per annum), which will rapidly eat up the food otherwise available for export, even if the maximum probable agricultural development is achieved. Chart 38 illustrates the projected increase of food supplies, as compared with several different projections of population based on past experience. This shows clearly that within a few years of achieving economic independence the Republic of Korea will be facing a serious problem of over-population.

Chart 40

THE REPUBLIC OF KOREA · AGRICULTURAL PRODUCTION GOALS AND FOOD CONSUMPTION REQUIREMENTS



1 The present chapter covers economic development in the Republic of Korea.

2. In 1953, the United States took 77 per cent and Japan 15 per cent of South Korea's exports; they supplied respectively 48 per cent and 35 per cent of its imports

LONG-RUN PLANS

While long-run plans were beginning to be made by the United States Economic Co-operation Administration, and the Government of the Republic of Korea, in the early months of 1950, very little more than relief and immediate reconstruction had been achieved at the outbreak of the Korean war.

The first attempt at long-run planning in south Korea was made by the Office of Planning of the Republic of Korea This plan has been criticized, mainly for postulating more generous living standards and social services than could be afforded if an adequate volume of capital formation was to be achieved within a reasonable period of years.

Further long-rrange planning has been undertaken in south Korea by UNKRA in cooperation with the government. UNKRA which was established in 1950 by resolution 410(V) of the General Assembly, not only itself planned a substantial number of rehabilitation projects but also engaged a firm of consultants to make a general survey and prepare a plan of reconstruction for the economy. This firm's report, published in June 1954, set as a goal the reconstruction of the economy to yield a national income per head slightly larger than that of 1950, without foreign aid. In planning how to attain this goal the report estimated at approximately $175 million the cost of the armed forces that the Republic could reasonably bear from its own resources, and postulated that if additional armed forces were maintained this would have to be part of a larger regional scheme financed from external sources. The programme postulated, in addition, the reorganization and tightening-up of the machinery of administration and the achievement of greater co-ordination in the detailed day-to-day planning of the economy. Since neither of these postulates has at present been met, the plan has not been accepted as a basis for over-all decisions for the economy of the Republic at present, though several of its detailed recommendations for particular parts of the economy such as power development have been substantially implemented.

The report emphasized the need to gain control of inflation and restore the effectiveness of the price mechanism as a first priority. Thereafter an investment programme was recommended to build up the productivity of Korean industry so as to achieve a viable economy by the year 1958/59. In planning the investment those outlets were emphasized in which productivity was highest, so that the average additional yield projected was to be raised by a rigorous process of selection, as high as one unit of annual income for every 1.7 units of investment in capacity expansion. The report emphasized that the level of consumption must not rise immediately in proportion to the rise in productive efficiency since a balance must be left to enable the country to build up its exports and to make a contribution to investment. It pointed out, however, that during the building-up period the country could produce no net surplus for investment, so that the only immediate effect of diverting local resources to the production of investment goods would be to change the proportion between consumption and investment goods in the total aid requirements. Yet this change was necessary as part of the process of building the economy up to a condition in which it could meet its own long-run requirements.

Table 49 shows the projection of the national income and of the import and export position and requirement of aid goods which form the basis of analysis of the Consultants' report. The investment plan is formulated in the first instance as indicated above, in the light of technical assessment of possibility. It is phased so that power, transport, etc., will be available as required by other sectors. Output is estimated on the basis of this investment, and total consumption on the basis of a standard of living rising steadily toward the target level. It is assumed to be the task (admittedly a difficult one) of the Republic Government to keep consumption to this level in spite of a more rapid rise in production.

The pegging of consumption standards while production increases rapidly is a difficult task since high rates of taxation may well undermine the incentive to increase production in

TABLE 49

REPUBLIC OF KOREA: PROJECTED REQUIREMENTS AND RESOURCES

(million dollars at 1952/53 prices)

	1953/54[a]	1954/55	1955/56	1956/57	1957/58	1958/59
Requirements for final product						
Personal consumption	1,325	1,440	1,540	1,630	1,717	1,785
Gross domestic investment	268	445	468	438	410	300
Government	350	370	380	390	405	425
National security	150	150	150	150	150	150
Other	200	220	230	240	255	275
Total	1,943	2,255	2,388	2,458	2,532	2,510
Gross national product	1,659	1,905	2,093	2,279	2,400	2,510
Foreign aid arrivals	284	350	295	179	132	—
Total import requirements	404	512	468	384	362	249
Exchange receipts[b]	120	162	173	205	230	249

Source: United Nations Korean Reconstruction Agency: *An Economic Programme for Korean Reconstruction.*

a. The figures shown for 1953/54 are projections related to the proposed programme. They are not forecasts based upon present programmes, which include the support of a much larger security force than the "normal" force assumed. A forecast for 1953/54 differs in the following respects:

(1) Requirements for national security spending, for total government spending and total requirements are all raised by about $300 million

(2) Income originating in the form of military wage and salary payments and gross national product are both raised by about $60 million.

(3) Consequently, net import requirements are about $240 million higher.

b. Including exports, UNC Kwan settlements and other net invisible receipts.

South Korea. The existing tax system could probably yield substantially increased revenues if collection could be improved. The percentage of collections to assessments in nine months of 1953/54 was nearly 80, but it is not certain that assessments were as great as tax liabilities. The proportion of the total gross national income taken in taxation, central and local, is approximately 20 per cent, and this must be considered high for an economy which has suffered a recent drastic fall in the standard of living. It is not planned to increase this proportion for 1954/55, although such an increase would be necessary to fulfil the conditions postulated in the consultants report.

An analysis prepared by the Office of the United Nations Command Economic Co-ordinator indicates that though gross national product plus net imports for 1953/54 was some $300 million less than that visualized in the consultants' report, the expenditure on personal consumption in south Korea was over $100 million greater. Domestic investment was only about two thirds of the figure in the report. Perhaps more significantly the comparatively small rise in government salaries that actually occurred, instead of the much larger rise postulated in the report, resulted in a much smaller proportion of the total expenditure accounted for by the government sector. Without a substantial increase in government salaries and other administrative improvements it may prove difficult to achieve the expansion of revenue collection.

Events which have already occurred make it impossible for anything like the Consultants' report's targets to be attained within the stipulated period, but it still affords a highly useful basis for the planning which may be undertaken once the present inflationary situation is brought under control and an agreed system of long-run programming is worked out.

The difficulties of achieving stabilization have been accentuated by curtailments of the programme of UNKRA, as well as by delays in arrival of aid goods financed by FOA. In 1950, a committee of the United Nations Economic and Social Council estimated UNKRA's requirements for the first full year of operation at $250 million. UNKRA has never, in fact, been able to plan on the scale of an annual budget of this size, but the figure forms a basis for its schemes in different fields, in the implementation of its directive from the United Nations. Failure to obtain the funds[1] has resulted in substantial curtailments of the original plans. The seriousness of the situation is, however, less than might be inferred from the need for aid goods to finance investment and UNKRA's inability to obtain the necessary funds from member governments; for on the cessation of hostilities $200 million was made available to the Republic of Korea by the United States Government through FOA. If the economy is to be effectively assisted, substantial further funds will have to be provided.[2]

This change in emphasis introduces an additional problem in the co-ordination of long-run planning. By an agreement reached in September 1953 the responsibility of UNKRA and the Korean Civil Assistance Command (KCAC), the operating arm of FOA, were allotted as follows: UNKRA was to be responsible for industry, mining, education, vocational training, fisheries, irrigation, forestry, flood control and housing; KCAC transport, communications, public works, power, agriculture, public health, social affairs and labour, and fund distribution. Other co-ordinating machinery was also established, including a Combined Economic Board consisting of the Economic Co-ordinator appointed by the United States Government to co-ordinate UNKRA and other aid agencies and representing FOA on the one hand, and a representative of the Government of the Republic of Korea on the other. This Combined Economic Board has also a finance committee which has the responsibility of co-ordinating all releases of funds with a view to controlling inflationary effects.

While harmonious relations have been achieved between the different aid agencies the co-ordinating machinery seems to call for improvement. Co-ordination of planning by division of function, even if administered flexibly, is unlikely to be wholly satisfactory; and where historical influences have caused industry, irrigation and flood control to be administered by one agency, power and agriculture by another, the task necessarily imposes great strains.[3] Moreover, the Republic of Korea and the aid agencies are each autonomous, with an effective veto. No joint secretariat has yet been devised, and this has effectively prevented any co-ordinated long-run plan.

The problem of short-run co-ordination is being solved mainly by phasing FOA expenditure to fit in with expenditure plans of the other responsible agencies. The aim is to sell enough imported aid goods during any given quarter to mop up the inflationary effects of deficits in other sectors. The rising expenditure under the war account, and the credits that the Bank of Korea has to issue to meet the losses of government monopolies working under controlled prices and to maintain expenses of new national projects, have so far created inflationary pressures that could only be offset by much more substantial imports of raw materials or consumer goods for sale.

It is, however, often hard to select appropriate aid goods to import for sale. Finished products may compete with struggling local industry; raw materials may find few buyers if credit is difficult. No doubt, in theory, it would always be possible to import consumer goods to mop up any excess of currency created; but where big incomes escape the tax collector it may be inadvisable to import luxury goods to absorb them, even if the controllers had the necessary detailed knowledge.

Long-run planning has, in effect, been confined to particular programmes on which agreement can be secured. A five-year plan for developing coal mines was set up in 1954 envisaging an expansion of output to 2.7 million tons in the final year by improved equipment and transport. The Electric Power Development Committee established in November 1953 has drawn up a three-year programme for increasing electric power, with capacity in the final year expected to reach 350,000 kW.

A programme of railway building is being undertaken to give access to coal mines and to the Samchok industrial area. Much repair work and rehabilitation of existing lines will also

1. A programme of $71 million for 1952/53 was spent or committed by UNKRA by the middle of 1954. Further programmes have been approved by the United Nations General Assembly as follows: for 1953/54 a programme of $130 million, approved by the Advisory Committee in August 1953, was later reduced to $85 million by the General Assembly itself, owing to shortage of funds in December 1953; a programme of $110 million for 1954/55 was approved by the Advisory Committee in December 1953, the $85 million 1953/54 programme was further reduced to a first increment of $22 million and an additional increment of about $6 million. The reduced 1953/54 programme is likely to be carried forward into 1955 and the 1954/55 programme of $110 million to be eliminated. Total funds made available up to September 1954 were less than half of the $250 million originally envisaged by the Economic and Social Council.

2. An American-Korean aid agreement was signed in November 1954.

3. Owing to shortage of funds UNKRA functions recently handed over to FOA and KCAC include: a large fertilizer plant (joint venture, almost all funds supplied by FOA); power responsibilities formerly left to UNKRA under original division of functions; and effective responsibility for irrigation.

be necessary. The road network is very inadequate, but some improvements have been made by both the United Nations Command Forces and by the Republic of Korea forces and, in addition, a small amount of road improvement has been undertaken as part of the very successful community development projects in the provinces.

The programme of irrigation has been seriously delayed, partly by the pressure to curtail UNKRA activities. Transfer of this responsibility to FOA may lead to substantial expansion.

Some interesting techniques of planning have been developed in south Korea, for example the employment of particular technical firms as advisers to an entire industry, such as coal. In a number of cases the firms constructing plants for the country have been required to sign contracts for running them for a limited period and training Koreans to operate them. The consultants' report also suggests an extensive system of management contracts for Korean enterprises by which private foreign firms would manage the undertakings for a commission, taking Koreans to their branches overseas and training them to take over at the end of the contract. This suggestion has not, however, been widely followed in south Korea.

CURRENT DEVELOPMENTS

In accordance with the long-range plans of the Consultants' report and the underlying assumptions of the south Korean economy, there are three principal instruments for achieving the immediate goal of a free-market economy based on a reasonably stable price mechanism: first, a substantial increase in production; next, an increase in aid goods for sale, and finally a greater measure of control over factors expanding the money supply.

Production

Developments have generally been more successful in *agriculture* than in other sectors, owing to favourable weather and improved fertilizer supplies. South Korea, with an estimated total requirements of food grains at about 3.5 million tons, is not likely to become a net exporter of food in 1954. There has also been some improvement in soya beans and in local production of potatoes, in spite of attacks of potato infestation early in the crop year.

With the import of over 100,000 tons of relief grain during the year, some high-quality rice may become available for export. Difficulties, however, in obtaining satisfactory premiums for quality from Japan in 1953/54, and serious shortages of rural warehouses appear to have led to consumption by farmers of rice that could have been exported. It is feared that prematurely high consumption standards may weaken incentives to further development and aggravate the political difficulties of exporting rice in future. There are plans for overcoming the warehouse shortage in 1954/55.

Increased *coal* supplies have been postulated in the five-year plan. Output however has not yet regained the million tons a year achieved in 1949, while total supplies are barely half the 3 million tons needed for South Korea's development.

Three UNKRA projects to provide technical assistance, capital and equipment to the coal industry have not, so far, succeeded in raising the expected 1954 output above that of 1953. The National Assembly fixed a selling price for the government-controlled Daihan Coal Company's output at a level below the present cost of production. Hence, new inflationary bank credits have had to be negotiated for every increase in production. Moreover, South Korea's transport system was never designed to carry coal to local markets, and this has caused serious transport difficulties.

South Korea's minerals are at present its principal earners of foreign exchange and were 87 per cent, by value, of total exports in 1953. The chief mineral export is *tungsten*, production of which increased satisfactorily up to March 1954 under a stock-piling contract arranged through a United States firm on very favourable terms. Upon the completion of the contract at the end of March, the Korean tungsten market collapsed. Since April some tungsten has been bought by the Government of the Republic of Korea, but it has not been possible to find alternative markets with prices comparable to those paid by the United States.

Copper ore production was at a lower rate in the first six months of 1954 than in 1953. *Graphite* also fell back, until the middle of the year, owing to market difficulties. *Manganese* expanded its production in the middle of the year through the conclusion of favourable contracts with Japan, but was also hampered earlier in the year by market difficulties.

Gold output, which is mostly consumed locally, has expanded more than that of any other metal during the current year, and there has also been satisfactory expansion in the output of *iron ore*. Clearly, however, the mining industry has been prevented mainly by inflationary strains and a cost-price squeeze from making any serious contribution to the expansion of output.

The continuing inflationary pressure has also hampered South Korea's *industrial production* during 1954. The chief difficulties have been lack of credit and power shortages. Banks and other financial institutions are unable to make loans at rates of interest above the legal maximum of 20 per cent per annum. In view of the rate of increase of prices, this is not an effective interest rate, and a portion of the limited funds available tend to be diverted into speculative buying of commodities. The Reconstruction Bank (a state-owned bank) was established and opened for business in April 1954, taking over a part of assets and liabilities of the former Industrial Bank which was liquidated. The main purpose of this bank is to place financial control of industries under the government, through making of term loans to industries.

Production of several industrial products, including rubber shoes, bricks, pottery and cigarettes was actually lower in the opening months of 1954 than in the corresponding period of 1953. In textiles similar difficulties have been encountered, but the great increase in capacity during the year has resulted in a moderate increase in output. The pre-1950 capacity of 235,000 spindles had been regained by June 1954 and it was expected to reach 400,000 by the end of the year. Productivity per man, however, is lower than before the second world war, partly as a result of inadequate supervision.

There have also been significant delays in developing local production of building materials. While some increase in the output of the existing cement plant has been achieved, breakdowns and delays have reduced this increase below what was expected. Moreover, delay in implementing UNKRA's programmes has deferred by at least many months the completion of a plant for producing window glass locally. In August 1954 a contract was finally signed for the building of this factory.

Industrial investment and housing

Since sale of investment goods almost always includes an inflationary element of local currency expenditure, the only aid goods that can help to mop up inflation are, in general, raw materials and consumption goods. The government on the other hand normally presses for more investment goods than foreign aid agencies feel should be supplied.

The progress of reconstruction has, however, been held up, partly by difficulties in making available the local currency funds to pay for the local labour and material on investment projects. In housing, for example, where the deficiency is estimated at between 600,000 and 1 million houses,[1] delays have occurred, both as a result of shortage of local funds and because of delay in the implementation of UNKRA's programme. During late 1953 and the early months of 1954, it was at last possible to begin producing rammed-earth houses which economize timber and other scarce materials, by using South African machines and local machines made on the same model. It was hoped that 4,300 houses would be produced in 1954 under the UNKRA programme for 1953/54, but by September materials had arrived for only about 2,000. The main achievements in housing, however, are those of the Korean Civil Assistance Command which had produced 6,500 houses in the first eight months of 1954.

Arrival of aid goods and withdrawal of United Nations forces

The second main anti-inflationary weapon was to be a substantial increase in the arrival of aid goods. The $200 million allocation through FOA might have materially increased the 1954 supply of those goods. However, the actual arrival of goods was delayed by the change in the technique of authorization and procurement by the United States Government and by other reasons.

In the end the actual arrival of goods by 30 June 1954 out of the $200 million totalled only $33.5 million, though the whole sum had then been committed. The total flow of aid goods from all sources at about $11 million per month was at a lower rate for the first five months of 1954 than for either 1953 or 1952.

Disappointing performance in both production and import of aid goods drastically limits the resources available to prevent inflation. The withdrawal of most of the United Nations forces from the Korean theatre removed an important invisible export from the South Korean balance of payments. Insofar as the services formerly supplied to the United Nations Command are no longer required, there will be a fall in income corresponding to the fall in foreign exchange and no inflationary effect need therefore arise. In some measure, however, the services will now have to be supplied to Korean forces.

A minor factor operating to reduce inflation may be the reduction in the circulation of US military payment certificates. These are issued to American military forces for use in military establishments, but the comparative ease of spending them and their stability in relation to the dollar have made them an auxiliary currency, sometimes used by the Korean people themselves. A contraction in the circulation of this currency may have a moderately deflationary effect.

1. The difference between the two estimates apparently depends on the treatment of population growth, which is largely ignored in the lower estimate.

The 1954/55 budget

We must next enquire how far fiscal and monetary policy was able to counteract the inflationary pressures. The budget of the Republic of Korea is not a fully adequate instrument for financial planning of the economy. A number of items are excluded from the budget proper and supplementary expenditures are incurred comparatively freely. The 1954/55 budget was originally presented for a fifteen-month period, since 1954 witnessed a change from the financial year 1 April/31 March to the year 1 July/30 June. The current year therefore runs from 1 April 1954 to 30 June 1955.

The tax structure remains comparatively little changed from 1953/54 to 1054/55; the chief development being an anticipated increase in the yield of income tax, probably mainly due to expectation of improved collections, but also influenced by the effect of inflation on money incomes. The yield of income tax has been affected by several changes in the incidence of taxation on business, designed to encourage re-investment,[2] which were introduced in March 1954.

The budget showed separately the general budget, war budget, and a consolidated picture of the special accounts. The intention was to transfer, in effect, the net surplus of H 8,200 million from special accounts to the general account and over H 19,400 million from general revenues to the war expenses account[3] after balancing the general account from taxes and other revenues. The war expenses account, however, was to exceed this amount transferred by nearly H 52,000 million, and this was to be met partly by the sale of H 3,000 million of national bonds and partly from the counterpart fund derived from the sale of foreign aid goods. At the time of presentation of this budget, it was widely believed that H 49,000 million of aid represented an unduly optimistic estimate and that therefore the budget would be moderately inflationary. Since April, the estimates of the amount needed under the war expenses account have been increased. It has also become apparent that the transfers from special account will fall short of the estimates, because the National Assembly has not allowed the planned rise in prices of some of the government monopolies, and the supply of aid goods has fallen short of expectations. By July there had not only been a substantial increase of the currency, but the estimates of the supply of aid goods required had been increased from H 49,000 million for 15 months to over H 50,000 million for 12 months. Even with this increase an expansion of over H 13,000 million in the currency supply is envisaged during the remaining 12 months of the financial year.

Increases in money supply

The acceptance of a major increase in the money supply as a probability, even on optimistic assumptions about aid goods arrivals, is the more serious because the currency has already been expanding at a rate greatly in excess of the expansion of output. Chart 41 shows the course of inflation in the economy of South Korea over the past few years and makes it apparent that expectations of continued inflation must, by now, be strongly entrenched and will be difficult to overcome.

2. A proportionate rate was substituted for a sliding scale in corporation income tax; depreciation allowances were increased; concessions were made on business incomes due to inflations; and further concessions to those voluntarily declaring tax obligations.

3. The transfer from general account to war expenses account (H 27,600 million) exceeds the net transfer from special accounts to general account by H 19,400 million.

Chart 41

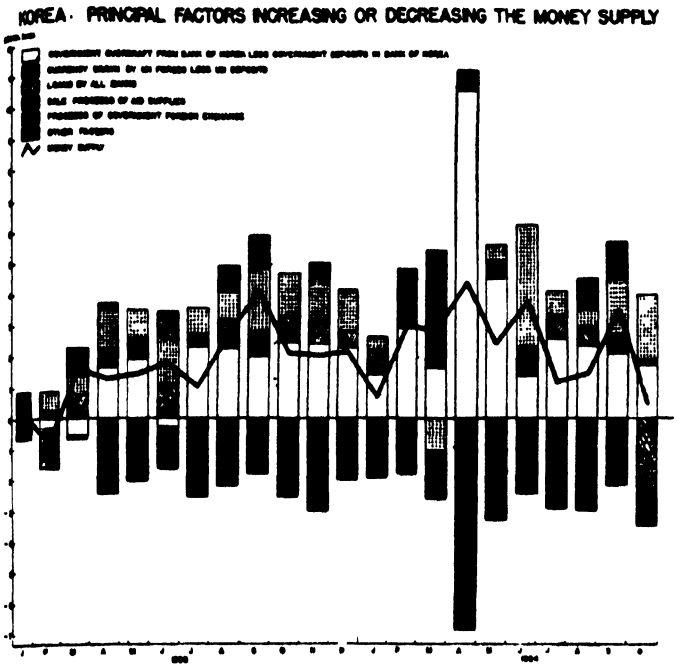
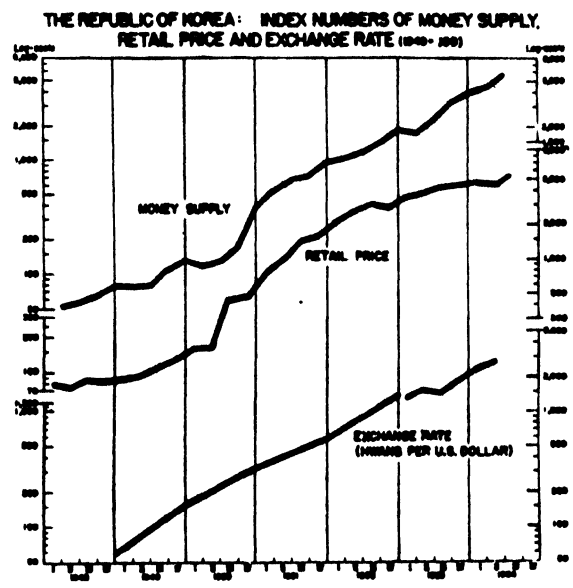


Chart 42



It is a particularly unfortunate fact that the beneficial psychological effect of the currency reform of February 1953, followed by the armistice, has not been sustained and that inflation, both in the latter half of 1953 and since the first quarter of 1954, appears again to have taken hold of the Korean economy. The initial impact of the currency reform was successful, but under the constitution the details had to be put before the National Assembly, which granted such liberal conditions for unblocking blocked funds that the effect was largely nullified.[1]

For a decade there have been relatively few periods when prices have not been rising sharply and exchanges declining. The price level has not followed exactly the expansion of the monetary supply; in particular during the early months of 1954, a considerable expansion of the monetary supply took place with much more limited increases and even some decreases in price levels. This was probably due to increased agricultural productivity and comparatively large imports of aid goods at the end of 1953. There was also a strong psychological expectation that conditions would improve after the armistice which appears to have led to a reduction of hoarding of goods and of the speed of money circulation. Disappointment of expectations later in the year, combined with increasing nervousness to reverse this process and to lead to a rapid rise in prices and decline in the value of the currency, while the supply of money was increasing hardly more rapidly than before, resulted in further rises in prices.

Chart 41 gives a break-down of the different factors which have increased or reduced the supply of money since early 1953. This shows the important role of government overdrafts with the Bank of Korea as the principal source of inflation. The sum of the overdrafts during the first six months of 1954 actually exceeded the total increase in the money supply. A part of these increases was due to borrowing on the grain management account, some at least of which should be seasonal in character. The major part, however, has been debt incurred on account of the war budget. Other features of the chart are the comparatively small scale of the proceeds of aid goods in relation to the amount of the inflation and the fact that the proceeds of government foreign exchange, mainly derived from payment for currency drawn by United Nations forces, have greatly exceeded the amount of that currency. Reasons for this are partly repayments made for past uncompensated issues of local currency to United Nations forces, and partly differences in the rates of exchange at which the hwan were sold and bought back.

Private credit by banks was sharply restricted during the early months of the year; but this had probably been an aggravating rather than a relieving factor because its adverse effect on production had probably been more serious than any likely aggravation of direct inflationary pressures. Figures showing the break-down of the increase in money supply after June are not at present available, but it is believed that psychological factors have aggravated the rise in prices and in foreign exchange rates during these months.

On the whole, the greater part of the year 1954 has been a period of disappointment. One of the reasons for this is that it has been found impossible, for lack of funds, to implement anything like the original UNKRA programme. The delay in obtaining these funds from member States has had far-reaching consequences because the curtailment of the UNKRA programme has produced serious planning difficulties and there have been unavoidable delays in building up the FOA programme to replace it. As a result, renewed inflationary pressures have hampered both mining and industrial production and the psychological advantage of the post-armistice period has been lost.

1. The open market exchange rate rose sharply from 215 hwan to the dollar in February 1953 to 711 hwan to the dollar in December 1954. Effective from June 1954 a special foreign exchange rate is to be applied to hwan transactions with and loans to the United States in accordance with the American-Korean Aid Agreement signed in November 1954: 254 hwan to the dollar for the period from June to August and 310 hwan to the dollar for the period from September to November, and a new rate to be decided by negotiations for the period after November 1954.

Chapter 16. MALAYA AND BRITISH BORNEO

Both geography and history have made the economies of Malaya and British Borneo heavily dependent on external factors. Having been developed largely by overseas enterprise catering for export markets, the economies show a high degree of specialization in a few export commodities which constitute the major portion of the total exports. For the Federation of Malaya and Singapore the proportion of the gross national product contributed by export and value added on the re-export trade was on the average 35.5 per cent during 1947-50. Further, all the territories depend on imports for a part of their food supplies, and this is one of the factors which bring occasional pressure on foreign exchange resources.

Except for Singapore, the territories are sparsely populated. Though the present rate of natural increase is quite high, there is some immigration in all the territories to meet the need for certain types of labour; the age structure is such that the required labour supply is not always provided, and skilled labour is scarce. For the Borneo territories immigration will be necessary for some time, though it is bound to be regulated and selective.

Exploitation of natural resources, but for rubber and tin, can be carried much farther. In agriculture, the practice of bush-fallow cultivation, though confined to newly opened up areas, reduces the use of available cultivable land, involving abandonment of land for as long as 10-12 years, after only 2 years' use. In North Borneo during 1953 only about 2,500 sq km (3.3 per cent of the total area) were cultivated and 8,500 sq km (11 per cent of the total area) had more or less to be left fallow. This applies to Sarawak also but is not, however, a major problem in Malaya.

Insufficiency of domestic capital resources is a hindrance to economic development. In the Federation of Malaya, North Borneo and Sarawak, the United Kingdom Colonial Development and Welfare Fund and the inflow of funds from foreign investors offset to a limited extent the deficiency of domestic capital.

While the governments regard all the territories as essentially free enterprise economies, there has been increased direction of economic affairs in all of them since the war.[1] A large part of the activities of the governments in all territories has been directed to overcoming the two main defects of their economy, namely excessive dependence on a narrow range of products and inadequate local food supplies. Post-war scarcity of food supplies and dependence on food imports brought about State trading in food and imposition of food control in all the territories. Now although food control is only retained as an operational measure in disturbed areas, the Government of the Federation of Malaya still sells about 30 per cent of the total rice consumed. Rail transport is operated under direct control of the governments, while road transport and most of the air transport in Malaya are operated under a system of licences. Singapore has import quotas in respect of Japanese textiles and cement, and restrictions governing the expenditure of dollars. In the Federation of Malaya, licensing applies to imports from North and Central America, while cement and textiles from Japan and rice from southeast Asian countries outside the sterling area are subject to quotas. Long range plans have been made in all the territories and attempts are now made to influence the development of private enterprise in many different ways. On the other hand, there is no central bank in the territories and the currency is on a sterling exchange standard. No specific control is exercised over credit apart from the controls needed to link the value of the currency to sterling.[2] There are also generally no central planning secretariats, the planning organs being different in different territories and exercising rather limited functions of co-ordination. There are however notable planning developments.

DEVELOPMENT PLANNING AND FINANCING

War-time destruction and the subsequent need for reconstruction brought in different development schemes and plans. The first fillip was given by the United Kingdom Colonial Development and Welfare Act of 1945, which alloted a sum of £5 million for a ten-year period ending March 1956 for development and welfare in the Federation of Malaya and Singapore, and a sum of £2.5 for North Borneo. While the plans in Singapore have been conceived chiefly to improve the standard of living and provide public services which have hitherto been lacking, those in other territories have been directed toward the fundamental aims of diversifying the economy and increasing the food production. It is recognized that transfer of factors of production from the main foreign exchange earners might lead to a temporary decline in national income. As there have been some differences in emphasis corresponding to the differences between the five territories, the plans are not integrated into a single co-ordinated plan.

In the *Federation of Malaya* plans are based on the original draft development plan for 1950-55 which was prepared by a special committee set up in 1947. The implementation of the development plan was delayed by the emergency which began in 1948. When the Colombo Plan was drawn up, the Federation's development plan was projected forward on the same basis of calculation to the six-year period 1951-57, together with certain other additional items of capital expenditure. Of this additional capital expenditure amounting to M$ 169 million, M$ 122 million was for education, housing, electricity, ports, and railway (rehabilitation), M$ 47 million

1. "... no country can afford to neglect its higher strategy of planning, and rely solely on a tactical approach to its problems as a means of solving thm, with all the duplication of effort, one-sided development and waste of irreplaceable resources which such an approach may well involve" (*Draft Development Plan of the Federation of Malaya*, 1960, p.128).

2. A newly constituted Board of Commissioners of Currency covering the Federation of Malaya, Singapore, North Borneo, Sarawak and Brunei was established in 1953. The Board issues dollars in the territories against sterling deposits in London at fixed rates and maintains over 100 per cent reserve in sterling securities. Profits in a Currency Surplus Fund are distributed by agreement to the five governments concerned.

related to rural areas, and M$ 7 million was for rehabilitation of war-damage. The Rural and Industrial Development Authority (RIDA), the Central Electricity Board and the Malayan Railway were brought within the scope of the plan and more provision was made for electricity supply and railway development. A sharp rise in the cost of labour during the Korean war boom and also the addition of new schemes necessitated by the emergency, have raised the cost of development from M$214 million estimated in 1949 to M$856 million estimated in 1952. In 1954 an economic survey team of the International Bank for Reconstruction and Development visited the Federation and the government is awaiting their report.

The progress made in the Federation on the 546 schemes under the Plan is not discouraging. By the end of 1952, 213 schemes were started and 65 completed, while in 1953 76 schemes were completed. In spite of the emergency and the increase of cost the progress of the Plan has been well maintained. In addition, the RIDA (on which the 1953 Ordinance conferred considerable powers) provided training facilities in domestic science, mechanized farming, industrial crafts, commerce and accounting, and village leadership. It gives loans to farmers, businessmen and fishermen to improve their trades and crafts, and to small communities to carry out schemes for improved local amenities, such as roads and water supplies. The Central Electricity Board carried on a series of power projects in the Federation, of which Connaught Bridge Power Station is the major one. The monthly average of electricity production of the Board during the first half of 1954 increased to about 24.5 million kWh, as compared to 21.9 million kWh in the first half of 1953—a rise of about 12 per cent.

The development plans prepared by *Singapore* have laid more emphasis on port development, building, public utilities and social services, because of the dependence of the Colony on trade and industry for its economic prosperity. In addition to the Government, there are three principal agencies responsible for these developments, the City Council, the Singapore Harbour Board and the Singapore Improvement Trust. The City Council is responsible for public utilities, the Harbour Board for port facilities and the Improvement Trust for low-cost housing and industrial sites. Co-ordination of development planning is done by a division of the Government Secretariat in Singapore. The City Council—the authority for generation and distribution of electric power—started a new power station at Pasir Panjang, costing about M$93 million, of which Nos. 1 and 2 turbo-alternators (of 25,000 kW each) were completed in 1953, and two more turbo-alternators of the same capacity are expected to be completed in 1954. Two more alternators will be installed in 1955, completing the total of 150,000 kW. On completion of this project, Singapore will have no power problems for many years.

Work on the new international airport is due to be completed in 1955, and a substantial housing programme has also recorded progress. For example, for housing its employees, the City Council up to 1953 spent M$10.3 million and the government M$16.5 million. The Improvement Trust spent M$53 million on cheap housing construction for the public. Heavy expenditure on housing by these authorities continued in 1954 and is planned to continue in 1955 and subsequent years.

The government itself has undertaken no industrial development except that both the Singapore Improvement Trust and the Colonial Development Corporation have helped in laying out industrial estates. In earlier years, the bottlenecks in development had been shortages of either supervisory and planning staff or materials. In the last two years the limiting factor appears to have been the lack of qualified supervisory and planning staff, and to some extent of skilled labour.

In *Sarawak*, 1954 has marked the announcement of a revised Development Plan covering the period 1955 to 1960. This plan (Sarawak's third),[1] which covers an expenditure of M$99.4 million, incorporates unspent balances of schemes included in the 1951-57 plan and is carried forward to 1960. Of the proposed development expenditure, 54 per cent will be incurred on the improvement of communications which is the principal need in Sarawak; social services, especially medical and educational services, are also very greatly expanded.[2] A good deal of attention has been devoted to diversification of the economy, particularly the development of pepper and timber production. Moreover, part of the expenditure on teachers' training, rural improvement training and travelling dispensaries previously included under development expenditure has been transferred from the Development Plan to the annually recurrent expenditure, so that the Plan actually understates the full amount of expansion. Even so, the total expenditure under the new Plan is nearly one-third greater than the total expenditure so far incurred on development in the period 1947-54.

In *North Borneo*, the problem of developing communications is almost as great as in Sarawak but. in addition, North Borneo has a special problem of rehabilitating buildings and capital equipment destroyed during the second world war. Not only was the extent of the destruction particularly great in North Borneo, but the effect has been more serious than elsewhere in the area, because of North Borneo's shortage of labour and consequent great difficulties in achieving reconstruction. Recently North Borneo's difficulties have secured greater recognition and with assistance, not only under the Colombo Plan, but also from the World Health Organization and the Foreign Operations Administration of the United States, and substantial progress has at last been achieved. Actual expenditure on reconstruction and development in 1953 were M$12.5 million and the expenditure for 1954 according to revised estimates was M$19 million. A substantial proportion of this has been spent on rehabilitating damaged buildings and other capital equipment and in 1954 attention is concentrated on re-equipping port facilities at Jesselton, Sandakan and Labuan, air, rail and road services, and communications. There are also pilot projects for investigating potential new rice areas and additional work on fish culture and drainage and irrigation schemes.

Brunei's Five-Year Development Plan covering 1954-58 is being prepared by a Development Committee appointed by the Sultan in Council. The Plan will include a system of social insurance with pensions and allowances for old age and various categories of physical handicap. Plans for improvement of roads and development of ports and aerodromes, irrigation and waterworks, and attempts to diversify the economy, partly by developing the rubber industry and opening up new areas for cultivation, are to be included. In addition, an expansion of educational facilities is projected,

1. A Seven-Year Plan of Development (partly retrospective) for the years 1947/48 to 1953/54 was approved in 1950; it was revised to take account of increased costs and resources, and of the machinery of the Colombo Plan, in the Revised Development Plan (1951-57).

2. The figure for education is more than twice as great, and the figure for medical and health services about three times as great as that in the 1947/48—1953/54 plan.

both within Brunei[1] and overseas (by the award of scholarships). The main responsibility for the development of Brunei's principal resource, namely its large oil reserve, both on land and under the sea, rests with the companies which have mining leases over the oil producing areas.

Financing of development and capital formation

Funds are available for financing of government developmental expenditure from four different sources. First, there is the United Kingdom Colonial Development and Welfare Fund which is intended for schemes that are not directly productive of revenue. Second, the Colonial Development Corporation supplies funds which are expected to earn a direct return. Third, loans either local or external can be raised by governments themselves.[2] Finally, development can be financed out of revenue; and governments have taken care to ensure that commitments for annually recurrent expenditure are not undertaken as a result of Development Plans beyond what can be financed from anticipated annual revenues.

Total funds allotted from the Colonial Development and Welfare Fund for the territories amount to M$100 million of which about M$25 million are likely to be available in 1954.

United Kingdom assistance to the *Federation of Malaya* for rehabilitation and development in 1954 includes an interest-free loan of approximately M$52.5 million to the War Damage Fund, a grant of approximately M$51.5 million towards the cost of the emergency and an estimated contribution of approximately M$6.75 million towards equipment and camps for units of the Federation military forces.

Three loans have been obtained from the Colonial Development Corporation: (1) M$30.7 million redeemable in 1960 at 4 per cent, (2) M$25.1 million redeemable in 1962 at 4.75 per cent, and (3) M$4.8 million redeemable in 1960 at 4.75 per cent. All these loans have been given to the Central Electricity Board for the construction of Connaught Bridge Power Station.

In 1954 the Federation raised M$60 million locally out of the M$100 million authorized under the 1951 Loan Ordinance, leaving M$40 million still to be raised. M$34.3 million was raised in London out of M$55 million authorized by the Loan Ordinance of 1953, leaving M$20.7 million to be raised later. The loan of M$40 million offered by Brunei has been accepted, but not yet taken up. Pending the raising of further loans, some development expenditure is financed by advances covered by the issue of Treasury Bills and Treasury deposits. The M$100 million from the 1952 Security Loan Ordinance and the M$30 million loan from Singapore (received in 1954) were to meet budget deficits.

There are no reliable figures of private capital available for investment but the inflow from abroad, in the absence of any discrimination against foreign capital, has been substantial. Local sources include the undistributed profits of companies (very large profits were earned in the Korean-war boom, in rubber and tin). Foreign sources include the United Kingdom, Hong Kong (spinning mill and other factories, rubber estates) and Australia (boot-polish factory). It has been estimated that the Federation of Malaya drew on external resources for capital formation in the public sector amounting to M$14.4 million in 1952 and M$24.2 million in 1953 and the anticiipated figure for 1954 was M$21 million. Roughly, it is estimated that total net capital formation amounts to 8 to 10 per cent of the national income.

A loan of M$6.5 million was also made by the State of *Brunei* in 1954 to North Borneo. In *Sarawak*, the Development Plan is to be financed as follows: from the Colony's existing Development, Welfare and Reconstruction Fund's balance, M$3.3 million; from approved territorial allocations and expected allocations from Central Funds of the Colonial Development and Welfare Fund, M$11.8 million; from the share of the Colony's surplus balances, to be transferred to Development, M$24.8 million; from loans to be raised against economically productive expenditure, M$27.5 million (this excludes an advance of M$3.2 million already made in 1954 against projected loans); from annual revenue, M$18 million; leaving a deficit of M$14 million. It is hoped that further external assistance will be received in the way of increased Colonial Development and Welfare Fund.

PRODUCTION

Federation of Malaya

Measures undertaken for the improvement of Malaya's agriculture such as irrigation, drainage and land reclamation contributed to the increase in acreage under paddy. In the rubber industry, replanting with high-yielding rubber continued. With regard to tin, the signing of an international agreement had led to a hardening of the price of tin from which Malaya benefited as a main producer. Tin production rose appreciably in 1954 setting a post-war record. Considerable progress was made in planning the development of the iron-ore mines at Ulu Rompin and Temangen. The year also witnessed some increase in power production.

By the middle of 1954, irrigation facilities had been improved on over 80,000 hectares of existing paddy-land. The target for the entire period 1950-55 is 120,000 hectares. Also approximately 16,000 hectares of jungle land have been opened up and developed. These efforts have helped to continue the trend since 1952/53 towards increased acreage under paddy. The yield in 1953/54 was, however, less than in the previous year due to bad weather, etc. But stocks of rice purchased at high prices increased from 105,000 tons at the beginning of 1953 to 147,000 tons at the beginning of 1954. This together with the decline in offtake in spite of the reduction of prices on a number of occasions led the government to curtail drastically the rice imports on commercial accounts.

Since 1952, the amount of government rice rationed to consumers of all categories was 3½ katis per week until March 1954 when it was increased to 5 katis for an adult male, 4 katis for an adult female and 3½ katis for a child. It should, however, be noted that there has never been a restriction (except as a security measure to prevent foodstuffs reaching insurgent territories) on consumption of rice other than subsidised government imports of rice which amount to only 30 per cent of the total supply of rice. Moreover, free-market rice was always available to supplement the ration of government rice. The easier food supply situation finally led to the abolition of the rationing (except as a security measure) of government rice in August 1954.

1. The local plan is to include the extension of the facilities of the oil company's training school to government nominees, so as to increase the local supply of skilled labour.

2. The Government of the Federation of Malaya has raised much of the loans on irrigation, roads, housing and water supply projects.

The desire of the government and the industry to co-operate in obtaining an impartial investigation into certain aspects of the competitive position of the *rubber* industry led to the appointmnt, early in 1954, of a committee, under the chairmanship of Sir Francis Mudie. The report makes important recommendations, particularly concerning taxation and the financing of replanting. Substantial contributions to replanting are being made from rubber cess funds, though it seems unlikely that the target of 20,000 hectares for small holders in 1954 will be reached. In 1953, only 8,000 hectares of small holdings were replanted since it was the first year of the small holders' replanting scheme and efforts had to be concentrated on building up an efficient federation-wide organization to implement the scheme. Approximately one-third of the acreage of estates has now been replanted with high yielding rubber. However, as it takes 5-7 years for a rubber tree to come into production, the output in 1953 did not increase but actually declined owing partly to the declining yield of old trees still being tapped. Rubber production for the period January-November 1954 was 8,000 tons more than in the corresponding period of the previous year. Exports also showed a slight increase.

Production of *copra*, *palm oil* and *pineapples* (on the basis of canned fruit) in the first nine months of 1954 all showed increases over the corresponding months of 1953. Between the same periods the export of palm oil showed a small increase while that of copra declined by a small amount.

An agreement to regulate the marketing of *tin* came into force at the end of June 1954. Mining companies were not aware of the period that could be used as a base of assessing quotas under the International Tin Agreement, and did their best to keep up production to qualify for a high quota. Exports increased as a result of the expanded production and improved prices. Monthly averages of exports and production for the first nine months of 1954 were 8-9 per cent above the corresponding period of 1953. There was an increase in the number of tin mines worked from 629 in 1953 to 674 in June 1954, in addition to prospecting in some parts of Selangor.

Production of Malayan *iron ore* increased slightly from a monthly average of 98,000 tons in January-September 1953 to a monthly average of 107,000 tons in the corresponding period of 1954, with a proportional increase in exports by 8 per cent. An agreement is now under negotiation between Japanese and Commonwealth interests for production and export of iron or from Kelantan.

Manufacturing employs about 8 per cent of the working population in the Federation of Malaya. It covers mainly rubber industries, oil mills, tin smelting and food processing. The Rural and Industrial Development Authority is financing and initiating rural and urban industries, as well as training personnel. The projects initiated and assisted by the Authority over a very wide range of activities include mechanized cultivation, poultry and fish rearing, copra drying, oil and rice milling, boat building, small industries, housing, electricity and water supplies.

Singapore

In Singapore, the return to more normal conditions in the recorded entrepot trade after the short-lived Korean war boom is accompanied by industrial expansion; power production and manufacturing activity have increased during the year, and attempts have been continued to improve the level of technical education. Food has been derationed, as in the Federation of Malaya.

Singapore's entrepot trade with Indonesia has been declining seriously during the last few years, due partly to exchange regulations[1] introduced by Indonesia and partly to bilateral trade agreements entered into by Indonesia, which by-passed Singapore. Singapore's recorded exports to Indonesia declined continuously from M$401 million in 1952 to M$215 million in 1953 and M$61 million for the first half of 1954. However, the decline in imports from Indonesia was partly arrested in 1954, though the total imports were much lower than in 1952.

There has been an active interest in the development of industry in Singapore to provide employmnt for the rapidly increasing population and offset some of the effects of the decline in entrepot trade. A number of new factories have been established, for example, for the manufacture of soft drinks, shoe polish and various chemicals. A textile mill with a capacity of 10,000 spindles established during the last two years is now working three shifts and a number of factories are being developed on an industrial estate laid out by the Colonial Development Corporations.

There is also some anxiety to increase the supply of skilled labour with a view to industrialization. Singapore has a satisfactory system of primary education but technical training facilities are short, particularly because, before the war, most of Singapore's artisans were immigrants. Therefore, the Government has engaged an expert on technical education and has also recently decided to set up a Polytechnic Institute.

The output data give a clear indication of industrial growth in Malaya (*i.e.* the Federation of Malaya and Singapore). In Malaya, average monthly production of rubber sheeting and foot-wear increased from 174,000 lb and 983,000 pairs in 1953 to 246,000 lb and 1,098,000 pairs for the first eight months of 1954—increases of about 12 per cent and 11 per cent respectively. Coconut oil and soap production increased for the same period from 8,000 tons and 1,885 tons to 11,000 tons and 2,090 tons—increases by 39 per cent and 11 per cent respectively. Amongst food processing industries, production of tinned pineapple increased during the first half of 1954.

Sarawak

The output of the petroleum refineries, which provided 70 per cent of Sarawak's exports in 1951 and 1952, remained unchanged. The oil refined is won in the State of Brunei and pumped to the refineries in Sarawak.

In Sarawak the year 1954 has been chiefly one of agricultural development as well as expansion of social services. The government-administered Rubber Fund has bought a former Japanese estate of some 1,600 hectares at Samarahan for use in the production of planting material of high-yielding stock, in demonstration of new techniques of rubber growing, and for technical training. An area of 20,000 hectares is also being opened up between the Sadong and Samarahan rivers for rice cultivation.

As a result of the adoption of more scientific techniques the output and export of pepper have been expanding rapidly. Exports of pepper in 1954 totalled 15,000 tons compared with

1 *Infra*, chapter 18 on Indonesia

9,000 tons in 1953. There has also been a very great increase in the export of timber during the last three years. Exports in 1954 were no less than the 156,000 tons exported in 1953.

At the end of 1953, the Government decided to buy out the shares in the Sarawak Electricity Supply Company Limited previously held by a private company by payment of M$1.3 million. Further expenditure of M$2.5 million has been incurred on the development of electricity supplies.

North Borneo

In North Borneo, the year 1954 has been significant chiefly for further considerable development of the output of timber. export of which is likely to exceed substantially the 1953 figure, which itself represented a 50 per cent increase over the previous year. The government has also put forward a plan for land reclamation and irrigation, under which some 56,000 hectares are expected to be reclaimed and 18,000 hectares irrigated by the end of 1954. Rubber replanting and other measures to improve output will be financed by a cess administered by the Rubber Fund Board.[1] Rubber cones are obtained from the Rubber Research Institute of Malaya. A local British Rubber Producers' Association co-operates in this development work.

Brunei

In Brunei, an important development. apart from the preparation of a Five-Year Plan (1954-58) and the inter-governmental loans already mentioned, is the further extensive development of undersea oil which promises to extend Brunei's already very considerable oil reserves. The annual rate of petroleum production in Brunei was about the same during the first six months of 1954 as in 1953.

BALANCE OF PAYMENTS, PUBLIC FINANCE AND PRICES

Trade and payments

The adverse balance of trade for Malaya in 1953 continued in 1954 though at a lower level.[2] Both imports and exports declined, the former relatively more than the latter. On the import side, there was an appreciable reduction in the volume of rice imports. On the export side, there was a further decline of rubber prices. The surplus on invisible transactions in 1954 showed a small increase. Accordingly, the balance of payments deficit for Malaya in 1954 was considerably reduced. North Borneo also showed an adverse balance of trade whilst Brunei and Sarawak again achieved trade surpluses although they were less than before.

Chart 43

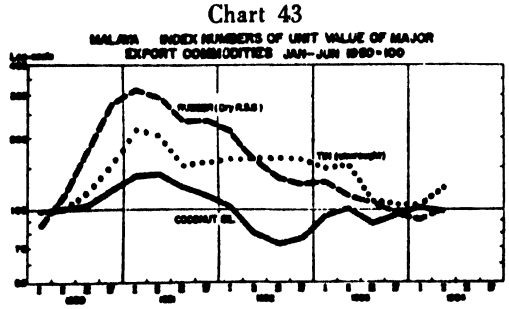


Chart 44

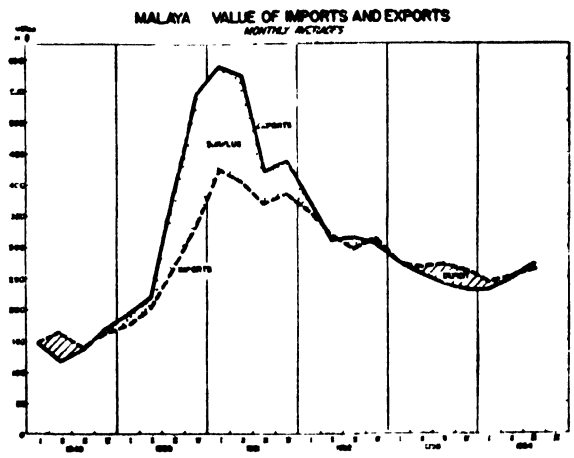
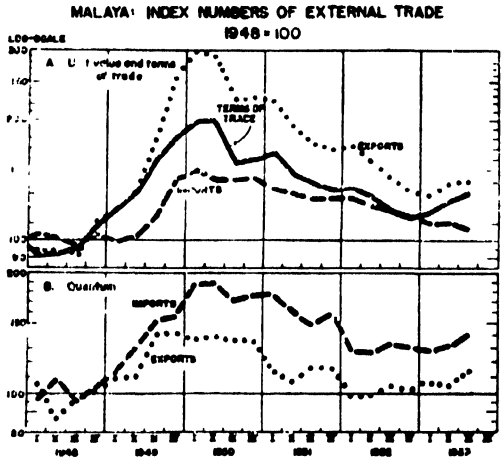


Chart 45



In general, the trade deficits have emerged mainly on account of a decline in the value of exports of rubber from Malaya and North Borneo, following the sharp fall in price during 1952-53.

The average monthly trade deficit for *Malaya* during the first half of 1954 fell to M$7.4 million from M$18.1 million in 1953, owing to an increase in the value of exports of coconut oil, palm oil, tinned pineapple, tin, iron and bauxite.[3] Despite the fall in the unit value of imports (1948=100) from 120 for 1953 to 110, the decline in unit value of exports from 133 for 1953 to 120 maintained the deficit, though at a lower level, for the first half of 1954.

In *North Borneo*, the value of rubber exports fell to M$23.3 million in 1953 from M$86.2 million in 1951, and the decline continued during the first half of 1954. Increased exports of timber, cutch and hemp were partially offset by a 7 per cent fall in the volume of rubber exports from 1,400 tons per month in 1953 to 1,300 tons per month in 1954.

1. Established in 1950 this Board represents both estates and smal holdings; the chairman is the Director of Agriculture.
2. 1954 figures are based on estimates in the Consultative Committee for Co-operative Development in South and South-East Asia, *Third Annual Report, 1954*.
3. The rise for the first half-year in the monthly export value of coconut oil for Singapore and Malaya was respectively 150 per cent and 50 per cent of 1953. Rise in iron exports was about 120 per cent for the same period over 1953 monthly average.

Sarawak and Brunei again achieved trade surpluses, though these were lower than before. The chief reasons for the decline in the surplus were the fall in Sarawak's rubber exports (from M$159 million in 1951 to M$32 million in 1953) and Brunei's increased imports of metals and manufactures and vehicles, mainly as a result of new developments in the oil-fields. The increase in the volume and value of exports of pepper and timber from Sarawak helped to arrest a further decline in the trade surplus, which otherwise might have turned into a deficit.

The fall in the proportion of exports going to rubber for almost every territory between 1951 and 1954 has been accompanied by increasing proportion of exports going to coconut oil, palm oil, iron and tinned pineapple in Malaya; timber and pepper in Sarawak; and timber, cutch and hemp in North Borneo. Amongst the trading partners, the serious loss of trade with Indonesia has already been discussed. The decline in the share of other Asian countries is mainly due to the falling imports of food cereals from Burma and Thailand; and the levy in June 1954 of a heavy import duty on betelnuts from India, as well as a fall in textile imports from India due to Singapore's loss of the Indonesian market. The United Kingdom, Japan, Australia, Italy, the Netherlands and West Germany increased their share in Malaya's trade.

Public Finance

In the *Federation of Malaya* as revenue is largely dependent on world prices of rubber and tin, the low prices in 1954 for these products caused a decline in its total. In the meantime, efforts to bring the emergency to an end while still maintaining the social services has prevented any reduction in expenditure.

To assist the government the United Kingdom contributed a sum of approximately M$ 51.5 million and the government of Singapore made the interest free loan of M$ 30 million already referred to. After allowing for this assistance the balance of the deficit will be met from surpluses accumulated in previous years.

In *Singapore*, a substantial budget surplus in 1953 is expected to turn into a deficit in 1954.[1] The change is due partly to a decline of about M$ 30 million in income tax and partly to a large increase in expenditures. Significant increases, owing to extra staff and equipment being available, are noted in expenditures on the acquisition of land, non-recurrent public works, education and medical services. The anticipated decline in receipts from income tax may be interpreted as a return to more normal conditions, as the unusually large collections in 1953 were due to a part received on account of the Federation but transferred in 1954 and another part being a windfall due to decisions being eventually finalized on some big assessments which had been pending from earlier years. It is probable that some of the administrative obstacles to accelerated development expenditure will now have been overcome, but it would be optimistic to suppose that all the estimated expenditures could be incurred in 1954. Hence although a small deficit may perhaps emerge, it is unlikely to be as large as was anticipated, particularly as increased incomes from trade in 1954 are likely to increase the yield of some of the customs and excise duties.

In *Sarawak* a small surplus is expected, estimated revenue having fallen and expenditure having increased as compared with actual revenue and expenditure for 1953. The surplus realized in 1953 was much larger than that estimated. The fall in revenue is wholly explained by a fall in export duties, mainly on rubber. Expenditure on public works has increased but has been more than offset by a reduced contribution to the Development Fund.

In *North Borneo* the combined budget for current and development revenue and expenditure shows a small deficit. Export revenues showed a fall compared with the original estimate for 1953 as well as with revised estimate for that year. Expenditure on development has increased, owing to increased aid, while the contribution from current revenue to development has declined.

Prices

The cost of living indices for labourers in the Federation of Malaya fell from 121 and 115 in December 1953 (January 1947=100) to 111 and 107 in August 1954 for Indians and Chinese respectively; for Malays the index (January 1949 = 100) fell from 132 in December 1953 to 123 in August 1954. Moreover, most of the components have also fallen, and hardly any has risen. Retail prices have fallen not only for rice, but for meat, vegetables, fruit, etc. A fall in wages as a result of the lower prices of export commodities should also be noted.

Wholesale prices in Singapore have declined mainly as a result of external influences, rather than because of any local monetary factors. In Malaya[2] the expansion of demand deposits by M$32 million in the first six months of 1954 more than offset a decline of M$29 million in the active note circulation in the same period, especially as the December note circulation figure included some expansion for seasonal reasons. The gross note circulation has remained almost unchanged, though the banks have transferred some M$6 million to Malaya by reducing their overseas balances. The banks have also increased their advances to primary production and other industry by about M$21 million in the first six months.

Though regular monthly figures of wages are not published, money wages in the major industries[3] and in government service have been maintained or, in some instances, increased, so that real incomes have probably increased considerably. At a cost of some loss of its reserves, and with substantial aid from abroad, Malaya appears to have kept its economy reasonably fully employed, so that low incomes in the rubber and tin industries have not caused any general stagnation.

The inflationary impact of the budget deficit in the Federation of Malaya in 1953 was offset by the trade deficit, the receipt of grants, the improved food supply position, the existing slack in the economy and the high level of savings in the private sector. Aggregate deposits in the banks decreased and the active note circulation changed very little. The estimated budget deficit for 1954 was larger but the

1. While the budget for 1953 expected a deficit, the eventual large surplus was due to revenue being much better, and expenditure being much less than the estimate. About a third of the savings were revoted in the 1954 budget.

2. The analysis of monetary influences in Malaya and the British Borneo territories is complicated by the fact that the currency figures are given for the whole area, the banking and trade figures for the Federation of Malaya and it is not possible either to aggregate or to break up the figures to give a wholly consistent picture for any area. The term Malaya is used here, as in the official statistics, to refer to the Federation of Malaya and Singapore taken together.

3. Money wages in the rubber industry are related to the price of rubber, and have therefore followed to some extent the fluctuations of rubber price.

potentially inflationary effect of the budget deficit may be less than the estimates suggested, since it is not improbable that the whole of the estimated budget expenditure may not actually be spent.

The comparative absence of inflationary impacts in 1954 again suggests a high level of saving. An increase in real incomes, resulting from constant or rising money incomes and falling prices, may have accentuated the tendency to save in 1954. Apart from large compulsory savings in the rubber cess funds and the Employees Provident Fund (a compulsory savings scheme for wage earners in the Federation of Malaya, with equal contributions by employers, in which the excess of contributions over withdrawals in 1953 was M$56.8 million), savings accounts in banks and in the post office increased in the aggregate by M$38 million in 1953 and by M$18.1 million in the first six months of 1954. Successful flotation of loans by the Federation Government and the Singapore City Council also indicates a substantial volume of saving. This is at least a mitigating factor in considering the size of the budget deficits which have not, in 1954, stimulated excessive consumption.

CONCLUSION

The improvement in the food situation which is partly due to improved local production seems likely to be maintained. The decline in the prices of tin and rubber has at least for the present been reversed. In regard to the longer run problems, however, the situation is rather less satisfactory. The diversification of the economy of the territories has increased through the development of agricultural crops other than rubber and improving prospects in production of minerals other than tin. The manufacturing developments both in the Federation of Malaya and in Singapore also supplement the other resources of the economy. Nevertheless, the economies of these two territories remain heavily dependent on rubber and tin on the one hand and on entrepot trade on the other. The rate of population increase is likely to be a serious menace in the immediate future, especially as Malaya's supplies of capital are limited; and in Singapore where the problem is more urgent there is no prospect of the rate of population growth declining during the next few years. Singapore's long-range plan in town planning may relieve for a substantial number of years the problem of housing, though not of employment arising from population pressure. In the Borneo territories long-range problems of development seem unlikely to be easily solved.

Chapter 17. NEPAL

RESOURCES

Relative to its resources, Nepal is one of the most underdeveloped areas of the region. With a population estimated at around 8 million, the country extends nearly 140,000 square kilometres, of which one half is under forests, one fourth cultivated or cultivable, and the rest either Alpine meadows or under perpetual snows. Forests consist of about 48 per cent sal, 44 per cent oaks, and 8 per cent conifers, anl still remain hardly developed.[1] Except for the Himalayan region, all lands of Nepal, comprising some 77,700 square kilometres, have been aerially surveyed. But the first round of geological and petrological survey is only now being carried out by Swiss experts provided by the United Nations Technical Assistance Administration and also by a team of geologists deputed by the Government of India. Among other things, hematite iron ore deposits were recently discovered in Godawarim, only 8 kilometres from the capital. Deposits of mica, beryl, manganese, copper, cobalt and lead are also reported in different parts of Nepal.

The country today is mainly agricultural, with 1.5 million hectares under paddy, and is self-sufficient in foodgrains. However, approximately 80 per cent of the cultivated land is under tenancy and the problem of land reform has of late come to the fore. The government appointed the Land Reform Commission in 1952, setting down as primary policy objectives the control of exorbitant rentals and the security of tenure. The Commission submitted its preliminary recommendations in 1953; it proposed *inter alia*: (*a*) the preparation of a land record detailing the terms of tenancy; (*b*) the abolition of non-official intermediary system in the collection of land tax; and (c) the security of tenure for cultivating tenants subject to the right of landowners to resume possession of a limited area of land for personal cultivation (6 hectares for the Tarai area and 2 hectares for the hills including Kathmandu valley).

Besides having vast areas of undeveloped cultivable waste land bordering the foothills in the Tarai, Nepal is ideally placed for development of dairy farming and also possesses vast potentialities in water power. Nepal has immense potentialities in the development of horticulture, as the climatic conditions of the country make it possible to grow tropical, sub-tropical and alpine types of fruits.

DEVELOPMENTAL PROJECTS

Developmental projects, assisted by a number of foreign countries, are making slow progress on various fronts. The total cost of projects under way amounts to some Rs[2] 64 million, of which Rs 18 million have been spent up to June 1954. This is a rate of expenditure *per capita* of roughly one-tenth of that under India's Five-Year Plan. Furthermore, sources of funds are largely external, India bearing a major part, followed by the United States. In most cases, external assistance is tied to a specific project and there does not seem to be sufficient over-all co-ordination.

Thus far, irrigation and road construction have received the greatest emphasis. An agreement on minor irrigation and water supply projects was signed between the governments of India and Nepal on 14 July 1954, setting down a grant of Rs 5 million to be spent in four years to meet not only the cost of materials and equipment but also the hire of labour and compensation to be paid for any land required for projects. Another agreement between the two governments on the Kosi Project was signed on 25 April 1954, laying down the terms of international co-operation in controlling the Kosi river which flows southward from Nepal into India. The project envisages the possibility of irrigating 81,000 hectares of land in Nepal besides generating 20,000 kW capacity of electricity, half of which will be available to Nepal. Meanwhile, the irrigation survey of the Rapti valley has been completed with American assistance, with a view to irrigating 12,000 hectares of land, at a cost of Rs 1.75 million.

The programme of road construction is also proceeding with external aid. Tribhuvan Raj Path, 130 km long, connecting the capital to the road leading to the Indian frontier, is expected to become motorable in all weathers within a year or two under a grant of Rs 15 million from the Government of India. A number of strips of roads, however, are now under construction at the country's own expense; the Nepalese army is often employed for the purpose, as on the road from Pokhara to Kuncha. In view of the mountainous character of the country, the government is laying stress on the development of air transport and is now concentrating on building permanent airstrips with India's financial aid, looking toward the incorporation of the government-owned Air Nepal in the near future.

Other major developmental schemes include: (*a*) the Trisuli Power Project for generation of electric power (10,000 kW) at the cost of Rs 30 million, to be wholly financed by the Government of India; (*b*) a 1,688 kW thermal power plant to serve the needs of Kathmandu; (*c*) the survey and development of forest resources, with assistance from India; and (*d*) the establishment of a cement factory. These are at varying stages of implementation at the present time.

Education is still limited to a small propertion of the people, the literacy rate being estimated at around 3 per cent. As developmental works progress, the lack of trained personnel is felt most acutely, and various training projects are under way with assistance from the United States. Nepal has been successfully experimenting in agricultural extension methods. Six development centres have so far been established in different parts of the country through which such activities as the dessimination of modern methods and techniques of agriculture, the distribution of improved seeds and implements, and the improvement of village sanitation are being conducted. Two training centres have been opened where village leaders

1. With half the forest area of Nepal, the State of Uttar Pradesh in India produces ten times its forest revenue.

2. Rupee figures given in this chapter are in Indian rupees unless otherwise specified. See *infra*, section on "The monetary situation" for the relation between the Nepali and Indian currencies.

are given training in extension principles. Arrangements are under way to open one training centre for village girls in extension methods in home economics. To meet the present shortage of technicians Nepal is sending a sizeable number of young men to India and other foreign countries to receive higher training in various technical subjects. An engineering school to produce engineers and overseers locally has also been recently established.

CURRENT SITUATION AND POLICIES

The monetary situation

The internal monetary situation in Nepal is inextricably tied to the exchange position of the country in a peculiar way inasmuch as both the Nepali and Indian rupees circulate in the country and its foreign trade is conducted mainly with India. The Nepali rupee, more commonly called 'mohur', circulates mainly within the valley of Kathmandu and the hilly regions, whereas the Indian rupee circulates freely in the Tarai and other parts, and is accepted as legal tender, constituting the medium for the bulk of the government revenue.

Under the old feudalistic rule it was customary for the ruling class, who resided permanently in Kathmandu, to bring their surplus income from the Tarai to spend or for them to sell precious stones and metals to meet their expenses, thus balancing the commodity trade deficit of the mohur-circulation area. After the overthrow of the old rule in 1951, this balance was broken since many members of the old ruling class left the country. Added to this were the coincidental decline in remittances to their families in Kathmandu by Nepali nationals serving in the army or in other capacities in India and other parts of the world, and also a change from surpluses to deficits in the government budgets. This conjuncture resulted in the weakening of the mohur against the Indian rupee. Whereas the rate of exchange towards the end of 1950 was around 110 mohurs to 100 rupees, it started to suffer violent fluctuations after the interim cabinet was set up by King Tribhuvan in February 1951 and in general continued to decline. Finally in September 1952, when the open market rate stood at 145 mohurs to 100 rupees, the government announced the fixing of the rate at 128 to 100, undertaking to supply Indian rupees at this rate only to importers.

This measure, however, did not stop the depreciating trend of the mohur. The open market rate remained at around 145-150 to 100 until March 1953, depreciated further to 160 to 100 by June 1953, 170 to 100 a year later, and finally in the autumn of 1954 the pace of depreciation accelerated to touch the rate of 175 to 100. Thus in early December 1954 a measure similar to that of September 1952 was again taken by the government. For importers of essential articles the government proposed to supply Indian rupees at the rate of 150 (Nepali) to 100 (Indian), and for other purposes at the rate of 175 to 100. Twenty types of articles, such as motor cars, liquors, etc., were banned for importation.

The depreciation of the mohur against the rupee in the open market is, no doubt, indicative of the price movements in the Kathmandu valley as well as of its trade deficit against other parts of the country and India. But at the same time the role of speculators cannot be discounted. For it is reported that in the midst of the depreciation crisis of the mohur in September 1954 the mohur suddenly would become unavailable at any price and cause a most wild fluctuation from day to day. The volume of the mohur in circulation has never been officially ascertained, but one estimate[1] places it at nearly Nep. Rs 100 million, which, if roughly correct, is uncommonly small relatively to the total population of 8 million or the estimated export of the country of Rs 270 million. Until the country's currency is unified it will be difficult to assess the monetary situation of the country on the basis of the mohur rate of exchange against the Indian rupee alone.

Trade

No accurate statistics of trade are available for Nepal. Varying estimates[2] exist, but it seems to be generally agreed that Nepal usually has surplus in commodity trade, which now appears to be offset by the flight of capital to India.

Nepal's trade is mainly with India, and it is possible to gain a rough idea of the general trend of its trade from the Indian statistics[3] obtained at railway stations adjacent to Nepal, Tibet, Sikkim and Bhutan. For raw jute and oilseeds, Nepal's exports to India are separately given and reveal that the exports of raw jute have been steadily declining in quantity since 1951/52 whereas those of oilseeds jumped in 1952/53 to almost 4 times those of the previous year, and then declined slightly in 1953/54. Among other commodities which are recorded to have crossed the frontier into India from these areas, rice and pulses seem in 1953/54 to have maintained the level of 1952/53, while hides and skins, wool tops, and ghee showed a declining trend. As for the goods which went northward from India, in which Nepal's share is known to be predominant, there is a definite declining trend from 1951/52 to 1953/54, notably in salt, cotton piecegoods and grain and pulses. For betelnuts, brass and copper, figures are separately given for Nepal's imports from India and also show a distinct decline in 1952/53 from the previous year and the continuation of the same low level in 1953/54.

Public finance

Since the advent of the new government in Nepal in 1951, the customary figure of government current deficit has been about Rs 10 million each year. But in 1953/54 it is estimated that the deficit on revenue account was as large as Rs 25 million, apparently caused by a 40 per cent increase in the cost of general civil administration and a 15 per cent increase in defence expenditures over the previous year. For 1954/55, it is estimated that the current revenue will remain at the same level as in the previous year at around Rs 40 million while expenditures will amount to Rs 60.5 million. The government is now seriously thinking of introducing a system of income tax and new tariff schedules, and increasing land revenues and postal and telegraph charges. A scheme to reorganize civil administration is also under consideration, while a scheme whereby the government employees will be required to save compulsorily a part of their earnings has already been formulated.

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1. Pant, Y.P., "Crisis of the Nepali Rupee", in *The Economic Weekly*, 25 September 1954, p.1070.

2. For example, Mr. Y.P. Pant states that "Nepal's annual exports are conventionally estimated at Rs 270 million and imports at only Rs 110 million". (*op.cit.*, p.1071). The figure of Rs 234 million is given as "Nepal's total foreign trade" in 1952 by Mr. R.C. Malhotra, *Government Economic Policy for Nepal*, Syracuse University, 1954, p.5.

3. The statistics relate to 12 months from April to March for each year mentioned. Source: *The Indian Trade Journal*, 9 October 1954.

Chapter 18. PAKISTAN

Pakistan, with an area of 948,000 sq km, has a population of 76 million (1951 census) and an average density of population of 80 per sq km. East Pakistan, with a total population of 42 million and an average density of 298 persons per sq km, suffers from over-population; it is the principal export earner but recently has had food deficits met by imports from West Pakistan. Although six-sevenths of the population are illiterate, educational facilities are meagre—in 1952/53 there were only 40,000 primary schools, 6,500 middle and high schools, and about 25 technical training institutes.[1]

The Planning Board appointed in 1953 is at present engaged in a survey of the country's resources. In 1948, out of a total reported area of 48 million hectares,[2] 25 million hectares were under cultivation, 9 million hectares classified as land available for cultivation, 2 million hectares under forests, and the remaining 12 million hectares not available for cultivation. More effective use could be made of the land now sown to crops, in view of the small area which is double cropped.

The great distance between East and West Pakistan has made transport and communication difficult but Karachi and Dacca are connected by domestic air lines. The dependence on cotton and jute for about four-fifths of the foreign exchange receipts from exports since 1950/51 has caused instability of export income arising from price fluctuations, and has made the implementation of development programmes difficult. In 1948/49 about 70 per cent of the national income was derived from agriculture and less than 1 per cent from industry and mining.

At its inception Pakistan was confronted with many problems, including lack of industries, inadequate financial institutions, and an influx of millions of refugees within half a year of partition.[3] With the establishment of new industries by the government or with its help, Pakistan's dependence on imported consumer goods has diminished. By 1953, about half of all bank deposits, and also of all loans made by banks, were accounted for by Pakistani banks, established with the help of the State Bank of Pakistan. The government has estabilshed a Refugee Rehabilitation Finance Corporation[4] and a Housing Finance Corporation and created satellite towns for the urban refugees.[5] The rural refugee population, the influx of which is still continuing though at a much reduced rate, has yet to be settled permanently.

DEVELOPMENT AND PRODUCTION

Development planning

In 1948, the Development Board was established to approve and co-ordinate individual development schemes. By the end of 1950, it had approved 112 schemes costing Rs 1,125 million. The six-year plan (1951-57), the first over-all plan, calls for an estimated outlay of Rs 2,600 million. The annual rate of expenditure was to rise from Rs 335 million in 1951/52 to Rs 480 million in 1953/54, and to decline somewhat in subsequent years. Average annual investment under the plan would form only 2.5 per cent of the national income.

The largest part of the proposed expenditure was for agriculture (32 per cent), followed by transport and communications (20 per cent), fuel and power (18 per cent), industry and mining (19 per cent) and social capital (11 per cent). The much higher share allocated to industry in Pakistan than in most other Colombo Plan countries indicated the government's desire for industrialization.

The estimates on developmental outlay had to be revised upwards when financial resources and costs both increased in the wake of the Korea-war boom. A "two-year priority" plan (1951-1953) was drawn up costing Rs 507 million for 29 schemes, many of which were not included in the original six-year plan; its major emphasis was on industry and mining (48 per cent), transport and communications (25 per cent) and fuel and power (25 per cent), with only a small expenditure on agriculture.

The subsequent fall in exchange earnings and reserves, and the food shortage, led to a new emphasis in 1952 on short-term schemes to raise grain production. The Five-Year Food Plan adopted in July 1952 aimed at raising production of food grains by 3.2 million tons. Village aid programmes also included better agricultural practices to increase food production.

The original six-year plan and some of the revised, higher targets have been fulfilled; in the first three years of the plan (1951/52-1954/55) the central and provincial governments' developmental outlay of Rs 3,207 million has exceeded the original proposed outlay of Rs 2,600 million for six years.[6] It is estimated[7] that because of population increase,

1. See *Report of the Economic Appraisal Committee* (November 1952, published by the Ministry of Economic Affairs, Karachi), p.123.
2. The area not reported is another 45 million hectares. It should be noted that land classified as "available for cultivation" is not necessarily cultivable. This terminology, which is also used in other countries such as Burma and India, denotes a residual category arrived at by subtracting from the total area the land accounted for by other categories. The extent of land actually cultivable can be determined only by special surveys.
3. In the 1951 census, 7.2 million people or 9.4 per cent of the total were classified as refugees. There was also a substantial exodus of population. Pakistan's refugee problem has been particularlly severe because of the much high proportion of unskilled workers among the refugees entering the country.
4. In 1953/54, the Corporation advanced Rs 2 million in loans, distributed about Rs 500,000 worth of sewing machines and set up a blanket factory at a camp in Sind to give employment to refugees.
5. It is estimated that 2.5 million urban refugees have been settled and that about 0.5 million remain to be settled.
6. The developmental outlay at constant prices has also probably exceeded the original proposed outlay.
7. Mr. Mohammad Ali's (Finance Minister) address on "Some economic problems of Pakistan" to the staff and students of Karachi University on 24 July 1954, in *Pakistan News Digest*. 1 August 1954. (published by the Press Information Department, Government of Pakistan, Karachi).

an annual investment of Rs 600 million is needed to prevent the *per capita* income of Rs 250 from falling. In 1953/54 central and provincial governments' developmental expenditure was Rs 902 million and in 1954/55 it is expected to rise to Rs 1,142 million. However it is quite possible, because of the serious decline in agricultural output and the natural growth of population, that in 1952 and 1953 there was a decline in per capita income. The standard of living probably fell more because of the larger share taken by investment which was in turn a result of decline in private consumption due to shortages of consumer goods (foodgrains and imported manufactured goods).

The 1957 targets fixed in the six-year plan for the production of raw jute (1.2 million tons) and cotton (270,000 tons) had been exceeded by 1952/53. The 6,000 looms target for jute textiles will be achieved by early 1955, a year ahead of schedule. The rapid increase in industrial production between 1950 and 1953 was mainly due to the government's planned investment. In July 1953 a Planning Board was set up to make a detailed survey of the resources of the country and to draw up an integrated five-year plan. Private investment has also increased during the first three years as a result of the liberal tax concessions granted by the government. Tax concessions given in respect of income from housing have encouraged building of houses.

Bottlenecks in the implementation of the plan include shortage of skilled personnel, delays in the supply of capital goods in 1951 and over-all shortage of foreign exchange in 1952-1954. Training centres and polytechnic institutes have been established to improve the low level of skills. During the Korean-war boom foreign exchange resources were available for development but full advantage could not be taken of the fact mainly because of delays in the supply of capital goods.[1] In the last quarter of 1952 the Open General Licence system was abolished and restrictions were placed on imports in order to reduce the drain on the foreign exchange resources which followed the collapse of the boom.

In spite of falling foreign exchange reserves the government decided to go ahead with the development programme. The restriction of consumer goods imports encouraged investment in consumer goods industries while the stocks of consumer goods imported during the Open General License period were sufficient to meet most of the domestic requirements till late 1953. In 1954, the increase of domestic output of certain manufactured consumer goods has made it possible to use some saving of foreign exchange for financing capital goods imports. Foreign reserves are still insufficient to meet the needs of the development programme, and the government's policy is to accept as much foreign aid as possible. For 1954/55 it will obtain from the United States Government a grant of $110 million, including aid for flood relief and of consumer goods as compared with $25 million of economic aid in the previous year.

Food production

In 1954, Pakistan recovered from the food shortage of the previous two years and even had an estimated exportable surplus of 250,000 tons of rice.[2] Both the area under food grains and their production in 1953/54 were much larger than in 1952/53 because of favourable weather conditions and government measures such as supplying adequate quantities of seeds, encouraging the use of fertilizers,[3] affording plant protection, restricting the area under jute, reducing land taxes and charging lower water rates on food crops. In 1953, the Central Grow-More-Food Emergency Committee sanctioned 147 local short-term schemes costing Rs 33 million, which added 400,000 hectares out of the total increase of 1.4 million hectares to the area under food grains and 400,000 tons out of the total increase of 2.7 million tons to the output.

With the easier food position, several food distribution controls were rescinded or relaxed during 1954. The fall in prices of foodgrains which began in 1953 continued in 1954. The wholesale price of rice (medium quality) in Dacca in the third quarter of 1954 averaged Rs 376 per ton as compared with Rs 633 per ton in the third quarter of 1952 and Rs 525 per ton in the third quarter of 1953. With an exportable surplus in rice, the government in the third quarter of 1954 signed an agreement with the Philippines for the immediate delivery to the latter of 30,000 tons of ice.

The government decided to maintain a standing reserve of 0.5 million tons of wheat, beginning with the 1954/55 "rabi" crop,[4] to safeguard supplies in any future crop failures; and sanctioned many schemes for constructing additional storage capacity (up to 328,000 tons of grain) during 1954.[5]

1. Reserve funds were established for development purposes from out of surplus reserve which accrued to government during the Korean war boom period.

2 The surplus will probably turn out to be much smaller because of the disastrous floods in late 1954 in East Pakistan.

3 In 1953, the government obtained 140,000 tons of fertilizers through the United States Foreign Operations Administration (FOA) as well as by direct purchase. These were supplied to agriculturists at subsidized rates of one-half to one-third of the cost.

4 Spring crop.

5. Up to the middle of 1953, the capacity for foodgrain storage was only 90,000 tons On 20 April 1954, an agreement was signed whereby the United States would provide $1.5 million towards constructing three storage silos each with a 10,000-ton capacity.

TABLE 50

PAKISTAN: AREA AND YIELD OF PRINCIPAL CEREALS

	Area ('000 hectares)			Production ('000 tons)		
	1952/53	1953/54	1953/54 increase over 1952/53	1952/53	1953/54	1953/54 increase over 1952/53
Rice (cleaned)	9,314	9,928	614	8,147	9,151	1,004
Wheat	3,860	4,310	450	2,388	3,683	1,295
Bajra (millets)	901	1,046	145	270	455	185
Barley	211	248	37	112	156	44
Jowar (Sorghum)	506	609	103	208	280	72
Maize	393	432	39	375	437	62
	15,185	16,573	1,388	11,500	14,162	2,662

Good progress continues to be made in irrigation and drainage development. Many projects are well advanced, especially the Thal project, the Taunsa Barrage and the Tube Well projects in the Punjab. Other projects include the Ketri Barrage in the Sind, and the Warsak and Kurram Gari and the Tank Gomarl projects in the North-West Fontier Province.

Industrial and mineral production

Since 1950, industrial and mineral production has increased rapidly. The import restrictions on consumer goods in late 1952 afforded protection to the domestic industry (producing textiles and other manufactured goods). The government was fully aware of the cost of industrialization which would have the effect of temporarily lowering the standard of living through price increases and inflation.

The government's direct investment and its stimulation of private investment have also been useful. The Pakistan Industrial Development Corporation has been used by the government for direct investment and the Pakistan Industrial Finance Corporation for promotion of private investment in industry. Liberal tax concessions to private industry and the Pakistan Industrial Development Corporation's policy of starting new factories and handing them over to private enterprise have encouraged private investments; in 1953/54 a number of capital issues were over-subscribed, for example the shares of the Karnafulli Paper Mills and of the Adamjee Mills; the total capital issues sanctioned during the first quarter of 1954 were Rs 86 million, as compared with Rs 39 million in the same period of 1953. Total industrial investment in 1953 was almost equal to that in the whole previous five years. The Tariff Commission, however, has given protection to only a limited number of industries; in 1953/54 these were sodium silicate, locks, steel castings, wire netting, leather and foot-wear, umbrellas and vermicelli.

The growth of private investment, a most welcome development in recent years, may not be maintained at the same rate unless the government's developmental expenditures continue to increase. The high profits being made by industrialists have so far provided little incentive to reduced costs and improved efficiency. In due course, however, the government will probably wish to examine the question whether the indigenous industries could increase their productive efficiency to a stage where they would be able to compete with foreign manufactured goods, should the latter be allowed to be imported freely.

For foreign industrial investment it was announced[1] in October 1954 that the government would guarantee foreign investors the right to repatriate capital and remit profits to the country of origin, and also to hold the major portion of shares; although in the basic policy, originally adopted in 1948, Pakistan nationals were to be given the option to subscribe at least 51 per cent of the capital and the government allowed the remittance of a reasonable proportion of profits according to the availability of foreign exchange. Negotiations were also already under way to avoid double taxation.

Pakistan suffers from shortage of *fuel and power*, which has often caused industrial production to increase more slowly than capacity. Both electricity and coal are imported from India. With large domestic production, imports of electricity from India declined from 75 million kWh in 1950 to an annual rate of 19 million kWh in 1953 and in the first quarter of 1954. The value of coal imports from India also declined from Rs 7.7 million in 1952/53 to about Rs 1 million in 1954. When the Sui gas project and the petroleum project materialize, the country will have additional sources of power. The Sui gas project is jointly financed by the government, foreign and domestic private enterprise and by the International Bank for Reconstruction and Development, which in 1954 gave a £5 million loan[2] to the Sui Gas Transmission Company Limited for a natural-gas transmission line from Sui to Karachi. This line is expected to be completed by May 1955 and the supply of gas to industrial consumers to begin in August 1955.

In September 1954, an agreement was reached between the government and the Standard Vacuum Oil Company for prospecting crude oil. The government's share of the cost will be 25 per cent, while the company will provide 75 per cent and the technical know-how. The government has agreed to invest funds as required up to a maximum of $15 million.

In *cotton and jute textiles* abundant supplies of raw material and a large domestic market have encouraged expansion of both capacity and output. By early 1954 the cotton textile capacity was 793,000 spindles and 12,000 looms as against 410,000 spindles and 7,000 looms a year earlier. With the installation of the spindles and looms already arrived and on order, the country will be self-sufficient in the coarse and medium varieties of cotton cloth by the middle of 1955. Imports of cotton piece-goods, cotton twist and yarn declined sharply in 1953 with the rapid increase in domestic production; imports in the first half of 1954 were at an annual rate of only Rs 60 million, as compared with Rs 550 million in 1951.

In jute manufacture, the country is not only self-sufficient, but is exporting. During the trade year 1953/54 it exported Rs 14 million worth of jute goods excluding jute twist and yarn. The installation of factory capacities is more than a year ahead of the schedule of the six-year plan. By early 1955 the installed looms will be raised to 6,000, while by the end of 1955 or early 1956 they will be increased to 10,000.[3]

Production of *cement* increased by 11 per cent in both 1953 and 1954 as compared with previous years because of larger capacity. In 1954, there were four cement factories. The Pakistan Industrial Development Corporation is setting up two more factories with annual capacities of 100,000 tons and 120,000 tons respectively, while a private concern intends to set up a plant with a capacity of 600 tons a day. These factories will raise the capacity of the cement industry to one million tons per year. The Karnafulli *paper* mill, operated by the Pakistan Industrial Development Corporation, came into production in October 1953 using 75 per cent indigenous pulp; it was expected to reach full production of 100 tons a day by the end of 1954; with this mill producing adequate quantities of the main varieties of paper, the government decontrolled the distribution of many items of paper and boards, effective 1 September 1954.

1. Statement by the Prime Minister, Mr. Mohamad Ali, before the Far East American Council of Commerce and Industry in New York in October 1954. Reported in *Pakistan News Digest*, 1 November 1954.

2 The loan, which is for 20 years at 4½ per cent interest, is guaranteed by the Government of Pakistan. Three private British banks have agreed to participate to the extent of £645,000 without any guarantee by the International Bank for Reconstruction and Development.

3. Statement by Mr. Ghulam Faruque, Chairman of the Pakistan Industrial Development Corporation, at a press conference in Dacca on 21 July 1954. Reported in *Pakistan News Digest*, 1 August 1954.

Other projects include the 50,000-ton ammonium sulphate plant which is under construction and expected to start producing in the middle 1956; an up-to-date naval graving dock and fitting-out berth completed in late 1954; and the wires and cables plant for which most of the equipment arrived in 1954.

Transport

Transport development has included work on ports, railways, roads and civil aviation. Except for Karachi, the major ports of the Indo-Pakistan sub-continent were in India and Pakistan. In East Pakistan the port facilities were wholly inadequate, as the only Port of Chittagone was too small to handle the export trade. The handling capacity of the Port has been expanded from half a million tons to 2 million tons per year. A sum of Rs 90.5 million has been invested for the development of the Port. The development expenditure for the Port continues to be incurred and against the provision of Rs 16.1 million made during 1953/54, a provision of Rs 25.7 million was made during 1954/55. A scheme for making a new port at Chalna in Khulna district (East Bengal) is well under way, and a scheme for developing the Karachi port has been sanctioned.

Since the beginning of the second world war, deferred maintenance and increased traffic on the railways had worn out the equipment which needed replacement. The rehabilitation programme for the six years (1951/52-1956/57) had been revised upwards to Rs 164 million, towards which the International Bank for Reconstruction and Development gave a loan of $27 million in 1951/52.

Roads are the responsibility of the provinces but the central government's policy is to stimulate road development by financial allocations from the Central Road Fund,[1] by development loans and by grants. In 1953/54 about Rs 9 million were allocated as against Rs .4 million in 1952/53. Allocations since 1949 have totalled Rs 28 million. A special fund of Rs 50 million was also created by the central government to assist the provincial and state governments in the construction and improvement of roads of national importance.

Central government expenditure on aviation will increase from Rs 9.0 million in 1953/54 (revised estimate) to Rs 10.5 million in 1954/55 (budget estimate). The existing aerodromes have been developed and Karachi can now take the heaviest type of aircraft. Dacca airport is being developed to international standards and several international airlines are already operating at this aerodrome. An aerodrome has been opened at Jessore, while Nawabshah (Sind) has been developed as a diversionary airport for Karachi and is equipped with night-flying facilities.

Government's expenditure in 1953/54 on the establishment of the Pakistan International Airlines Corporation amounted to Rs 20 million. A capital expenditure of Rs 4 million is budgeted for 1954/55. The Corporation, which will run a fast and direct air service between Karachi and Dacca and also take up international services, is expected to commence operations shortly.

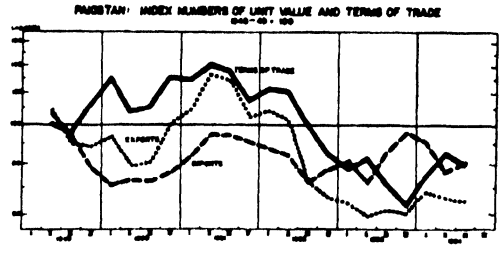
1. The Central Road Fund, created in 1949, is financed out of a share of the excise and customs duty on petrol. The fund's share of the duty was doubled from 2½ annas to 5 annas per gallon in April 1953.

TRADE AND PAYMENTS

After the Korean-war boom collapsed the balance-of payments surplus of 1950/51 was replaced by large deficits in the following two years. In 1953/54 rigorous control of imports succeeded in reducing the payments deficit from Rs 408 million in the previous year to Rs 28 million in spite of the further reduction of exports. This smaller deficit, however, conceals a substantial deterioration towards the end of the trade year (July to June); from April to June 1954 the deficit was Rs 98 million. The over-all deficit for the year was financed by drawing upon gold and foreign exchange reserves which declined from Rs 669 million in June 1953 to Rs 631 million in June 1954.

With imports already reduced, the balance-of-payments position will continue to be serious unless export earnings increase significantly. The rise in export prices of jute and cotton in early 1954 was not maintained in the second quarter. Tea prices continued to increase in 1954, but tea is relatively unimportant among Pakistan's exports. The deterioration in the terms of trade since mid-1951 continued till the end of 1953. Judging by the export price index, and by prices of selected imports, the terms of trade in the first half of 1954 may have been slightly better than in 1953. However, the trade surplus in the first half of 1954 was 45 per cent less than that in the first half of 1953.

Chart 46



Exports

Export earnings depend mainly on cotton and jute and to a lesser degree on wool, hides and skins, and tea. The price index of exports stopped falling in mid-1953 and began to rise in early 1954 because of better cotton, jute and tea prices. But export earnings in the first half of 1954 were still 21 per cent below those a year before.

To promote exports, the government had by 1954 placed 207 items on the Open General License export list including many manufactured articles, such as surgical rubber goods, electric fans, cement tiles and steel furniture. New trade agreements were negotiated and a number of old ones renewed, for example, the trade agreement between Pakistan and Italy, originally valid from 1 July 1953 to 30 June 1954, was extended until December 1954. The 1953 trade agreement with France for an annual total trade of Rs 200 million was renewed for 18 months till June 1955. The trade agreement with Japan, signed in September 1954, provides for a trade of £28 million worth of goods each way. Pakistan will export cotton, jute, hides and skins, cotton linters, rock salt, etc. in exchange for cotton textiles, iron and steel, non-ferrous metal, chemicals and other manufactures from Japan.

As an additional stimulus, an export incentive scheme was introduced for the period 29 June 1954 to 31 March 1955; exporters of specified commodities could obtain import licences for certain essential items up to 30 per cent of the foreign exchange earnings from such exports. In October, the scheme was enlarged by adding more items to both the export and the import lists.

The collapse of the Korean-war boom had left the country with burdensome surpluses of both raw cotton and raw jute. According to the supplementary forecast, *raw cotton* output fell from 314,000 tons in 1952/53 to 252,000 tons in 1953/54, as the grow-more-food campaign and the rapid fluctuations in cotton prices during 1952/53 had reduced the area under the crop by about 16 per cent. The volume of cotton export in 1953/54 was much smaller than in the previous year, but the large consumption by the domestic textile industry and the lower output helped to reduce carry-over stocks which at the end of the cotton year 1953/54 were 49,000 tons as compared with 87,000 tons in 1952/53.[1] Pakistan's cotton position is thus relatively strong; but large surplus stocks in the United States and the danger of surplus disposal measures affecting Pakistan's markets, for example in Japan, may give cause for some anxiety.

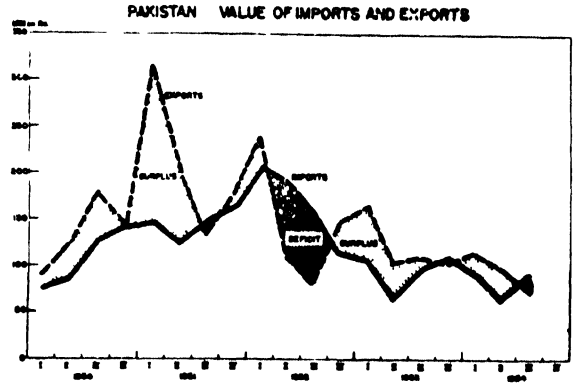
According to the final forecast, output of *raw jute* declined from 1.2 million tons in 1952/53 to 447,000 tons in 1953/54, on account of the government's policy of rigidly controlling the area under jute while encouraging the growing of food crops; the area under jute in 1953/54 was 60 per cent below that of the previous year. The volume of raw jute export in 1953/54 fell much less than production, so that most of the exports were from stock. Consequently the carry-over stock of 218,000 tons at the end of 1953/54 was much lower than that of 470,000 tons at the end of 1952/53. The final estimate for the area under jute in 1954/55 at 465,000 hectares is much larger than the final forecast of 308,000 hectares for 1953/54. However the floods in East Bengal have seriously affected the production of raw jute. Official estimate of current production is 490,000 tons against 454,000-635,000 tons reported for the previous year. Increased consumption needs of Pakistan and keener demand are factors that might lend strength to raw jute prices, but much will depend on the actual size of the 1954/55 crop, as also the demand for jute goods. Improved rice production may increase the demand for gunny bags, but against this is the possibility of cheaper packing substitutes. Partition has led to increases both in India's jute area and in Pakistan's manufacturing capacity, while several other ECAFE countries are trying to develop their own jute manufacturing.

The liberalized jute export policy of 1953/54 remained unchanged in 1954/55; the main elements were minimum interference with normal trade, no export duties on jute manufactures, Open General Licence for exports to American account countries and Argentine and liberal licensing for exports to other areas without destinational quotas.

In 1953/54, the export value of *skins* and *tea* was slightly larger, and that of *wool* and *hides* slightly smaller than in the previous year. The export value of these four commodities accounted for 9 per cent of total export value. The exports of wool, hides and skins are on Open General Licence. There is no export duty on wool, while on tea the suspension of the export duty, following the collapse of tea prices tin 1952, has been extended till March 1955. The Tea Board has taken steps to establish the Pakistan Tea Research Station in East Bengal and a Wool Test House has been opened since May 1954 to grade all wool exports.

Chart 47

PAKISTAN VALUE OF IMPORTS AND EXPORTS



Imports

The steep fall in imports in 1953 resulted from monetary controls and the quantitative restrictions on imports introduced in the second half of 1952. In the first half of 1954, the value of imports was even lower than in 1953. The composition of imports has changed considerably within the last few years. The import controls introduced since the end of 1952 reduced imports of consumer goods and stimulated domestic industrial investment. Imports of developmental goods have therefore increased in importance. Imports of machinery, vehicles and iron and steel manufactures increased from 18 per cent of total imports in 1951 to 32 per cent in the first half of 1954, although their absolute level remains about the same.

The import policy in the second half of 1954, though basically unchanged, has allowed the import of 10 new items of consumer goods, such as silk fabrics, woollen yarn and knitting wool, cigarettes and soaps, to give some relief to consumers living under austerity conditions. The prospect of larger foreign aid, the reported increase in inflow of foreign capital and the improvement in the balance of payments during 1953 and the first half of 1954 may have been important factors in the slight liberalization of import control.[2]

MONEY, PRICES AND FINANCE

Money supply

Pakistan experienced suppressed inflation not only during the Korean-war boom, but also in 1952 and 1953 because of increased developmental expenditure and the shortfall in food production. In 1954, inflationary pressures eased considerably because of increased production of food and industrial products.

Money supply expanded rapidly during the Korean-war boom, but during 1952, it declined in spite of a budget deficit[3] chiefly because of the large balance-of-payments deficit.

1. International Cotton Advisory Committee.

2. Because of the government's policy of providing foreign investors with land, water and power, facilities for remitting profits and guarantees of compensation in case of nationalization, as reported by Mr. Khan Abdul Quayyum Khan, Minister for Industries, in *Pakistan News Digest*, 15 August 1954.

3. For the definition of budget deficit used see *infra*, note 1 to p.165.

A small balance of payments surplus in 1953 and a small balance of payments deficit in the first half of 1954, together with larger budget deficits in 1953 and 1954, raised the money supply in early 1954 almost to the peak level of January 1952.[1] There was a slight fall in the third quarter of 1954 because of the large balance-of-payments deficit in the previous quarter.

Commercial bank credit had been a contractionary factor from early 1952 until late 1953, but in the busy season of 1953/54 there was a more than seasonal expansion of loans and advances to finance large increases in industrial output.

Price movement

The cost of living, after rising in 1952 and the first half of 1953, fell in 1954 because of lower food prices. The Karachi cost-of-living index fell from 113 (1948/49=100) in September 1953 to 107 in June 1954. The index in Narayanganj fell more sharply from 124 (1948/49=100) to 91 over the same period because of the greater weight given to food there[2] and the more rapid fall of food prices in Narayanganj than in Karachi.

Wholesale prices of foodstuffs, which had risen sharply in 1951/52, fell rapidly in the second half of 1953 and in 1954 particularly in East Pakistan. In Dacca wholesale prices of rice were almost halved between the second quarter of 1953 and the third quarter of 1954; while in Karachi, wheat prices in the first eight months of 1954 fell by 17 per cent.

Various price and other control measures were introduced during the period of inflationary strain to prevent a rise in prices but they met with only partial success. It is recognized that "with high illiteracy and dispersal of population, controls can only be partially effective. Evasion of control, hoarding, black-marketing and profiteering tend to persist. Controls are a temporary and not wholly successful palliative."[3] The government's policy is progressively to relax controls as the supply position improves and it is aware of the need for increased production to fill the gap between supply and demand.

Price control and other measures have, however, reduced some prices during 1953 and 1954. In 1953, the government imported Rs 40 million worth of cloth and arranged sales through government-sponsored "fair prices" shops which helped to bring down the prices of indigenous cloth. The Cotton Cloth Control Order was issued in January 1954 and, as a result, the prices of many indigenous mill-made cloths were officially reduced by 25 per cent in January, and further cuts of 6¼ per cent, 4 per cent and 3 per cent were imposed in April, May and August respectively. The price control of cotton yarn since April 1953 has reduced the price by 30 to 40 per cent. During 1953/54, price reductions were also effected on essential items such as iron and steel, petroleum, coal and cement.

In 1952 and 1953 boom conditions prevailed on the Karachi Stock Exchange, because of large industrial profits and the expectation of large dividends and capital appreciation. The news of disturbances in East Bengal depressed market sentiments somewhat in late 1953. By mid-1954, confidence was restored, but there were further falls in share prices during the third quarter of 1954.

Financing economic development

Efforts to promote domestic savings continued. The total sale of savings certificates during 1953/54 was Rs 23.5 million as against Rs 19.2 million during 1952/53. The facilities available under the Postal Banks and Postal Life Insurance Schemes were extended.[4] A scheme for compulsory Provident Fund was introduced for government employees. Competitions between administrative units for promoting savings were organized and successful promoters rewarded. Flotation of government bonds continued with great success. The small saver has become investment-minded and is buying shares with the result that many industrial issues during 1953/54 were over-subscribed.

The Pakistan Industrial Finance Corporation has financed many manufacturing industries including textile, cement, pharmaceutical, chemical, and such basic industries as fuel and power. In 1953/54, it sanctioned loans totalling Rs 15.2 million, or about the same as in 1952/53. The government sponsored Pakistan Industrial Development Corporation has initially financed many industries and sold them to private enterprise when established. The House Building Finance Comporation commenced operation during 1953 and by June 1954 had sanctioned 308 loans totalling Rs 4.1 million. The Agricultural Development Finance Corporation set up in 1952 commenced business in March 1953. In its first year, it sanctioned loans amounting to Rs 2.7 million. Its rate of interest was renduced from 6¼ to 5 per cent per annum for individuals and to 4 per cent per annum for co-operative societies.

The government deficits have been only slightly larger than the government expenditures on development, plus loans to private enterprise and to State governments. Therefore the methods of financing government deficit are primarily those of financing economic development. An important method of financing development is not borrowing which in 1952/53 was Rs 411 million as against a deficit of Rs 501 million. In 1954/55, net borrowing is expected to be Rs 459 million or about half the deficit. Successful efforts have been made to promote non-central bank purchases of government bonds and treasury bills. For the two loans floated in July 1954, namely the 3 per cent 1959[5] and the 3 per cent 1962, which together had yielded Rs 158 million by 20 August, commercial banks' subscriptions appear to have been about Rs 45 million.[6] Government borrowing from commercial banks may seem undesirable, but is certainly less inflationary than borrowing from the central bank or using cash balances. The purchase of government bonds by commercial banks reduced cash reserves, but commercial banks were still able to expand credit to the private sector by Rs 7 million between July and August because cash reserves were still in excess of the minimum required by law.

1. By March 1954 it was 11 per cent above the March 1953 level.
2. The weight given to food in the general index is 58 per cent in Karachi and 75 per cent in Narayanganj.
3. The Finance Minister's Budget Speech, 1954/55.
4. On the recommendation of the postal savings committee, the limits on savings bank accounts have been raised; a fixed deposit account system has been introduced with attractive rates of interest (free of tax); and a new series of savings certificates with a higher yield has been issued. The scope of the postal life insurance has been widened and it is intended to widen it further with a view to lay it open to the public ultimately.
5. The subscription list to this loan was closed within a few hours of opening and yielded Rs 100.5 million.
6. Based upon the increases in scheduled banks' investments in central government bonds between 23 July and 20 August 1954.

Other methods of financing the budget deficit include foreign assistance which during the three years 1951/52 to 1953/54 amounted to Rs 828 million, (not all of which have yet been completely utilized) which may be compared with the total development expenditures by the Central and Provincial Governments during the same three-year period of Rs 2,065 million. The assistance received may be divided into five principal groups of (*a*) grants of equipment, supplies, etc., made by Australia, Canada and New Zealand under the Colombo Plan, equivalent to Rs 144 million; (*b*) grants made under the United States Mutual Security Programme, equivalent to Rs 149 million; (*c*) gifts of wheat by the United States, Australia and Canada during 1953 and 1954 of a value of Rs 242 million; (*d*) loans and credits made available by the International Bank and the Export-Import Bank of the United States, and by the United Kingdom, equivalent in all to about Rs 289 million; (*e*) technical assistance.

Government revenue and expenditure[1]

Central Government revenues in 1952/53 and in 1953/54 fell sharply because of the fall in customs revenue.[2] The reduction and abolition of export duties on raw jute and jute manufactures respectively in 1953, the reduction of export duties on the main varieties of cotton in 1952, and the reduced volume of imports, account for the decline in customs revenue. In 1954/55, revenues are expected to increase slightly; customs duties should increase because of the anticipated increase in export earnings and the slight relaxation of control on imports. Receipts from taxes on income and wealth remained unchanged between 1951/52 and 1953/54 because the fall in income from export earnings was offset by rising income from industrial output. In 1954/55, income and corporation tax receipts are expected to fall slightly because the tax exemption limits on income tax have been raised from Rs 3,600 to Rs 4,200, and larger reliefs granted to double taxation on foreign income. With greater economic activity receipts from transactions and consumption taxes were still expanding during 1953/54 and 1954/55.

While central government revenue fell between 1951/52 and 1953/54, expenditures continued to increase mainly because of the increased outlay on development. As a result, the budget deficit increased from Rs 160 million in 1951/52 to Rs 947 million in 1953/54. Developmental expenditures have increased from 15 per cent of total expenditures in 1951/52 to 39 per cent in 1954/55. Defence expenditures since 1952/53 have been reduced, but still occupy 37 per cent of total government expenditures in 1954/55. The provincial governments' expenditures since 1952/53 have fallen through cuts in current expenditure other than economic and social services; while developmental expenditures have increased.

CONCLUSION

The year 1954 may be the turning point in Pakistan's economic development. The food shortage of the previous two years was met by imports of foodgrains obtained through foreign aid and increases in food production; the latter being likely to be maintained. Preparations for stocking 500,000 tons of wheat have been made to forestall any difficulty arising from crop failure in future. The burdensome carry-over stocks of raw cotton and jute, left by the collapse of the Korean-war boom, were reduced to managable proportions by reduction in output and increased domestic consumption in the textile industry. Although the world demand for these two products is still low, the country is adjusting itself to the changed conditions and successful efforts are being made to diversify the economy.

Investment, both public and private, expanded in 1954 and both installed industrial capacity and industrial production increased rapidly. In spite of the easier food situation, inflationary pressures have not been completely eliminated. The balance-of-payments position is still difficult but the large foreign aid being received will help to relieve the situation; although foreign exchange earnings will be needed for financing further economic development, consideration might be given to the desirability of building up at some future date, foreign reserves which are now relatively low.

1. For statistics see special table H in the section on Asian Economic Statistics. The revenue and expenditure figures given in this table differ from those appearing in published budget and *Demands for Grants*, because *revenue* here excludes proceeds from loans and other forms of borrowing and transfers from reserve funds while *expenditure* includes current as well as capital outlays and loans and advances granted by the government, but excludes debt redemption, contribution to sinking funds tnd transfers to reserve funds. Consequently, the resulting *budget deficit* is also different. The budget deficit as shown in the table is defined as the difference between government payments and receipts excluding debt redemption, borrowing and certain monetary operations ("extra budget receipts"), and is equal to the sum of net borrowing by the government and the decrease in government cash holdings. For further clarification a summary statement of how the revenue and expenditure figures for the revised estimates of 1953/54 have been derived is given below.

Reconciliation of revenue and expenditure 1953/54 (Revised estimates)

Expenditure		*Revenue*	
1. Expenditure met from revenue	1,078.3	1. Total revenue as per bulget statement	1,079.2
2. Expenditure not met from revenue	521.2		
3. Total expenditure as shown in budget statement	1,599.5		
Deduct		*Add*	
4. Transfers to funds included in (1)	—35.1	2. Appropriation to railway depreciation fund	+23.2
5. Currency capital outlay included in (2)	—	3. Appropriation to railway reserve fund	—
6. Provision for reduction of debt included in (1)	—20.0	4. Contribution to post and telegraph renewals reserve fund	— 1.3
7. Currency and mint	— 3.9		
8. Salt and opium	— 3.4		
9. Expenditure met from withdrawals from funds included in (2)	—90.4		
Add		*Deduct*	
10. Loans and advances (net)	423.6	5. Salt and opium	— 3.4
11. Total withdrawals from funds	162.5	6. Currency and mint	— 3.9
Total expenditure	2,042.3	Total revenue	1,096.4

2. Although the importance of customs revenue (50 per cent of total revenue in 1951/52) had decreased, it still accounts for 33 per cent in 1954/55.

Chapter 19. THE PHILIPPINES

Of the total land area of about 300,000 square kilometres in the Philippines nearly one half is forest-clad mountains. Only about a fifth of the area is farm land, but mineral resources, especially gold, iron, ore, coal and chromite are comparatively abundant.

The population at the last census (1948) was 19.2 million; the estimate for 1953 is 21.0 million with an annual natural growth rate of 1.9 per cent.[1] The national income estimate for 1953 was P7,375 million giving a *per capita* income of about P350.

Agriculture supports over three-quarters of the population and contributes about two-fifths of the national income. The average size of farms was 3.49 hectares in 1948. Tenants cultivated 27 per cent of the farm land in the same year. Among the major crops, rice and corn are consumed at home, while copra, sugar and abaca (Manila hemp) are chiefly exported, contributing respectively 30, 24 and 10 per cent of total exports in 1953.

Industry is under-developed which may be partly explained by the availability of comparatively cheap imported manufactured goods coming mostly from the United States by reason of the temporary trade arrangement between the two countries. Recently, owing to the government policy of encouraging industrial development, the share of manufacturing industries in the national income has increased steadily and reached 16 per cent in 1953. Inadequate transportation facilities, not yet sufficiently extended to many rural areas, have also hampered a more rapid development of the domestic market.

Exports, of which about two-thirds went to the United States free of duty, accounted for 11 per cent of the national income in 1953. Imports, four-fifths of which came from the United States in 1953, also free of duty, were chiefly manufactured goods.

The Philippine economy developed under United States rule as an exporter of primary products. Capital flowed in freely from the United States and there were mutually preferential trade relations between the two countries. Although the Philippines obtained its independence in 1946, it still maintains an agreed special economic relationship with the United States through the Bell Trade Act of 1946, which was based on the assumption that post-war Philippine economic revival depended on restoring trade with the United States and on an inflow of American capital. It provided for free trade between the two countries on a temporary and diminishing basis. From the effective date of the act until 3 July 1954, neither country was to impose duties on the imports of the other, but from 4 July 1954 on, gradually increasing duties were specified for imports into each country from the other, until full duty is to be charged in 1974.[2] Exports of several Philippine products to the United States, including sugar, coconut oil and tobacco, were however limited by absolute quotas. Also, the exchange value of the peso in relation to the dollar[3] was not to be changed, the convertibility of pesos into dollars was not to be suspended, and no restrictions were to be imposed on the transfer of funds from the Philippines to the United States, without the agreement of the President of the United States. The exploitation, development and utilization of all natural resources of the Philippines and the operation of public utilities, if open to any Philippine national, was to be open to citizens of the United States and to all forms of business enterprises owned or controlled, directly or indirectly, by United States citizens.

Whatever may have been the contribution of the 1946 Trade Act to the country's economic recovery, the Government of the Philippines, realizing the inadequacy of the Act as an instrument for economic development, sought to have it revised before its controversial tariff provisions began to operate on 4 July 1954. Since no agreement could be reached before that date, the Act was extended for another eighteen months *i.e.* until 31 December 1956, giving both sides more time to work out mutually agreeable alternatives. An eventual revision of the agreement, subject to congressional approval in both countries, in mid-December 1954 has now been reported,[4] providing, among other things, that beginning 1 January 1956 and continuing on a graduated scale until 1 January 1974 when both countries will start to levy 100 per cent tariff duties on the products of each other, (1) tariff preferences for Philippine exports to the United States are to be increased while preferences for United States exports to the Philippines are to be decreased; (2) most of the absolute quotas on Philippine exports to the United States are to be eliminated[5] and quantitative restrictions on the products of both countries also are to be reciprocal; (3) citizens of one country are to get assurance of the right to engage in business in the territory of the other on a basis of reciprocity; and (4) the Philippines is to have full control over its own currency. It was expected by both countries that these changes would help the Philippines to succeed sooner in attaining a better balanced economy as a free nation.

The government's basic economic policies, crystallized in the new five-year development programme, emphasize industrialization and diversification in agriculture. These policies are to be implemented by government provision of social over-head capital and other necessary investments which do not attract private capital; as well as by protection, assistance

1. Five-Year Economic Development Programme estimate. The annual rate of population growth of 1.4 per cent in 1950-51 appears to be exceptionally low.

2. The act further provides that no export tax shall be imposed by the Philippines on exports to the United States. The United States is already prohibited from imposing export taxes by its own Constitution.

3. In the ratio of two Philippine pesos for every dollar.

4. United States Department of Commerce, Foreign Commerce Weekly, 20 December 1954.

5. The revised agreement also would permit the Philipines to ask the United States Congress to increase its sugar quota when other sugar-exporting nations have the same privilege.

and encouragement to private enterprise in industry, commerce, and all other fields. Greater self-sufficiency, especially in food, and a higher level of employment through increased industrial development, are expected.

The government is also trying to reduce the dominance of aliens in the retail trade. In mid-1954, an act to confine the retail trade to Philippine nationals was passed. According to the act, except for United States citizens and foreign or partly foreign-owned firms already in business on 15 May 1954, "no person who is not a citizen of the Philippines, and no association, partnership, or corporation the capital of which is not wholly owned by citizens of the Philippines, shall engage directly or indirectly in the retail business." Individual aliens may continue to trade until retirement and alien-owned companies are permitted to carry on operations for ten years or until expiration of their current terms. In case of death, the permit for any alien to continue the business may only be for the purpose of liquidation and that too for a period not exceeding six months after death. The act affected mostly the Chinese retailers who owned about 22 per cent of the total assets invested in retail trade in 1948, as compared with less than one per cent for aliens of any other nationality. The Chinese retailers joined with other aliens to question the constitutionality of the law in the Supreme Court and, for his part, the President appointed a committee to study the possible defects of the law.

THE FIVE-YEAR ECONOMIC DEVELOPMENT PROGRAMME

The draft Five-Year Economic Development Programme, covering the period 1 July 1954—30 June 1959, was submitted to the National Economic Council in April 1954. It is intended to be revised and kept up-to-date every year, by adjusting the remaining four years to changed conditions and adding another year to keep it on a five-year basis.

The programme, which calls for a total investment of P 4,106 million during the first five years, aims at reducing unemployment from 15 to 6 per cent of the labour force and raising the *per capita* income by 36 per cent,[1] while making allowance for the expected population increase to 23.56 million.[2]

The percentage of gross investment to gross national product is to be raised from 7-8 per cent during 1952-53 to 13 per cent in 1959. Almost one third of the total investment under the programme is to be devoted to power, irrigation, flood control, port works, etc. and another third to manufacturing industries. Investment in agriculture accounts for one-fifth. Agriculture's contribution to the national income will be reduced to 32 per cent in 1959 as compared with 40 per cent in 1952, while those of construction and manufacturing will be increased from 3.4 and 13.7 per cent respectively in 1952 to 7.5 and 15.1 per cent respectively in 1959.[3]

TABLE 51

PHILIPPINES: PROPOSED INVESTMENT PROGRAMME 1954/55—1958/59

(*million pesos*)

	Public	Private	Total	%
Agriculture	175	653	828	20.2
Mining	—	220	220	5.4
Manufacturing	555	693	1,247	30.4
Transport and communications	66	326	392	9.5
Construction	850	447	1,327	32.3
Others	91	—	91	2.2
Total	1,737	2,339	4,106	100.0

In the draft programme it is planned that Philippine *agriculture*, hitherto artificially sheltered by preferential trade treatment by the United States, should be diversified and also efficient enough in producing the principal export crops to compete in the world market. The programme covers (*a*) food self-sufficiency for the expanding population within the first two years in all items except fruit, milk and dairy products; and thereafter a surplus for export or industrial purposes; (*b*) increase in the production of raw materials such as ramie, cotton and other fibres to the extent of at least 50 per cent of domestic industrial requirement; (*c*) provision of low-cost timber for the construction of 100,000 housing units; and (*d*) more and better export crops at lower cost.

It is planned to increase food crops from 7.3 million tons in 1955 to 11.3 million tons in 1959. A large part of this increase will be the result of the increase in area under cultivation through land settlement programmes, sub-dividing and distributing public land for new cultivation. During the five years it is estimated that 2 million hectares of public land will be available for distribution. The irrigation programme (mainly for rice) is to increase the irrigated area from 480,000 hectares in 1953 to 505,000 hectares in 1955 and 700,000 hectares in 1959, through gravity and pump irrigation works.[4] The production increases will also arise from improved farm practices involving little investment expenditure, such as extensive use of fertilizers, use of superior varieties of plants and breeds of animals, effective control of plant and animal diseases and pests, soil conservation and other techniques; among them the extensive use of fertilizers is the most important.

The largest item of investment in *industry* is for power and fuel, principally government investment in 27 hydro-electric projects. The largest are the Maria Cristina and the Ambuklao and Binga projects. Steam plants are also planned at strategic places, to provide large supplies of power from central stations and through utilization of local coal. Diesel units will be provided at isolated places beyond the immediate reach of the central stations. All these projects are to provide a total additional capacity of 448,425 kW.

1. From P345 in 1952 to P471 in 1959.

2. The population of the Philippines as of July 1953 has been estimated by the Bureau of Census and Statistics at 21,022,700. The annual rate of increase of the population and the labour force is approximately 1.91 per cent. In 1952, about 1.3 million, or approximately 15 per cent of the labour force, was unemployed, in addition to a great deal of under-employment.

3. However, the percentage of manufacturing industry's contribution to the national income had already reached 16 per cent in 1953 and exceeded the planned percentage for 1959.

4. Experience has shown that pump irrigation systems require far less investment than the gravity-type system although in the long run, because of the operational costs in the pump system, it may be advantageous to construct the gravity type. However, for the purpose of increasing immediately the agricultural output it is advisable, with the limited investment funds available, to continue with the installation of more pump irrigation systems without, of course, necessarily giving up entirely plans to start new gravity systems where they are feasible.

By 1959, about 757,000 tons of coal will be produced for the railways and for steam turbines to generate electricity and for other uses. It is also proposed to establish dehydration plants in the twenty existing private alcohol distilleries of the sugar centrals, each with a capacity of 15,000 litres of 99.8 per cent ethanol per day, using molasses as raw materials. The alcohol thus produced is to be mixed with petrol and used as motor fuel to save foreign exchange.

The programme provides for the development of iron and and steel manufacturing to reach a target of 120,000 tons of pig iron and 100,000 tons of steel by 1959, utilizing local iron ore which is at present being exported mainly to Japan.

Approximately P119 million worth of textiles, including cotton, ramie and rayon, is to be manufactured by 1959 to reduce imports.[1] Eight cotton mills with a capacity of 25,000 spindles each, a rayon factory designed to produce 30 million metres annually and four ramie mills to produce over a million metres each, are included in the plan. Private corporations which have shown great interest in textiles are expected to undertake the proposed programme of expansion.

In pulp and paper industries, it is proposed to establish one paper plant of 21,000 ton capacity a year to manufacture newsprint, tissue and writing paper from sugar cane bagasse, and another with a capacity of 61,500 tons a year to manufacture kraft bags and wrapping paper, kraft linen, newsprint, writing and printing paper out of Philippine wood. These plants are expected to meet approximately the country's requirements for paper, for which cheap raw materials are available locally.

More chemicals, especially fertilizers, amounting to 300,000 tons are to be produced by 1959 for agriculture. An expansion in the ceramics industries as well as in food processing and cottage industries is also planned.

Transport expansion is being planned mainly to help open up rural areas for settlement and remedy present inadequacies in freight transportation. There are also plans to rehabilitate and improve ports and develop waterworks, airfields, public buildings, etc.; and projects on education, technical training, research, public health, social welfare, etc., which will be carried out almost entirely by the government.

Financing of the programme

About P2,369 million, or 58 per cent of the total investment under the five-year development programme, is expected to take place in the private sector, the remaining P1,737 million in the public sector. As private investment accounts for such a large portion of total investment, means of ensuring this investment are extremely important for the achievement of the development programme. This private investment is expected to come chiefly from reinvestment of corporate profits, supplemented by banks credits, hoarded savings, flotation of corporate securities and credit accommodation from the government, while the public investment programme will be financed chiefly by budget appropriations, supplemented by borrowing from the public, foreign-aid loans and grants, and earnings of government corporations.

1. The present production of the National Development Company's textile mills meets only 15 per cent of the country's total requirements of clothing materials.

TABLE 52

PHILIPPINES: METHODS OF FINANCING THE INVESTMENT PROGRAMME

1954/55—1958/59

(*million pesos*)

Private investment:			**2,369**
Private savings		1,822	
Undistributed corporate profits	1,372		
Hoarded savings	250		
Flotation of corporate securities	200		
Borrowing from banks		447	
Credit accommodation from the government		100	
Public investment:			**1,737**
General, special and supplementary appropriations		959	
Income and earnings of government-owned corporations		128	
Bond issues		500	
Foreign-aid loans and grants		150	
Total			4,106

To finance the public investment programme, the government must rely on improvements in tax collection and some modifications in the tax structure. Notable tax revisions proposed in the programme are: (1) graduated rates of taxes on real estate properties in excess of a certain cost, value or area; (2) reassessment of real estate properties to bring them closer to post-war market values; (3) increased rates of estate, inheritance and gift taxes, and of income tax on individuals and corporations to a point not impinging unduly on private investments. The first three measures are intended to increase revenue as well as discourage speculation in real estate, excessive land holdings by absentee owners and construction of luxury-type buildings.

It is also expected that the rise in national income and investment will increase taxable capacity, although it is difficult to estimate exactly the projected increases in tax revenue.

It is even more difficult to forecast how much private finance will flow into the private investment programme as private investors' decisions are autonomous and the availability of private savings for investment cannot be accurately assessed. To mobilize savings for private investment, the programme proposes to use fiscal and monetary measures whose quantitative significance is very difficult to ascertain, such as the expansion of branch banks, insurance companies and postal savings banks in important areas, and the discouragement of investment in real estate and hoarding of jewelry through higher taxes and a more stringent control over the direction of commercial bank lending. In addition, the programme includes the creation of new government institutions to provide loans and technical assistance to new private enterprises.

About one half of the aggregate investment outlay planned for the five-year period, or P2,094 million, is in dollars and the remaining P2,012 million in pesos. Notwithstanding the relatively large foreign exchange requirement, the programme visualizes a favourable balance of trade after 1956, as there will then be a considerable export availability.

Should the financial resources not be sufficient, the various projects are to be developed according to three main priorities under which development projects have been classified: highly essential and very urgent, essential and urgent, and essential but not urgent.

PRODUCTION

The gross national product in 1953 amunted to P8,356 million, a rise of about 5 per cent over the 1952 level. Considering the lower price level in 1953 as compared with 1952, it is apparent that the increase in the gross national product in real terms must have been higher. The combined index of the physical volume of production for agriculture, mining and manufacturing, which represents approximately one half of the gross national product, advanced by 6.9 per cent from 1952 to 1953. The rising trend of production appears to have extended into 1954.

Agricultural production

The index of physical volume of agricultural production in 1953 was 5 per cent over 1952. The general rising trend is continuing in 1954.

Food crops reached a record high level in 1953/54. The production of paddy had increased steadily since the end of the war and reached a peak of 3.18 million tons in 1953/54, thus making the country self-sufficient in this staple foodstuff. Major factors responsible for this increase were the increase in area planted and good weather conditions. Owing to the long drought, the damage wrought by typhoons, the rat infestation, and the flood in one province, the production of paddy in 1954/55 is estimated to be approximately 8 per cent below the previous year's. The substantial reduction in rice stock before the harvest and the expected rice shortage gave rise to hoarding and speculation, and the price of rice went up in September 1954. The government acted quickly to purchase rice from abroad, e.g. Burma, Pakistan and Thailand, and approved private import of 50,000 tons of rice for immediate delivery.

Production of maize and other food crops, including root crops, beans and vegetables, fruits and nuts, etc., were also estimated to increase in 1953/54 over 1952/53.

Among the *export crops*, production of sugar and tobacco was higher in 1953/54 than in 1952/53, though the production of copra and abaca decreased, owing to the outbreak of "kadang kadang" disease of the coconut trees and the havoc wrought by mosaic disease on abaca. Sugar production continued its rising trend, on account mainly of the rapid rehabilitation of the industry and the extensive use of fertilizer. Production in 1953/54 reached a post-war peak of 1,221,000 tons, which was about 19 per cent above that of the previous year and 27 per cent over the pre-war (1935-39) average.

The intensive compaign against dynamite *fishing* resulted in a 15 per cent decline in fish catch. On the other hand, *livestock* and *poultry* were estimated to have increased together by 14 per cent.

Construction

Public works activity appears to have been maintained at the same level in 1953 and 1954 as in 1952. The construction of new highways, rural irrigation systems and other important public installations was carried on. Other projects to be completed are the dockyards at Bataan, the Maria Cristina hydro-electric plant and the fertilizer plants and steel mills in Illigan, Mindanao and the Ambuklao hydro-electric project in Northern Luzon.

Although the total value of private construction increased in 1953 in Manila and 27 chartered cities, there emerged a slight change in its composition, with residential construction declining in relative importance. During the first nine months of 1954, the total value of permitted new building construction in Manila continued to decline to 36 per cent below that in the same period of 1953, with residential building falling more than non-residential. The considerable decline in residential building was due chiefly to a decline in demand, the tight credit conditions brought about by the Reconstruction Finance Corporation in mid-1953, and the shortage and high cost of building materials such as lumber and cement.

Power and fuel

Owing to the expansion in generating capacity of the Rockwell Steam and the Blaisdell Steam Station and the reduction in rates, *electric power* production in Manila received a considerable impetus in 1953. Monthly average output of electricity for 1953 was 52 million kWh, or 13 per cent above 1952, and during the first eight months of 1954 it was 57 million kWh, or 10 per cent higher than the 1953 level. Power needs all over the country are expected to grow with the progress of industrialization. To meet the future increase in industrial loads, the Manila Electric Company plans to expand its present capacity. The 75,000 kW Ambuklao hydro-electric power station is due to be finished in early 1955, and the second unit of the Maria Cristina project is well under way.

Coal production was 138,000 tons in 1953, as compared with 350,000 tons before the war. The use of oil-burning locomotives and the post-war conversion from coal-burning to oil-burning machinery has reduced the demand for local coal. The smaller market and hence the smaller scale of coal-mining operation contributed to higher unit costs of production which compare unfavourably with the price of imported oil fuels.

The new Caltex *oil* refinery at Batangas Bay (south of Manila), designed to process 13,000 barrels of crude oil daily, has started operation in two major units, three years after survey work first started. Caltex has received petroleum-exploration concessions covering 500,000 hectares, a detailed survey of which will soon commence.

Power alcohol was extensively used as a substitute for petrol during the Japanese occupation, and helped to absorb molasses, the abundantly available by-product of the sugar industry. During the post-war period, molasses have enjoyed a favourable export market and the government did not encourage the use of power alcohol. Even in the peak year of 1951, therefore, output of power alcohol was only about one-third of that in 1941. Monthly average output was 713,000 gauge litres in 1953, about 15 per cent below that in 1952; during the first half of 1954 it increased slightly.

Manufacturing

Manufacturing industry progressed rapidly in 1953 and early 1954. The proportion which the value added by manufacturing industry bore to the national income, 11.5 per cent

during 1947-49, rose to 13.7 during 1951-52 and further to 16.1 in 1953. The index of manufacturing production in 1953 was 113 (1952=100); in the first half of 1954, it was 125 or 14 per cent above the corresponding period in 1953.

The increase in manufacturing production may be attributed to the expansion in domestic demand made possible by trade and exchange restrictions since the end of 1949, and the favourable investment climate brought about by more liberal foreign exchange allocations for import of machinery and raw materials and easy credit facilities. The larger import availability of producer goods and the continuous plant and equipment expansion were also a great stimulus.

Among the non-durable manufactures in 1953, paper products showed the greatest increase, followed by leather and products, foot-wear and wearing apparel, tobacco products, and chemicals. Food and beverage production increased slightly, while production of rubber products fell. In the first quarter of 1954, compared with the corresponding period in 1953, production of tobacco and leather products and chemicals increased markedly, followed by food products, beverages, textiles, foot-wear and wearing apparel, while that of paper and rubber products decreased. The Maria Cristina fertilizer plant started work in January 1954 and sold more than P2 million worth of fertilizer during the first six months of operation. The new addition to the market was reported to have brought down the price of ammonium sulphate fertilizer.[1]

In 1953 and in the first quarter of 1954 production of durable manufactures increased more than that of non-durable manufactures. The greatest increase during this period occurred in metal products except machinery, followed by wood and cork manufactures (except furniture and fixtures).

Mining

The index of production in mining increased by 2 per cent in 1953 over 1952. In the first half of 1954, production of various minerals showed divergent movements.

Gold production of 208,000 fine ounces in the first half of 1954 was 14 per cent below that in the first half of 1953, owing chiefly to high cost of production and reduced free-market prices. Despite the continued suspension of the regulation requiring gold producers to sell 25 per cent of their output to the central bank and the tax relief granted by the government,[2] many gold mines continued to operate at a loss. In order to maintain the gold-mining operation, which makes an important contribution to the Philippine balance of payments, a gold subsidy law was passed by the Congress in mid-1954, under which gold miners are given the choice to sell their newly mined gold either on the local free market at whatever price they can get or to the central bank at the official price of P70 per fine ounce plus a subsidy of P41.70 per fine ounce for marginal producers and P35.40 for non-marginal producers.[3]

Production of *iron ore* during the first half of 1954 was about 20 per cent over that of the first half of 1953 and its annual rate for the first time in post-war years exceeds the pre-war level. The demand for Philippine iron ore in Japan continued to be heavy. A Japanese firm is planning another survey of iron deposits in the Larap area, south-eastern Luzon. Production of *copper* showed a 26 per cent increase during the same period, but that of *chromite, manganese* and *lead* decreased. A big new copper enterprise, to be opened shortly, is expected to double the country's output. Half the increase in copper output will find its market in Japan.

TRADE AND PAYMENTS

The over-all balance-of-payments position of the Philippines during 1953 and the first nine months of 1954 showed no significant changes, as indicated by the level of the foreign exchange reserves.[4] This was achieved under a careful foreign exchange budgeting system.

A substantial rise in export prices and a slight fall in import prices resulted in a considerable improvement in the terms of trade of about 30 per cent in 1953 over 1952. While the volume of exports in 1953 decreased slightly, that of imports increased appreciably; the deficit in the trade balance remained almost the same.

Chart 48

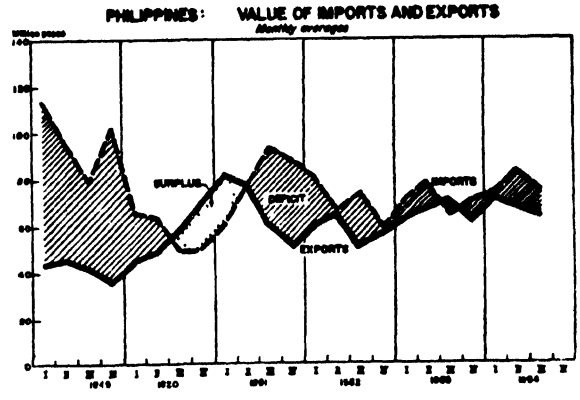
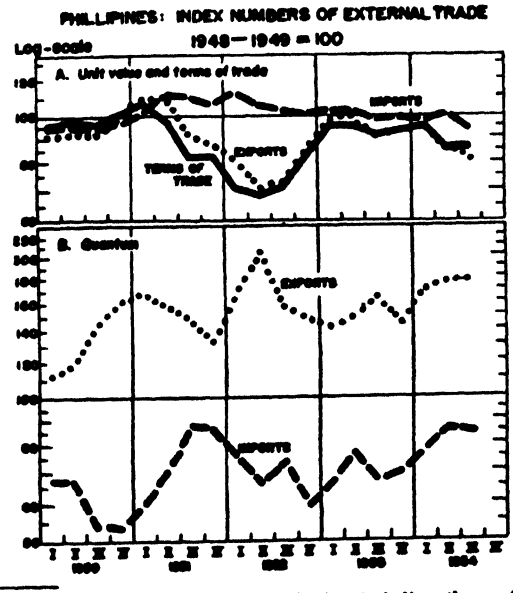


Chart 49



1. *Manila Times*, 2 August 1954.
2. In 1953, Republic Act No. 909 was approved which provided for a uniform rate of 1½ per cent *ad valorem* production tax on gold production in place of the graduated rates previously levied.
3. It was reported that gold-mining companies are preparing to submit reports of their operations to the subsidy board for purposes of classification of marginal and non-marginal producers.
4. Total gold and foreign assets of all banks, including the central bank, amounted to $307 million at the end of 1953, rose slightly to $317 million at the end of September 1954—the same figure as at the end of 1952.

During the first nine months of 1954 the terms of trade turned appreciably unfavourable, while import prices were slightly lower than those in the corresponding period of 1953, export prices were, on the average, 10 per cent lower. However, the substantial increase in the volume of exports in 1954 more than offset the fall in prices and resulted in an increase in the value of exports which made possible a larger import, both in value and in volume, and a smaller trade deficit, as compared with the first half of 1953.

Upon the expiration of the Philippine Rehabilitation Act, receipts of grants from the United States under the Act had been reduced sharply in 1951 and stopped in 1953. Meanwhile, receipts from Mutual Security Agency (MSA) grants, which had started in 1951, also fell slightly in 1953. On the other hand, there was a net inflow of long-term capital in 1953, consisting partly of the loan of $20 million granted by the United States Export-Import Bank to the National Power Corporation to finance the construction of the Ambuklao Hydro-electric Plant,[1] and partly of direct private investment.

During the first half of 1954, there was a substantial outflow of official long-term capital on account of the purchase of the Manila Railroad bonds of P26.4 million from British holders by the Philippine Rehabilitation Finance Corporation.

Export of principal commodities

In postwar years Philippines *sugar* has been exported to the United States duty-free within the quota of 863,640 tons which was not reached in and before 1953. As all Philippines sugar has been exported to the United States and the export price has been more or less stable, the export earnings from sugar have been dependent chiefly on the volume of exports. Sugar exports in 1953 fell slightly to 783,000 tons, but prices rose moderately and more than offset the decrease in volume, thus resulting in an increase in export value. During the first nine months of 1954 sugar exports of 700,000 tons were 10 per cent higher than in the corresponding period of 1953; the total export value was also 10 per cent higher.

As the 1953/54 production exceeded the combined United States quota of 863,640 tons, Philippine quota in the world free market of 22,500 tons under the International Sugar Agreement, and domestic requirements estimated at 254,400 tons, the country is confronted with the problem of marketing the possible surplus of sugar. The extension of the 1946 Bell Trade Act for another 18 months from July 1954 extended the duty-free quota of sugar export to the United States. The world free-market price of sugar has been lower than the domestic price and the price offered by the United States to the Philippines.

In early 1953, world prices of *copra and coconut oil* rose above the pre-Korean-war level. The upward movement in export prices was influenced by the decline in world production in 1953 as well as by increased consumption. The prices, however, fell sharply again during the first nine months of 1954 as a result of the improved world supply position, a world surplus of palm kernels, and the disposal by the United States Government of part of its huge stocks of cotton-seed oil. The rise of copra prices in 1953 more than offset the decrease in the volume of exports, and resulted in a substantial increase in value. Conversely, during the first nine months of 1954, a considerable increase in the volume of exports more than offset the fall in price, resulting in a larger export value than in the corresponding period of 1953. Coconut oil showed similar changes during the same period. Shipments of copra and coconut oil to western Europe increased tremendously, partly because of that area's improved dollar position.

About half of the Philippine copra production is exported to the United States, mainly for soap manufacture, and is there facing the rising competition of synthetic detergents. Recently, coconut oil has also had to compete with cheaper substitutes—the large quantity of palm oil being offered by British West Africa and the inedible tallow produced in Australia and the United States.

World prices of *abaca* fell sharply since 1952. In September 1954, the average price was about 60 per cent lower than in 1951, the post-war peak. The volume of exports in 1953 was about the same as in 1952 and export value fell moderately. During the first nine months of 1954 export quantity was about one fifth below that in the corresponding period of 1953. This, coupled with the lower export price, resulted in a one-third reduction in export value as compared with the first nine months in 1953. The fall in abaca price was attributed mainly to the weak demand in the United States and Japan and the current surplus of other hard fibres.

Imports and import policy

The total value of imports increased slightly in 1953 and was larger in the first nine months of 1954 than in the corresponding period of 1953. As import prices on the average fell slightly during 1953-54, the quantum of imports increased more than the value. The expansion in import was made possible by the increase in export earnings which allowed a more liberal allocation of foreign exchange.

Improvements in the administration of exchange and import controls also facilitated the import trade. On 30 June 1953 import licensing was abolished, the Import Control Commission dissolved and import control integrated with exchange control, to be exercised by the central bank. In December 1953 control was further simplified by permitting importers to use their foreign exchange allocations for the import of any commodity within the same broad exchange licensing category.[2] The 17 per cent tax on purchases of foreign exchange introduced in March 1951 was extended for another year and will expire on 30 June 1955. In addition, wider exemptions have been granted than before.[3]

The import controls and selective exchange policies enforced since 1949 produced an even more pronounced impact on the pattern of commodity imports in 1953. On the basis of tentative figures, the combined percentages for capital goods and industrial raw materials to total imports increased sharply from 36 in 1949 to 52 in 1952 and to 65 in 1953, while that of consumption goods imports dropped correspondingly.[4] The significant shifts in these relative proportions, particularly in 1953, indicate that industrialization, with a protected home market and more generous foreign exchange allocations for capital goods and raw materials, is growing.

1. This loan, bearing 4 per cent interest, will be completely repaid on 16 January 1975, and shall be payable in 40 equal semi-annual instalments, the first instalment to be paid on 16 January 1955.

2. The major categories are "essential producer goods", "non-essential producer goods", "essential consumer goods" and "non-essential consumer goods". Allocations for "non-essential" items may be used for "essential", but not *vice versa*.

3. For a detailed analysis of the effects of the exchange tax, see "The application of multiple exchange rates in selected Asian countries", *Economic Bulletin for Asia and the Far East*, Vol. V, No. 3, November 1954.

4. Catral Bank of the Philippines, *Annual Report, 1953*.

MONEY, FINANCE AND PRICES

Budgetary position

The budgetary position of the central government during 1953/54 cannot be accurately estimated, as the actuals or revised estimates of expenditure and revenue for the year are not available.[1] However, the original estimates reveal a deficit of P40 million (as compared with the surplus of P40 million in the previous year) chiefly due to increase in expenditure on development.[2] Although estimates of total revenue do not show any increase over 1952/53, tax revenue shows an increase, reflecting the intention of the government to strengthen the tax machinery and thereby increase the collections.

The most significant development revealed by the budget forecasts for 1954/55 is an estimated further increase of P109 million in tax revenue. No new taxes or increases in existing tax rates have been proposed, though ten taxes, including the foreign exchange tax, which have expired or are due to expire in 1954/55, are to be extended. The spectacular improvement in tax revenue is expected to result chiefly from intensified collection of existing taxes,[3] and should convert the deficit of 1953/54 to a surplus of P47 million in 1954/55 despite a post-war record expenditure of P770 million.

Money and credit

The monetary situation remained stable in 1953 and the greater part of 1954. In 1953, while the gross national product increased by 5.4 per cent over 1952, the total money supply increased by only 1.5 per cent. This mild expansion, which was largely confined to bank credit,[4] seemed to be unable to satisfy the need arising from the increase in economic activities and created a tight money situation, especially since mid-1953.

To counteract this the central bank revoked the requirement of a marginal deposit of 80 per cent for letters of credit covering the importation of certain non-essential and luxury goods, so as to activate the funds therein immobilized. The required ratio of cash holdings, foreign exchange and specified securities to the amount of the letters of credit, was reduced from 70 to 50 per cent, in order to increase the commercial banks' capacity to finance business and productive enterprises. Further, the rediscount rate on bank loans was reduced from 2 to 1½ per cent early in 1954, in order to stimulate more rediscounting at the central bank, and so encourage more credit extension by banks.

These measures did not so far yield substantial results. The total money supply at the end of September 1954 was only about 3 per cent higher than at the end of September 1953 and the excess reserves of commercial banks increased. During the first nine months of 1954, the accumulation of funds by the government due to heavy tax collections, together with a slack in its expenditure activities while the various development projects were still being finalized withdrew a sizeable sum of purchasing power from the economy. Reinforcing this contractive factor was the further growth in time and savings deposits of private individuals and corporations. This growth would probably be traced to the cautious attitude on the part of the investors pending the implementation of the government development programmes and investment policies. The vigorous thrift campaign sponsored by the government may have contributed to a relative decline in consumer spending. In view of these developments, moderate deficit financing, if becoming necessary for a larger government investment, might not result in undue inflation.

Prices and incomes

The fact that the increase in agricultural and industrial production, in the volume of imports at lower prices, and, above all, in the gross national product in 1953 and possibly also in the first half of 1954, was greater than the increase in money supply and brought about a fall in the price level. The indices of general wholesale prices, retail prices and cost of living fell by 1, 3 and 5 per cent respectively in 1953 from the previous year and further by 5, 4 and 2 per cent respectively in the first nine months of 1954.

Chart 50

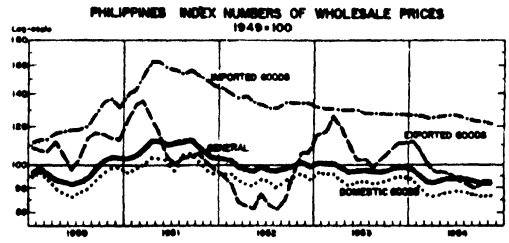
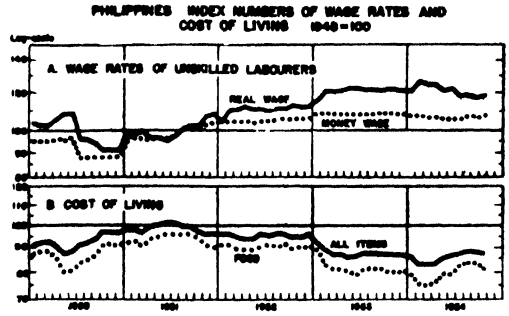


Chart 51



On the other hand, the index of money wages of industrial workers in Manila has increased steadily since 1951, partly as a result of the implementation of the minimum wage law. The real wage of unskilled labourers, therefore, rose by as much as by 9 per cent in 1953 as compared with 1952. It rose further in early 1954, but fell slightly in the third quarter on account of a rise in the cost of living index.

The indices of wholesale prices of imported and home products fell further in 1953 and in the first half of 1954. The lower wholesale prices and the higher money wages indicated a possible decline in the rate of profits, the unfavourable effect of which on the total profits was possibly com-

1. The indications are that actual revenue may turn out to be equal to the estimated revenue while actual expenditure may fall short of the estimated expenditure and thereby reduce the deficit as forecast in the estimates of revenue and expenditure for 1953/54.
2. Sum of expenditure on "social services" and "investment".
3. To improve the efficiency of the tax collecting agency, an increase of P2.5 million in the appropriation to the Department of Finance is proposed in 1954/55.
4. The slight fall in the international reserve resulted in a slight monetary expansion which was of about the same magnitude as the monetary contraction resulting from the slight increase in the government cash balance. Bank credits increased moderately; but the monetary expansionary effects of such increases were offset by the monetary contraction resulting from an increase in time and saving deposits to the extent of 50 per cent.

pensated by an increase in sales during the same period. The share of entrepreneurial and property income in the national income remained constant throughout 1951 and 1953. The larger sales were, in turn, made possible by a larger effective demand which was a result chiefly of the increase in money income in the export sector and the increase in both money wage rates and employment in the non-agricultural sector.

INVESTMENT POLICIES AND CAPITAL FORMATION

Various measures have been taken by government to encourage private investment in industries. An act of 20 June 1953 provides for full tax exemption to new and necessary industries until 31 December 1958 and diminishing exemption from then on until 31 December 1962.[1] The drastic import and exchange controls, imposed in December 1949 to safeguard the balance-of-payments position, gave significant protection to domestic industries by reducing the importation of competing goods. The imposition in March 1951 of the 17 per cent tax on foreign exchange for imports and other uses and the exemption from this tax on the import of capital goods and raw materials for new and necessary industries further reinforced the trend of expansion of such industries.

Meanwhile, the central bank adopted a selective credit policy of encouraging industrial and agricultural loans and discouraging credits for non-essential imports, residential construction and speculative activities.[2]

Regarding foreign investment, only the United States citizen enjoyed the same rights as the Philippine national, but the repatriation of capital and remittances of profits, etc., by the United States citizen as well as other foreigners are subject to exchange control and exchange tax. The total amount of profits and dividends that can be remitted annually to foreign investors abroad is computed on the basis of 10 per cent of foreign participation in the depreciated fixed assets or foreign participation in the paid-up capital, whichever is higher; provided that in no case should the total amount remitted exceed current profits. The central bank regards this provision as quite liberal, in many instances profits in full amount have been remitted. The central bank allows the remittance of royalties at rates provided for in contracts concluded before the imposition of exchange control on 9 December 1949. New contracts entered into after this date are subject to the prior approval of the Monetary Board.

The central bank usually permits the repatriation of capital in installments after five years of operation. This is necessary in order to spread the outflow of dollars evenly, thus preventing the possibility of large remittances which would unduly deplete the international reserve.

No taxes are specifically levied against foreign investment. A 17 per cent tax, however, is levied on all remittances of profits and dividends. The exemption from all taxes for new and necessary industries is granted both national and foreign investors.

Although various measures had been adopted to provide incentives for investment, private investment was at a low ebb in 1950 and 1951. It only increased substantially in 1953 when it exceeded the 1949 level. Government investment did not increase appreciably during 1951-53 and probably will not do so until the government begins to implement its new development programmes.

Total investment in durable equipment increased substantially in 1953 and reached a post-war peak. The percentage of gross investment to gross national product also increased from 7.4 in 1952 to 8.3 in 1953. However, it was still below the percentages recorded in 1948 and 1949 when the country was heavily engaged in rehabilitation.

It is difficult to judge the relative importance of various measures in stimulating industrial development. However, it is noteworthy that although the benefits of the tax emeption law have been available since the latter part of 1946, only 39 firms were granted exemption up to the end of 1949. From the beginning of 1950 to the end of 1952, when the drastic import and exchange controls were imposed, 165 industrial firms were organized and granted tax exemption under the same law. It appeared that under post-war conditions in the Philippines, the incentives offered by tax exemptions alone were not sufficient to induce the desired volume of investment in new and necessary industries, and it took quantitative

1. "Necessary" seems to have been interpreted in the sense of "dollar-saving" and "dollar-producing" rather than "essential". The act supersedes an earlier act of 1946.

2. The details were reported in the *Economic Survey of Asia and the Far East, 1953*.

TABLE 53

PHILIPPINES: GROSS DOMESTIC INVESTMENT

(*million pesos*)

	1948	1949	1950	1951	1952	1953
A. Durable equipment	194	194	133	142	160	212
B. Construction	424	402	374	345	325	359
of which non-residential	213	261	267	227	221	222
C. Total gross fixed investment (A+B)	618	596	508	488	486	571
D. Changes in inventories	123	66	84	68	100	126
E. Total gross investment (C+D):	741	663	592	556	586	697
Private	631	468	381	398	424	534
Government	110	195	211	158	161	163
F. Gross national product	6,369	6,339	6,875	7,702	7,925	8,356
G. Percentage of (E) to (F)	11.6	10.5	8.6	7.2	7.4	8.3

Source: Central Bank of the Philippines, *Annual Report, 1953*.

import restriction and an exchange tax, in addition to tax exemptions, to give a stimulus to investment in such industries.[1]

Quantitative import restriction is probably the most powerful instrument for protecting domestic industries in the Philippines where a strong consumer's preference for foreign goods exists. The quick effect of import control in enlarging the effective demand for domestic goods may be indicated by the substantial increase in consumption of domestic consumer goods after the imposition of the control. While estimated private consumption of domestic consumer goods increased from P4,821 million in 1949 to P5,228 million in 1950, that of imported consumer goods fell from P981 million to P535 million. The estimated share of domestic consumer goods in total consumption, therefore, increased from 83 to 91 per cent, while that of imported consumers goods fell accordingly. The proportions have been generally maintained since then.

TABLE 54

PHILIPPINES: ESTIMATED PRIVATE CONSUMPTION AT MARKET PRICES, 1949-53

(*million pesos*)

	Total (1)	Imported consumer goods[a] (2)	Domestic consumer goods (3)	Percentage of (3) to (1) (4)
1949	5,802	981	4,821	83
1950	5,763	535	5,228	91
1951	6,713	814	5,899	88
1952	6,858	708	6,150	90
1953	7,123	639	6,484	91

Source: Central Bank of the Philippines.

a. Total imports less imports of durable equipment and raw materials at c.i.f. value.

However, import and exchange controls which restricted most heavily the consumption of non-essential consumer goods tended also to encourage the development of domestic industries for producing such goods. Thus the manufacture of cosmetics as well as textiles flourished under the protection.[2]

Moreover, import and exchange controls as imposed in the Philippines tended to encourage the use of imported materials in domestic industries. The central bank found "that a notable feature of the present Philippine industrial pattern is its heavy dependence upon imported raw materials. Only a few of the existing industries are utilizing any appreciable quantity of local materials and those few, unfortunately, are not the major industries. The more important local enterprises in textiles, medicines, chemicals, metals, iron and steel manufactures, soft-drink and rubber manufactures are primarily dependent upon imported raw materials."[3]

In certain cases this situation may not be too serious for the development of industries making final products, and might in due course stimulate domestic production of semi-finished goods and raw materials.[4] However, in many others, this favourable development may take a long time to achieve. Thus, the early implementation of a vertically integrated development policy for manufacturing industries on the one hand and for agriculture and mining to supply the raw materials on the other, seems desirable. If the revision of the Bell Trade Act permits the imposition of tariff duties on imports from all sources, the application of differential duty rates will have a more selective effect than the exemption or imposition of the uniform exchange tax. Moreover, a more selective tax policy to discourage luxury goods industries may be considered.

CONCLUSION

After the levelling off of inflation in 1951, the country has shown remarkable economic strength. While the gross national product increased by approximately 3 to 5 per cent, the price level decreased by about 3 per cent annually, although the terms of trade were not as favourable as during the Korean-war boom. The steady economic expansion under stable monetary conditions is encouraging to further economic development. The recent agreement on the revision of the Bell Trade Act promises the country greater power to manage its own economy and enlarge the United States market for Philippine export products. This would probably necessitate a re-orientation of various economic and financial policies for speeding up economic development.

At present, potential private investment capacity seems to be considerable, as indicated by a steady increase in the excess banking reserve and in savings and time deposits. However, even with the recent relaxation of credit controls and the reduction of the bank rate, private investment does not appear to have increased appreciably. The time is probably ripe for large government investment and for financial as well as technical and managerial help to private enterprise. The early approval and implementation of the proposed five-year development programme is of paramount importance.

1. "Tax structure and expansion of revenue in the Philippines", paper submitted by the Philippine Government to the second meeting of the ECAFE Working Party on Financial Aspects of Economic Development Programme in Asia and the Far East (ECAFE/I&T/FED.2/18, 22 October 1954), p.48.
2. Philippine Bureau of Commerce, *Investment Opportunities in the Philippines*, pp. 13-14.
3. Central Bank of the Philippines, *Annual Report, 1953*, p. 5.
4. The cotton textile industry may be cited as an example. "In 1950 and 1951, tax exemptions were granted to several knitting firms utilising imported cotton yarn in the manufacture of knitted fabrics. The ratio of the cost of the imported yarn to total manufacturing cost is high (between 75 per cent and 85 per cent on the average) and in view of this fact it was believed that the contribution to the economy was not commensurate with the loss in revenue on account of the tax exemption. This of course was true in the very short run; however, while the knitting firms have greatly enhanced their profits as a result of tax exemption, their establishment has generated a continuing demand for cotton yarn. With the profits accumulated, some of these firms are now in a position to establish spinning mills to manufacture yarn out of raw cotton, instead of importing the cotton yarn. As of now, a number of firms have been granted tax exemption in respect to the spinning of raw cotton into yarn, one of which has been in operation for some time, and another will shortly start operation." ECAFE/I&T/FED.2/18, *op.cit.*, p. 51.

Chapter 20. THAILAND

Thailand's economy is mainly agricultural. The average population density is comparatively low (39 persons per square kilometre), and the available land resources are still substantial.[1] Its population of nearly 20 million is estimated to increase at the rate of 1.9 per cent per annum.

Agriculture provides about 50 per cent[2] of the national income and employs 85 per cent[3] of the working population; 87 per cent of the farm land is owned by those who cultivate it. Soil and climate conditions are favourable to the growing of rice which occupies 92 per cent of the cultivated area and yields an exportable surplus, which in recent years has accounted for more than 55 per cent of total export earnings.

Until recently there has been little emphasis on industrial development. Attempts to discover and develop adequate fuel and power resources have not yet yielded substantial results. Industrial development has also been hampered, *inter alia*, by the absence of an organized capital market.[4]

While Thailand has a system of compulsory primary education, there is an urgent need for the development of technical skills of all kinds. People have been largely content to remain dependent on agricultural pursuits and the incentive for industrial development has been lacking. The limited industrial activities that exist and most of the trade are largely in the hands of aliens.

DEVELOPMENT PROBLEMS AND PROGRAMMES

Lack of sufficient and adequate types of financial institutions and entrepreneurial ability has prevented the use of Thailand's foreign exchange resources and natural wealth in building up factories and other businesses. Investible funds have been used mostly for hoarding and for financing building construction. Government too is handicapped by the lack of technical, administrative and supervisory personnel at the various levels. Consequently, even though a substantial part of the exchange earnings accrue to the government and the Bank of Thailand as a result of the government monopoly of rice exports and the multiple exchange rate system, they have not been channelled sufficiently into desirable lines of investment.

Moreover, the government's policy has been one of maintaining, if not improving, consumption levels; in fact, until the end of 1953 the government had made very limited use of quantitative import restrictions. Exchange controls by themselves were not sufficient to prevent the use of foreign exchange resources for financing non-essential and luxury imports. Resources which could have been used most effectively for development purposes have thus been otherwise utilized and with the declining trend in export earnings the implementation of development projects would be conditioned by the availability of financial assistance from foreign governmental or international and inter-governmental agencies.

At present, there is no over-all co-ordinated economic development plan, but the Council of Ministers has set up a steering committee under the Deputy Prime Minister to co-ordinate the various projects for the development of transport and power and to draw up a five-year investment programme. Projects examined by the committee are submitted to the Council of Ministers which decides on their priority.

The new Industrial Promotion Act which became effective on 12 October, 1954 seeks to encourage both local and foreign investment in industrial enterprises through provision of financial and other facilities. Under the provisions of this Act, a Commission, headed by the Minister of Industry, will advise the Cabinet Council on such problems as the size and kind of industry which should be promoted, introduction of improved industrial methods, reduction of import duties on raw materials and machinery for industrial plants, exemption or reduction for a limited period of taxes provided in the Revenue Code, provision of foreign exchange to industries at the official rate, remittance of funds in foreign currency when such funds represent foreign capital or interest from foreign investment, and restriction of certain imports which compete with the products of domestic industries.

In an exchange of notes the Government of Thailand has already agreed to co-operate in the United States Government Guarantee Investment Programme (conducted through the United States Foreign Operations Administration) which seeks to encourage new investments abroad by American private enterprises. Appropriate steps are also being taken to admit to the country experts needed by the various industries, regardless of the immigration quota.

Irrigation and transport projects

Several basic development projects have been planned and are being undertaken as funds and technical assistance become available.

The International Bank for Reconstruction and Development has lent $18 million for an irrigation project in the central plain,[5] which is expected to be completed toward the end of 1958. Work on the network of irrigation canals and on the Chao Phya river barrage near Chainat is proceeding satisfactorily.

1. Of the total land area of 51.2 million hectares, cultivated area accounts for only 8.6 million hectares. Of the remaining area, forests occupy 29.9 million hectares.
2. Estimate by the National Economic Council for the year 1952. The share of agriculture in total national income averaged about 60 per cent during the period 1946-49. Since then there has been an increase in the income from other sectors, notably manufacturing, commerce and services, and consequently the share of agriculture declined to 57.1 per cent in 1950, 55.2 per cent in 1951 and 49.3 per cent in 1952.
3. Derived from the 1947 census.
4. Among the financial institutions that exist, the Industrial Bank, set up by the Government to provide finance for industries, deserves special mention.
5. As per agreement signed in 1950 between the Government and the Bank.

In order to meet the growing demand for cement, particularly from the Irrigation Department, a new cement plant (capacity 60,000 tons a year) is to be erected jointly by the State and private enterprises in Nakorn Sawan province, with a capital of 60 million baht. United States and Japanese firms will supply the equipment and also help to erect the plant.

Following the report of the International Bank's mission which visited Thailand in early 1953, a Thai delegation visited Washington from September 1953 to March 1954 for technical discussions on a programme to rehabilitate and develop the railway system. The Bank is in contact with the government on this matter. The railway development programme includes building of new trunk lines and railway bridges, extension of the existing lines and the purchase of rails, diesel locomotives, bogies and wagons.

During the year considerable progress was made on the project for improving the Port of Bangkok. The channel through the sandbar at the Chao Phya river estuary to permit ships of 10,000 tons to enter the port was finally completed in January 1954, after a number of difficulties in dredging had been overcome. A two-year management contract for foreign contractors to maintain the channel was signed in May. Delivery and installation of port equipment, however, are still delayed. An expert recommended by the International Bank to help the Port Authority to reorganize its administration has presented his report to the government and the Port Authority. The Port Authority is to employ an experienced adviser to assist it in administering the port and in carrying out the recommendations contained in the report.

The construction of important highways is to be undertaken with financial assistance from the United States Government. Since many bridges were destroyed during the war, bridge construction has also been given high priority. A contract has been given to a Japanese firm for the construction of three bridges across the Chao Phya river at a total cost of 83 million baht.

Power and other industrial projects

In supplying electricity, the Yarn Hee project on the Me Ping river is especially important. This project, when completed, will have a generating capacity of 320,000 kW to serve 31 provinces. A provincial electricity authority is being set up to build small thermal generating stations in the provinces, of which three are to be built in the immediate future.

Electricity consumption has been steadily increasing and in the Bangkok Electric Works area alone it increased from 85 million kWh in 1953 to 100 million kWh in 1954.[1] Two 5,000 kW steam-driven electrical plants supplied by the United States Foreign Operations Administration are being set up at the site of the lignite deposits at Me Moh; they are expected to supply electricity to the city of Lampang in north Thailand.

According to the National Electric Committee, the large lignite deposits could be used not only for power generation but also as fuel in place of firewood.

Thailand's iron and steel industry at present consists of the Thai Cement Co.'s two 10-ton blast furnaces using charcoal as fuel to produce structural steel. The Department of Metallurgical Works discovered in April 1953 an iron-ore deposit in Kanchanaburi with estimated reserves of about 16 million tons; and it is now planned to set up a plant to produce pig iron there, with a capacity of 100 tons per day.

To meet the growing demand for building construction, a plywood factory is being built in Bangkok with an expected daily output of 6,000 square metres of plywood, 3,700 square metres of veneer and 100 window frames. The government will hold 51 per cent of the shares of this concern. An industrial corporation with a capital of 50 million baht is also being formed to set up new industrial concerns, producing sugar, gunny bags, rubber goods and paper, and also to invest in the stocks of existing and new concerns. The company's primary object is to save foreign exchange by producing more of the commodities now imported from abroad.

The successful implementation of all these projects now under consideration will depend as much on the availability of trained personnel as on the availability of funds. The government has a scheme of in-service training in specific fields conducted by the different departments concerned; for example, training in office management conducted by a special committee set up by the Council of Ministers. In addition there are programmes for technical training at the newly established technical institute at Tungmahamek, for engineering training at the Chulalongkorn University (in co-operation with the University of Texas School of Engineering) and for training of agricultural technicians at the Agricultural University at Bangkhen. There are also schemes for sending government employees abroad for technical training, some of whom are financed by the United Nations and its specialized agencies or such foreign government or inter-governmental agencies as the US Foreign Operations Administration and the Colombo Plan. Facilities are also given for technical training abroad to scholars or fellows of the Civil Service Commission who receive the benefit of foreign exchange at the official rate.

PRODUCTION AND TRANSPORT

Agriculture, fisheries and forestry

In Thailand small-scale peasant farming, mainly of food crops, predominates. *Rice*, the major crop, accounts for 92 per cent of its cultivated area. Thailand's production potential has been much less affected by the economic dislocation of war than that of Burma, Cambodia or Viet-Nam.

The considerable increase in production and in area sown to different crops, recorded in the early post-war years, has since continued. The area for paddy cultivation in 1953, at 6.17 million hectares, was nearly 13 per cent higher than the average for the period of 1948-52. Paddy production, which suffered as a result of floods in 1952/53, reached an all-time record of 8.24 mililon tons in 1953/54. The average yield per hectare has not, however, increased significantly.

The current year's rice supply together with carry-over from the previous year is expected to yield a substantial exportable surplus estimated at about 1.8 million tons. The offtake in 1954 has however been so low that the carry-over at the end of the year is estimated at 0.6 million tons.[2] Thailand has also lost its position as the leading rice exporter of the region, which it had held since 1950, owing to better rice harvests in most countries of this region, and the relatively higher prices of Thai rice.

1. Based on consumption during the first 8 months of 1954.

2. Estimates place exports of rice at 1 million tons and rice flour at 200,000 tons.

Since *rubber* production is mainly for export, the increase in net exports to 95,800 tons during the first ten months of 1954 from 81,400 tons in the corresponding period of 1953 reflects the increase in production which followed the recovery in rubber prices. To help rubber growers the government has freed from import licensing seeds, chemicals and processing equipment.

The amounts of *fish* caught for sale and for home consumption were respectively 37,600 and 92,800 tons[1] during 1953. Owing to shortage of foreign exchange, Indonesia has stopped purchasing fish (mainly salted) from Thailand and in 1954 local fisheries have been finding it unprofitable to operate. The Thai Fisheries Company has been given the responsibility of handling fish exports. Though fish is vital to the rural population's diet, and resources in Thailand's waters are abundant, much has yet to be done to organize Thai fisheries on modern and efficient lines.

Average annual production of *teak*, the most important forest product of Thailand, rose from 245,000 cubic meters in 1950 to more than 328,200 cubic meters in 1953. Its relative importance as an export product has however declined to 2.8 per cent of the total value of exports from 4 2 per cent before the war. Production of *yang*, the second important forest produce, declined from 253,000 cubic meters in 1952 to 245,300 cubic meters in 1953.

Industry

Manufacturing industry accounts for nearly 14 per cent of Thailand's national income, and consists at present mainly of small enterprises. Detailed and up-to-date production statistics are, however, available for only a few industries.

Cement production has been making steady and continuous progress; the current annual rate of production at 364,000 tons is more than twice that of 1950.

The Bangkok *Cotton* Mill, liquidated in the middle of 1953 and since reorganized and taken over by a syndicate, is claimed to be able to meet 65 per cent of the country's yarn requirements. Demand, however, has not been encouraging as the weavers seem to prefer better-quality imported yarn. Owing to competition from imported textiles many weaving sheds have closed. At one time, while importers were allowed to import certain types of textiles (particularly white and grey shirting) at the "preferential import rate",[2] this rate was not granted for imported yarn. At the suggestion of the Minister of Industry the weaving mills have decided to merge into one company under government patronage with a capital of 5 million baht. This merger is expected to give the weaving industry greater stability and competitive power against imported goods.

The *glass* factory which started operating in 1953 now has a production capacity of 50 tons per day. Imports of glassware, particularly from Japan, have consequently been reduced considerably.

Government-owned industrial enterprises, started by the various ministries and government monopolies, are processing local raw materials. The gunny bag factory, the cigarette factories of the Government Tobacco Monopoly and the Government Alcohol Distillery at Ayudhya are among the more important government enterprises; there are also a tannery, a paper mill and a sugar factory.

Thailand's annual requirements of *gunny bags* amount to 20 million.[3] The first gunny bag factory started by the Ministry of Industry in 1952 has now an annual production capacity of 4 million bags. Two additional factories each with a production capacity of 2 million bags are now at the test-running stage.

The *cigarette* factories of the Thailand Tobacco Monopoly consume about 5,000 tons of tobacco leaf and produce about 6,800 million cigarettes per annum. The 1954 crop of tobacco leaf is estimated at 12,000 tons; and the excess stock, after adding the previous year's carry-over and deducting current consumption, at about 10,000 tons. The Tobacco Monoply has planned to purchase this entire stock and extend the existing cigarette factories. Its policy is to cut down imports of cigarettes and thereby reduce competition.

The Alcohol Distillery at Ayudhya with a daily output of 30,000 litres is installing a new plant which is to start producing *alcohol* from rice early in 1955.

New factories erected in 1954 include the Science Department's alum factory and the fish-meal plant at Chumphorn. The *alum* factory which is expected to go into production in late 1954 or early 1955 will have a daily output of 10 tons at an estimated cost of 850 baht per ton compared with the current market price of 1,150 baht per ton. The *fish-meal* plant has been set up with United States aid and it is expected to provide employment to the people in an area hit by the slump in the tin and rubber trades.

Minerals

Tin production in Thailand, which regained its pre-war peak in 1950, has since been steadily declining. From September 1952 to June 1953 output recovered a little under the stimulus of having to surrender a reduced percentage of export proceeds to the Bank of Thailand at the official exchange rate, but since July 1953 it has again been falling, and at 8,140 tons for the first 10 months of 1954, was 390 tons less than during the corresponding period of 1953. Many of the ore-beds are now near the stage of exhaustion. Mines which had to close under pressure of reduced profits have not been able to re-open in spite of the halving of royalties on tin production and the partial recovery of tin prices. Funds are lacking to find and exploit new and richer ore-beds as there has been little or no foreign investment in the industry during the last two years.

Production of *wolfram* and *lead* is hampered by the high cost operation. This, combined with low prices and a 15 per cent royalty, has caused the closing down of many mines. The profits of government-owned mines fell from 10 million baht in 1951 to 2 million baht in 1952, and in 1953 the mines just managed to balance receipts and expenditure.

Transport and communications

Railway operations, which approached the pre-war level in 1953, have made further progress; during the second quarter of 1954 an average of 64 million ton-km of freight were carried per month, compared to the monthly average of 54 million ton-km in 1953.

1. Division of Agricultural Economics and Land Use, Office of the Under-Secretary, Ministry of Agriculture, Government of Thailand, *Economic Farm Survey in Thailand, 1953*.

2. White and grey shirting have been removed from the list of imports qualifying for the preferential rate of exchange since June 1954.

3. Joseph S. Gould, "Thailand: a Developing Economy", in *Economic Problems of Under-developed Countries in Asia* (Indian Council of World Affairs).

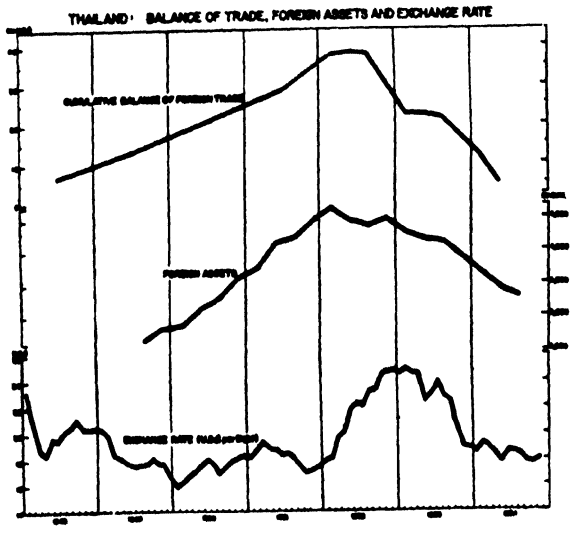
The State Railways of Thailand, which received additional allocations from the Ministry of Communications, has been able to proceed with its rehabilitation programme. Orders have already been placed for 1,200 pairs of wheels complete with axles from Japan. Most of the buildings at the Makasan Railway Workshop in Bangkok, which the International Bank's $3 million loan is helping to finance,[1] have been completed. All the railway signalling equipment has been delivered and is expected to be installed by the end of 1955.

Road and drainage improvement, costing 27 million baht, is to be undertaken in Bangkok and its suburbs by the Bangkok Municipality; it is financed by a one per cent addition to the purchase tax.

TRADE AND PAYMENTS

For the first time since 1948 Thailand's trade balance showed a deficit ($14.4 million) in 1953. This was caused by a 12 per cent increase in the value of imports due mainly to larger imports from countries other than the United States and the United Kingdom, notably Japan, and to a slight decrease in the value of exports. There were also large non-monetary gold imports which though smaller than in 1952 were still very much larger than the deficit on trade account. Imports during the first half of 1954 at $156.1 million were lower by $17.5 million than in the corresponding period of 1953, reflecting in part the effect of import controls imposed towards the close of 1953. Export earnings, however, fell even more, from $168.1 million in the first half of 1953 to $127.7 million in the first half of 1954, mainly owing to the low offtake of rice which accounts for over half of Thailand's value of exports. The adverse trade balance has in consequence widened to $28.4 million during the first six months of 1954, and is being met by tighter exchange and import controls.

Chart 52



Export earnings

Rice, rubber, tin and teak accounted for an average of about 85 per cent of total export earnings in 1950-53. The share of rice in the export earnings increased from 46 per cent in 1937-38 to an average of 56 per cent in 1950-53.

1. International Bank for Reconstruction and Development, *Ninth Annual Report, 1953/54.*

Rice exports which reached the highest level in 1951 at 1.6 million tons have since been steadily declining. They fell by 10 per cent between 1951 and 1952 and by a further 6 per cent in 1953. Increased rice production in the major rice-consuming countries of Asia and the consequent reduction in effective demand at current prices have reduced the offtake of Thai rice by foreign markets. Figures for the first nine months of 1954 indicate that Hong Kong, a major importer of Thai rice in 1953, bought only a small quantity from Thailand during 1954. Malaya is still an importer but its share is considerably less as part of its requirements are now supplied by Burma. Japan has maintained its purchases more or less at the 1953 level, but the Republic of Korea did not buy from Thailand at all. Indonesia is the only country whose imports have recorded an increase over 1953.

Steps have been taken in 1954 to stimulate rice exports. Merchants are now required to sell only 4 instead of 5 tons of rice to the government to qualify for the right to ship 1 ton on their own account. In addition, the premium payable to government for free-quota rice was waived in respect of all quantities of broken rice with effect from 29 April 1954. The exporters were also allowed to acquire gunny bags for export from any source or market they preferred, whereas formerly all gunny bags needed for rice export had to be obtained from the Rice Bureau. The government is also taking measures to ensure the quality of export rice through strict supervision and better storage facilities. Above all, it announced price reductions as early as January 1954 when it negotiated the rice agreement with British territories. The export price (f.o.b.) of white rice 5 per cent was reduced by $10.64 from $168.70 per ton in 1953 to $158.06 per ton. Again in February the government announced a lowering of prices for low-grade broken rice for which no reduction was announced in the sales agreement with the British territories. These steps, however, were not sufficient to increase sales. By the end of June 1954 only 485,000 tons could be exported, as against 720,000 tons during the corresponding period of 1953. Stocks of broken rice—a by-product of mills producing white rice and other high grades—have consequently been accumulating. The government announced the second price reduction of the year in June, but it applied only to the lower grades of white rice—i.e. 15 per cent downwards—and to broken rice of all categories. Moreover, the reduction came too late in the season to improve the position materially. It is worth noting that the government did not reduce the price to be paid to the millers with a view to leaving internal paddy prices and farm incomes unaffected. However, the fall in the export price of rice sold by private exporters[2] and low effective demand affected paddy prices in some measure. The wholesale price index (1948=100) of paddy which stood at 104 in 1953 fell to 93 during the first quarter of 1954.

In spite of the price reductions announced in June and even though only 60,000 tons out of the 272,000 tons which the British territories agreed to take in 1954 were shipped up to June, exports did not recover in the second half of the year. Up to the end of September total quantities exported amounted to only 761,000 tons, compared to 1,076,000 tons in the corresponding period of 1953. Rice export prices have to bear a more reasonable relationship with prices in importing countries and with prices of wheat and other competing

2. According to the Food Agency, Ministry of Agriculture and Forestry, Government of Japan, the export price of white rice 5 per cent sold on a private commercial basis fell from a peak of $234 per ton in March 1953 to $165 per ton in June 1954. In spite of this decline "free" Thai rice is still about 13 cents a kilo above the retail price of rice sold from government stocks in Malaya.

foodgrains. Of these 761,000 tons nearly 62 per cent were exported under government-to-government contracts and the rest privately. The slight increase in the share of private export trade (in 1953, private export trade accounted for only 33-1/3 per cent) may be attributed to the new concession granted to private exporters. Late in 1954 the government announced its decision to permit merchants who export rice to the Philippines under the new sales agreement with that country to keep the foreign exchange realized from the shipments for their own use or for sale in the open market. The merchants were only required to pay a premium to the government. Under the new rice trade regulations which have become operative from the beginning of 1955, rice export trade is virtually handed over to private exporters. Government-to-government contracts will be entered into only if the importing country desires such an arrangement. Registered exporters who will be given export permits by the Foreign Trade Department of the Ministry of Economic Affairs are, however, required to pay a certain premium[1] to the government and also to surrender a specified[2] amount of foreign exchange to the Bank of Thailand at the official rate.

The volume of *rubber* exports from Thailand has increased by about 18 per cent[3] since 1953 owing to a shift towards increased consumption of natural rubber in the United States and a general re-building of rubber stocks. Rubber prices recovered significantly only from April 1954 and therefore export earnings have since 1953 not increased so much as the volume of exports. The prospects for rubber exports are bright, as world rubber stocks are below their 1953 level. The extension of the trade agreement with Japan is also a contributory factor.

There has been a general recovery in *tin* prices during the first half of 1954. Export earnings from tin were only 11 per cent lower than in the second half of 1953, even though the volume of exports fell by 16 per cent during the same period. As the volume of exports will be limited by declining output, a continued increase in price would be necessary to maintain export earnings at the 1953 level.

The ban on exports of *timber* other than teak which had been imposed with a view to conserving supplies for the domestic market was lifted in July 1953. Regular consignees of Thai timber had turned to new sources of supply during the period of the ban and therefore the revival of timber exports since the lifting of the ban has not been significant owing to lack of new buyers. Exports of teak, which remained very low in 1952, recovered during 1953, but the long-term trend in teak exports is showing a decline. Exports in 1953 were only about two-thirds of the peak 1951 level.

To augment Thailand's foreign exchange earnings the government has removed its ban on exports of certain other commodities also. These include meat, fresh-water fish, several animals, dairy products, various cotton textiles, coconut products, brown sugar, firewood, charcoal, and barks or fibres produced in Thailand. Exporters of these goods do not have to surrender any portion of their foreign exchange earnings to the Bank of Thailand.

1. 200 baht per ton in the case of broken rice (all varieties), 400 baht per ton in the case of whole rice.
2. £10 per ton for broken rice (25%, 35%, 40%, 45% and 50%), £20 per ton for 10%, 15%, and 20%, and £30 per ton for whole rice and 5%.
3. Based on exports during the first six months of 1954.

Imports and import control policy

Quantitative import restrictions introduced in 1953 were reinforced early in 1954 by a further tightening of exchange controls. Import commodity groups eligible for preferential exchange rate financing were reduced from 19 to 4 in March and to 2 (milk and medicines) in June 1954.

The progressive reduction in the number of commodities eligible for preferential exchange rate, which was necessitated by the declining trend in foreign exchange receipts from rice, greatly reduced the Bank of Thailand's supply of foreign exchange to the free market through the commercial banks. Importers had, therefore, to resort more and more to the free market[4] and the free market rate rose rapidly.[5] To prevent further depreciation of the baht in the free market, the Bank of Thailand has been supplying sterling and dollars to commercial banks for re-sale to importers at rates slightly below the free market rates. Since 3 May 1954, the Bank of Thailand's market selling rate has stood at Baht 58 to £1 and Baht 20.72 to $1.[6] With the emergence of this additional exchange rate on the import side, the Bank of Thailand's exchange rate policy is practically back to what it was before the February 1952 currency appreciation, *i.e.*, financing permissible imports at rates fluctuating with the free market rates.[7] In the middle of December 1954, remittances abroad were further restricted and by the end of January 1955, the two remaining commodity groups eligible for preferential exchange rate financing were also brought in line with other permissible imports. Foreign exchange has now to be obtained at the free market rates for *all* kinds of imports.

The import licensing policy was also modified in 1954, strengthening the quantitative restrictions alrady imposed. Imports had been previously classified broadly as "essentials" and "luxuries". Licence was given fairly liberally for the former (which included a wide range of goods), while the purchase of the latter was prohibited. About half of the items formerly treated as essentials have been transferred to a new "semi-essential" group. For these, licences will be issued only to those importers who were importing them before June 1953. While essential goods can be imported without limit, the ceiling for semi-essential goods will be the largest quantity purchased by each individual importer during any of the past five years. The list of commodities the purchase of which is banned has also been revised and now includes as many as 94 items.[8]

As detailed import statistics are not available, it is difficult to assess the extent to which the fall in the value of imports during the first half of the year represents a fall in volume and the extent to which consumer goods imports have been reduced.

4. The availability of foreign exchange in the free market had also been greatly reduced as a result of the general decline in export earnings.
5. The free market rate reached the highest level in April/May 1954 at Baht 63.60 to £1 and Baht 22.50 to $1.
6. As from 15 June 1954, the Bank of Thailand introduced a system by which it would purchase sterling and dollars offered by commercial banks. The buying rates applied are agreed upon by the parties at each transaction. On 21 June sterling was purchased by the Bank of Thailand at the rate of Baht 57.75 to £1.
7. For a fuller discussion on the role of multiple exchange rates, see article on "The application of multiple exchange rates in selected Asian countries", *Economic Bulletin for Asia and the Far East*, Vol. V, No. 3. November 1954.
8. As a combined result of the various import and exchange control measures taken during the year the free market rate improved to Baht 57.25 to £1 and Baht 21.10 to $1 by December 1954.

Since, generally speaking, there has been no significant fall in import prices, the decline in value may be taken to indicate the fall in volume of imports. Certain broad conclusions can, moreover, be drawn from figures relating to imports from the United States, the United Kingdom and Japan, the leading suppliers of imports to Thailand.[1] The fall in imports relates to imports from the United States and the United Kingdom only, since imports from Japan have actually increased during the first half of 1954, as compared to the first half of 1953. Imports of both consumer goods and development goods have been affected. In fact imports of development goods like iron and steel, metals and manufactures, machinery and vehicles, have been very much reduced,[2] probably as a result of the government's policy to spread out development projects over a period of years.

Thailand's international payments situation depends heavily on merchandise transactions. The continuing increase in the demand for imports in 1953, the further fall in rubber and tin prices, and the reduction in rice exports, made a deficit in 1953 (financed mostly by the drawing down of reserves) inevitable. The deficit on goods and services account amounted to $60.7 million. The foreign exchange reserves fell by $51 million from $352 million at the beginning of 1953 to $301 million at its close. The foreign exchange reserves fell till the end of July 1954 when they stood at $259 million. During August they improved slightly to $263 million.

FISCAL AND MONETARY DEVELOPMENTS

The inflationary impact of the 1950/51 commodity boom was followed by a rise in imports deliberately encouraged, through currency appreciation, to counter inflation. Towards the end of 1952 and during 1953 exports declined but imports remained at high levels owing to (*a*) government development projects for which equipment and materials had to be imported, (*b*) an increase in military supplies and service requirments obtained from abroad; and (*c*) the continued rise in private import demand. The result was the emergence of a deficit of nearly $61 million on the goods and services account in 1953. The total monetary effect[3] of the balance of payments more than offset the deficit on government account which amounted to only 932[4] million baht against a budgeted deficit of 1,038 million baht. But in the meanwhile bank advances, mainly to finance growing rice stocks, had increased substantially (an increase of 447 million baht over the previous year) and inflationary pressures continued to persist in the economy (see table 55). Further, in order to reduce the growing external deficit, quantitative import restrictions were introduced towards the end of 1953; at the same time the government budgeted for a deficit of 1,485 million baht for 1954. The cost-of-living index (1948 = 100) rose from 137 in December 1953 to 143 in April 1954.

However, the decline in imports caused by stricter exchange and import controls was more than offset by the fall in export earnings and consequently the external deficit widened. In the meanwhile, owing to a steep fall in government expenditures, the budgetary deficit during the first half of 1954 amounted to only 178 million baht.[5] There was, however, an increase in bank advances (197 million baht between December 1953 and June 1954) but the monetary effect of the external deficit was a significant element in reducing inflationary pressures (see table 55).

Slow rice sales, the decline in government deficit spending, the reduction of currency in circulation and the onset of the rainy season, produced a tight credit situation, resulting in a slowing down of business activity. The temporary recession was reflected in heavy inventories, especially rice, which businessmen found it difficult to move, lower demand for imports, and reduced sales of consumer goods. It is reported that the volume of sales in some Bangkok department stores during the third quarter of 1954 was only half that of the first quarter of 1954. The cost-of-living index (1948=100) in September 1954 stood at 128 compared to 143 in April 1954.

1. The United States accounted, on an average, for 18.1 per cent, Japan for 18.4 per cent and the United Kingdom for 12.6 per cent of the total value of imports into Thailand during 1950-52. ("Payments problems of Thailand", prepared by Ravi Amatayakul of the Interntional Monetary Fund for the Working Group of Experts on Payments Problems of the ECAFE region, July 1954).
2. While the fall in total imports from the United Kingdom was only about 18 per cent, the fall in value of capital goods imports from the United Kingdom was nearly 20 per cent. In the case of the United States the percentages were respectively 27 and 39
3. The dollar figures of balance of payment have been converted into baht at the official rate of exchange The resulting baht figuure less the exchange profit of the Bank of Thailand indicates approximately the monetary effect of balance of payments, including, of course, the creation of deposits in favour of the government from its profits on rice exports The exchange profits of the bank are not transferred directly to the government and are shown as a deduction from the balance-of-payments figure
4. This deficit represents the excess of expenditures authorized by the budget over revenues The cash deficit was much higher, there were substantial (but unreported) extra-budgetary expenditures as well as disbursements against commitments incurred in 1952.
5. Here again the deficit indicated does not take into account extra-budgetary expenditures which, however, were far below the 1953 level; nor does it show the effect of large disbursemens against 1953 commitments.

TABLE 55

THAILAND: MAJOR FACTORS IN MONETARY EXPANSION AND CONTRACTION

(Million baht)

	1950	1951	1952	1953	1954 (First half)
Balance of payments on goods and services account[a]	756	728	— 105	— 759	— 526
Exchange profits	..	227	580	478	209
Government accounts (actual)	— 132	— 714	— 931	— 932	— 178
Increase in loans, advances and bills discounted of commercial banks	45	149	461	447	197[b]
Increase in money supply	860	940	25	506	— 18
Total money supply (end of the period)[c]	3,967	4,907	4,932	5,438	5,420

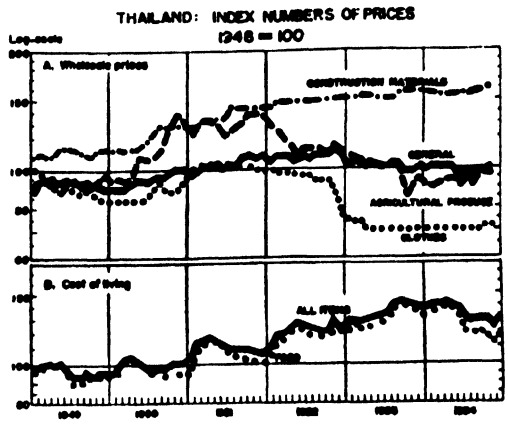
Source: Ministry of Finance and Bank of Thailand.

a. Dollar figures converted at the official rate of exchange.

b. Change between December 1953 and June 1954.

c Including notes in circulation and demand deposits of commercial banks.

Chart 53



Government fiscal operations during the first half of the year indicate that in 1954, as in 1953, the actual government deficit would be lower than the budgeted deficit. This would be due partly to improved tax collections and partly to reduced levels of expenditure. Out of a total budgeted expenditure of 5,677 million baht, only 2,266 million baht was spent during the first half of the year. It should, however, be remembered that expenditure usually catches up during the later part of the year. In 1953, while total budgeted expenditure was of the order of 5,248 million baht, actual expenditure amounted to 4,866 million baht. The difference between budgeted and actual expenditure was significant in the case of expenditure on economic development. Against a budgeted expenditure of 941 million baht, only 656 million baht was spent during the year owing partly to the government's policy of spreading development programmes over a period of years and partly to technical and personnel problems in connexion with the implementation of projects. In 1954, 1,232 million baht or 22 per cent of the total budgeted expenditure is earmarked for economic development; but since the government's policy in regard to development programmes continues to be the same and since technical bottlenecks still exist, actual expenditure is likely to be lower. Expenditure on external security accounts for about 18 per cent of the total budgeted expenditure in 1954[1]

There has been an upward trend in tax revenue due to the introduction of new taxes and the re-orientation of tax administration. The business tax introduced in 1953, which in effect is a sales tax, is proving to be a good source of revenue.[2] Among measures taken to improve tax collection the most important is the self-assessment scheme. Previously, the Revenue Department used to make the assessment which involved a time-lag of about 9 months between the filing of income tax returns and the actual billing of the assessees. This practice resulted in payments being in arrears as assessees in some cases would have already spent their incomes during the period between filing of the income tax returns and assessment by the Revenue Department. Under the new scheme assessees are permitted to make the assessment themselves and pay half of the tax within 7 days of the due date and the remaining part within 90 days. Tax collections during the last quarter of 1954 and in early 1955 would reach peak levels owing to the overlapping of current collections and collections falling due under the old scheme. Under a carry-back allowances scheme, enterprises are also permitted to deduct the losses incurred during the preceding five years from the income of the reporting year. The government is also taking steps to codify the tax laws and to issue detailed and comprehensive departmental instructions and regulations.

CONCLUSION

Foreign exchange difficulties which were anticipated in 1953 did occur in 1954 and the economy was faced with the problems of adjusting itself to a lower level of export earnings. Even though the stricter import and exchange controls imposed to meet the situation created by declining export earnings did succeed in bringing down the level of imports, external deficit widened because of the steeper fall in export earnings. The fluctuating free market rate does provide a mechanism of adjustment for the balance of payments and to some extent reduces the impact of changes abroad on domestic money incomes. The unfavourable balance of payments causes a depreciation of the baht in the free market. The depreciation of the free-market baht, in turn, tends to stimulate exports and discourage imports, thus reversing the unfavourable balance-of-payments position. This adjustment was, however, not perfect as the major exports, especially rice, were not affected or were only partially affected by the free-market rate. The new rice trading policy can be expected to facilitate the process of adjustment to some extent as exporters are required to surrender only a limited portion of their foreign exchange earnings at the official rate. The success of the new policy would, however, depend on the exporters' ability to quote competitive prices and the smooth working of the new regulations.

The import surplus and exchange profits of the Bank of Thailand contributed towards securing temporary monetary equilibrium. Attempts to reduce the external deficit through more stringent controls may, however, result in an increase of prices particularly of imported commodities. Continued vigilance on the part of the government to keep down the level of government deficits is also necessary for preventing new inflationary pressures. Government expenditures have been substantially reduced, but largely by spreading out expenditure on economic development over a period of years.

1. In analysing government expenditure in Thailand, it is important to remember that owing to the peculiar budgetary system expenditures are likely to be understated. (Paper on "Budgetary Reclassification and Derivation of Deficits in Thailand", submitted by the delegation of Thailand to the Second Meeting of the Working Party on Financial Aspects of Economic Development Programmes in Asia and the Far East, October 1954).

2. In the absence of detailed national income and Department of Revenue statistics, it is difficult to estimate the net yield from particular taxes or to determine the basis for the extension of the tax structure. The net yield from taxes on incomes in certain low income brackets, for instance, is likely to be very small owing to administrative expenses involved in processing the large number of income tax returns.

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SOURCES

To ensure comparability, data compiled or published by the United Nations Statistical Office have been incorporated wherever possible; material supplied by governments and publications of governments, of the United Nations and its specialized agencies and of international commodity study groups have been used as additional sources.

A. AREA AND POPULATION

	Area (sq km)	Latest census		Estimates of midyear population (thousands)				
		Date	Population	1937	1951	1952	1953	1954
Afghanistan	650,000		..	10,972	12,000		..	
British Borneo								
Brunei	5,765	27/11/1947	46,657	35	48	50	54	.
North Borneo	76,112	4/ 6/1951	334,141	295	335	347	355	..
Sarawak	121,909	26/11/1947	546,385	440	571	581	592	.
Burma	677,924	5/ 3/1941	16,823,798	15,635	18,674	..	19,045	19,242
Cambodia	175,000	.	.	3,046	4,000	18,859	3,860	
Ceylon	65,607	20/ 3/1953	8,098,637	5,712	7,742	7,940	8,155	
China	9,736,288	31/ 6/1953	582,603,417[a]	.	.	.	582,603[a]	..
Taiwan	35,961[b]	1/10/1940	5,872,084	5,530	7,713	8,000	8,261	8,617
Hong Kong	1,013	7/ 3/1931	840,473	1,282	2,013	2,250	2,250	2,277
India	3,288,251	1/ 3/1951	356,879,394	304,333		367,000	372,000	
Indonesia	1,491,564	7/10/1930	60,412,962	67,398	77,400	78,700	79,900	81,100
Japan	368,303	1/10/1950	83,199,637	70,040	84,300	85,500	86,700	88,000
Korea	220,792	1/10/1944	25,120,174	21,528	.		30,000	
South Korea	95,783	1/ 5/1949	20,188,641		.	21,206	21,376	21,687
Laos	236,800	.		1,012	1,309	1,356	1,260	
Malaya								
Fed of Malaya	131,282	23/ 9/1947	4,908,086	4,083	5,337	5,506	5,706	5,889
Singapore	755	23/ 9/1947	940,824		1,045	1,080	1,123	1,168
Nepal	140,000		.			7,000	.	
Pakistan	943,699	28/ 2/1951	75,842,165	.	75,842			
Philippines	299,404	1/10/1948	19,234,182	15,445	20,246	20,646	21,039	21,440
Thailand	514,000	23/ 5/1947	17,442,689	14,492	18,837	19,193	19,556	19,925
Viet-Nam	329,600	.		18,972	25,000		25,880	

Sources *United Nations Demographic Yearbook* and governments
a Excluding Taiwan b Included in the area for China.

B. CRUDE RATES OF LIVE BIRTHS AND DEATHS PER ANNUM

Number of live-births or deaths per 1,000 persons

	British Borneo			Burma	Ceylon	China (Taiwan only)	Hong Kong	India	Japan	Malaya		Philippines	Thailand
	Brunei	North Borneo	Sarawak							Federation	Singapore		
(1) Live births													
1920–24	..	..		28.5[a]	38.5	41.8	.	33.0	35.0	.	28.9		27.7[a]
1925–29				24.3	40.6	44.4	.	33.5	34.0		33.2	33.7[a]	29.9
1930–34	..	.	.	27.6	37.8	45.5	.	34.0	31.8	37.0[a]	38.5	32.4	34.6
1935–39		.		32.1	35.7	44.7	26.7[a]	33.8	29.2	40.2	46.0	33.6	34.9
1940–44		.			37.3	41.8[a]	25.2[a]	29.1	30.1	40.7[a]	44.8[a]	32.5[a]	35.2
1945–49	45.2[a]	19.0[a]	14.0[a]	..	39.0	41.0[a]	25.1[a]	27.0	29.9	40.6[a]	46.4[a]	30.5[a]	25.1
1950	50.7	26.6	22.2		40.4	42.5	26.8	24.9	28.2	42.0	45.7	21.9	28.4
1951	58.7	31.2	24.6	46.1	40.5	49.9	34.0	24.9	25.4	43.6	46.2	22.7	29.3
1952	56.6	33.1	27.4	47.3	39.5	46.6	32.0	24.8	23.5	44.4	47.5	21.9	29.1
1953	.	32.6	..	49.2	39.4	45.3	33.6	26.7	21.5	43.7	48.7	20.7	
1954													
Jan	..	..			40.4	46.1	38.8	25.9	26.6	39.4	45.3	18.3	..
Feb	.			..	43.5	53.7	39.3	22.0	24.8	46.2	47.7	14.8	
Mar	..	..	.	.	41.8	50.2	34.5	23.4	21.5	45.0	49.5	12.4	..
Apr	.	.	.	..	.	41.5	29.4	21.5	19.7	43.5	47.4	13.7	.
May	..	..	..			37.4	28.8	22.1	17.0	42.8	48.9	..	.
Jun	.		..	.	..	36.3	29.9	25.9	16.8	43.2	49.5	.	.
Jul	..	..	..	..	..	35.1	34.3	27.5	18.7	..	..	.	..
Aug	..	..	..	..	.	37.9	35.8	.	19.5	..	..	..	.
Sep	..	.	..	.	..	..	.	..	19.4	.	..	..	..
(2) Deaths													
1920–24	.		..	21.1[a]	28.9	25.3	..	26.8	23.0	..	30.5	..	15.1[a]
1925–29	..	.	.	19.1	24.9	22.4	..	24.3	19.8	.	29.0	18.3[a]	15.5
1930–34		.	..	18.3	22.4	20.3	..	23.7	18.1	21.6[a]	23.8	17.1	16.3
1935–39	..	.	.	22.0	24.5	19.8	29.1[a]	22.6	17.4	20.8	22.1	16.7	16.4
1940–44		..	..	..	20.1	*18.0*	35.8[a]	22.6	16.3	20.1[a]	20.8[a]	16.6[a]	17.3
1945–49	19.7[a]	13.3[a]	5.8[a]	.	16.5	*14.7*	8.6[a]	18.6	17.0	17.5[a]	12.5[a]	..	13.3
1950	18.1	11.9	11.2	..	12.6	11.3	8.2	16.1	10.9	15.8	12.1	8.2	10.0
1951	14.8	13.5	9.1	.	12.9	11.6	10.2	14.4	10.0	15.3	11.9	9.1	10.3
1952	17.4	13.0	9.9	..	12.0	9.9	8.6	13.6	8.9	13.6	11.2	8.5	9.9
1953	..	11.5		..	10.9	..	8.1	15.0	8.9	12.4	10.3	8.8	..
1954													
Jan	..	.	..	..	11.6	7.7	7.3	14.3	9.4	11.8	9.7	7.1	..
Feb	..	..	.	..	12.0	7.9	8.9	11.5	10.0	12.0	10.0	6.8	..
Mar	..	..	..	..	10.9	8.5	8.8	11.8	9.0	11.9	9.7	8.2	..
Apr	..	..	..	..	..	7.8	8.2	11.6	7.9	12.5	9.2	4.8	..
May	..	..	..	..	..	8.0	9.3	13.1	7.5	13.1	8.9	..	..
Jun	..	..	..	..	..	7.9	9.8	12.3	7.3	13.5	8.9	..	..
Jul	..	..	..	..	..	8.5	10.0	12.9	7.3	..	..	..	..
Aug	..	..	..	..	..	8.2	8.3	..	7.4	..	..	..	..
Sep	..	..	..	..	..	..	..	..	7.7	..	..	..	..

Sources· United Nations Statistical Office and governments.
a. Average of less than 5 years.

C. INDEX NUMBERS OF AGRICULTURAL PRODUCTION

1934-38=100

	All Commodities	Food	Cereals	Per caput food production	Per caput cereal production
BURMA					
1946/47	66	65	55	58	49
1947/48	80	80	78	71	69
1948/49	80	80	77	70	67
1949/50	79	80	75	70	65
1950/51	83	82	75	71	65
1951/52	87	87	80	73	68
1952/53	91	90	84	75	71
1953/54	89	88	81	73	68
CEYLON					
1946/47	118	109	109	91	91
1947/48	117	111	112	90	91
1948/49	123	116	117	92	92
1949/50	126	121	114	93	87
1950/51	134	123	118	91	88
1951/52	137	128	136	93	98
1952/53	131	124	122	88	86
1953/54	139	133	136	91	93
CHINA (Taiwan only)					
1946/47	55	55	80	49	70
1947/48	72	72	86	61	72
1948/49	85	85	92	67	73
1949/50	94	93	107	70	80
1950/51	96	96	120	69	87
1951/52	106	104	124	73	86
1952/53	118	116	126	78	85
1953/54	120	118	133	77	87
INDIA (1936-38=100)					
1946/47	99	101	96	89	84
1947/48	98	100	94	87	82
1948/49	97	100	94	86	81
1949/50	101	103	97	87	83
1950/51	98	99	89	83	74
1951/52	99	101	91	84	76
1952/53	103	104	99	85	81
1953/54	112	113	117	92	94
INDONESIA					
1946/47	65	70	72	62	64
1947/48	75	77	79	69	70
1948/49	80	83	83	73	73
1949/50	90	90	87	78	75
1950/51	101	91	88	78	75
1951/52	110	96	93	81	79
1952/53	110	98	99	81	82
1953/54	110	101	100	82	82
JAPAN					
1946/47	72	79	88	72	79
1947/48	73	80	90	71	79
1948/49	84	92	102	79	88
1949/50	88	96	103	81	87
1950/51	96	104	105	86	87
1951/52	101	109	102	89	84
1952/53	112	120	110	97	89
1953/54	99	106	94	84	75
KOREA (South) (1930, 1934 and 1936=100)					
1946/47	76	76	84	57	63
1947/48	100	102	92	76	68
1948/49	108	106	101	77	74
1949/50	121	118	112	86	81
1950/51	98	96	103	70	75
1951/52	95	93	96	69	71
1952/53	98	99	101	71	72
1953/54	101	103	110	70	75
MALAYA					
1946/47	89	72	85	55	65
1947/48	132	85	108	67	84
1948/49	141	86	97	66	74
1949/50	140	95	137	71	103
1950/51	145	100	139	75	102
1951/52	128	92	107	65	76
1952/53	127	99	138	68	95
1953/54	125	98	128	65	85
PAKISTAN (1936-38=100)					
1946/47	103	111	113	99	100
1947/48	103	107	104	95	92
1948/49	103	111	113	97	99
1949/50	104	113	116	98	101
1950/51	107	113	116	98	100
1951/52	107	112	111	96	95
1952/53	108	111	107	95	91
1953/54	105	114	113	96	96
PHILIPPINES					
1946/47	85	91	104	74	85
1947/48	89	94	107	76	86
1948/49	93	99	118	78	93
1949/50	103	110	124	85	96
1950/51	125	131	132	100	101
1951/52	127	135	136	101	102
1952/53	128	137	147	100	108
1953/54	133	142	151	102	108
THAILAND					
1946/47	107	110	107	91	88
1947/48	120	121	126	98	102
1948/49	140	136	157	108	125
1949/50	139	136	154	106	120
1950/51	144	138	156	106	120
1951/52	154	146	169	110	127
1952/53	146	139	152	103	112
1953/54	162	155	190	112	137

GENERAL NOTES. ***Food crops*** comprise the following: Cereals, sugar, root crops, pulses, oilseeds, fruits, vegetables, beverage crops, and livestock and dairy products. ***Cereals*** include: rice, wheat, maize, millet, sorghum, barley, oats, and rye. ***Commodities other than food*** include: tobacco, fibres, linseed and rubber.

D. PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES

	AREA (1,000 hectares)					PRODUCTION (1,000 tons)				
	1934-38 averageø	1948 50§	1952	1953	1954	1934-38 average	1948-50	1952	1953	1954
RICE (Paddy)										
British Borneo		*228*		..	..	.	167	..	..	..
Brunei	2[a]	3	4	.	..	2[a]	6	7	.	..
North Borneo	33	35	31	.	.	20[a]	43	47		..
Sarawak	241	190[a]		..	..	148	118[a]		.	..
Burma[b]	4,931	3,827	4,000	4,044		6,971	*5,220*	5,841	5,616	
Cambodia		1,058[a]	1,166	1,205	..	. [c]	1,260[a]	1,471	1,503	
Ceylon	344	392	400	434	..	340		*494*	553	.
China (Taiwan only)	666[a]	*753*	*780*	*815*	*805*	1,642	*1,725*	*2,050*	*2,280*	2,220
India	23,741[a]	30,221	30,030	31,017	.	32,308[a]	33,539	34,282	42,168	.
Indonesia	*6,042*	6,000	6,532		.	9,987	*8,400*	9,630	*6,452*[d]	.
Japan	3,169	2,968	3,004	2,982	3,051	11,501	11,995	12,404	10,298	11,761
Korea (South)	1,216[a]	*1,055*	*923*	*1,110*	*1,110*	2,726[a]	*3,061*	*2,900*	*3,400*	*3,300*
Laos		850[a]	800			.. [c]	565	500		
Malaya, Federation of	297	353	334	333	*340*	513	637	711	658	*630*
Pakistan	7,582[a]	8,865	9,314	9,928	*9,200*	11,169[a]	12,580	12,416	13,946	*12,900*
Philippines	1,990	2,223	2,456	2,920	..	2,179	2,620	3,144	3,182	.
Thailand	3,370	5,063	5,130	5,931	*5,750*	4,357	6,767	6,602	8,239	*7,700*
Viet-Nam	..	1,650[a]	1,924	1,870		. [c]	*2,210*[a]	2,633	2,463	..
WHEAT										
Afghanistan	..	.	..				1,700[a]			
China (Taiwan only)	1[a]	14	15	14	..	1[a]	12	17	14	
India	10,802	9,078	9,471	9,729	10,561	7,411	5,930	6,183	6,870	7,917
Japan	684	754	720	685	672	1,288	1,283	1,537	1,374	1,511
Korea (South)	135[a]	103	98	*107*	*116*	100[a]	97	83	*99*	*157*
Pakistan	3,766[a]	4,238	4,142	3,847	*4,310*	3,183	3,862	3,112	2,477	*3,742*
SUGAR (Cane & Beet)										
Afghanistan (Beet):										
Centrifugal (raw value)		.	..	..		. [n]	5[a]	*4*	*6*	..
Burma: Centrifugal		14				23[n]	*7*	*23*	*23*	
Non-centrifugal	21△	18[a]△	.	.	.	78[a]	*68*	*82*	*82*	..
China (Taiwan only):										
Centrifugal (raw value)		108△	*98*	*85*△	.	1,030	*565*	*895*	*720*	.
Non-centrifugal	116	82				29[a]	*10*	*19*	12	..
India: Centrifugal (raw value)	1,326△[a]	1,564△	1,729△	1,456△	.	1,090[a]	1,270	1,566	1,209	.
Non-centrifugal; Gur		.			.	*2,680*[a]	2,970	3,063	*3,060*	..
Indonesia										
Java & Madura:[e]										
Centrifugal (tel quel)	55	19	47	44	..	913	182	460	620	..
Non-centrifugal		.	.	.	.	73[a]	*36*	*150*	*213*	.
Japan (Beet): Centrifugal (raw value)	17	12	13	.	.	39	13	32	*40*	..
Non-centrifugal, cane	6△	3△	4△		..	4[a]	*15*	*13*	*13*	..
Malaya, Federation of:										
Centrifugal (raw value)	.	1△	1△	..	.	.	8[a]	.	.	
Pakistan:[f] Centrifugal (raw value)	211△[a]	291△	352△	.		*30*[a]	*42*	*76*	*76*	.
Non-centrifugal; Gur	..	.	.		..	*650*[a]	*610*	*762*	*853*	..
Philippines: Centrifugal (raw value)	235△	332△[a]	391△	.		960[a]	711	1,029	1,241	.
Non-centrifugal		143[a]	209	225	.	57[a]	34	58	50	..
Thailand: Centrifugal (raw value)		48△	74△	..	..	19[a]	*32*	*36*	*36*	..
Crude brown	10	47	73	.	..	15[a]	*19*	*19*	*19*	..
POTATOES										
India	182[a]	226	246	*261*	.	*1,833*[a]	1,510	1,963	..	..
Japan	151	217	197	207	*212*	1,622	2,390	2,515	2,635	..
Korea (South)	..	*45*	*38*	*40*	.	..	*299*	*250*	*270*	..
SWEET POTATOES & YAMS										
Cambodia	1	2	2	..	..	18	30[a]	35	..	..
China (Taiwan only)	126[a]	231	..	.	..	1,279[a]	2,123	2,100	2,625	..
Ceylon	..	28	20	..	..	.	54	50	..	..
Hong Kong	.	4	4	..	..	..	19	18	..	..
India	..	130[a]	172	..	.	.	816[a]	1,186	..	..
Indonesia	206	226	335	335	..	1,459	1,512	2,292	2,274	..
Japan[g]	248	421	377	360	..	3,060	6,210	6,205	5,391	..
Korea (South)		43	32[g]	..	.	.	283[a]	178[g]	..	..
Malaya, Federation of	..	15	6	7	..	..	*196*[a]	..	..	..
Philippines	84	109	120	121	..	202	455	540	..	..
Singapore	..	1	1	1	..	..	10	6	5	..
Viet-Nam	105[a]	15[a]	24	.	..	228[a]	64[a]	133	..	..
SOYBEANS										
Indonesia	337[h]	361	413	422[i]	..	241[h]	263	278	278[i]	..
Japan	326	303	410	421	..	321	295	521	428	..
Korea (South)	393[a]	235	264	250	..	280[a]	*151*	120	143	..
Thailand	3	*12*	24	22	..	4	8	21	20	..

D. PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES *(Cont'd.)*

	AREA (1,000 hectares)					PRODUCTION (1,000 tons)				
	1934-38 average[ø]	1948-50§	1952	1953	1954	1934-38 average	1948-50	1952	1953	1954
GROUNDNUTS (in shells)										
China (Taiwan only)	30[a]	78	.			50[a]	55	58	*54*	..
India	3,246[a]	4,061	4,796	4,596		3,196[a]	3,287	2,930	3,832	..
Indonesia	237[h]	*280*	262			263[h]	*330*	258	*325*	
Japan	8	11	25	25		12	12	23	27	..
Philippines	7	25	27	25		4	19	17	13	..
Thailand		58	71	72			49	73	78	..
COPRA										
British Borneo[j]						16	22	26	26	.
Ceylon						215	217	267	237	.
India						41[k]	220[a]	234		.
Indonesia[m]		.		.		715	461	420	470	..
Malaya, Federation of						188[a]	129	157	154	..
Philippines				..		583	787	954	869	..
COFFEE										
Indonesia Total						124	*31*	47	62	..
Estates	113	35	44	42		(56)	(11)	(13)	(22)	..
Philippines		10		.		2	4	6	.	..
Viet-Nam			3	11		2	—	2	5	..
TEA										
Ceylon△	226	225	231	232	.	104	*140*	144	156	.
China (Taiwan only)	42	35	38	39		12	9	12	12	..
India△	309[a]	313	314			178[a]	268	306	*276*	..
Indonesia	198	57[n]	67[n]	66[n]		75	25[p]	37[p]	37[p]	..
Japan△	39	*27*	30	33	.	49	33	57	57	..
Pakistan△	44[a]	*30*	30	30		26[a]	*22*	24	25	..
TOBACCO										
Burma	40	*50*	55	55		45	38[a]	*47*	*51*	..
China (Taiwan only)	1[a]	6	6	5		2[a]	7	9	10	..
India	365[a]	343	323	360		343[a]	263	222	260	..
Indonesia Estates	27[i]	14	12	.		44	8	8		..
Farms	149	107[a]	142			67		76		..
Japan	35	50	55	66	69△	64	86	96	101	118
Korea (South)	12[a]	*19*	17	14		13[a]	*30*	17	15	..
Pakistan	142[a]	*68*	70	78		151[a]	*68*	75	90	..
Philippines	67	38	39	44		35	24	22	28	..
Thailand	10	26	43	53		9	18	42	50	..
Viet-Nam	10		10	10		8	4[a]	7	7	..
COTTON										
Afghanistan seed	*75*	*25*	*40*			*20*	*11*	*24*	*26*	*18*
lint	*75*	*25*	40			*10*	*6*	*12*	*13*	*9*
Burma[e] seed	198	*80*	*146*	*162*		39	*17*	*38*	*35*	.
lint	198	*80*	*146*	*162*		21	*9*	*21*	22	*18*
India seed	8,486[a]	5,126	6,350	*6 890*	*5,208*	2,290[k]	866	1,114	1,358	.
lint	8,486[a]	5,126	6,350	*6,890*	*5,208*	737[a]	433	557	700	
Korea (South)[e] seed		133	115				55	32	*32*	..
lint		133	115		.		28	16	16	.
Pakistan seed	1,495[a]	1,156	1,403	1,185			420	639	510	..
lint	1,495[a]	1,156	1,403	1,185		289[a]	210	319	258	..
Thailand[e] seed	6	31	37	40		3	11	16	18	..
lint	6	31	37	40		2	6	8	9	..
JUTE										
India	349[a]	461	735	484	540	345[a]	511	838	587	513
Pakistan	*856*	695	772	308	485	*1,154*	896	1,238	454	491
HEMP FIBER										
India[q]		297	272		.	*100*	149	121	.	..
Philippines (Abaca)	292[a]	293	272	266		183	98	113	105	..
RUBBER										
British Borneo	.				.	33	70	53	42	..
Brunei			..	..	.	2	2[a]	2[a]	1[a]	..
North Borneo[s]	..		..	..	.	10	22	19	17	..
Sarawak			..	..	.	21[a]	46	32	24	*23*
Burma	.		..	..	.	8	8[a]	14[a]	10[a]	..
Cambodia	..		..	..	.	.	16[a]	18	..	..
Ceylon	.		..	..	..	62[a]	101	98	100	*98*
India	..	..	..	.		14	16	20	22	..
Indonesia	.		..	..	..	354	529	761	703	*672*
Malaya	.	..	..	..	.	423	699	594	594	*594*
Philippines[t]	.		..	.	.	1[a]	1	1	2	.
Thailand[a]	..	..	..	..	.	32	102	98	97	*97*
Viet-Nam	..	.	..	..		..	31	46	76[u]	..
WOOL										
Afghanistan	..	..	..	..	..	4	*3*	*3*	3	..
India	.	..	..	..	..	24[k]	14	15	14	14
Japan		..	..	..	..	—	1	1	1	..
Pakistan	..	..	..	..	..	..	6	7	7	8

GENERAL NOTE: Figures for crop areas relate generally to harvest. The symbol △ relates to planted areas.

a. Figures do not relate to the years stated in the column. For details of the years used in compiling the average see *Yearbook of Food and Agricultural Statistics, 1953*, Volume VII, Part 1.
b. Excludes Putao, Chin Hills, Shan states and Karenni.
c. Total average annual production of Cambodia, Laos and Viet-Nam in 1934-38 amounted to 6,498,000 tons.
d. Irrigated paddy and upland paddy on irrigated fields only.
e. Calendar year. Tel quel and Estates only, excluding small holdings.
f. White sugar, raw basis; direct from cane refined from gur and khandasiri; excluding palm sugar production estimated at 115,000 tons annually.
g. Sweet potatoes only.
h. Java and Madura, Bali and Lambok.
i. Java and Madura only.
j. North Borneo and Sarawak only.
k. Including territory now under Pakistan.
m. Copra Fund purchases and unrecorded exports to Malaya: excludes unrecorded exports to the Philippines.
n. On estates.
p. Estate production including processed raw product purchased from native growers.
q. Area of Sunn hemp for fiber, green manure, and fodder.
s. Exports.
t. Statistical year ending 30 June.
u. Includes Cambodia.

E. RAILWAYS: LENGTH AND ROLLING STOCK

	Number of locomotives						Number of passenger cars					
	1938	1948	1951	1952	1953	1954	1938	1948	1951	1952	1953	1954
British Borneo												
Brunei	.		.	.	..	.	.	.			..	..
North Borneo	13[c]	11	16	16	16	.	44[c]	22	37	40	48	.
Sarawak	.		..			.				.	..	..
Burma	369	274	316	312	312		1,167	479	527	705	708	..
Cambodia				21	24	.	.				..	.
Ceylon	249	239	264	271	276		1,324	1,276	1,423	1,479	1,484	.
China (Taiwan only)	205	253	249	249	257	252[c]	496	456	613	595	568	569[e]
Hong Kong	17	16	16	16	16	16	44	34	34	34	34	34
India[a]	8,488[g]	8,194	8,615	8,572	8,587	8,497	26,338[g]	20,979	20,969	21,340	22,177	.
Indonesia	1,279	584[i]	940	1,004	1,019		3,600	2,021	2,627	2,948	2,822	.
Japan[b]	4,124	6,283	5,458	5,444	5,468	5,486	10,958	14,070	14,051	14,108	14,335	13,900
Korea (South)	478[f]	650	583	561	561	540[k]	1,038[f]	1,234[k]	976[k]	654[k]	654[k]	636[k]
Malaya	179[c]	201	188	188	189	191	405[c]	289	299	293	298	320
Pakistan	—	1,276	.	..		.	..	4,088		.		.
Philippines	160	92	101	113	112		397[m]	258	263	263	212	..
Thailand	200	339	438	456	431	374[p]	322	453	600	593	616	591[p]
Viet-Nam	.	.	..		114		.				..	..

	Number of freight cars						Length of railways (km)					
	1938	1948	1951	1952	1953	1954	1938	1948	1951	1952	1953	1954
British Borneo												
Brunei	.	.			.		.	.	.			
North Borneo	156[c]	80	155	158	169		..	.	.	187	187	
Sarawak	.	.	..	.	..	.	.		.	.		
Burma	9,690	6,912	6,067	5,957	5,830	..	3,315	2,860	2,876	2,876	2,876	.
Cambodia	..	.	..	..	.	..	.	.	.	385	385	.
Ceylon	2,286	2,764	2,604	2,750	2,726	.	1,530[d]	1,439[d]	1,442[d]	1,442[d]	1,444[d]	.
China (Taiwan only)	4,654	5,703	5,411	5,470	5,453	5,496[e]	882	917	940	940	951	951[e]
Hong Kong	134	60	262	243	233	233	36[f]	36	36	36	36	36
India[a]	221,509[g]	214,320	212,861	215,798	224,938	.	.	.	..	49,226[h]	49,500[h]	
Indonesia	27,236	16,690	22,083	22,639	24,053	..	7,332	3,665[j]	6,616	6,630	6,657	.
Japan[b]	69,940	107,716	105,862	109,500	106,626	106,732	17,934	19,752	19,786	19,850	19,903	20,008
Korea (South)	5,499[f]	4,865[k]	5,192	8,907	4,305[k]	4,497[k]	7,843	4,365	4,220	4,265	4,293	..
Malaya	5,776[c]	4,967	4,969	5,029	5,122	5,877	..	1,730	1,823	1,839	1,962	2,042
Pakistan	—	37,615	..	..	..	..	..	.	..	..	27,446	..
Philippines	2,239	1,970	2,309	2,324	2,114	..	1,385	866[n]	1,190	1,088	1,088	..
Thailand	3,833	5,383	6,115	6,168	6,423	6,223[p]	3,100	3,213	3,272	3,333	3,333	3,333[p]
Viet-Nam	.	..	..	..	..	..	..	..	..	936	936	..

General Notes: The time of year to which figures relate is the end of the working year. Pre-war data for Japan relate to 1936. Locomotives: all vehicles with engines or motor and motive power or with motors only. Passenger cars: all passenger carrying cars including railcars, baggage cars and railway-owned postal vans. Freight cars: all goods-carrying cars excluding baggage vans and cars used exclusively for service traffic.

a. Passenger cars and freight cars include service vehicles.
b. State Railways only.
c. 1941.
d. Broad gauge and narrow gauge.
e. End of October only.
f. 1937.
g. Including territory now under Pakistan.
h. Broad gauge and meter gauge.
i. Excluding locomotives under repair.
j. Federal area only.
k. Korean National Railway Record.
m. 1939.
n. Data for Manila Railroad Co. only.
p. End of September only.

F. ROADS: LENGTH AND MOTOR VEHICLES IN USE

	Length of roads (km)						Number of commercial motor vehicles ('000)					
	1938	1948	1951	1952	1953	1954	1938	1948	1951	1952	1953	1954
British Borneo												
Brunei	.	..	..	..	.	.		0.18	0 56	0.72	..	.
North Borneo	..	.	378	341	344	.	..	0 37	0.35	0.44	0.52	
Sarawak		..	..	..		.	0.11	0.18	0 91	0.74	.	
Burma	..	8,376	8,402	..	..	..	14.00	22.00	12.00	11.00	9.00	..
Cambodia	..	.	..	..	4,012	..	.	1.22		.	..	.
Ceylon	9,424	10,331	10,780	17,777[d]	17,873[d]	..	7.20	13.01	16.52	18.68	20.93	21.31
China (Taiwan only)	—	17,097	17,097	15,619	15,655	15,678	4,97[c]	5.62	9.12	10.71	14 52	17.64[d]
Hong Kong[a]	..	644	686	690	703	703	.	2 90	3 60	3.81	4.00	*4 15*
India	.		.	.	.	.	36.4	86.1	121.5	121.2	136.7	.
Indonesia	52,790		..		49,430	..	16.9	..	35.6	36 4	51.2	51.2
Japan[c]	119,990	131,923	137,099	140,657	.	..	80.1	108.2	174.8	195.1	210.6	
Korea (South)	..	..	..	.	..	14,691	..	10.9		6.4[g]	8.3[g]	9.2[g]
Laos	..	.	..	.	.	..	..	0.30	.	.	.	.
Federation of Malaya[b]	..	9,753	9,759	9,761	10,043	10,043	6.52[c]	15 14	17 55	19.88	20.41	23.33
Singapore	.	546	.	649	.	..	3 02	7.03	8.34	9.56	9.93	
Pakistan	..	..	..	..	.	..	..	10.0	14.0	16.0	.	..
Philippines[b]	16,384	25,724	27,897	28,616	29,253	29,780	18.3[h]	51.4	53 2	53.8	54 5	..
Thailand[i]	2,751	5,758	5,945	6,147	6,371	..	5.13	2 92	5 01	8.17	11.57	.
Viet-Nam	.	..	..	..	.	..	..	6.09	..	.	.	

	Number of passenger motor cars ('000)					
	1938	1948	1951	1952	1953	1954
British Borneo						
Brunei	.	0.05	0.30	0.35	..	..
North Borneo	..	0.16	1.19	1.46	1.18	
Sarawak	0.19	0.16	0 80	0.62	.	..
Burma	6.90	10.9	7.7	9.7	12.4	..
Cambodia	..	0 94	.			..
Ceylon	21.04	27.60	40 03	45.55	49.76	50.80
China (Taiwan only)	3.01	1.64	2.25	2.58	3.26	3.80
Hong Kong[a]	..	6.39	10.39	11.64	13.0	*15.13*
India	88.1[f]	119.9	153.4	161.6	168.9	
Indonesia	53.1	..	39.4	41 0	59.6	59 7
Japan[c]	46.2	21.3	44.8	59.3	89.9	..
Korea (South)	..	3.8	..	1.7[g]	2.4[g]	4.2[g]
Laos	.	0.20	..	..	..	..
Federation of Malaya[b]	20.45[c]	19.76	35.90	44.85	47.72	52.52
Singapore	10.18	12.71	24.27	29.57	31.99	
Pakistan	..	16.0	20.0	..	..	..
Philippines[b]	30.4[k]	34.6	50.1	50.0	50.9	..
Thailand[i]	5.1	6.5	10.8	14.3	16.8	..
Viet-Nam	..	12.01	..	..	..	..

General Notes. The time of year to which the figures relate is variable. Passenger motor cars relate to motor cars seating less than eight persons, including taxis but excluding motor-cycles. Commercial motor vehicles relate to lorries, buses, tractors, and semi-trailer combinations excluding trailers, farm and road tractors.

a. Commercial vehicles include government vehicles which in 1952 numbered 780

b. Including government vehicles.

c. Pre-war figures relate to 1936. Small sized vehicles excluded.

d. Includes District Road and Committee Roads

e. 1940. f. End of October only.

g. Korean National Railway Record.

i. Bangkok and Thonburi only.

G. INTERNATIONAL TRANSACTIONS

(Millions)

BURMA (K.)

	1951	1952	1953	First half 1953	First half 1954
Goods and services	292	278	86	143	128
Exports, f.o.b.	999	1,256	1,068	595	642[a]
Imports, c.i.f.	—652	—914	—850	—388	—452
Transportation and insurance	— 14	— 15	— 12	— 6	5
Government, n.i.e.	— 30	— 42	—112	— 50	— 56
Other	— 10	— 8	— 9	— 7	— 11
Private donations	— 49	— 42	— 40	— 20	— 17
Private capital	— 13	— 31	— 8	— 5	--
Official donations	22	35	21	12	5
Official and bank capital	—194	—220	— 77	—273	39
Long-term capital:					
Gold and U.S. dollar subscriptions to IMF and IBRD	— 4	—	—	—	—
Other	— 13	—	—	—	— 97[a]
Short-term capital:					
Liabilities	8	— 18	— 2	— 5	— 8
Sterling balances	—151	—162	— 46	—246	173
U.S dollar balances	— 41	— 39	— 28	— 16	— 28
Other foreign assets	7	— 2	— 1	— 6	— 11
Monetary gold	—	—	—	—	—
Net errors and omissions	— 59	— 20	18	143	—154[b]

CEYLON (Rs.)

	1951	1952	1953	First half 1953	First half 1954
Goods and services	166	—342	—103	—152[b]	*168*
Exports, f.o.b.	1,783	1,410	1,495	737[b]	*853*[b]
Imports, c.i.f.	—1,545	—1,707	—1,622	—824[b]	—646[b]
Transportation and insurance	30	39	94	— 41[b]	— 6[b]
Investment income	— 64	— 45	— 38	— 10	— *19*
Other	— 38	— 39	— 32	— 14	— *13*
Private donations	— 77	—104	— 59	— 35	— *27*
Private capital	— 41	25	— 37	— 6	— *30*
Official donations	—	—	3	3	—
Official and bank capital	—113	372	198	154	— 99
Long term capital.					
Portfolio security holdings	— 77	— 8	263	189	— *3*
U K loan repayment	1	2	2	1	—
Gold subscription to IMF and IBRD	— 4	—	—	—	—
Government borrowing in U.K.	—	—	—	—	*62*
Short-term capital					
Liabilities	— 1	23	— 31	2	*21*
Foreign assets of Government and Central Bank	— 59	265	— 26	— 38	—*179*
Foreign assets of commercial banks	27	90	— 10		
Monetary gold	--	—	—	—	—
Net errors and omissions	65	49	— 2	36	— *12*

CHINA (Taiwan only) ($)

Goods and services	— 43 0	— 96.0	— *80.9*	— *53 6*	— *48 6*
Exports, f.o.b.	102.3	119 5	*128 6*	*54 7*	*62 3*
Imports, c.i.f.	—146.7	—204.8	—*193 0*	— *99 7*	*104 6*
Non-monetary gold movement	0.6	1.9	*1 6*	*0 9*	*0 6*
Transportation and insurance	1.2	— 1.0	— *0 4*	— *4 3*	— *3 6*
Investment income	— 0.6	— 0 3	— *0 2*	— *0 1*	— *0 1*
Government, n.i.e.	— 4 5	— 7.8	— *8 4*	— *3 9*	— *1 9*
Other services	— 1 3	— 3 5	— *3 1*	— *1 2*	— *1 5*
Private donations	2 2	1 7	*2 4*	*1 1*	— *0 1*
Private capital	0.3	0.6	*2 7*	*0 7*	*6 6*
Official donations	61.9	94.6	*84 7*	*51 7*	*45 0*
Official and bank capital					
Long-term capital:	— 4.5	— 1.2	*2 3*	*4 5*	*1 1*
Loans: drawings	—	—	*5 5*	*5 5*	*2 0*
Loans: repayments	— 4.5	— 1.2	— *3 2*	— *1 0*	— *1.9*
Portfolio securities	—	—	—	—	—
Other	—	—	—	—	*1 0*
Short-term capital:	— 11.0	—	— *15.0*	— *4 0*	— *5 3*
Liabilities	— 2 2	— 0.5	—	—	— *2 9*
Foreign assets	— 8.8	0.5	— *15 0*	— *4 0*	— *2 4*
Monetary gold	— 0.6	— 1.9	— *1 6*	— *0 9*	— *0 6*
Net errors and omissions	0.7	2.2	*5 4*	*0 5*	*1.9*

INDIA[c] (Rs.)

Goods and services	—723	—270	*248*	—149	— *15*
Exports, f.o.b.	7,495	6,491	*5,308*	2,514	*2,598*
Imports, c.i.f.	—8,624	—7,426	—*5,664*	—2,913	—*2,971*
Transportation and insurance	316	180	*190*	70	*111*
Investment income	—241	—112	—*117*	— 52	— *29*
Government, n.i.e	51	98	*117*	23	*56*
Other	280	—499	*414*	209	*220*
Private donations	134	168	*142*	73	*74*
Private capital	— 24	— 19	— *81*	33	— *31*
Official donations	14	119	*178*	80	*47*
Official and bank capital	1,094	710	—*341*	—103	— *8*
Long term capital.					
U.S food loan	380	526	—	—	—
IBRD loans	48	27	*17*	6	*8*
Other	— 43	— 26	— *30*	— 17	*21*
Short-term capital·					
Use of IMF resources	—	—	—	—	—*172*
Other liabilities	221	—423	— *44*	88	*287*
Foreign assets	488	606	—*284*	—180	—*152*
Monetary gold	—	—	—	—	—
Net errors and omissions	—495	—708	—*146*	66	— *67*

INDONESIA ($)

Goods and services	128	—251	—137	..	— 98
Exports, f.o.b.	1261	905	859	..	319
Imports, c.i.f.	—892	—988	—772	..	—337
Investment income	— 41	— 27	— 55	..	— 40
Transportation and insurance	— 13	— 23	— 26	.	
Non-trade transactions of oil companies	—107	— 53	— 55	..	— 40
Other	— 80	— 65	— 88	..	
Private donations	..	.	..	..	..
Private capital	— 8	— 19	2	.	— 6
Official donations	1	7	3	.	1
Official and bank capital	—109	306	115	..	91
Long-term capital:					
Gold and U.S. dollar subscriptions to IMF and IBRD	—	—	—	..	— 18
Loans received	—	31	13	..	9
Other	39	48	— 20	..	— 7
Short-term capital:					
U.S. dollar assets, net	1	93	42	..	
Other foreign assets, net	— 87	87	— 16	..	107
Monetary gold	— 82	47	98	..	
Net errors and omissions	— 12	— 43	17	..	12

JAPAN ($)

Goods and services	158	193	—226	—140	—351
Exports, f.o.b.[d]	1,354	1,276	1,258	618	716
Imports, f.o.b.	—1,645	—1,086	—2,050	—990	—1,213
Transportation and insurance	—227	—162	—183	— 88	—103
Government, n.i.e.[d]	623	786	802	352	286
Other (net)	53	— 21	— 53	— 32	— 37
Private donations	16	27	21	14	16
Private capital	34	38	— 18	— 29	16
Official donations	155	5	—	—	—
Official and bank capital	—372	—263	221	137	296
Long-term capital:					
Gold and U.S. dollar subscriptions to IMF and IBRD	—	— 68	—	—	—
Other	— 2	— 4	— 12	— 7	— 4
Short-term capital:					
Use of IMF resources	—	—	62	—	—
Other liabilities	— 8	43	101	15	108
Sterling balances	—157	— 51	125	204	— 4
U.S. dollar balances	—121	—174	— 30	— 81	263
Other foreign assets	— 79	— 21	— 23	8	— 65
Monetary gold	— 4	12	— 2	— 2	— 1
Net errors and omissions	8	—	2	18	24

G. INTERNATIONAL TRANSACTIONS *(Cont'd.)*

(Millions)

	1951	1952	1953	First half 1953	First half 1954
PAKISTAN[e] (Rs.)					
Goods and services	554	−802	−136	74	−117
Exports, f.o.b.	2,653	1,672	1,358	704	614
Imports, private[b]	−1,336	−1,696	−758	−411	−370
Transportation and insurance[b]	−137	−188	− 82	− 39	− 39
Government, n.i.e.	−549	−595	−646	−204	−305
Other	− 18	6	− 8	25	− 17
Private donations	− 25	− 25	− 31	− 15	− 19
Private capital	25	− 38	− 9	− 17	10
Official donations	− 2	4	272	10	40
Official and bank capital	−554	874	− 94	− 50	85
Long-term capital: Loans received	—	19	16	3	27
U.K securities	−493	276	− 2	− 1	− 11
Short-term capital: Liabilities	− 12	3	− 4	14	− 1
Sterling balances	− 58	615	− 86	− 65	73
U.S dollar balances	3	1	5	4	− 2
Other foreign assets	8	− 3	− 22	− 5	− 1
Monetary gold	—	− 37	—	—	—
Net errors and omissions	2	− 14	− 1	− 2	—
THAILAND ($)					
Goods and services	58.2	− 8 4	−60.7	−35.1	−42.5
Exports, f.o.b.	373.2	333.1	321.9	168.1	127.7
Imports, c.i.f	−272.3	−299 6	−336 3	−173.6	−156.1
Non-monetary gold movement	−37.7	−29.4	−25 7	−17.6	− 7.7
Government, n.i.e.	− 6 6	− 1.6	− 2.3	− 2 0	− 0 6
Other	1 6	−10.9	−18 3	−10.0	− 5.8
Private donations	3.3	− .1	− 4 4	− 1.9	− 3.4
Private capital	.		..	.	
Official donations	.4	3.0	4 5	2 4	1 0
Official and bank capital	−81.9	29.6	52.7	27.0	35.7
Long-term capital: Assets, Bank of Thailand	−66.4	52.3	5.2	2.0	2.3
Other	1 7	7.3	6.7	4 0	.6
Short-term capital Liabilities	—	—	− 2.6	..	− 1 7
Sterling balances	20.4	43.7	34.3	31.0	− 6.2
U.S. dollar balances	−47.2	−79.9	15.1	−15 0	36.9
Other foreign assets	3.9	6.7	− 6.0	5.0	3.8
Monetary gold	5.7	− .5	—	—	—
Net errors and omissions	20.0	−24.1	7.9	7.6	9.2

	1951	1952	1953	First half 1953	First half 1954
PHILIPPINES (P.)					
Goods and services	−183	−106	− 72	− 15	− 31
Exports, f.o.b.	778	670	772	368	420
Imports, f.o.b.	−966	−862	−971	−443	−482
Transportation and insurance	− 99	−102	− 95	− 40	− 58
Investment income	− 61	− 37[f]	− 99	− 22[f]	− 4[f]
Government, n.i.e	190	232	267	115	88
Other	− 25	− 7	24	7	5
Private donations	16	30	6	10	4
Private capital	10	44[f]	64	28[f]	− 1[f]
Official donations	30	52	39	28	16
Official and bank capital	97	− 20	15	9	− 37
Long-term capital	− 7	− 16	− 4	− 13	− 34
Short-term capital					
Liabilities	− 2	− 4	—	9	2
Foreign assets	113	5	19	13	− 5
Monetary gold	− 7	− 5	—	—	—
Net errors and omissions	30	—	− 52	− 60	49

GENERAL NOTES (1) No sign indicates credit while minus sign indicates debit. For foreign balances or foreign assets under short-term official and bank capital, no sign indicates decrease while minus sign indicates increase (2) Figures for the first half of 1953 are not necessarily comparable with those for the full year 1953. (3) Statistics on goods and services except merchandise imports and exports are on a net basis.

a. Exports exclude proceeds used for repayment for a long-term debt to India. Other official long-term capital excludes this repayment to which "Net errors and omissions" are largely attributable.

b. Partly f.o.b. and partly c.i.f

c. Other official and bank liabilities exclude recorded repatriation of rupee notes from abroad amounting to 1949, 28, 1950, 126, 1951, 193, 1952, 288, 1953, 170 Short-term foreign assets include Reserve Bank's holdings of long-term securities

d. Goods purchased by United Nations Forces under the special procurement programme are included in "Government, n.i.e.".

e. Excluding transactions with Afghanistan Transactions with India are excluded until 27 February 1951 and those with Nepal and Tibet until 16 March 1951. Figures on "Government, n.i.e" include imports.

f. Excluding undistributed profits

H. GOVERNMENT REVENUE AND EXPENDITURE

	Type of account	Total expenditure	Total revenue	Balance (+) or (—)
BRITISH BORNEO (Mn MS)				
Brunei				
1950	A	7.1	17.3	+10.2
1951	A	7 5	69.4	+61.9
1952	RE	12.9	75.6	+62.7
North Borneo				
1950	A	18.1	16.7	— 1.4
1951	A	23.1	25.0	+ 1.9
1952	A	30.9	23.4	— 7.5
1953	RE	28.3	23.0	- 5.3
Sarawak				
1950	A	20.9	30.1	+ 9.2
1951	A	27.1	44.2	+17 1
1952	A	34.6	53.6	+19.0
1953	RE	43.9	38.4	— 5.5
1954	DE	58.9	34.6	—24.3
BURMA (Mn K)				
1949/50	A	420	492	+ 72
1950/51	A	518	553	+ 35
1951/52	A	570	664	+ 94
1952/53	RE	997	794	—203
1953/54	RE	1,290	1,003	—287
1954/55	DE	1,349	1,080	—269
CAMBODIA (Mn Pr)				
1952	A	1,049	918	—131
1953	RE	1,290	1,290	—
1954	E	1,670	1,670	—
CEYLON (Mn Rs)				
1949/50	A	674	603	— 71
1950/51	A	838	813	— 25
1951/52	A	1,100	847	—253
1952/53	A	1,018	846	—172
1953/54	RE	902	868	— 34
1954/55	E	935	901	— 34
HONG KONG (Mn HK$)				
1949/50	A	174	255	+ 81
1950/51	A	241	281	+ 40
1951/52	A	269	296	+ 27
1952/53	A	299	371	+ 72
1953/54	RE	315	371	+ 56
1954/55	DE	395	371	— 24
INDIA (Mn Rs)				
Central Government				
1949/50	A	5,100	4,127	—973
1950/51	A	5,546	5,041	—505
1951/52	A	6,178	6,208	+ 30
1952/53	A	6,208	5,100	—1,108
1953/54	RE	7,499	4,825	—2,674
1954/55	DE	8,575	5,197	—4,378
States				
1950/51	A	4,224	3,708	—516
1951/52	A	4,324	3,800	—524
1952/53	A	4,244	3,887	—357
1953/54	RE	4,700	4,148	—552
1954/55	DE	4,727	4,204	—523
INDONESIA (Mn Rp)				
1951	A	10,922	11,824	+902
1952	A	15,322	12,198	—3,124
1953	A	16,023	13,710	—2,313
1954	DE	13,512	10,971	—2,541

	Type of account	Total expenditure	Total revenue	Balance (+) or (—)
JAPAN (1,000 Mn Y)				
1949/50	A	763	713	— 50
1950/51	A	746	655	— 91
1951/52	A	1,005	808	—197
1952/53	A	1,169	927	—242
1953/54	A	1,324	980	—344
1954/55	E	1,176	959	—217
KOREA (Republic) (Mn H)				
1949/50	A	800	400	—400
1950/51	A	2,900	900	—2,000
1951/52	A	5,900	6,700	+800
1952/53	A	21,600	22,100	+500
1953/54	RE	72,000	40,800	—31,200
LAOS (Mn Pr)				
1951	RE	221	136	— 85
1952	RE	274	231	— 43
1953	RE	509	359	—150
1954	E	632	358	—274
MALAYA (Mn MS)				
Federation				
1950	A	273	415	+142
1951	A	431	732	+301
1952		716 E	792 A	..
1953		837 E	746 RE	..
1954	DE	1,020	593	—427
Singapore				
1950	A	95	114	+ 19
1951	A	125	175	+ 50
1952	RE	163	200	+ 37
1953	RE	173	220	+ 47
1954	DE	237	205	— 32
PAKISTAN (Mn Rs)				
Central Government				
1949/50	A	1,155	898	—257
1950/51	A	1,146	1,289	+143
1951/52	A	1,645	1,485	—160
1952/53	A	1,808	1,307	—501
1953/54	RE	2,043	1,096	—947
1954/55	DE	2,082	1,144	—938
PHILIPPINES (Mn P)				
1949/50	A	534	381	—153
1950/51	A	523	510	— 13
1951/52	A	635	752	+117
1952/53	A	660	700	+ 40
1953/54	E	746	706	— 40
1954/55	DE	770	817	+ 47
THAILAND (Mn Baht)				
1949	A	1,890	1,920	+ 30
1950	A	2,270	2,137	—133
1951	A	3,232	2,518	—714
1952	A	4,269	3,338	—931
1953	A	4,866	3,934	—932
1954	E	5,677	4,192	—1,485
VIET-NAM (Mn Pr)				
1953	DE	5,764	4,597	—1,167
1954	E	20,697	5,333	—15,364

I. MAJOR COMPONENTS OF TAX REVENUE

	Type of account	Total revenue	Tax revenue	Tax on income and wealth	Land tax	Customs duties			Transaction and consumption taxes	Licenses, stamp duties, registration fees, etc.	Other tax revenue
						Total	Import duties	Export duties			
BRITISH BORNEO (Mn MS)											
Brunei											
1950	A	17.3	16.1	—	—	2.7	..	..	0.1	0.1	13.2
1951	A	69.4	67.4	40.0	—	2.8	2.3	0.5	0.1	0.1	24.4
1952	RE	75.6	71.8	41.6	—	3.1	2.9	0.2	0.1	0.1	26.9
North Borneo											
1950	A	16.7	12.5	..	—	11.1	7.1	4.0	—	..	1.3
1951	A	25.0	20.2	..	—	16.4	6.3	10.1	—	..	3.8
1952	A	23.4	16.8	..	—	12.0	..	..	—	..	4.8
1953	RE	23.0	17.2	..	—	11.6	..	..	—	..	5.6
Sarawak											
1950	A	30.1	24.5	0 1	—	22.6	13 9	8.7	0.3	1.3	0.1
1951	A	44.2	38.7	0.2	—	36.1	12.3	23.8	1.1	1.2	0.1
1952	A	53.6	45.1	19.7	—	23.8	..	..		1.6	
1953	RE	38.4	32 4	9.3	—	21.6	..	..		1.5	
1954	DE	34.6	28.3	9.0	—	17.8	11.0	6.8	..	1.5	
BURMA (Mn K)											
1949/50	A	492	402	49	9	112	100	11	47	9	175
1950/51	A	553	493	45	14	172	158	13	64	10	188
1951/52	A	664	600	52	19	202	193	9	62	11	255
1952/53	RE	794	718	51	22	190	180	13	87	10	358
1953/54	RE	1,003	918	62	23	229	215	14	98	11	495
1954/55	DE	1,080	986	70	25	242	224	18	110	12	527
CAMBODIA (Mn Pr)											
1952	A	918	848	74	54	598		..		118	6
1953	RE	1,290	1,094	89	50	709	..	..	159	—	87
1954	E	1,670	1,278	106	67	832	.	.	184	—	89
CEYLON (Mn Rs)											
1949/50	A	603	538	133	—	356	138	167	44	6	—
1950/51	A	813	737	152	—	528	245	283	49	8	—
1951/52	A	847	770	223	—	487	260	227	50	10	—
1952/53	A	846	768	250	—	444	251	193	61	13	—
1953/54	RE	868	776	229	—	471	240	231	63	13	—
1954/55	E	901	817	237	—	514	274	240	52	14	—
HONG KONG (Mn HK$)											
1949/50	A	255	161	58	—	—	—	—	69	..	34
1950/51	A	281	185	76	—	—	—	—	72	..	37
1951/52	A	296	208	82	—	—	—	—	78	..	48
1952/53	A	371	269	..	—	—	—	—	74	..	..
1953/54	RE	371	271	..	—	—	—	—	70	..	.
1954/55	DE	371	266	154	—	—	—	—	70	..	42
INDIA (Mn Rs)											
Central Government											
1949/50	A	4,127	3,115	1,154	5	*1,249*	1,003	257	689	20	—
1950/51	A	5,041	3,590	1,257	20	1,572	1,077	474	716	26	—
1951/52	A	6,208	4,607	1,347	29	*2,317*	1,416	907	884	30	—
1952/53	A	5,100	3,708	1,283	5	*1,738*	1,181	560	670	14	—
1953/54	RE	4,825	3,479	1,077	5	1,800	1,193	403	782	16	—
1954/55	DE	5,197	3,747	1,093	5	1,750	1,342	405	884	16	—
States											
1950/51	A	3,708	2,695	518	496	—	—	—	1,124	558	—
1951/52	A	3,800	2,799	5 0	480	—	—	—	1,142	607	—
1952/53	A	3,887	2,973	609	559	—	—	—	1,192	614	—
1953/54	RE	4,148	3,181	604	676	—	—	—	1,220	682	—
1954/55	DE	4,204	3,190	625	718	—	—	—	2,206	641	—
INDONESIA (Mn Rp)											
1951	A	11,824	5,846	1,344	9	2,713	1,404	1,309	1,615	..	166
1952	A	12,198	6,967	1,750	11	3,215	1,396	1,819	1,809	..	183
1953	A	13,710	6,701	1,961	10	2,495	1,283	1,212	2,049	..	186
1954	DE	10,971	5,657	1,441	11	1,772	1,050	722	1,944	..	489
JAPAN (1,000 Mn Y)											
1949/50	A	713	600	344	—	1	1	—	128	9	118
1950/51	A	655	454	311	—	2	..	..	132	9	—
1951/52	A	808	600	421	—	13	..	..	156	10	—
1952/53	A	927	702	468	—	21	..	..	198	13	1
1953/54	A	980	758	486	—	34	..	..	220	18	—
1954/55	E	959	772	484	—	25	..	..	239	23	—

SPECIAL TABLES

I. MAJOR COMPONENTS OF TAX REVENUE *(Cont'd.)*

	Type of account	Total revenue	Tax revenue	Tax on income and wealth	Land tax	Customs duties			Transaction and consumption taxes	Licenses, stamp duties, registration fees, etc.	Other tax revenue
						Total	Import duties	Export duties			
KOREA (Republic) (Mn H)											
1949/50	A	400	100	..	..	..	..	..	..	..	..
1950/51	A	900	400	..	..	..	.	..	..	..	..
1951/52	A	6,700	3,900	..	..	..	..	..	..	..	..
1952/53	A	22,100	9,700	1,500	2,900	1,400	.	.	3,700	200	..
1953/54	RE	40,800	23,800	4,100	6,200	3,600	..	..	9,700	200	..
LAOS (Mn Pr)											
1951	RE	136	131	.	..	.		..	.	1	..
1952	RE	231	222	17	..	119	110	9	73	2	..
1953	RE	359	338	15	..	236	..	..	85	2	..
1954	E	358		9	..	260	..	..	..	..	..
MALAYA (Mn M$)											
Federation											
1950	A	415	376	49	—	303	148	155	6	18	—
1951	A	732	682	130	—	517	218	229	10	26	—
1952	A	792	685	228	—	397	207	191	21	29	11
1953	RE	646	538	161	—	313	202	111	19	29	16
1954	DE	593	485	115	—	305	214	91	19	32	14
Singapore											
1950	A	114	89	29	—	—	—	—	52	7	..
1951	A	175	135	55	—	—	—	—	69	12	..
1952	RE	200	164	77	—	—	—	—	75	12	..
1953	RE	220	177	90	—	—	—	—	75	12	..
1954	DE	205	160	74	—	—	—	—	74	12	.
PAKISTAN (Mn Rs)											
Central Government											
1949/50	A	898	713	116	22	422	.		165	8	—
1950/51	A	1,289	1,102	134	2	787	..	..	163	11	5
1951/52	A	1,485	1,267	172	2	822	.	.	244	11	16
1952/53	A	1,307	1,047	176	2	612	..	..	225	14	18
1953/54	RE	1,096	812	172	2	368		.	241	13	17
1954/55	DE	1,144	818	158	3	377	..	..	269	15	18
PHILIPPINES (Mn P)											
1949/50	A	381	329	61	—	26	26	—	120	123	—
1950/51	A	510	443	98	—	26	26	—	169	150	—
1951/52	A	752	655	123	—	32	32	—	313	187	—
1952/53	A	700	601	129	—	28	28	—	281	163	—
1953/54	E	706	636	120	—	25	25	—	310	182	—
1954/55	DE	817	745	160	—	48	48	—	324	213	—
THAILAND (Mn Baht)											
1949	A	1,920		112	—	594	454	140	..	94	..
1950	A	2,137	.	147	—	747	577	170	.	118	..
1951	A	2,518	..	170	—	977	726	251	..	148	..
1952	A	3,338	.	308	—	1,188	976	212	..	242	..
1953	A	3,934	..	301	—	1,296	1,056	240	..	305	..
1954	E	4,192		541	—	1,302	1,069	233	..	312	..
VIET-NAM (Mn Pr)											
1953	DE	4,597	..	362	..	*3,180*	..	..	..	..	..
1954	E	5,333	..	..	..	*3,282*	.	..	..	..	..

GENERAL NOTES. For tables H, I and J.

A = Accounts, E = Estimates, DE = Draft estimates, RE = Revised estimates, PA = Provisional accounts

Figures generally relate to central government transactions only. For India and Pakistan, the transactions of the state governments are also given. To avoid duplication, transfers (interest payments, contributions and loans) from and to the central government are excluded from the state transactions

In general, only the net results of public enterprises and fiscal monopolies are included, positive balances are shown under revenue and negative balances under expenditure. Currency and mint transactions are excluded. Expenditure includes interest payments before deduction of interest charges to public enterprises and entities, revenue correspondingly includes receipts from these charges.

Revenue

Total revenue excludes proceeds from loans, other forms of borrowing and transfers from reserve funds.

Customs duties: divergence between the total under this heading and the sum of the sub-items, import duties and export duties, is due mainly to the inclusion or exclusion arising from land customs, customs on postal parcels, special taxes and refunds.

Transactions and consumption taxes: excise duties, turnover taxes, sales taxes and entertainment duties.

Expenditure

Total expenditure includes current as well as capital outlays and loans and advances (net) granted by the government but it excludes debt redemption, contributions to sinking funds and transfers to reserve funds.

Defence: Expenditure of the military departments plus capital outlay for defence purposes. Expenditure on military pensions is included in "other current expenditure".

Economic services: only the current expenditure on agriculture, industrial development, scientific and technical research, irrigation, forests, ports, lighthouses, commerce, planning etc.

Social services: education, health, social welfare, relief, etc.

Contributions to provincial ad local governments cover only the contributions towards meeting current expenditures.

Investment: in general, public works expenditures on gross basis (i.e., including maintenance), capital outlays of government enterprises and departments and grants to provinces and local authorities for the same purpose.

Loans and advances (net): mainly granted to provinces, local authorities and public and private udertakings for capital outlay.

J. MAJOR COMPONENTS OF GOVERNMENT EXPENDITURE

	Type of account	Total expenditure	Defence	Subsidies	Economic services	Social services	Contributions to provincial and local gov'ts	Other current expenditure	Investment	Loans advances and (net)
BRITISH BORNEO (Mn M$)										
Brunei										
1950	A	7.1	—	—	0.2	0 5	—	3 4	3.0	.
1951	A	7.5	—	—	0.3	0 7	—	3 6	2.9	.
1952	RE	12.9	—	—	0 3	1.0	—	5.4	6.2	.
North Borneo										
1950	A	18.1	—	—	0 8	1.2	—	6.4	9.7	.
1951	A	23 1	—	—			—	10.5	12.6	
1952	A	30 9	—	—			—	13.9	17.0	
1953	RE	28 3	—	—	.		—	14 2	14.1	
Sarawak										
1950	A	20 9	0.1	—	1.7	2.0	—	8 8	8 1	0 2
1951	A	27.1	0.1	—	2.3	2.9	—	9.4	12 2	0.2
1952	A	34.6	0.1	—	3.1	3.5	—	11 4	16 5	..
1953	RE	43 9	0 2	—	4 3	4.3	—	15 0	20 1	
1954	DE	58 9	0.1	—	4.7	5.1	—	14 3	34 7	.
BURMA (Mn K)										
1949/50	A	420	118	—	25	22	15	184	46	10
1950/51	A	518	137	—	28	37	18	206	85	9
1951/52	A	570	202	—	40	57	19	168	107	— 23
1952/53	RE	997	311	—	39	87	23	219	157	160
1953/54	RE	1,290	357	—	55	101	30	241	279	227
1954/55	DE	1,349	396	—	61	132	32	236	226	266
CAMBODIA (Mn Pr)										
1952	A	1,049	299	.		.	.	..		..
1953	RE	1,290	457	..	.	.	..	..	.	.
1954	E	1,670	835			.	.	.	.	..
CEYLON (Mn Rs)										
1949/50	A	674	4	36	77	186		187	185	
1950/51	A	838	7	132	87	209	33	186	185	
1951/52	A	1,100	13	239	114	241	37	206	249	
1952/53	A	1,018	15	127	120	254	33	206	263	
1953/54	RE	902	20	—	116	260	24	228	254	
1954/55	E	935	23	—	118	258	26	210	300	
HONG KONG (Mn HK$)										
1949/50	A	174	4	—	9	18	—	110	32	—
1950/51	A	241	2	—	10	20	—	175	34	—
1951/52	A	269	2	—	13	26	—	185	42	—
1952/53	A	299	35	—	17	35	—	156	56	—
1953/54	RE	315	26	—	18	40	—	172	59	—
1954/55	DE	395	28	—	21	45	—	188	113	—
INDIA (Mn Rs)										
Central Government										
1949/50	A	5,100	1,644	297	161	172	30	1,296	945	566
1950/51	A	5,546	1,792	351	201	157	156	1,303	1,020	576
1951/52	A	6,178	1,851	300			333	1,865	1,078	751
1952/53	A	6,208	1,887	48		.	495	1,822	904	1,052
1953/54	RE	7,499	2,077	23		.	522	2,011	1,282	1,584
1954/55	DE	9,575	2,211	5		..	971	2,216	1,975	2,198
States										
1950/51	A	4,224	--		629	856	—156	1,937	1,289	—334
1951/52	A	4,324	--		676	896	—333	2,059	1,417	—391
1952/53	A	4,244	—		713	967	—367	2,119	1,608	—796
1953/54	RE	4,700	—		944	1,051	—471	2,280	1,978	—1,082
1954/55	DE	4,727	—		999	1,191	—C00	2,371	2,467	—1,701
INDONESIA (Mn Rp)										
1951	A	10,922	3,009		240	1,273	.	5,688	452	.
1952	A	15,322	3,917		1,114	1,705	.	7,878	807	.
1953	A	16,023	3,876		987	1,618	.	8,961	581	.
1954	DE	13,512	3,000	.	1,077	1,649	1,199	6,087	500	..
JAPAN (1,000 Mn Y)										
1949/50	A	763	96	170	..	68	98	158	173	
1950/51	A	746	112	60	.	..	108	190	166	110
1951/52	A	1,005	115	27	.	.	120	340	192	211
1952/53	A	1,169	102	52	.	..	145	338	243	290
1953/54	A	1,324	123 E	23		.	137	359	325	357
1954/55	E	1,176	137	9	..	..	130	472	428	
KOREA (Republic) (Mn H)										
1949/50	A	800	300	..	..	..	..	500	..	..
1950/51	A	2,900	1,600	..	.	..	..	1,300	..	..
1951/52	A	5,900	4,100		.	.	..	1,800	..	.
1952/53	A	21,600	12,300		.			9,300	..	..
1953/54	RE	72,000	45,100	10,100	3,400	2,200	2,100	9,100	.	.

SPECIAL TABLES

J. MAJOR COMPONENTS OF GOVERNMENT EXPENDITURE *(Cont'd.)*

	Type of account	Total expenditure	Defence	Subsidies	Economic services	Social services	Contributions to provincial and local gov'ts	Other current expenditure	Investment	Loans advances and (net)
LAOS Mn Pr)										
1951	RE	221	—	—	10	70	..	74	63	5
1952	RE	274	—	26	12	78	.	80	90	16
1953	RE	509	—	39	16	107	24	157	127	40
1954	E	632	—	—	..	110	30	..	160	46
MALAYA (Mn M$)										
Federation										
1950	A	273	8	—	13	18	79	124	31	—
1951	A	431	17	—	19	21	92	128	154	—
1952	E	716	161	—	34	113	—	261	147	
1953	E	837	197	—	35	129	—	274	203	
1954	DE	1,020	214	—	39	147	—	339	281	
Singapore										
1950	A	95	3	—	3	17	—	58	14	..
1951	A	125	4	—	4	30	—	74	14	..
1952	RE	163	7	—	12	39	—	86	20	..
1953	RE	173	5	—	12	45	—	86	25	.
1954	DE	237	17	—	14	61	—	99	46	..
PAKISTAN (Mn Rs)										
Central Government										
1949/50	A	1,155	627	—	17	11	20	189	102	190
1950/51	A	1,146	674	—	22	11	10	232	84	113
1951/52	A	1,645	858	—	..	..	33	337	315	102
1952/53	A	1,808	951	50	..		41	386	274	96
1953/54	RE	2,043	780	10	..	..	85	378	356	434
1954/55	DE	2,082	775	10	..	..	114	408	459	316
PHILIPPINES (Mn P)										
1949/50	A	534	102			175	37	125	96	..
1950/51	A	523	125	..	..	174	29	102	92	..
1951/52	A	635	182	..	..	176	37	115	125	..
1952/53	A	660	167	..	.	184	49	125	135	..
1953/54	E	746	161	.	..	214	50	126	195	..
1954/55	DE	770	168	..	..	214	51	136	201	..
THAILAND (Mn Baht)										
1950	A	2,270	313	..	240	185	.		258	..
1951	A	3,232	456	.	759	245	.	.	903	..
1952	A	4,269	844	..	781	319	..	.	834	..
1953	A	4,866	940		656	487	.	.	1,214	..
1954	E	5,677	1,020	..	1,233	569	..	..	1,485	..
VIET-NAM (Mn Pr)										
1953	DE	5,764	4,091	.	..	*51*	..	..	..	..
1954	E	20,697	17,000	..	..	*56*	..	..	..	..

SOURCES for tables H, I and J.

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Philippines: Budgets for 1952 to 1954/55.

Thailand: Ministry of Finance.

Viet-Nam: Material supplied by the Government.

COUNTRY NOTES: for tables H, I and J.

British Borneo:

Brunei: Investment expenditure: public works expenditure.

Revenue: Other tax revenue: mining rent and oil royalties.

North Borneo: Expenditure: includes reconstruction and development expenditure; investment expenditure: public works and expenditure on reconstruction and development and war damage compensation payments.

Total revenue: excludes grants-in-aid and colonial development and welfare grants from the United Kingdom Government.

Other tax revenues include estate duties, income tax, poll tax and residence tax.

Sarawak: Expenditure: includes net expenditure from reconstruction and development fund; investment: public works, war damage compensation and reconstruction and development.

Revenue: Transactions and consumption taxes· Excise duties which average around M$0.5 million per year have since 1952 been included in import duties.

Other tax revenue: includes lotteries tax, head tax, etc.

Burma:

Expenditure: 1949/50 and 1950/51: includes the net results of railways, civil supplies and electricity. From 1951/52 onwards they are omitted following the creation of separate boards. 1951/52 and 1952/53: excludes K 80 Mn each year for subscription to the International Bank and Fund; 1952/53, 1953/54 and 1954/55: excludes K 20 Mn, K 6 Mn and K 5 Mn respectively for payments under ECA Agreements. 1953/54: excludes K 97.3 Mn and K 87.0 Mn for repayment of debt to the United Kingdom and India respectively.

Loans and advances: 1951/52 and later· include loans and advances to the Railway and Electricity Boards for meeting deficits and capital outlays. Losses on the operation of these enterprises were in previous years included in current expenditure and their capital outlays in investment.

Revenue: 1949/50 to 1950/51: includes the rehabilitation contribution of the Marketing Boards to the National Development Fund. 1951/52: includes proceeds from the sale of civil supplies stocks. 1952/55 to 1954/55: includes contributions from the Marketing Boards for capital outlay.

Transaction and consumption taxes: excise duties plus "commercial taxes"; the latter including entertainment tax, hotel and restaurant tax, business premises ax and sales tax. Licenses, stamp duties, etc.: include betting and motor vehicle taxes. Other tax receipts: net receipts from lottery, the rehabilitation contribution, and the contribution to the National Development Fund (1949/50 to 1950/51) and for capital outlay (1952/53 and later) from the State Agricultural Marketing and State Timber Boards.

Cambodia:

Defence expenditure includes contributions by France.

Revenue excludes contributions and reimbursements. Customs duties include state monopolies.

Ceylon:

Transactions include net results of railway and electricity departments.

Expenditure: includes loan fund expenditure. Defence: excludes capital outlay met from loan fund expenditure. Subsidies: food subsidies. Investment: public works outlay and loan fund expenditure; the latter including capital outlay on defence.

Revenue: includes interest received on war loan to the United Kingdom.

Hong Kong:

Expenditure: includes debt redemptions 1949/50 and 1950/51: expenditure from rehabilitation loan not available. 1951/52 and later: includes expenditure from rehabilitation loan and development fund.

Investment: public works, colonial development and welfare schemes and expenditure from rehabilitation loan and development fund. Loans and advances: housing loans from development fund.

Revenue: Customs: there is no general customs tariff in Hong Kong, import duties being confined to liquor, tobacco, hydrocarbon oils, toilet articles, proprietary medicines and table waters. Taxes on income and wealth: taxes on assessed rateable values and earnings and profits tax Other tax revenue: internal revenue consisting of taxes on betting, business registration, dance halls, entertainments, estate, restaurant meals and liquors and stamp duties.

India:

Central Government: transactions of state trading schemes are excluded.

Expenditure: includes that from railway, postal and special development funds and loans granted to States met from withdrawals from Special Development Funds; excludes state trading schemes. 1949/50: excludes additional subscription to the International Bank and Fund on the devaluation of the Indian rupee (Rs. 791.2 Mn). 1950/51: excludes transfer to the contingency fund (Rs. 150 Mn) and payment to Pakistan for its share of the payments to the International Bank and Fund (Rs 26.2 Mn). Subsidies losses on imported and locally procured foodgrains. 1951/52: approximate figure.

States: Contributions to provincial and local governments· data from Central Government budgets. Investment gross investment less grants from the Central Government for development. Loans and advances. to municipalities and local boards less loans from the Central Government. The latter figures from the financial accounts of States do not reconcile with figures from central budgets.

Revenue: includes provision for depreciation, etc. of public enterprises. 1953/54 and 1954/55. excludes Rs. 180 Mn and Rs. 90 Mn respectively as part of the pre-Partition debt to be repaid by Pakistan to India.

Central Government: taxes on income and wealth: exclude share of income taxes payable to the states Customs· exclude customs revenue assigned to the states. Transactions and consumption taxes: include net revenue from opium monopoly.

States: Total revenue excludes loans and grants received from the central government. Taxes on income and wealth: include agricultural income taxes. Transactions and consumption taxes include excise taxes transferred from the central excise revenue.

Indonesia:

Expenditure on economic services· 1951· current and capital outlays on agriculture are included in "other current expenditure". Contributions to provincial and local governments: figures for 1951-1953 are included in "other current expenditure". Investment: comprises current and capital expenditure on government buildings only.

Japan:

Data relate to the General Fund but include net deficits or net surpluses of the Special Accounts and government enterprises transferred from or to the General Fund. Profits derived from commercial operations or from lending to private concerns, which were not transferred to the General Fund, were excluded from revenue; to the extent of this exclusion, therefore, revenue is underestimated. Total expenditure: expenditure from General Account, U.S. Aid Counterpart fund, Trust Fund Bureau, Industrial Investment Special Account. Expenditure for the purchase of foreign exchange amounting to Y35,000 million for 1952/53 and Y80,000 million for 1951/52 is excluded.

1953/54: Defence expenditure (Y62,000 Mn) + National Safety Agency (Y61,000 Mn) = Total (Y123,100 Mn).

1954/55: Defence expenditure (Y58,480 Mn) + National Safety Agency (Y78,830 Mn) = Total (Y137,310 Mn).

Subsidies: price stabilization subsidies (for 1951/52 including subsidies for iron and steel and fertilizers). 1952/53 figure includes outlay to cover losses on special account for foodstuff control: Y11,500 Mn.

Social Services: Facilities for education, expenditure for housing, social relief expenditure, social insurance, tuberculosis expenditure, unemployment expenditure, relief for war widows, pension for soldiers, expenditure for government schools, etc.

Investment: includes General Account expenditure on public works and capital outlay of the National Railways and the Telegraph and Telephone Corporation.

Loans and advances: include grants and loans to government-owned enterprises, private industries and agriculture for the expansion of production and also include subscription to bonds of local governments and financial institutions.

Revenue Excludes carry-over from the preceding year. Taxes on income and wealth, taxes on income, corporation, extraordinary profits, inheritance, capital and revaluation of assets. Customs, customs and tonnage duties.

Transaction and consumption taxes: taxes on liquor, sugar, gasoline, commodities, securities and transportation. Other tax revenue, monopoly profits.

Korea (Republic of):

Expenditure: General Account expenditure includes transfe s to Special Account to cover operating deficits and overdrafts at the Bank of Korea, debt service and War Account. Defence· includes expenditure for veterans services, national police and grain allowances for dependents.

Other tax revenue: monopoly profits.

Laos:

Expenditure: excludes military expenditure. Investment: public works only.

Revenue excludes contributions and reimbursements Customs exclude excise taxes on imported products. Licenses, stamp duties, etc.: only registration fees.

Malaya (Federal Government only)

Defence expenditure: excludes expenditure financed directly by the United Kingdom but includes emergency and resettlement expenditure

Investment· 1954: includes development expenditures against projected loan issues.

Revenue: Transfers from federal revenues to the States are eliminated. They are: 1952: M$149.9 Mn; 1953: M$167.5 Mn, and 1954: M$178.7 Mn.

Singapore:

Expenditure: 1950 to 1952: includes expenditure from the 3 per cent 1946 Rehabilitation Loan. Investment: expenditure on public works, colonial development and welfare schemes and from 3 per cent 1946 Rehabilitation Loan.

Taxes on income and wealth: income and estate taxes. Transaction and consumption taxes: entertainment, liquor, petroleum and tobacco taxes. Licences, stamp duties, etc., stamp duties, betting, totalizator and miscellaneous taxes.

Pakistan:

Central Government. Transaction in respect of state trading schemes excluded.

Expenditure· includes that from railway, postal, development and other funds: excludes currency capital outlays. 1949/50 capital outlays and loans and advances are revised estimates 1953 54 excludes Rs 50 million provision for the payment of part of the pre-Partition debt to India.

Subsidies 1953 loss on cotton price support scheme. 1954 and 1955 loss on jute price support scheme Social services excluding expenditure on refugees Contributions to provincial and local governments, mainly grants for development but also general grants for meeting current expenditure Loans and advances 1954/55. includes Rs. 115.0 Mn and Rs 121 2 Mn to East Bengal and Punjab respectively to enable them to clear their outstanding liabilities.

Revenue· Total revenue includes provisions for depreciation, etc. of public enterprises but excludes the receipts from the sales of foreign aid fund supplies Total tax revenue excludes taxes transferred to State governments 1952 Rs 170 Mn 1953 Rs 189 Mn, 1954 Rs. 176 Mn and 1955. Rs. 185 Mn. 1954/55 Total tax revenue excludes Rs. 22 Mn on account of tax concessions.

Other taxes: taxes and duties levied under the Supplementary Finance Act of 1950. 1953/54 includes the net result of tax proposals in the Budget.

Philippines:

Trasactions cover general, special and fiduciary funds, include apportionment to local governments Public enterprises are excluded.

Expenditure on economic services included in investment expenditure. Investment. includes current expenditures on economic services, excludes capital outlay of public enterprises

Total tax revenue includes revenue apportionment to local governments. Taxes on income and wealth franchise, income, residence, immigrants, estates and inheritance and war profits taxes Transaction and consumption taxes, gasoline taxes credited to National Highways Fund and excise taxes Licenses, stamp duties, etc motor vehicles taxes credited to the Motor Vehicles Fund, licence fees for business and occupations, documents stamp tax, tonnage dues and forest products taxes.

Thailand:

Figures are original data as supplied by Ministry of Finance without attempt at reclassification.

Revenue: Taxes on income and wealth· include also motor vehicle taxes.

Viet-Nam:

Defence expenditure includes contributions by France.

Revenue excludes contributions and reimbursements. Customs duties include excise revenue and revenue from fiscal monopolies.

K. NATIONAL INCOME

	Burma	Ceylon[a]	China (Taiwan only)	Hong Kong	India[b]	Indonesia	Japan	Korea[c] (South)	Malaya	Pakistan	Philippines	Thailand[d]
	Mn. K.	Mn. Rs	Mn. NT$	Mn HK$	1,000 Mn Rs	Mn. Rp.	1,000 Mn yen	Mn US$	Mn. M$	Mn Rs	Mn. P.	Mn Baht
1938	1,213	595	724	..	..	2,700	20			.		855
1947	2,631	2,288	.	1,544	.	..	968	.	3,198		5,579	14,407
1948	3,132	2,627	.	1,740	86 5	.	1,962		3,221	*16,919*	5,713	16,668
1949	2,901	2,673	1,367	2,275	90 1		2,737	1,770	3,022	16,711[a]	5,668	20,064
1950	2,744	3,840	8,146	.	95.3	.	3,361		4,849	.	6,169	23,377
1951	3,199	4,507	11,028	..	*99 9*	70,015	4,535	.	.		6,816	24,978
1952	3,520	4,422	16,299	..	94.1	81,204	5,195	1,384	.	.	6,952	26,022
1953	3,928	4,408	20,631	..	100 8	..	5,965	1,721	..	..	*7,375*	.

Sources and time reference see Table N
a gross national product at factor cost b for 1952-53 national income at 1948 prices, the 1951 figure at 1948 prices being 89 9, c gross national product at market prices, d net domestic product at factor cost

L. INDUSTRIAL ORIGIN OF NET DOMESTIC PRODUCT

Country and Year	Total	Agriculture, forestry, fishing	Mining	Manufacturing	Construction	Transportation, communication, utilities	Wholesale and retail trade	Ownership of dwelling	Public administration and defence	Other services
China (Taiwan only) (Mn.NT$, at 1937 value)										
1937	842	304	31	182	15	63	145	.	43	59
1949	718	279	25	119	15	71	120		24	65
1950	895	344	23	115	16	75	137	.	117	68
1951	887	350	25	105	16	79	138		110	64
1952	976	372	29	140	19	83	155	.	110	68
1953	1,101	414	32	172	19	94	177		121	72
India (1,000 million rupees)										
1948	86.7	42.5[a]	0 6	14 2		15 5		3.9	4.0	6.0
1949	90 3	44 9	0.6	14 4		16 0		4.0	4 1	6 3
1950	95 5	48 9	0 7	14 6		16 2		4 1	4 3	6 7
1951	100 1	49.9	0.9	16.4		17.1		4 1	4.5	7 2
Indonesia (Mn Rupiahs)										
1951	70 499	39,228[b]	1,548	6,120[c]	865	1,999[c]	10,754[d]	4,600[e]	3,939	1,446[df]
1952	81,639	46,085	1,846	6,700	945	2,492	10,943	5,300	5,304	2,024
Japan (1,000 million yen)										
1938	20	4	1	6	1	2	3	[g]	1[h]	4
1946	361	140	11	59	25	16	38	..	6	65
1947	968	343	30	199	48	36	134		22	157
1948	1,962	625	67	454	83	104	240	.	65	324
1949	2,738	751	69	708	102	202	367	.	106	432
1950	3,363	879	99	855	130	251	541	..	132	476
1951	4,538	1,128	162	1,164	161	331	773	.	182	637
1952	5,206	1,218	203	1,233	210	427	844	.	264	808
1953	5,984	1,300	184	1,421	265	497	965	.	305	1,047
Korea, South[i] (million U.S. dollars)										
1949	1,769.5	938.2[jk]	14 6	182 2	48 1	32 1	137.7[m]	[k]	129.8	287.8[m]
1952	1,383.9	696 0	17.1	145 5	15 6	40 7	95 9	.	156 3	214 8
1953	1,721.2	822.8	23.2	189 0	42 0	44.8	139.1		189.2	270.9
Philippines (million pesos)										
1946	4,380	2,006	3	492	140	152	558[n]	..	185[h]	844[p]
1947	5,619	2,440	11	636	259	191	702	.	252	1,128
1948	5,767	2,376	21	656	307	185	716	..	321	1,175
1949	5,728	2,298	32	656	291	191	702	..	377	1,181
1950	6,199	2,492	46	748	271	203	745		386	1,308
1951	6,864	2,759	82	938	250	232	852	..	431	1,320
1952	7,009	2,800	102	952	236	246	831	.	487	1,355
1953	*7,444*	*2,926*	*103*	1,187	*260*	*246*	*802*	..	*516*	*1,404*
Thailand[q] (million baht)										
1938	958	436	31	95	.	34	258	..	47	57
1946	10,333	6,272	9	1,146	..	139	1,414	..	237	1,116
1947	15,839	9,549	27	1,641	..	203	2,437	..	513	1,469
1948	18,457	11,211	95	1,706	.	224	3,047	..	615	1,559
1949	22,199	13,332	293	2,545	50	278	3,287	..	846	1,567
1950	25,595	14,650	395	3,239	163	316	3,865	..	1,058	1,910
1951	27,544	15,216	537	3,161	456	914	3,756	..	1,219	2,285
1952	29,147	14,325	563	3,341	889	1,200	4,506	..	1,890	2,433

Sources and time reference: see Table N.
a. Includes processing, marketing and ancillary activities performed by the farmer in respect of his own produce.
b. Includes profits from government estates.
c. "Utilities" included in "Manufacturing"
d. "Banking and insurance" included in "Wholesale and retail trade".
e. Comprises rent on residential houses, government buildings, private non-residential buildings, and mining concessions.
f Includes profits of public enterprises.
g. Included in "Other services".
h. Including all services of general government.
i Gross national product at market price.
j. Includes an item "Agricultural services and subsidary industries" which is largely made up of value imputed to services produced in the non-monetary sector of the farm economy
k Rental of farm dwellings included in "Agriculture".
m Income originating from foreign trading included in "Other services".
n Includes banking, insurance and real estate services.
p. Includes ownership of dwellings and net investment income from abroad.
q. Gross domestic product at market price.

M. EXPENDITURE ON GROSS DOMESTIC PRODUCT

Country and Year	Total	Consumption expenditure		Gross fixed capital formation			Increase in stocks	Exports less imports of goods and services
		Private	General government	General Government	Public enterprises	Private enterprises		
Burma (Mn. Kyat)								
1938	1,458	915	114	17	8	122	31	251
1947	2,966	2,524	259	77	47	304	53	−298
1948	3,557	2,893	280	54	37	434	77	−218
1949	3,234	2,399	307	52	32	196	− 20	268
1950	3,132	2,328	321	60	31	239	− 11	164
1951	3,690	2,668	318	89	44	298	45	228
1952	4,084	2,724	395	162	50	406	133	222
1953	4,520	2,850	512	175	62	419	214	288
1954	*4,670*	*3,150*	*590*	*425*		*450*	*35*	*20*
1955	*5,300*	*3,360*	*640*	*760*		*500*	*40*	*0*
Ceylon (Mn. Rs.)								
1938	703	549[a]	95	5		34		20
1947	2,509	2,193	320	32		98		−134
1948	2,817	2,272	352	70		105		18
1949	3,077	2,459	394	123		153		− 52
1950	4,096	3,118	387	213		222		156
1951	4,735	3,614	411	224		332		154
1952	4,530	3,773	472	307		302		−324
1953	4,629	3,740	535	314		245		−205
Indonesia (Mn Rp)								
1951	82,819	69,041[b]	8,830	1,800		2,100		1,048[c]
1952	93,422	78,026	15,000	2,000		2,900		−4,504
Japan (1,000 Mn. Yen)								
1938	27	14	7	1		5	1	—
1946	474	333	55	30		48	28	− 19
1947	1,309	915	102	146		117	82	− 53
1948	2,667	1,741	282	258		258	236	−109
1949	3,376	2,261	394	299		324	208	−110
1950	3,973	2,443	435	189		438	360	107
1951	5 543	3,128	521	424		673	584	212
1952	6,193	3,763	682	471		802	385	90
1953	7,175	4,415	769	623		925	437	8
Philippines (Mn. P)								
1946	4,818	4,229	359	14		244[a]	126	−154
1947	6,179	5,436	405	53		478	167	−360
1948	6,423	5,423	402	110		508	123	−143
1949	6,399	5,802	448	195		402	66	−514
1950	6,905	5,763	473	211		297	84	77
1951	7,750	6,713	536	158		330	68	− 55
1952	7,982	6,858	593	162		324	160	− 55
1953	*8,425*	*7,123*	*606*	*163*		*408*	*126*	*− 1*

Sources and time reference: see table N.

a. Includes statistical discrepancy and value of exports financed by personal remittances abroad.

b. Excludes expenditure on passenger motor cars and motor cycles.
c. Cash transfers from abroad have been deducted
d. Residual after subtracting the total changes in stock from gross private capital formation.

N. NATIONAL INCOME BY DISTRIBUTIVE SHARES

Country and Year	Total	Received by households				Saving of corporations	Direct taxes on corporations	General government income	Less interest on public and consumers' debt
		Compensation of employees	Income from unincorporated enterprises	Rent and interest	Dividends				
Japan (1,000 Mn Yen)									
1938	20[a]	8	6[a]	3	1	1[ab]	1	—	..
1946	361	111	236	13	1	− 1	4	− 2	..
1947	968	315	640	19	1	− 5	13	−15	..
1948	1,962	828	1,092	34	9	2	40	−41	..
1949	2,737	1,144	1,336	48	14	37	94	64	..
1950	3,361	1,424	1,511	71	29	194	109	23	..
1951	4,535	1,965	1,932	97	40	221	230	51	..
1952	5,195	2,432	2,186	128	60	178	223	36	49
1953	5,965	2,845	2,375	175	80	241	238	73	60

Sources for tables K to N: United Nations Statistical Office and official national sources except for the following: Hong Kong: R.A. Ma and E.F. Szczepanik, *National Income of Hong Kong, 1937-1950*, University of Hong Kong, March 1954 (unpublished). Indonesia: Daniel Neumark, *The National Income of Indonesia; Economics and Finance in Indonesia*, June 1954. Korea, South: *An Economic Programme for Korean Reconstruction*, March 1954. Malaya: Frederic Benham, *The National Income of Malaya, 1947-1949*, Singapore, 1951.

Time reference for tables K to N: Ceylon, China (Taiwan only), Indonesia, Malaya and Philippines: calendar years; China (Taiwan only): 1938 relates to 1937; Thailand: fiscal year beginning 1 April for 1938, and calendar years for 1947-1952; Hong Kong, India, South Korea and Pakistan: fiscal years beginning 1 April; Japan: calendar year for 1938, fiscal years beginning 1 April for 1947-1953; Burma: fiscal year beginning 1 April for 1938, and fiscal years ending 30 September for 1947 and thereafter.

a. Before adjustment for stock valuation.
b. Adjusted for net factor income payments from the rest of the world.

1. INDEX NUMBERS OF PRODUCTION

1948 = 100[a]

	Weight	1949	1950	1951	1952	1953	1953 III	1953 IV	1954 I	1954 II	1954 III	1954 Oct	1954 Nov	1954 Dec
CHINA (Taiwan only)														
Industrial production[b]	100.0	157	175	184	238	323	310	339	344	380	384	372		
Public utilities	8 6	124	168	192	202	214	211	228	236	240	236	236	..	
Electricity	3.8	101	123	152	168	186	181	202	213	217	206	205		.
Mining and Quarrying	3 7	87	86	106	138	121	104	128	139	152	109	174		
Coal	1 8	98	85	100	139	145	132	150	125	122	124	136	..	
Manufacturing[b]	87 7	166	182	189	249	348	349	380	383	427	438	415		.
Food[b]	29 1	221	215	147	198	336	369	324	370	381	548	443		.
Textiles	14 6	193	276	421	660	918	888	1,073	1,070	1,246	1,222	1,155	.	
Chemicals	8.1	104	130	216	238	263	298	332	265	297	302	290		
INDIA[c]														
Manufacturing and mining	100.0	98	97	108	119	125	124	127	127	133	138	130	.	..
Mining (coal)	12.0	106	107	115	122	120	113	117	123	120	121	115		
Chemicals and allied trades	4.9	114	129	145	204	260	267	274	281	284	310	344	..	..
Metal manufactures (other than machinery)	9 3	108	114	119	121	114	100	135	134	122	135	137	..	..
Engineering and electrical goods	5.6	121	146	189	170	190	202	203	214	240	246	184		.
Textiles	61 4	90	82	90	100	102	103	100	103	108	107	97	.	
Cotton textiles	43.5	91	84	93	104	110	112	108	112	114	114	102	.	..
Jute	16.5	85	77	80	87	80	80	78	78	81	86	81	.	
Paper	1.5	105	111	135	140	142	156	138	129	162	158	168		
Manufacture of non-metallic mining products (other than coal and petroleum)	1.7	107	149	171	173	229	193	271	266	201	292	350	.	..
Manufactures of wood (plywood)	0.2	89	93	132	168	114	98	106	130	139	131	133		.
Food (sugar)	3.5	93	91	104	139	120	4	96	87	49	84	142	.	.
INDONESIA (1938=100)														
Export products														
General[d]	..	69	89	105	106	*108*	..	..	..	..		..	..	..
Estate	..	46	49	63	71	*75*	.	..	..	..	.	..	..	..
Peasantry	..	103	194	228	184	*156*	..	.	..	..		..	..	..
Mining		85	93	103	116	*132*	..	..	..	..	..	.	.	..
Estate products of 7 items	..	63	69	86	100	102	102	101	101	*103*	..	..	..	..
JAPAN														
Industrial production	100.0	124	142	193	213	261	257	282	274	278	269	282	281	*284*
Public utilities	4.3	113	122	134	146	160	160	171	173	173	163	173		
Manufacturing & mining	95.7	130	153	210	232	284	279	307	298	303	293	307	306	309
Mining	12.9	115	121	138	142	153	137	149	140	149	142	148	151	147
Manufactures	82 8	131	156	219	244	304	302	332	323	327	316	332	331	334
Non-durable	47.8	134	190	254	298	375	380	418	406	416	415	446	444	450
Textiles	17.1	128	186	261	298	345	369	385	361	355	266	388	399	391
Chemicals	16.7	140	203	277	332	426	411	482	482	507	528	576	554	566
Durable	35.0	134	147	220	230	281	270	298	291	288	266	268	268	268
Metals	12.9	176	242	360	386	459	474	507	502	494	444	482	476	486
Machinery & transport equipment	14.6	124	117	184	191	248	221	253	243	235	219	205	211	*205*
PHILIPPINES (1952=100)														
Manufactures	..	..	..	..	100	113	112	118	122	127	*127*	..	..	..
Non-durable manufactures	..	..	..	..	100	111	109	118	116	122	*117*	..	..	..
Tobacco products	..	.	..	..	100	114	110	127	139	151	*129*	..	..	..
Textiles	..	..	..	..	100	96	84	111	85	89	*102*	..	..	..
Footwear and wearing apparel	..	.	..	..	100	116	120	122	115	119	*116*	..	..	..
Chemicals	.	..	..	..	100	111	114	120	115	119	*125*	..	..	..
Durable manufactures	..	..	..	..	100	118	119	119	137	139	*151*	..	..	..
Stone, clay and glass products (including cement)	..	..	..	..	100	108	119	123	120	97	*111*	..	..	..
Metal products	..	.	..	..	100	152	157	143	170	148	*178*	..	..	..
Electrical appliances	..	..	..	..	100	96	91	100	112	95	*104*	..	..	..

a. Original base: *China*, 1951; *India*, 1946; *Japan*, 1934-36.

b. Sugar production is excluded from the monthly and quarterly index but included in the annual index. Weights relate to annual index.

c. Group indexes compiled by the ECAFE Secretariat on basis of the Interim Index of Production published by Ministry of Commerce & Industry. For details, see footnote b to table 1 in the Section on Asian Economic Statics, *Economic Bulletin for Asia and the Far East*, Vol. IV, No. 3 or 4.

d. Relate to 18 products, including forest products (jungle-wood and rattan).

2. PRODUCTION OF SELECTED COMMODITIES

Monthly averages or calendar months — *Thousand tons*

	1938[v]	1948	1951	1952	1953	1953 III	1953 IV	1954 I	1954 II	1954 III	1954 Oct	1954 Nov	1954 Dec
TEA													
Ceylon	9.3	11.3	12.3	12 0	13 0	10.7	12.9	14.0	17.3	10.4			
China (Taiwan only)	.	0 9	1 5	1 0	1.4	1 7	1.4	0.3	2.5	2 5	1 7	*1.7*	
India		21 5	23 8	23 2	23.0	39.5	25.4	3.4	24.2	41.9	43 0	.	..
Indonesia	.		3.9	3.1	3.1	2 6	3.6	3 9	3 9		..	..	.
Japan[a]	4.0	2 8	3.0	3 3	..					..	..	..	..
Pakistan	..	2 2*	2.0	2 0	2.1	3.7	2.6	0.2	1.9	.	..	..	..
NATURAL RUBBER[b]													
Cambodia	1 4	1 4	1 3	1 5	1.9	2 0	2 6	1 2	1 8	2 2	2 4	..	..
Ceylon	4.3	8.0	8.9	8.2	8.3	8.2	11 9	7.1	6.9	8.2	7 7	.	.
India	1.3	1.3	1 5	1.7	1.8	1 7	2 4	1 2	1.7	1 8	2 4	.	
Indonesia	27.0	36 6	69 0	63.4	58.6	62 0	57.2	58.5	57 1	68 4	70 7	..	
Malaya	30.4	59.1	51 3	49 5	48.6	50 6	50 9	45 7	43.9	54 2	51.8	.	
Sarawak	1 5	3 4	3 6	2 7	2 0	2 2	1 6	1 5	2.6	1 9	2.7		.
Viet-Nam	3.6	2.3	3.1	3.4	4.2	4 5	6 1	2.9	3.7	4.6	5.0	..	.
COAL													
China (Taiwan only)	183	138	138	191	199	181	207	172	172	172	187	*176*	..
India	2,400[w]	2,551	2,915	3,067	3,035	2,869	2,973	3,058	3,014	3,080	2,968	3,376	..
Indonesia	121	45	72	81	75	74	74	73	69	77	82	.	
Japan	3,484	2,822	3,610	3,613	3,877	3,365	3,682	3,440	3,692	3,626	3,661	3,703	..
Korea (South)	19	67	20	48	72	76	82	67	71	67	84	86	.
Malaya[c]	40	32	32	27	24	24	20	18	19	21	19	17	
Pakistan[d]		20	43	51	49	33	51	60	44	33	43	.	
Viet-Nam	195	30	53	72	70	59	93	82	88	74	71	92	
PETROLEUM, CRUDE													
Brunei	59	224	415	423	407	414	415	403	395				
Burma	84	4	10	10	12	15	11	14	16	*16*	15		.
Indonesia	616	361	620	710	852	875	890	835	864	931	959		.
Japan	29	13	28	25	25	26	26	26	25	26	25	25	.
Pakistan[e]	.	5	13	15	16	15	18	21	22	*22*	.		
Sarawak	17	4	4	4	5	4	5	5	6		..	..	..
PETROLEUM PRODUCTS ('000 Kl.)													
China (Taiwan)[f]		19.5	25 5	23.6	27.0	31.5	25.2	27.3	47 0	41 4	30 9	*30.0*	
Indonesia[g]			687 9	760 1	808.2	807.0	826.2	776 1	784.5		..		..
Japan[h]	144.2	14.8	251 7	392 2	505 6	487 4	576 0	581 4	609 4	596.2	681.7		
IRON ORE[i]													
Hong Kong	—	—	14	11	10	12	6	8	8	7		..	..
India	232	193	310	332	309	284	307	363	331	288	319	326	..
Japan	51[x]	47	97	116	128	150	153	135	140	143	142	125	..
Korea (South)	.	—	—	2	2	1	2	3	3	2	.	..	..
Malaya	137	—	72	89	90	124	61	77	108	140	117	78	..
Philippines	77	1	75	97	101	114	89	117	126	120	.		..
STEEL (Ingots & Metal for castings)													
China (Taiwan only)	..	0 6	1.0	1.4	2 3	2.5	2 6	2.9	3 9	4.2	4.6	*3.8*	..
India	.	106.4	127 0	133.6	127 6	103.9	144.8	147 2	131.2	142.5	154 9		..
Japan		142.8	541 8	582.4	638.5	667.7	686.1	684 1	672.1	582.6	632.9	.	..
Pakistan		0.2	0.2	0.6	0.9	0.8	1.0	1.0	0.8	..		..	..
TIN CONCENTRATES (tons)													
Burma	419	97	138	93	*80*	*80*	*80*	*80*	*80*	*80*	*80*	*80*	*80*
China	906	406	*400*	*450*	*525*	*525*	*525*	*625*	*625*	*625*	*625*	*625*	*625*
Indonesia	2,517	2,592	2,624	2,964	2,864	3,091	3,069	2,579	2,827	3,464	3,620	2,914	..
Japan	.	10	37	54	62	66	60	58	64	55	68	.	..
Laos & Viet-Nam	135	3	8	12	22	22	22	—	—	2	10	15	..
Malaya	3,673	3,794	4,840	4,812	4,763	4,701	5,026	4,864	5,139	5,258	5,165	5,368	.
Thailand	1,255	359	805	802	885	779	1,007	785	790	823	946	890	.
TIN METAL (tons)													
Malaya	5,456	4,209	5,581	5,320	5,284	5,481	5,114	5,935	5,979	6,177	6,194	6,030	..
CEMENT													
Ceylon	..	.	5.3	5.1	5.2	7.3	5.9	6.8	6 9	7.9	7.2	4.9	..
China (Taiwan only)	0.2	19.6	32.4	37.1	43.3	43.7	44.2	46.6	44.7	40.5	46.6	*41.1*	..
Hong Kong		4.4	6.0	5.8	5.3	5.5	6.3	8.6	5.7	9 4	8.3	11.0	..
India	119.0[w]	131.0	271.0	299.5	320.0	325.0	351.3	373.8	367.7	362.1	378.3	..	..
Japan	473.6	154 9	545.6	593.1	730.7	776.9	825 5	764.2	939.9	939.8	1,023.7	.	.
Korea (South)	..	1.9	0.6	3.0	3.7	4.3	3.2	3.0	6.9	5.4	2.7	8.0	..
Malaya	..	..	..	..	2.7	.		6.3	7.2	7.3	7.5	7.5	..
Pakistan	.	27.4	42.2	44.9	50.3	45.4	52.8	52.8	58 3	57.5	53.9	65.0	..
Philippines	13.9	10.0	26.3	26.4	26.5	28.0	25.4	26.3	25.0	39.6	.	..	..
Thailand	7.7‡	6.9	19.1	20.6	24.0	22.1	28.9	27.5	31.7	32.2	36.3	35.3	..
Viet-Nam	22.2	8.1	17.7	18.5	24.2	24.8	26.0	23.0	21.7	19.1	21.0	18.0	24.8
SALT[j]													
China (Taiwan only)	..	30.5	22.9	26.0	13 5	6.5	16.0	34.0	43.6	10.2	54.6	*21.1*	..
India	..	197.6	231.3	239.1	268.5	124.6	51.4	156.3	579.7	121.6	85.4	..	..
Indonesia		.	40.1	26.9	19.0		.	..	..	..	..	.	..
Japan[k]	43.2	24.3	36.5	36.1	38.4	45.7	38.4	21.0	40.5	41.7	38.0	41.1	..
SUGAR[j]													
China (Taiwan only)	..	22.0	29.2	43.4	73.5	—	59.2	166.1	8.5	—	—	*6.3*	..
India	..	91.0	94.4	126.5	109.3	—	114.8	240.5	15.3	2.7	..	..	..
Pakistan	..	0.8*	3.6	5.4	7.3	—	6.6	15.2	4.1	..	..	..	..
Philippines	..	361.2	848.4	976.5	1,028.4	..	..	..	..	..	..	..	..

2. PRODUCTION OF SELECTED COMMODITIES (*Cont'd*)

Monthly averages or calendar months

Thousand tons

	1938[v]	1948	1951	1952	1953	1953 III	1953 IV	1954 I	1954 II	1954 III	1954 Oct	1954 Nov	1954 Dec
VEGETABLE OILS													
China (Taiwan only) Edible Oil		0 1	0 5	0.5	0.8	0 9	0.6	0 7	0 5	0.8	0 9	*0 1*	..
India. Edible Oil (Vanaspati)		11 0	14 6	16.2	16 2	12 5	17 5	21 6	22 1	16.0	18 2		
Japan. Coconut Oil	1 4‡	1.1	1 3	1.3	1.2	0 8	0 8	1 4	2 1	0 9	1 8		
Others	9.2‡	2 0	4.8	5.0	8.8	8.8	10.5	9.9	7 3	9 6	8 4		
Malaya. Coconut Oil		7.7	8.8	8 9	8.0	9 4	10.5	10 4	11.0	13 4	12.2	10.2	
Palm Oil		3 8	4.1	3.8	4.2	4.3	4.3	4.2	4 8	4.6	4 4	4.7	4.9
Philippines Coconut Oil	213[x]	90	136	145	141	.	..			.		.	
COTTON YARN													
China (Taiwan only)	—	—	0.6	1.1	1.6	1.6	1.9	1.6	1 9	2.0	2 0	*2.2*	
Hong Kong			2.4	2 5	2 7	2.8	·3.2	3 0	3 1	3 5	3 5	3.5	
India	49 3‡[w]	55 0	49.0	54 7	56.9	58.4	58 0	57 3	58 4	60 3	55 8		
Japan	54 5	10 4	28.1	29.4	34.5	37.4	40 4	39.5	40.2	36.9	37 5	38.5	
Korea (South)		0 5	0 5	0.8	1 1	1.2	1 1	1 2	1 5	2 0	2 4	2 4	
Pakistan		0.2	0 7	0.8	4.5	4 8	5 8	6 4	6.5	7.4	7.9	8.2	
COTTON FABRICS (Mn metres)													
Ceylon (Mn sq metres)	0.6	0 5	0 6	0 7	0 6	0.5	0 5	0 5	0 4	0 1			
China (Taiwan only)		1 0	4.7	7.1	10.9	10.6	13.3	12 6	15 0	14.2	15 3	*15.7*	
India	325‡[w]	337	319	350	372	380	361	372	392	385	347		
Japan (Mn sq metres)	243 6	64 4	151.9	156 0	195 8	201.8	211 8	216 0	229 9	217 5	220 0	231 5	
Korea (South)		2 1	2 4	5.0	9.9	11 1	11 9	9.8	9 3	9.3	9.7	10.8	
Pakistan		6 7	9 7	13 3	18.1	19.1	23 7	25.8	24 7	26 1	27.3	27 5	
Philippines		0.6	0.8	0.5	0.9	1.3	1.2	1.2	1.6	1.8	1.8	1.7	
JUTE MANUFACTURES													
China (Taiwan only) (Gunny Bag 1,000 pcs)	..	228	437	549	701	718	749	703	741	807	710	*771*	..
India		92.2	74.1	80.6	73.6	74 4	72.3	71.5	74.8	80.6	76.3	.	
Pakistan			—	1.5‡	4.2‡	4.0	5.0	4.6	.	.	.		
PAPER													
China (Taiwan only)		0 8	1.7	2 0	2.0	1 7	2 2	2.1	2 3	2 3	2.3	*2.6*	
India		4.3	6.7	7 7	8.1	9.0	9 9	6 7	9.4	..			
Japan[m]	68 4	21 8	59.0	69.8	91.7	97.6	101.4	97 7	101.9	101.8	103.8		
SULPHURIC ACID													
China (Taiwan only)		1 4	3.0	3 4	3 8	4 5	4 6	3 8	4.3	4.4	4.5	*4.7*	
India		6 8	9 1	8.1	9.2	10 3	10.6	11.7	11 8	13 4			
Japan	240 9	162.2	315.8	334.1	357.8	380.2	395.7	406.0	411.6	390.4	428.6	.	
CAUSTIC SODA													
China (Taiwan only)		0.46	0 64	0.73	0 85	0.95	0 96	1 14	1 23	1 14	1.16	*1.14*	
India		0 37	1.25	1.44	1.94	2.19	2.39	2.32	2.37	2.44			
Japan	24 9	8 80	27.10	22 40	31 00	32 40	34.30	35 40	40 00	34.80	37.50	.	
SODA ASH													
China (Taiwan only)		—	0.02	0.05	0 07	0.07	0.08	0.10	0 10	0.09	0.09	*0.09*	
India		2.47	4 02	3 75	4.82	4.72	5.12	4.50	3.95	3.47			.
Japan	19.4	6.30	18.80	16.70	22.90	19.70	26.00	26.50	24.60	24.60	26.90		.
CHEMICAL FERTILIZERS AMMONIUM SULPHATE													
China (Taiwan only)	.	—	0.41	0.48	0.49	0.50	0.46	0 44	0.44	0.41	0 38	*0.27*	
India		2 98	4 46	18 65	27.06	26.97	27.63	25 16	25.64	29 84	.		
Japan[n]	72.9	79.30	139 50	162.70	169.40	179.50	174.00	176 40	194.50	175.10	182.30		
CALCIUM SUPERHOSPHATE													
China (Taiwan only)		2 36	4 51	5 17	5 76	6.94	7 22	5 83	6.65	6.62	7.06	*6.78*	
India		1.81	5.17	3 95	4.09	4 98	5.36	8.14	9 61	9.33			
Japan[p]	119.80	79.60	125.50	112.90	126.20	127.20	147.00	149.60	145.30	155.50	188.00		
CALCIUM CYANAMIDE													
China (Taiwan only)		0 84	3.96	5.67	6.10	5 75	5.66	5.87	6 37	5.79	4.63	*5.80*	
Japan[q]	17.88	19.04	34.62	43.82	43 79	42.71	40.02	37.87	53.54	41.28	47.30		
ETHYL ALCOHOL (kl)													
India		2,867	4,847	5,527	5,679	5,661	5,502	7,576	6,178	.		.	.
Japan[s]	508	2,457	2,586	1,806	2,136	1,837	2,755	1,968	2,690	2,006	642	..	
ELECTRICITY (Mn kwh)													
Cambodia	1	1	1	2	2	..		2	2	2	2	2	.
Ceylon	3	5	9	11	12	12	13	*13*	*13*	*14*	.	.	.
China (Taiwan only)	..	70	107	118	130	128	142	150	152	145	144	*148*	..
Hong Kong		13	30	33	36	38	38	38	40	44	43	41	..
India	211[w,y]	381	488	516	560	584	583	578	627	639	627		..
Japan	2,276	2,965	3,977	4,304	4,641	4,822	4,892	4,747	5,180	4,901	5,030	4,793	.
Korea (South)		41	28	53	61	66	61	67	71	79	89	77	..
Malaya[t]			59	62	65	64	67	68	71	75	.	.	..
Pakistan	...	11	19	25	34	35	36	39	41	*43*			.
Philippines (Manila)	12	30	41	46	52	54	56	56	57	60	62	59	62
Singapore	4	11	17	18	23	24	24	24	26	27	28	.	
Thailand (Bangkok)[u]	3‡	4	5	5	7	7	8	8	9	*9*	..	.	.
Viet-Nam	8	8	16	19	25	26	26	26	27	28		.	.

a Tea processed for marketing, tea for own consumption excluded.
b Including latex
c. Lignite.
d. Including lignite.
e Beginning 1954, original data in units of capacity.
f. Comprising gasoline, diesel oil, kerosene and fuel oil
g. Comprising motor spirit, aviation spirit kerosene, heavy oil, wax and paraffin, asphalt and cutback.
h. Comprising gasoline, diesel oil, kerosene, fuel oil, gas oil, lubricating oil and others.
i. Approximate metal content of ores as follows: Hong Kong, 45%; India, 65%; Japan, 55%; Malaya, 60% and the Philippines, 55%.
j. Annual figures relate to the crop year.
k. Production in government licensed plants only.
m Comprising printing, newsprint, writing and drawing, kraft paper, other wrapping, tissue and others
n Converted to 20% N2 content. "Synthetic" and "By-product" are given in total actual production except for 1938.
p Converted to 16% P_2O_5 content.
q Converted to 20% N_2 content.
s 94%.
t. Including electricity purchased from Singapore.
u Consumption of electricity generated by the Bangkok Electric Works only.
v 1936 for Japan, unless otherwise indicated.
w Former British provinces and Indian States.
x. 1937.
y. 1939.

3. VOLUME OF TRAFFIC: RAILWAYS, SEA-BORNE SHIPPING AND CIVIL AVIATION

Monthly averages or calendar months

	1938[i]	1948	1951	1952	1953	1953 III	1953 IV	1954 I	1954 II	1954 III	1954 Oct	1954 Nov	1954 Dec
RAILWAYS[a]													
Passenger-kilometres (Mn)													
Burma†	59	40	29	34	47	48	52	55	65	49	59	59	57
Cambodia	3		4	3	4	4	5	4	4	4	4	5	..
China (Taiwan only)	69	166	166	146	157	157	166	173	173	166	177	..	..
India‡	2,385	4,925	5,078	4,601	4,741	4,567	4,285	4,969	..	..	..	..	..
Japan‡	2,185	6,595	6,421	6,707	6,963	6,936	6,923	6,939	7,503	7,301	7,639	..	..
Korea (South)‡	..	236	125	219	262	280	286	255	322	353	..	..	..
Pakistan‡	..	656	827	795	720	735	720	695	772	767	750	..	..
Philippines§	40	24	32	31	32	29	30	32	41	31	..	..	..
Thailand	24	109	152	188	191	166	179	201	212	174	186	188	210
Viet-Nam	71	..	6	6	8	10	9	8	8	11	19	17	..
Freight ton-kilometres (Mn)													
Burma†	95	52	17	24	36	38	41	47	43	35	34	39	46
Cambodia	4		5	4	4	2	4	6	6	5	5	4	..
China[b] (Taiwan only)	71	52	78	96	108	110	113	113	121	104	119	..	..
India‡	2,968	3,040	3,820	3,879	4,102	4,232	3,973	4,422	..	..	..	..	..
Japan‡	1,305	2,109	3,073	3,227	3,377	3,143	3,624	3,316	3,317	3,155	3,571	..	..
Korea (South)‡	..	87	229	256	229[r]	250	220	172	181	155	151	..	..
Malaya	22	26	33	31	31	31	31	30	32	34	32	33	..
Pakistan‡		319	418	452	470	422	531	470	433	384	453	..	..
Philippines§	14	10	12	11	12	11	10	13	12	11	..	..	..
Thailand	38	25	45	48	54	53	52	55	64	52	49	59	..
Viet-Nam	24		11	13	15	15	17	16	12	9	9	11	..
INTERNATIONAL SEA-BORNE SHIPPING													
Freight Loaded (L) and Unloaded (U) in External Trade (1,000 tons)													
Ceylon[c] L	54	63	60	67	73	79	76	109	86	90	83	76	.
U	109	141	178	174	182	183	142	218	175	180	249	300	..
China (Taiwan only) L	..	13	48	78	121	106	118	79	118	74	66	51	.
U	.	22	79	117	109	107	115	103	160	150	194	82	..
Hong Kong L	..	104	162	128	126	110	127	126	119	127	131	130	
U	..	236	312	284	289	276	278	261	332	294	347	302	..
Indonesia L	916	432[d]	749	821	1,016	1,098	1,117	951	959	1,112	1,119	.	.
U	167	160[d]	212	367	347	420	354	325	290	337	318	.	..
Japan[e] L	1,092	165	303	414	420	430	414	367	467	487	556	515	684
U	2,771	563	1,728	1,978	2,607	2,579	2,956	2,957	2,987	2,778	2,389	2,493	2,648
Korea (South) L	..	3	8	18	12	13	11	10	7	..	..	..	..
U	..	3	5	39	85	115	41	52	63	..	..	..	..
Malaya[f] (Singapore) L	..	121	217	198	419	432	440	406	440	431	440	..	..
U	..	163	410	401	675	743	744	717	735	785	168	..	..
Pakistan‡ L	.	.	109	97	101	89	116	100	81	77	147	145	117
U	.	.	290	337	278	295	337	212	221	228	224	177	178
Philippines L	257	50[k]	260	388	350	359	291	402	413	335	194	199	220
U	194	193[k]	220	215	253	274	258	227	178	276	227	429	273
Viet-Nam (Saigon) L	..	..	39	23	17	22	33	52	83	81	65	78	82
U	..	..	74	100	106	89	103	130	178	171	170	132	234
Thailand L	..	..	165	149	143	139	151	117	126	148	191	146	142
U	..	..	75	94	107	104	114	107	125	101	88	113	99
Entrances (E) and Clearances (C) of Vessels with Cargo in External Trade 1,000 net registered tons)													
Burma[g] E	311	118	106	98	104	123	117	146	133	101	101	107	122
C	361	157	138	132	146	134	110	152	164	174	176	176	197
India E	760	648*	777	773	750	724	744	763	689	743	846	..	..
C	793	567*	649	739	884	870	924	794	771	718	875	..	..
CIVIL AVIATION[h]													
Passenger-kilometres (Mn)													
Burma	..	..	4.15	3.26	3.64	2.89	3.78	3.92	4.61	2.14	3.14	3.20	..
Ceylon	—	0.36	2.76	2.47	2.19	0.85	0.82	0.85	0.88	..	..	..	..
China (Taiwan only)	..	..	1.61	2.49	3.52	3.80	3.72	6.43	..	..	..	..	..
India	0.11[j]	23.65	34.49	32.46	32.15	28.70	35.14	34.54	35.81	36.66	..	..	..
Indonesia	..	8.49	13.30	13.28	14.03	14.43	13.57	14.27	14.43	15.43	..	..	..
Pakistan	..	..	5.41	5.81	3.46	2.92	3.48	3.46	3.40	..	..	..	..
Philippines	0.21	14.57	17.47	17.78	18.97	20.09	18.21	15.33	10.42	..	..	..	..
Thailand	—	0.93	2.01	2.28	2.60	2.45	3.21	2.96	3.75	3.15	3.10	3.65	4.18
Freight ton-kilometres (1,000)													
Burma	..	..	132	118	148	123	150	182	237	79	128	141	..
Ceylon	—	2	196	159	89	19	17	14	12	..	..	..	..
China (Taiwan only)	..	..	217	260	340	570	208	277	..	..	..	..	..
India	34[j]	475	2,204	2,180	2,203	2,060	2,287	2,190	2,098	2,316	..	..	.
Indonesia	..	389	585	595	620	621	640	617	615	591	..	..	..
Pakistan	..	..	98	167	152	173	139	142	108	..	..	..	..
Philippines	..	540	793	809	778	734	850	658	282	..	..	..	..
Thailand	1[j]	17	59	85	140	128	182	162	153	138	158	152	139

a. Railway traffic coverage: *India* and *Pakistan*, class I railways; *Indonesia*, postwar data relate to Federal area only; *Japan*, State Railways only; *Philippines*, Manila Railroad Company.

b. Including service traffic.

c. 1937-53, port of Colombo only.

d. Federal area only.

e. Cargo carried by steel vessels only; excluding military goods.

f. Including coastwise traffic of Malaya.

g. Total number of entrances and clearances made during each voyage but excluding sailing vessels. Annual figures relate to 12 months ending September of postwar year stated.

h. Scheduled domestic and international routes.

i. Pre-war data relate to 1936 for Japan, 1939 for Malaya, and April 1938 to March 1939 for Burma and Thailand; pre-war figures for India include former British Provinces and Indian States for both railway traffic and sea-borne shipping.

j. Including non-revenue traffic.

k. Manila only.

4. VALUE OF IMPORTS AND EXPORTS AND BALANCE OF TRADE

Monthly averages or calendar months

Millions

	1938	1948	1951	1952	1953	1953 III	1953 IV	1954 I	1954 II	1954 III	1954 Oct	1954 Nov	1954 Dec
BURMA (K.)													
Imports	18‡	49†	54	76	70	80	76	70	90	88	90	92	*70*
Exports	41‡	63†	82	105	84	99	59	101	113	79	104	76	*91*
Balance	+ 23	+ 14	+ 28	+ 29	+ 14	+ 19	− 17	+ 31	+ 33	− 9	+ 14	− 16	+ 21
CAMBODIA–LAOS–VIETNAM (Pr.)													
Imports	16	197	523	770	929	1,118	999	948	986	1,010	1,016	1,099	116
Exports	24	98	232	201	231	267	313	270	251	232	434	282	143
Balance	+ 8	− 99	−291	−569	−698	−851	−686	−678	−735	−778	−582	−817	+ 27
CEYLON (Rs.)													
Imports	20	83	130	142	134	131	137	112	122	116	135	98	..
Exports	24	84	159	125	131	128	135	143	139	169	136	181	
Balance	+ 4	+ 1	+ 29	− 17	− 3	− 3	− 2	+ 31	+ 17	+ 53	+ 1	+ 83	
CHINA (Taiwan only, NT$)													
Imports[a]	..	..	99	147	138	143	162	153	129	149	225	176	..
Exports	..	..	90	122	165	224	191	91	206	98	86	51	
Balance	..	..	− 9	− 25	+ 27	+ 81	+ 29	− 62	+ 77	− 51	−139	−125	.
(in dollars)													
Imports[a]	..	..	7.1	9.4	8.8	9.1	10.4	9.8	8.2	9.5	14.4	11.3	
Exports	..	..	8.2	9.7	10.6	14.4	12 3	5.8	13.3	6.3	5.5	3 3	
Balance	..	..	+ 1.1	+ 0.3	+ 1.8	+ 5.3	+ 1.9	− 4.0	+ 5.1	− 3.2	− 8.9	− 8.0	
F.O.A. Imports	.		4.0	6.2	7.2	12.3	4.7	5.8	9 0	10.2	9.3	6 9	
HONG KONG (HK$)													
Imports	52	173	408	316	323	292	291	261	284	288	299	301	335
Exports	51	134	372	243	228	189	207	194	194	205	209	217	215
Balance	− 1	− 39	− 36	− 73	− 95	−103	− 84	− 67	− 90	− 83	− 90	− 84	−120
INDIA[b] (Rs.)													
Imports	131	485	712	674	481	502	413	432[r]	484[r]	492	542	604	490
Exports	141	381	653	516	443	435	496	440	379[r]	478	475	656	603
Balance	+ 10	−104	− 59	−158	− 38	− 67	+ 83	+ 8[r]	−105[r]	− 14	− 67	+ 52	+113
INDONESIA[c] (Rp.)													
Imports	41	94	268	878	715	811	691	676	632	595	451	457	
Exports	57	87	398	871	779	839	804	721	726	879	920	805	
Balance	+ 16	− 7	+132	− 7	+ 64	+ 28	+113	+ 45	+ 94	+284	+469	+348	
JAPAN[d] ($)													
Imports	87	57	170	169	201	197	219	241	230	166	166	*150*	
Exports	84	22	113	106	106	105	118	114	126	139	162	*140*	
Balance	− 3	− 35	− 57	− 63	− 95	− 92	−101	−127	−104	− 27	− 4	− 10	
KOREA (South, H.)													
Imports[e]	.	7	102	587	1,859	2,102	1,865	2,639	1,994		*1,601*	*2,317*	.
Exports[f]	..	6	41	167	327	396	356	653	676		*397*	*455*	.
Balance	..	− 1	− 61	−420	−1,532	−1,706	−1,509	−1,986	−1,318		*−1,204*	*−1,862*	
MALAYA (M$)													
Imports	46	149	396	323	270	272	262	245	254	266	*279*	*277*	
Exports	50	147	506	326	252	241	232	234	250	272	*779*	*284*	
Balance	+ 4	− 2	+110	+ 3	− 18	− 31	− 30	− 11	− 4	+ 6	—	+ 7	.
NORTH BORNEO (M$)													
Imports	0.5	2.1	5.9	5.9	5.5	5.4	4.9	6.3	5.9	6.7	5.0		
Exports	0.8	2.5	9.6	5.4	4.7	4.6	5.3	5.8	6.1	6.6	6.5		
Balance	+ 0.3	+ 0.4	+ 3.7	− 0.5	− 0.8	− 0.8	+ 0.4	− 0.5	+ 0.2	− 0.1	+ 1.5	.	.
PAKISTAN[g] (Rs.)													
Imports	..	71	146	168	97	100	110	94	70	97	88	112	91
Exports	..	77	210	147	121	110	105	116	99	75	90	103	125
Balance	..	+ 6	+ 64	− 21	+ 24	+ 10	− 5	+ 22	+ 29	− 22	+ 2	− 9	+ 34
PHILIPPINES (P.)													
Imports[h]	22.1	97.6	80.2	70.1	71.3	64.4	71.0	74.9	84.0	76.4	81.3	.	
Exports	19.4	53.0	68.3	58.7	65.4	70.4	62.1	71.8	68.0	64.3	56.9		
Balance	− 2.7	−44.6	−11.9	−11.4	− 5.9	+ 6.0	− 8.9	− 3.1	−16.0	−12.1	−24.4		
THAILAND (Baht)													
Imports	11‡	146	309	473	552	499	605	557	600	..	..		
Exports	17‡	174	373	487	488	486	500	451	440	..	.		
Balance	+ 6	+ 28	+ 64	+ 14	− 64	− 13	−105	−106	−160	..	..	..	.
(in dollars)													
Imports	4.8‡	12.0	22.7	25.5	30.2	27.5	29.5	26.6	27.8	..	..		
Exports	7.5‡	18.6	30.6	25.8	28.9	27.0	24.4	21.9	20.7	..	..	..	..
Balance	+ 2.7	+ 6.6	+ 7.9	+ 0.3	− 3.3	− 0.5	− 5.1	− 4.7	− 7.1	..	..	..	.

GENERAL NOTE: Trade Statistics of Cambodia-Laos-VietNam, China, Indonesia and Korea (South) are based on "Special" trade system while all other countries compile their statistics on basis of "General" trade system. Multiple rates of exchange apply in China and Thailand; figures in national currencies are based on exchange rates appropriate for individual transaction.

a. Excluding FOA/MSA/ECA imports.
b. For 1938, former British Provinces and Indian States. For 1948, figures on sea-borne and air-borne relate to Apr-Dec only; overland, twelve months commencing Apr 1948. From 1953 imports include special imports of grain, pulse and flour.
c. From 13 Feb 1950 to 31 Dec 1961, excluding value of exchange certificates. For 1 Jan—8 Feb 1962, import and export values are based on 3 times of official exchange rate and from 4 Feb 1962 onwards they are based on official exchange rate of the Bank of Indonesia.
d. Figures under column for 1938 relate to 1936, they have been adjusted to include trade with Korea and Taiwan. Postwar imports include aid imports.
e. Excluding Government imports, military supplies and various aid goods. Up to Mar 1961, valued c.i.f.; from Apr 1961 valuation based on local market prices excluding distributive margins and net of import duties and excise.
f. Up to Mar 1961, valued f.o.b.; from Apr 1961 valuation based on domestic market prices.
g. For 1948, figures exclude overland trade.
h. Imports valued f.o.b.

5. DIRECTION OF

Quarterly averages

TRADE WITH	Year and Quarter	BURMA[a]		CAMBODIA-LAOS-VIET-NAM		CEYLON		CHINA (Taiwan only)		HONG KONG		INDIA[c]	
		Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports[b]	Exports	Imports	Exports	Imports
All countries	1948	57.2	45.0	23.0	47.0	76 4	75.1	.		101 1	130 8	342.8	507.4
	1950	39 4	28.6	19 8	53 8	82.0	61.4	18 1	22.9	164.4	166.4	293.0	284 2
	1951	51.6	34.4	33 8	76.0	100 0	82.0	24 6	21 4	195 2	214 0	411 4	453.6
	1952	66.0	48.0	29.2	112.1	78.8	89.6	29.1	28 2	127.4	165.7	324.9	419.2
	1953	52.7	44.2	23.8	98 6	82.3	84 5	31.9	26 4	120.8	170.6	277.3	297.3
	1953 I	31 6	38 9	24 3	104.1	79.4	77.4	25 5	23 7	135 9	190.6	272.3	273 8
	II	81.0	39.2	21.3	108.7	75.8	92.5	22.0	23 5	135.9	181 7	249 8	343 9
	III	74.6	52.1	22.9	95 9	76.5	81.5	43.3	27 4	99 1	153.6	275.9	311.1
	IV	23 7	46.8	26.8	85.6	97 5	86 7	36 8	31 1	112.5	156 4	311 3	260.3
	1954 I	63.6	44 3	23.1	81.2	83.2	70.5	17.5	29 3	115 5	152 0	265.1	270 6
	II	71 1	50.6	*18.1*	*79.1*	82 6	76 6	39.8	24 7	119.2	167 5	238.4	305.0
	III	*49.6*	*55.7*	*17.8*	*81 3*	101 9	73 1	18.2	28.6	123.0	165 0	297 6	310 2
ECAFE Region (including Japan)	1948	50.0	14.4	7.8	5.5	4.6	26.3			60 9	53 8	95 2	121 5
	1950	33.2	17.5	4.6	4.2	4.5	28.8	11.6	12 9	117 2	83 4	68.3	47 7
	1951	42 4	20.0	10 0	7 1	7.6	31.2	19 9	14 4	149 4	103.6	78.7	110.6
	1952	51.6	28.7	11.2	8.7	12.0	32.6	24 6	17.5	100 2	90 2	82.6	67 6
	1953	41.1	22 9	11.1	8 4	16.3	34 8	20 7	15 2	90 0	93 4	52.9	40.3
	1953 I	19.0	19.5	12 7	8.1	2.2	30.9	19 4	13 0	103 8	99 5	54 6	29 9
	II	75.0	22.0	11 4	7.5	26.4	35.3	13.6	12 7	105.8	101.4	56.3	55.6
	III	48.8	27.3	9.8	8.4	16 1	34 2	19.0	15 9	73 2	89.6	51 0	45 3
	IV	21 6	22.7	10.6	9 4	20 4	38.7	30 9	19 4	77 4	83 1	49 6	30 4
	1954 I	52.7	20.4	8.7	7.2	16.9	28.3	12.8	19 7	69 6	62 0	51 7	36 1
	II	61 1	29.2	*8.0*	*8.3*	8 1	33 9	33 3	15 0	72 2	74 6	41.0	45 7
	III	*42 4*	*29.0*	*5.4*	*11 8*	21 6	28 8	13 5	19 3	74 3	74 8	38 2	64 5
Japan	1948	0.1	0.3	0.6	0.2	0.1	1.0	.		3.1	5 0	3 4	4 8
	1950	5 1	3.0	0.2	0.6	—	1.6	6 6	7.2	5 3	10 0	3.9	3 9
	1951	7 2	5.9	0.6	2.4	0.4	4.2	12.3	10.6	8 4	17.2	9.6	11 6
	1952	8.2	7.2	0.9	2.7	0.5	5.4	15.9	12.6	5.4	21.1	13.4	10.2
	1953	7 3	7.3	3.6	2.1	0 5	3 6	14.5	11 7	9 7	16.8	14.1	6 5
	1953 I	3 1	6.4	0.5	2.3	0 4	3.4	13.2	9.9	10.2	13.9	17.6	5 5
	II	7.6	6 0	1.1	1.4	0.3	4.0	5 0	9 9	13 7	18 0	18.5	8 9
	III	14.5	7.0	5 1	2 2	0 6	4 4	14.8	13 3	7 2	19 4	8.0	5 6
	IV	4 0	9.9	7 5	2 6	0 8	2.8	25 1	13 9	7 6	15 9	12.3	6 1
	1954 I	25.2	9.0	6 2	2.3	0.5	2 7	6.6	15.3	5 3	13 3	10 6	6.8
	II	28 7	11.2	*1.0*	*2.2*	0 2	3.1	21 1	12 4	4.2	19 6	6 2	5 7
	III	*2.2*	*12 4*	*1 4*	*3.2*	0 2	4 8	10 1	16 9	4 9	22 2	5 6	7 9
Western Europe	1948	5.8	23.9	10.2	32.9	30 7	16.4	.	.	8.9	32 6	106.8	159 5
	1950	2.5	8.0	9 4	43.6	32 1	15.6	1 6	1 5	15 8	32 4	95 4	90 2
	1951	5.4	11.6	15 3	60.9	50 4	25.5	0.7	1.6	17.6	70 0	147.8	129 9
	1952	8.4	14.6	9 5	92.4	32.4	27.2	1.3	2 6	9 8	50.6	98.9	126 2
	1953	6 4	16.9	5.2	77.2	30 4	27.3	3.8	3 1	10.5	50.9	102.2	126.4
	1953 I	6.9	13.2	7 7	83 3	29.7	22.1	0.2	3.5	14 0	66 0	98.0	114 2
	II	6.0	17.4	3.9	85.3	31 1	28.0	3.9	2 2	11 0	53.4	75.1	127 6
	III	9.3	19 8	4.3	76 0	24 7	25.8	10.3	2 9	7.7	40 4	103.1	131 3
	IV	3.4	17 1	4.8	64 0	36.1	33 4	0 8	3 9	9 2	43.8	132 5	132.5
	1954 I	7.5	19.9	3.1	59.5	25.9	24.6	0.4	2 6	11.3	43.4	99.6	132 1
	II	3.8	18.1	*3 3*	*61 4*	37.0	21.3	1 1	3 3	9 4	40.4	88.8	131 9
	III	*4.2*	*22.0*	*4.5*	*58.8*	33.4	23.9	2 0	3.1	10.5	44 7	122.7	138 4
United Kingdom	1948	5.1	21.1	—	1.2	22 9	13 2		.	4 9	19.0	74.2	115 6
	1950	1.4	6.7	0.2	0.4	19 3	12.2	0.2	0.8	8.2	17 7	64.4	61 7
	1951	3.3	8.4	1.2	0.5	30.8	18.1	0.5	0.8	10.4	27.1	103.9	75.0
	1952	6.2	10.8	0.2	0.6	21.9	20.2	1.1	0.9	3.6	20.6	66.4	78.4
	1953	4.5	11.8	—	—	20.4	19.0	2.1	1.2	5.2	20.8	78.0	73.8
	1953 I	5.7	10.1	—	—	20.2	16.6	0.1	0.8	5.1	23.7	72.1	73.1
	II	3.3	11.2	—	—	23.1	22.2	2.2	1.0	5.8	22.2	55 1	71 3
	III	6.5	13.8	—	—	17.0	18.0	6.1	1.4	4.7	18.2	80.9	76 0
	IV	2 5	11.9	—	—	21 4	19.1	0.2	1.6	5.2	18.9	104.1	74.6
	1954 I	5.1	13.2	—	—	18.6	15.3	0.2	1.2	7.8	17.2	72.6	77.6
	II	2 6	12 0	—	—	32.2	15.2	0.8	1.3	6.0	16.4	62.8	78.0
	III	3.5	*13.9*	—	—	25.8	16.3	0.8	1.1	6.9	17.2	96.4	78.4
Eastern Europe	1948	—	0.1	—	0.1	0.5	0.2	..	..	1.0	0.8	6.4	5.3
	1950	—	0.1	—	0.2	0.1	0.4	—	—	—	0.9	1.5	3.0
	1951	—	0.1	—	—	0.4	0.9	—	—	—	1.5	5.0	3.9
	1952	0.1	0.1	0.1	0.2	0.8	0.6	—	—	—	0 1	1.9	2.7
	1953	—	0.2	—	—	—	—	—	—	—	1.0	1.7	2.0
	1953 I	—	0.1	—	—	—	—	—	—	—	1.3	1.3	2.2
	II	—	0.2	—	—	—	—	—	—	—	0.6	2.1	1.9
	III	—	0.2	—	—	—	—	—	—	—	1.1	1.5	2.1
	IV	—	0.2	—	—	—	—	—	—	—	0.8	2.0	1.9
	1954 I	—	*0.4*	—	—	—	—	—	—	—	1.0	4.1	2.4
	II	0.6	1.0	—	—	—	—	—	—	—	1.0	3.1	2.2
	III	—	*0.3*	—	—	—	—	--	—	—	1.4	1.4	2.4

INTERNATIONAL TRADE

EXTERNAL TRADE

or quarters

Million dollars

INDONESIA		JAPAN		MALAYA		PAKISTAN[c d]		PHILIPPINES		Year and Quarter		TRADE WITH
Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports[e]			
98.7	116.2	64.6	170.6	203.2	210.4	154.6	101.4	79.4	146.5		1948	All countries
199.9	110.0	205.0	242 5	328 0	238.1	124.0	97.6	84.3	85.6		1950	
307.7	201.5	338.6	498.8	496.3	388.4	190.9	133.7	102.4	120.3		1951	
227.8	231 0	318.2	507.0	320.0	316.3	133.1	152.4	88.0	105.2		1952	
204.9	188.2	318.7	602.4	246.6	263.6	109.7	87.5	97.6	103.9		1953	
188.3	161.8	275 5	547 5	263 9	269.5	150 4	98.1	93.8	101.5	I	1953	
195.2	196.0	328.6	613.9	257.3	262.4	94.3	61.6	99.8	115.2	II		
221.1	213.4	316 3	590.4	236 4	266.4	99.5	91.1	99.7	89.7	III		
215.0	181.7	354 4	657.8	229.0	256 0	94.6	99.3	97.2	109.1	IV		
189.8	177.9	343.0	723 1	229.1	239.9	104.7	84.2	107.6	112.4	I	1954	
191.0	166.2	*376.7*	*688 8*	244.8	248.7	89.8	63.7	102.1	125.9	II		
231.2	156 7	*417 2*	*498 7*	267.1	261.1	*65.3*	*82.5*	96 4	114 6	III		
25.0	33.7	26 4	23.0	49.8	96.9	99 6	56 7	7.2	14.9		1948	ECAFE Region (including Japan)
79.4	44 2	88.9	73.2	83.9	153.7	48.7	42 5	7 3	9.6		1950	
121.4	83.6	156.2	122 2	118.0	242.0	85.0	49.5	9.0	19.3		1951	
75.1	91 6	143 1	129 2	91.3	181.6	61.0	57.7	10.8	14 7		1952	
70.2	77.3	139 1	160.3	7/.2	153.0	36.9	11.9	13.4	11 7		1953	
56 4	62 1	107.3	148.5	76.8	152.6	41.6	15.2	9.6	11.4	I	1953	
66 7	92.1	141.8	172.8	87 3	148.5	38.2	7.8	13.8	12.6	II		
79.7	85 5	142.2	160 6	72.6	158.9	39.1	10.6	15.6	9.2	III		
78.2	69.5	165.0	159 3	71 9	152.0	28.8	14.0	14.6	13.7	IV		
78 6	86 0	154 4	150 7	65.8	136.2	32.1	11.1	13.7	16.7	I	1954	
75.3	74.1	*168.1*	*156.5*	73.5	137.9	34.5	15.3	13.5	15.3	II		
96.5	55 3	*155 1*	*124.6*	77 8	151.5	*15 8*	*18.1*	12 7	17.3	III		
2.4	18.0	—	—	2.3	1.6	0.9	0.7	3.9	0.5		1948	Japan
2.7	11 0	—	—	9 4	7.6	11.0	13.1	5.5	3.6		1950	
10.0	37.7	—	—	12.8	19.9	19.2	19.5	7.5	8.2		1951	
6 1	31 7	—	—	12 6	20.4	22.0	27.9	9.8	4.6		1952	
9 3	31.7	—	—	12 8	10.5	21.4	4.5	12.0	5.1		1953	
10.6	16.3	—	—	13.0	8.7	30.9	7.6	8.8	5.5	I	1953	
9.0	29.4	—	—	11.0	12.1	21.1	2.3	12.4	5.6	II		
8.6	45.7	—	—	12.9	10.5	20.5	2.8	14.0	2.7	III		
8.9	35 5	—	—	14.3	10.7	13.1	5.3	13.0	6.6	IV		
8.2	41.7	—	—	14 8	7.9	7.9	3.5	12.8	7.0	I	1954	
8.0	45.9	—	—	11.2	10.6	12.3	7.7	11.1	6.8	II		
18 1	24.7	—	—	12 7	13 7	*13.9*	*5.8*	11.0	7.0	III		
43.6	41.7	6.8	4.9	58.6	49.6	33.4	26.6	13.2	4.8		1948	Western Europe
69.4	39.3	23.6	9.2	103 2	56.7	50.3	34.8	11.0	4.9		1950	
110.0	66.8	35.4	40.1	185.6	100.1	77.3	47.4	22.1	7.0		1951	
72.2	80.8	44.1	34 4	120 7	90.7	49.2	52.5	13.1	5.9		1952	
71.4	64.0	28.9	50.8	81.7	72.9	53.6	25.4	13 8	5.8		1953	
67.9	58.2	39.5	30.3	94.2	78.1	73.7	32.9	11.3	5.4	I	1953	
59.1	57.8	25.0	56.1	78 3	78.8	41.2	13.5	8.3	5.5	II		
75.8	75.9	30.1	59.3	78.3	66.9	49.1	23.9	16.7	4.0	III		
82.7	64.0	21.1	57.7	75 9	67.7	50.2	31.4	18.9	8.3	IV		
65.6	51.8	20.6	61.6	81.6	70.0	50 4	38.6	21.8	9.4	I	1954	
62.6	53.2	*29 7*	*67.3*	75.9	75.5	37.2	35.5	15.7	12.0	II		
73.4	56.3	*39.3*	*43.3*	92.3	71.1	*37.4*	*48.0*	20.7	10.3	III		
2.0	10.8	4.2	1.3	28.2	40.5	13.4	20.4	0.8	1.3		1948	United Kingdom
7.9	8.2	6.5	1.6	44.6	41.3	17.2	23.1	1.3	1.3		1950	
19.5	13.0	13.5	8.0	99.3	64 4	23.9	27.6	3.2	1.6		1951	
6.1	16.5	18.3	9.2	66.6	66.9	17.0	30.9	1.4	1.2		1952	
4.2	13.2	8.3	12.2	39.6	53.5	21.1	14.4	1.3	1.1		1953	
3.6	13.2	14.3	8.5	51.0	59.4	29.4	21.0	1.8	0.9	I	1953	
4.5	11.3	6.9	11.0	41.3	57.9	16.9	7.1	1.1	1.2	II		
4.5	16.1	9.5	14.1	36.7	48.2	16.4	12.2	1.2	0.9	III		
4.3	12.4	2.4	15.4	29.3	48.5	21.6	17.1	1.0	1.5	IV		
3.1	9.1	5.3	12.5	32.1	47.6	17.4	20.6	1.6	1.9	I	1954	
5.5	9.0	*8.9*	*9.0*	30.8	51.3	12.5	20.7	0.9	2.7	II		
12.8	9.3	*17.1*	*8.1*	37.8	49.7	*16.8*	*28.9*	1.0	2.1	III		
0.4	1.1	1.1	0.6	14.5	1.6	6.2	1.1	2.0	0.1		1948	Eastern Europe
0.2	0.8	0.4	0.9	14.0	1.0	7.3	2.0	0.1	0.1		1950	
0.6	1.5	0.5	0.5	17.2	1.5	8.1	2.2	—	—		1951	
2.4	1.6	0.6	0.7	8.3	0.9	9.0	1.8	—	0.1		1952	
1.1	1.4	1.0	1.4	4.2	1.6	3.2	0.4	—	—		1953	
1.1	1.1	0.7	1.2	4.7	2.1	8.4	0.7	—	—	I	1953	
1.0	1.4	0.5	0.4	5.4	1.3	1.3	0.3	—	0.1	II		
1.4	1.9	1.5	2.2	4.2	1.6	1.6	0.1	—	—	III		
0.9	1.3	1.4	2.0	2.7	1.3	1.5	0.4	—	0.1	IV		
0.3	1.7	0.7	2.1	4.3	1.4	2.9	1.2	—	—	I	1954	
1.0	2.1	*0.4*	*0.7*	2.9	0.9	4.4	0.4	—	—	II		
1.5	5.2	*0.2*	*0.7*	5.0	1.2	*0.1*	*0.5*	—	—	III		

5. DIRECTION OF

Quarterly averages

TRADE WITH	Year and Quarter	BURMA[a]		CAMBODIA-LAOS-VIET-NAM		CEYLON		CHINA (Taiwan only)		HONG KONG		INDIA[c]	
		Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports[b]	Exports	Imports	Exports	Imports
North America	1948	0.6	1.7	0.5	6.0	16.0	6.4	..	..	11.1	26.7	60.9	89.4
	1950	0.9	0.8	3.7	3.0	23.2	2.9	0.9	4.9	14.6	30.8	61.8	58.6
	1951	0.2	0.9	3.6	4.1	14.8	5.3	1.2	3.8	7.8	20.2	85.9	118.1
	1952	0.6	2.6	3.1	5.7	12.2	9.9	0.9	6.8	5.8	13.1	70.9	159.5
	1953	1.1	1.8	4.0	4.4	10.8	3.6	1.4	4.9	4.3	12.5	57.9	56.9
	1953 I	1.3	1.6	2.7	4.5	14.5	3.4	1.7	5.8	4.6	11.5	63.8	64.2
	II	1.3	2.0	1.7	5.3	8.9	6.3	1.4	4.8	4.0	14.1	54.2	67.7
	III	1.7	2.0	4.9	3.7	9.5	2.4	1.3	4.4	3.9	12.4	56.2	53.6
	IV	0.2	1.6	6.8	4.0	10.2	2.3	1.0	4.6	4.8	11.9	57.3	42.2
	1954 I	0.8	1.5	4.6	5.1	12.9	2.5	1.1	4.9	4.2	13.5	49.6	33.6
	II	0.3	1.9	*4.0*	*7.0*	10.2	2.4	1.0	3.7	4.7	16.4	48.5	48.6
	III	*0.1*	*2.0*	*5.6*	*7.6*	8.1	2.1	1.6	4.9	4.7	15 6	52.8	44.3
United States of America	1948	0.6	1.6	0.5	6.0	12.6	5.7	..	.	10.6	24.4	54.3	82.2
	1950	0.1	0.8	3.7	3.0	17.6	1.8	0.9	4.3	14.2	28.6	54.8	52.9
	1951	0.2	0.8	3.6	4.0	10.5	4.3	1.2	3.4	7.1	16.3	75.1	105.9
	1952	0.6	2.5	3.1	5.6	8.3	7.8	0.9	6 3	5.0	9.6	63.3	143.8
	1953	1.1	1.8	4.0	4.4	6.4	2.7	1.3	4.5	3.3	9.9	50.5	47.0
	1953 I	1.3	1.6	2.7	4.5	8.7	3.1	1.7	4.9	3.4	8.6	55.4	52.4
	II	1.3	2.0	1.7	5.3	5.7	3.9	1.3	4.5	3.0	11.3	48.0	61.8
	III	1.7	2.0	4.9	3.7	5.9	1.9	1.3	4.2	3.1	10.8	47 7	40.0
	IV	0.2	1.5	6.8	4.0	5.1	2.0	1.0	4.3	3.8	9.0	51.0	33.8
	1954 I	0.7	1.5	4.6	5.1	9.1	2.0	1.1	4.4	3.4	10.9	43.0	30.8
	II	0.4	1.8	*4.0*	*7.0*	6.2	1.8	1.0	3.3	3.8	14.3	40 9	47.1
	III	*0.1*	*1.9*	*5.6*	*7.6*	3.9	1.5	1.6	4 6	3.9	12.9	44.1	41.6
Latin American Republics	1948	0.2	—	—	0.2	1.2	1.2	..	.	0.1	—	24.0	12.6
	1950	—	—	—	0.2	1.1	0.6	0.4	—	—	—	12.4	1.8
	1951	—	—	—	0.3	1.1	—	0.4	—	—	—	24.5	2.8
	1952	—	—	0.2	0.8	0.7	0.1	—	—	—	—	14.2	0.7
	1953	—	—	—	—	0.4	—	0.4	—	—	0.4	16.1	0.4
	1953 I	—	—	—	—	0.1	—	—	—	—	—	9.4	1.2
	II	—	—	—	—	0.2	—	—	—	—	—	12.4	0.2
	III	—	—	—	—	0.2	—	1.6	—	—	0.5	22.0	0.2
	IV	—	—	—	—	1.2	—	0.1	—	—	1.0	20.7	—
	1954 I	—	—	—	—	0.1	—	—	—	—	4.7	5 2	2.0
	II	—	—	—	—	0.5	—	0.1	0.1	—	6.3	5 0	0 7
	III	—	—	—	—	0.1	—	0.9	0.2	0 1	3.2	22 1	4.8
Oceania	1948	—	1.4	0.5	0.6	8.3	10.8	..	..	1.7	4.2	18.0	20.9
	1950	0.1	0.6	0.1	0.1	8.0	4.2	—	1.2	1.9	3.5	16.9	23.7
	1951	—	0.8	0.2	—	9.0	6.5	0.2	0.5	3.5	4.0	28.8	10.6
	1952	—	0.9	0.2	0.1	5.8	6.5	0.1	0.3	0.9	2.4	14.4	8.7
	1953	—	1.1	—	—	8.7	9.2	—	1.2	2.1	2.5	10.2	14.6
	1953 I	—	1.3	—	—	6.9	8.2	—	1.6	1.5	2.6	8.6	6.3
	II	—	0.6	—	—	9.9	11.8	0.1	0.8	2.1	2.2	12.6	24.0
	III	—	0.9	—	—	9.6	9.2	—	1.3	2.3	2.1	9.1	21.3
	IV	—	1.7	—	—	8.5	7.5	—	1.0	2.6	3.2	10.3	6.7
	1954 I	—	0.7	—	—	9.8	6.7	0.1	0.5	2 2	3 0	12.6	5.8
	II	—	0.7	—	—	10.4	5.8	0.2	0.5	2.9	2.8	15 0	7.3
	III	—	*1.7*	—	—	15.2	6.5	—	0.6	3.0	3.1	14.3	7.1
Sterling Area	1948	49.5	36.5	5.8	2.8	41.1	53.8	..	..	27.0	36.3	191.6	264.4
	1950	24.0	21.0	4.1	1.3	36.9	43.6	4.7	7.2	45.2	49.7	164.6	141.6
	1951	32.9	22.4	8.6	1.4	51.2	57.3	7.8	4 9	62.1	68.0	218.0	190.1
	1952	43.0	32.2	8.5	1.7	38.1	57.0	7.1	5.9	32.0	44.8	168.4	154.1
	1953	32.5	28.2	5.6	0.8	39.1	53.5	7.9	5.1	32.2	45.4	146.0	144.5
	1953 I	21.2	24.9	7.3	0.4	33.6	49.1	6.1	4.3	33.1	49.6	134.2	125.7
	II	48.7	26.3	7.8	1.3	38.7	59.3	10.4	4.2	31.5	47.4	122.7	188.4
	III	43.2	34.5	4.2	0.8	36.0	50.5	10.3	4.6	30.8	39.8	150.1	159.1
	IV	17.0	27.3	3.0	0.9	48.2	55.1	4.6	7.4	33.3	44.7	177.2	124.8
	1954 I	16 3	25.2	2.5	0.9	37.1	41.6	3.5	5.2	34.8	37.5	147.9	129.4
	II	35.5	29.2	*3.0*	*0.7*	51.6	45.6	12.0	4.0	34.2	38.4	128.4	155.9
	III	*43.6*	*32.1*	*2.2*	*1.7*	51.9	44.8	2.4	3.7	36.3	35.9	170.6	166.0
ECAFE Sterling Countries	1948	43.9	13.8	5.8	1.0	4.4	24.2	..	..	17.2	10.5	81.6	110.2
	1950	22.3	13.6	3.9	0.7	4.3	23.5	4.4	5.3	32.5	25.9	58.6	38.3
	1951	28.5	13.0	6.8	0.7	5.0	25.2	7.1	3.6	44.6	32.3	57.4	83.0
	1952	33.8	20.2	6.6	1.0	4.8	23.2	6.0	4.6	24.8	18.0	61.0	43.4
	1953	26.0	14.9	5.6	0.8	3.1	19.6	5.5	3.3	20.1	18.5	32.0	32.4
	1953 I	15.4	12.7	6.6	0.2	1.8	17.0	6.0	2.9	23.2	20.0	30.7	23.4
	II	46.5	15.8	8.5	1.5	1.3	19.3	8.2	2.6	19.7	19.9	31.1	44.7
	III	29.0	18.8	4.2	0.8	4.8	18.0	3.5	2.4	18.5	16.8	36.4	38.4
	IV	13.3	12.4	2.9	0.8	4.6	24.3	4.5	5.1	19.0	17.4	29.9	23.1
	1954 I	10.7	10.9	2.5	0.8	2.8	16.5	4.4	4.1	18.3	14.1	33.6	27.4
	II	32.3	16.7	*3.0*	*0.7*	3.6	20.7	11.1	2.3	19.6	16.4	28.9	38.4
	III	*37.6*	*16.3*	*2.2*	*1.7*	4.2	18.0	1.5	2.0	19.6	12.3	27.5	55.9

GENERAL NOTES:

1. Countries included in the total for ECAFE region are the following:
   i) Sterling countries—Burma, Ceylon, Hong Kong, India, Malaya, British Borneo and Pakistan.
   ii) Non-sterling countries — Cambodia-Laos-Viet-Nam, China, Indonesia, Japan, Philippines, Thailand and Korea.
2. Annual data are based on calendar years except for 1948 figures in the case of Burma, India and Pakistan, which are based on the twelve months ending September 1948 in the case of Burma, and ending March 1949 in the case of India and Pakistan.
3. Having regard to the considerable volume of trade of Cambodia-Laos-Viet-Nam and Indonesia with France and French Exane Area and the Netherlands respectively, these figures are shown separately below:—

INTERNATIONAL TRADE (*Cont'd*)

or quarters

Million dollars

INDONESIA		JAPAN		MALAYA		PAKISTAN[c d]		PHILIPPINES		Year and Quarter		TRADE WITH
Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports[e]			
17.8	28.4	16.9	112.4	60.0	27.4	12.4	6.6	53.8	120.2		1948	North America
33.4	22.2	50.3	114.8	94.9	8.8	11.4	8.8	62.7	66 1		1950	
51.9	41.6	52.0	217.7	113.0	20.9	8.3	8.0	65 8	89 0		1951	
58.7	41.2	63.8	237 4	60.1	18.0	5.6	10.1	60.4	80.3		1952	
42.7	34.1	65.2	242 4	45.1	12.7	7.4	4.2	66 4	83.4		1953	
45.5	34.9	61.6	233 1	55 5	13.1	12 4	6.1	69 7	82.9	I	1953	
50.5	34.8	73.3	213.0	42.9	12.6	6.7	3.4	73.2	94 9	II		
42.9	34.4	66.5	216.3	44.3	12.5	3.8	4.0	62.5	72.3	III		
31.9	32.3	59.6	307.0	37.6	12 5	6.8	3.5	60 4	83 4	IV		
28.8	23.9	62.6	351 1	40.8	13.3	7.1	5.2	69.5	80.5	I	1954	
36.4	22.8	*70 3*	*310.1*	47.6	12 0	5 7	4.1	69.9	90.8	II		
38.0	29.0	*90.7*	*211.4*	47.6	14 9	5.8	9.0	57.5	79 2	III		
17.2	26.9	16.4	110 4	53.8	24.6	12 0	6 0	52.4	117.7		1948	United States of America
33.2	21.5	45.8	106.8	85 6	7.2	11.0	8.2	61.6	63 9		1950	
51.6	40.2	47.4	171.8	97.5	17.8	7.9	7.6	64.6	85 5		1951	
58.3	39.6	58.6	192.1	53.6	14.9	5.6	9.1	59.5	76 6		1952	
42.3	33.8	58.5	189.4	39 2	11.4	7.2	4.1	65.9	80 6		1953	
45.2	34.5	57.0	181 4	48.5	11.7	12 3	5.9	69.5	90 4	I	1953	
50.1	34.3	66.9	177.2	37.6	11.4	6.5	3.2	73.0	91.6	II		
42.4	34.2	59.4	175.1	37.6	11.4	3.6	4.0	61 3	70.5	III		
31.5	32 0	50 6	223.8	32 9	11 3	6.6	3 4	59 7	78 7	IV		
28.6	23.7	53.9	273 3	35 1	11 9	7.0	4.8	68.8	77.4	I	1954	
36.1	22.6	*57.0*	*262.8*	41.0	10.7	5.5	3.6	68.5	85.6	II		
37.5	28.5	*76.8*	*176 3*	41 3	13 9	*5.7*	*7.2*	56 9	76 5	III		
0.1	0.7	0.4	20.9	1.6	1.2	1.8	0.2	1 3	3.6		1948	Latin American Republics
0.5	—	10 4	16 8	5.4	0.4	1.8	0.6	1.9	0.2		1950	
1.2	0.4	22.3	64.8	16.2	0.3	—	—	2.0	1.1		1951	
1.1	7.1	12.5	42.0	4.7	0.3	—	—	1.6	0.4		1952	
0.4	0 2	26.1	66 2	4 7	0.2	0.5	—	2.8	0.2		1953	
0.1	—	14.8	49 8	5.0	0.2	0.2	—	1.9	0.3	I	1953	
0.4	0.4	21.7	64.6	4.2	0.1	0.5	—	3.3	0.2	II		
0.5	0.3	25.3	65.8	4.2	0.4	0.7	—	3.8	0.1	III		
0 5	0.1	42.6	84.5	5 5	0 2	0.7	—	2.2	0.2	IV		
0.6	—	44.8	82.9	3.2	0.1	1.7	—	1.6	0.1	I	1954	
0 7	—	*42.4*	*64.9*	7.2	0.3	0.5	—	2.1	1.1	II		
1 6	—	*54.7*	*50.5*	10.4	0.2	*06*	—	4.6	0 8	III		
1.2	8.5	1.1	2.1	14.1	22.4	0.5	0.3	0.2	1.8		1948	Oceania
4.3	1.0	6.4	20 3	14.2	9 4	1.8	0.2	0.1	0.5		1950	
8 6	2.6	25.4	36 7	28.2	12.0	2.2	0.3	1.4	0.2		1951	
7 1	3.3	9.7	37 9	15.8	13.6	1.0	0.6	0.2	0.4		1952	
6 0	4 4	3.6	50 2	16 4	13.2	1 4	0 5	0 2	0 3		1953	
6.4	1.6	1 6	57 3	10 8	14 5	1.2	0.1	0.1	0.2	I	1953	
5 0	3.7	2 5	66.9	21.9	12.5	1.0	0.1	0.1	0.2	II		
6.9	7.4	3.6	43 0	15 6	11.9	1.6	0 3	0.2	0.3	III		
5 8	4.8	6.6	33 7	17.2	14.0	1 8	1.5	0 3	0.5	IV		
6.9	4 8	5.1	41 4	14.4	10.5	2.5	0.1	0.3	0.7	I	1954	
8.5	3.1	*6.2*	*36.2*	18.6	12.3	1.4	1.1	0.2	0.6	II		
8.8	2.1	*8.6*	*24 1*	14.9	11.7	*1.3*	*0.5*	0 1	0 9	III		
24.4	29.7	17.4	15 3	61 1	89 4	110.4	72 6	2.4	5.4		1948	Sterling Area
86.5	39 8	74.2	55 4	100.4	98.4	55.4	50.0	2.6	7.6		1950	
137.2	57.3	153 1	111 6	182 6	139.1	81.8	54.9	5.2	7.6		1951	
77 4	66 9	134.8	125 1	116.0	131.2	36.8	61.7	2 8	7.5		1952	
65.7	61.9	79.0	150 6	91 9	110.6	37.0	23.4	2.3	6.0		1953	
50 8	50.9	73.3	166.8	95.8	119.3	41 7	30.1	2.6	5.7	I	1953	
61.7	77.0	74.1	174 3	102.3	115.2	31.9	13.9	2.1	7.0	II		
75.7	64.5	81.6	143 1	86.8	104.7	37 8	21.6	2.3	4.9	III		
74.6	55.2	87 1	118.3	82.6	103.4	36.6	27.9	2.1	6.4	IV		
72.9	60.0	85.3	121.6	78.9	91.8	36 1	30.5	2.3	10.2	I	1954	
75.5	40.6	*109.3*	*138.8*	90 4	93.6	26.8	29.5	2.0	9.7	II		
93.6	42 2	*131.1*	*84 7*	94 9	93.8	*29 5*	*35.6*	1.9	9.2	III		
20.9	9.5	8.8	10.9	15.5	20.8	96.2	50.8	1 4	2.2		1948	ECAFE Sterling Countries
73.2	29.1	42.7	29.6	35 1	45.6	35.7	24.8	0.8	4.7		1950	
106.9	37.4	83.6	63.4	45.6	58.4	54.4	25.8	0.8	4.8		1951	
63 0	43.2	84.3	68 1	28 6	46.0	18.0	29.2	0.6	5 8		1952	
54.6	38.8	47.8	82.1	30 8	38.1	13.2	6.6	0.6	4.5		1953	
40.5	33.5	42.6	91.6	28.8	39.0	9.5	7.3	0.5	4.6	I	1953	
51.2	57.2	48.0	90.0	33 7	38.7	13.1	4.7	0.5	4 9	II		
63.4	35.7	48 7	79.7	28 9	37.8	18.3	7.0	0.9	4.2	III		
63.5	29.0	51.8	67.0	31.6	36.9	11.8	7.3	0.7	4.2	IV		
62 6	38.1	50 0	63 8	27.0	27.9	12 7	7.3	0.3	6 8	I	1954	
61.2	20.1	*67.4*	*82.1*	35 4	24.8	10.0	7.1	0.8	6.0	II		
71.7	21.7	*72.4*	*44.9*	35.7	28.1	*9.5*	*3.6*	0.5	5 7	III		

		Cambodia-Laos-Viet-Nam with France		*with French Franc Area*		*Indonesia with Netherlands*	
		Exp	Imp	Exp	Imp	Exp	Imp.
1952		8.8	88 0	11.7	95.5	48 3	29.7
1953		5 2	77.2	7 0	80 7	46.1	22 1
	III	4.3	76 0	6 3	78 9	43.6	24 7
	IV	4.8	64.0	7.2	66 7	53 8	23.2
1954	I	3.1	59.5	6.2	62.7	43.5	17 6
	II	*5.3*	*61.4*	*6.1*	*65.9*	39 8	17.7
	III	*4.5*	*58 8*	*6.7*	*68 0*	38.4	15.6

a For 1948, year ending 30 September

b Excluding FOA/MSA/ECA imports

c For 1948, year beginning 1 April

d Beginning 1951 exports and imports include overland trade (representing private account only)

e Imports valued f.o.b

EXTERNAL TRADE

6. VALUE OF IMPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS

Monthly averages or calendar months

Millions

	1938[i]	1948	1951	1952	1953	1953		1954					
						III	IV	I	II	III	Oct	Nov	Dec
BURMA (K)													
Cotton yarn and fabrics (incl. thread)	3.4‡	9.2†	13.3	14 1	16.9	18 6	16 9	15.9	13 7	17 0	12.8	16 6	*12.9*
Base metals and manufactures thereof	2.1‡	5.9†	3.1	6.0	7.3	7 7	8 4	8.0	9 6	10 6	9.0	10.4	*8.8*
Machinery and transport equipment	1.8‡	9.3†	3.9	6.7	8.1	9.9	7.2	9.7	10.0	16 3	13.2	16.4	*1.06*
CAMBODIA–LAOS–VIETNAM (Pr.)													
Live animals and food[a]	1.0	15.6	83.4	83.5	133 0	168.6	119.1‖	138.4	141.9	150 0	165.7	223.3	.
Textiles and apparel, incl. yarn and thread	4.4	42.5	167.9	176.3	240.8	253.6	306.5	229.5	188.7[r]	217.1	229.1	320 0	.
Machinery and vehicles (incl. electric machinery and fittings) and base metals and manufactures thereof	3.3	56.8	128.0	171.5	237.3	308 2	227.7	240.0	274.2	255.6	245 9	192.5	.
CEYLON (Rs.)													
Food and drink	8.7	42.5	57.0	64.5	65.1	62 8	69.7	51.6	62.1	52.4	62.5	39.3	49.9
Raw materials and articles mainly unmanufactured	2.8	8.8	13.5	14.3	13.6	13.9	10.9	12.6	10 9	13.0	12.2	9 8	6 3
Articles wholly or mainly manufactured	7.8	29.9	58.2	61 7	53 9	53.2	54.5	46.1	47.7	49.3	58 4	46.6	60.2
Cotton yarn and manufactures	1.4	10.3	11.8	10.4	9.1	8 1	9.9	8.0	7.5[r]	8.3	10.9	9 5	8 7
Machinery and vehicles	1.0	5.2	11.0	14.1	12.7	12.5	10.9	8.4	8.7	8.7	10.6	5.4	11.0
Base metals and manufactures thereof	0.9	2.6	6.1	6.2	5.5	5.3	5 6	4.6	4 4	4.7	7 0	3.0	5.9
Electrical goods and apparatus	0.3	0.9	2.3	1.8	2.0	2.2	2.5	1.9	1 7	2.0	1.7	1.1	2.8
CHINA[b] (Taiwan only, $)													
Beans and peas	.	.	0.8	1.3	1.3	1.7	1.1	1.0	1 8	1.2	3.3	—	.
Wheat and wheat flour			0 7	1.0	1.2	1.9	0 9	1.3	1.1	3.4	0.7	0.1	
Cotton, Raw	.		0.8	0 8	1 6	3.3	0.7	1.5	2 3	1.3	1.9	2.9	
Chemical Fertilizers			1.2	2.9	1.1	0 7	0.8	1.0	0 7	1.8	7.2	3.2	
Medicines and drugs			0.5	1 8	0.5	0.7	0.6	0.6	0 5	0.6	0.6	0.7	
Iron and steel manufactures	.	..		1.3	1.1	1.4	1 1	0.6	1 1	1.4	0.8	1.1	
Machinery and vehicles	.		0.9[s]	1 5	1.8	2.4	1.7	1.4	2.0	2.0	2.2	2.0	.
INDIA[c] (Rs.)													
Food and drink	14.9	73.7	175.8	188 1	90.7	86 0	46.6	28.9	40.1	75.8	121.8	119.1	101.6
Raw materials and articles mainly unmanufactured	30 5	88.3	186.9	186.1	132.4	149 7	110.2	144.6	202.5	148.9	142.6	133.9	122.9
Cotton, raw and waste	9.2	38.8	94.3	95.8	41.5	46.3	20.1	45.2	74.2	39.3	33.5	29.9	35.4
Mineral oils	13.6[j]	26.7	53.2	65 0	65 7	72 1	65.8	71.7	95.8	78.2	65.4	64.6	58.3
Articles wholly or mainly manufactured	78.0	224.5	270.7	247.1	227.5	225.1	233.6	232.5	223 6	249.4	251.9	321.4	238.4
Machinery and vehicles	22.1	89.4	104.1	104 5	91.9	87 4	91.1	95.9	81.9	97 2	88.8	120.0	97.9
Implements and instruments	4.9[k]	7.7	10.5	8.5	8.3	8.2	8.7	8.3	14.2	12.6	13.0	16.2	13 8
Electrical goods and apparatus	2.6	8.0	7.6	10.8	11.9	12.1	8.2	9.5	9.3	7.9	8.4	12.5	7.3
Base metals and manufactures thereof	8.9	26.4	33.2	37.4	32.3	34.6	32.0	30.5	39.0	48.0	45.0	56.7	44.3
INDONESIA (Rp.)													
Food	7.3	9.5	27.0	162.3	118.5	106 1	88.4	127.8	72 4	67.6	62.8	72.4	
Textiles	10.3	23.5[p]	89.0	217.8	212.9	262.1	207.5	214.6	214.9	153.5	92.9	100.6	..
Base metals (incl. ores) and manufactures thereof	4.9	4.2	12.1	89.9	67.9	90 9	63.7	60.7	74.7	67.1	49.9	46.0	.
Machinery and appliances (incl. electrical material)	5.1	6.8	8.6	36.4	50.7	60.6	49.4	74.8	86.7	103.3	62.1	67.1	..
Transport equipment	3.0	3.7	6.6	19.7	62.5	59.7	79.7	41.1	30.2	28.8	30.0	31.2	..

6. VALUE OF IMPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS (*Cont'd*)

Monthly averages or calendar months — *Millions*

	1938[i]	1948	1951[q]	1952	1953	1953		1954					
						III	IV	I	II	III	Oct	Nov	Dec
JAPAN ($)													
Food	19 5[m]	26 7[m]	41 5	49 6	50.4	42.7	57.6	69 2	67.8	42.5	35.8	33.8	
Cereal and cereal preparations	.	..	31.3	36.1	36.1	28.8	44.2	57.0	54.6	29 3	22.3	22 9	
Sugar and sugar preparations	..	..	8.0	9.8	10.5	10.5	8.7	8.9	9.7	10.0	8.5	7.9	
Crude materials (inedible) other than fuels			87.2	80.6	96.2	99.9	100.3	109.2	107.6	76.1	83 0	72 8	
Oil-seeds, oil nuts & oil kernels		..	5.1	3.2	6.7	6.0	4 7	12 5	8.1	5.1	3 6	6.4	
Crude rubber, including synthetic and reclaimed			4 5	4 1	4.2	4.3	4 2	3 7	3.0	3.4	4.2	4 2	
Textile fibers, raw	.	.	48 7	49 7	55.5	58 8	57 1	56 4	62.7	40 5	50 3	36 6	.
Metalliferous ores and metal scrap		.	10.7	12.1	14.4	14.1	16.5	18 0	17.1	12.5	9.7	10 6	
Mineral fuels, lubricants and related materials	..		16 4	19.5	24.1	22 7	25 4	24.3	22.0	21 4	19.8	22 7	
Chemicals	4.2	3 9	3.8	3.7	5.8	6.2	5 8	6.6	6.5	4.1	3.8	4 0	
Machinery and transport equipment	3.5	0.1	7 0	7.6	13.4	14 0	18 6	17.8	15.5	14.1	14.4	9.4	
Other manufactured goods	..	..	7.0	4.9	7.5	8 4	8.6	9 0	7.9	6.1			
MALAYA (M$)													
Food	11 9	48 2	82 0	84.2	79 4	91.3	77.9	63 3	59.8	62 7			
Cotton yarn and manufactures	2.2	17.9	30.0	18.2	17 8	17.6	17 3	14 4	14.3	16 4			
Machinery and vehicles	3.1	9 9	22.9	27.9	18 2	14 3	14.2	14.3	18.0	15 7			
Base metals and manufactures thereof	1 6	4 7	15 0	14.8	12 6	10 4	9 7	11.2	12.5	10 9			
Electrical goods and apparatus	0 5	2 4	5 2	5.6	5 4	4 4	4 4	5.1	5 5	6 6			
PAKISTAN (Rs.)													
Mineral oils		2.3‡	6 1	8 5	8 3	11.8	8.8	8 3	2 6	7.8	9 9	13.0	20 5
Cotton piecegoods		22 4‡	27 5	23 0	1.2	—	—	0 3	0 7	5 9	4 0	2 6	2 4
Cotton twist and yarn	.	9 4‡	18 0	16.3	4.0	5 3	6 5	4.4	4.1	5.8	2.8	1 7	1.2
Machinery and vehicles	.	8.6‡	17 2	21.6	12.0	11 1	12.6	20.0	20 6	34.8	40.0	25.9	26.0
Iron and steel manufactures	.	.	7.2	14.0	4 9	2.7	7.7	6.7	5.7	6 1	5.2	3.3	3.0
PHILIPPINES[d] (P.)													
Grains and preparations[e]	1.3[n]	7 0	7.5	6.1	3.4	3.9	3.0	3 4	4.5	2.9	5.3		
Cotton and manufactures[f]	3.6	11.4	12 2	9.2	12.3	7.4	9.8	12 2	14.1	11 9	17 3		
Rayon and other synthetic textiles[f]	0 4	8.8	2 3	3.9									
Mineral oils (petroleum products)[g]	0.9	5 7	6 0	6.6	7.6	6.9	7.2	9 1	9.0	10.0	6.4		
Machinery and vehicles (incl spare parts)	2.7	8 9	7 0	9 7	9 7	7 9	11 4	12.6	11.9	10 4	11.2		.
Iron and steel manufactures[h]	1.8	4.7	6.0	4.0	7.7	6.1	7.2	7.3	8 9	15.4	.		

a From 1954 figures relate to food only.
b Including FOA MSA/ECA imports
c For 1938, former British Provinces and Indian States
d Imports valued f o b
e, f, g, h From 1953 onwards, changed respectively into cereals and preparations, textile yarn, fabrics and made up articles, mineral fuels, lubricants and related materials, and base metals and manufactures.
i 1936 for Japan, 1939 for Indonesia
j Including vegetable and animal oils.
k Including cutlery and hardware
m Including drink.
n 1937
p Comprise cotton yarn and cotton piecegoods
q Average of Jul-Dec for Japan
s Excluding Vehicles.

7. VALUE OF EXPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS

Monthly averages or calendar months

Millions

	1938[c]	1948	1951[e]	1952	1953	1953		1954					
						III	IV	I	II	III	Oct	Nov	Dec
BURMA (K)													
Rice and products	18.2‡	48.7†	60.3	82.6	70.7	60.3	43.4	78 4	95.4	62.9	87.7	60.8	*67.2*
Raw rubber	0 5‡	0 5†	2.4	2.2	2.0	0 3	0 7	2 2	1.8	1.0	0.2	1.0	*0.6*
Teak	2.5‡	4 6†	4 0	3.0	2.4	2.4	2.5	2 2	1.7	1 8	2.6	1 1	*2 9*
Metal and ores	4.8‡	1.8†	3.5	5.0	3.9	4.8	1.2	3.0	1 0	1.3	2.8	1.4	*2.6*
CAMBODIA-LAOS-VIETNAM (Pr.)													
Food	13 4	52 2	110 0	77.1	99.6	110 7	138 0	161.0	137.4	97.3	182 3	131.3	.
Rice	8.2	37.7	73.9	66.3	86.8	101 8	115 3	150.8	125.8	85.5	140.3	82 4	
Rubber	4.2	25.8	102.7	71.8	88 6	106 2	124 3	78 7	74.7	89 8	201 0	103.9	
Mineral products	1.2	2.6	6.1	6.8	13.1	21.1	21.3	14.1	15 2	25.2	20 7	22.7	
CEYLON (Rs.)													
Tea	14.4	49.2	66.7	60.3	68.8	69.1	66.9	81.1	98 6	100 1	85.1	94.7	103.9
Coconut and products	2.3	12.8	26.9	19.5	20.5	21 1	24 4	15.0	15 5	23 1	25.8	19.1	13 2
Rubber	3.8	12.0	48.5	31.1	28.1	25.6	29 0	28 3	10.3	30.5	15 >	51.4	11 0
CHINA (Taiwan only, $)													
Rice			1 3	1 2	1.1	0.4	2.2	—	2.3	—	—	—	0.5
Fruits, fresh, dried and preserved			0 5	0 6	0.5	0.5	0.5	0.3	0.8	0 9	1.2	0 3	0.8
Tea	..	..	0.6	0.5	0.6	0 6	0 6	0.3	0.8	1 1	1 3	0 7	1.0
Sugar	.	.	4 2	4.6	7.1[r]	11.9	7.7	4 1	8 7	3 0	1 3	1.5	4 0
Essential oils	..	.	0.3	0.2	0.2	0.1	0.1	0 1	0.2	0 3	0 4	0.2	0 4
INDIA[a] (Rs.)													
Food and drink	30.6	58.9	119.6	109.1	117.2	123.9	161 2	104 9	82 3	156 5	170 9	271 9	245.8
Tea	19 6	46.5	78.7	66.7	85.5	97.4	131 6	70 6	44.8	125 3	141.9	235 6	207.4
Spices	0.7	4.0	24.9	19.0	13.8	8.1	11.1	17 5	10 2	9 2	5 7	8.5	9.8
Raw materials and articles mainly unmanufactured	59.5	90.3	127.7	116.4	97 4	73 9	91.2	79.2	75.9	73 9	92.3	102.7	116 4
Cotton raw and waste	18.9	18.6	21 4	20.3	16.7	9.2	15 1	18.7	10.5	11.2	17.5	24 4	21.0
Hides and skin raw or undressed	3 0	5 0	8.3	4.9	4.9	4.8	4.7	5.5	6 2	5 3	4 2	5 6	6.3
Vegetable oil other than aromatic	0.7	10 9	25.4	20 0	7.8	2 7	1.7	1.0	4.8	9 5	19.0	13 5	25 1
Articles wholly or mainly manufactured	40 2	192 3	347.6	244 6	201.5	210.0	218.3	218.6	194.6	218 6	182 5	258 2	221 7
Cotton yarns and manufactures	6 3	30.8	78.4	60.4	52.8	53 6	58.4	70 0	52 2	54 9	57 5	64 6	63 7
Jute yarns and manufactures	21 8	126.3	200.3	135.6	92.1	103 9	102.7	90 8	95 8	112.8	75 9	133 4	106.2
Hides and skins tanned or dressed and leather	4 4	9.9	27.8	14.6	21.1	17.7	20.2	23 3	15 1	16 3	17.8	20.6	15.3
INDONESIA (Rp.)													
Tea	4 7	1 8	11.6	20.9	22 3	20.4	23 4	31.1	36 4	31 7	37 7	47 1	
Copra	3.2	13 1	40.7	43.2	54.1	59 9	72.2	59 3	58 2	55.1	42 1	57 5	
Rubber	13 0	21.3	206 9	344.7	256 6	272 2	204.1	189 2	204 2	287 6	325 4	275 7	
Tin (and tin ore)	2.8	12.3	25.7	78.0	77.2	87 5	86 1	50.1	50 1	63 4	86.3	54 1	
Petroleum and products	13.5	21.7	52.8	162.1	191 0	218.0	200 0	209.5	189 2	221 3	208 1	229 2	
JAPAN ($)													
Food	7 3[d]	0.9[d]	5.6	8.0	10.4	10 9	8 0	9 6	9 5	11.2	13.0	11.6	
Fish and fish preparations	.	..	3.6	3.8	5.1	5.8	5 2	5 8	5 5	6.7	8.4	5.3	
Crude materials (inedible) other than fuels	..	..	7.9	7 0	5.9	6.5	5 2	5.8	6 6	7.5	7.1	6.8	
Textiles fibers			5.4	4 1	3 9	4.5	4.0	3 7	4 0	4.5	3.9	4.2	
Chemicals	3.6	0.9	3.4	3.3	5.2	2.6	4.3	4.3	8.0	6.7	7 2	5.9	
Fertilizers, manufactured	..	..	0.5	1.3	2.7	0.6	3 4	1.4	5 0	3.1	2.6	2 3	
Textile yarn, fabrics, made-up articles and related products	..		41.3	30.5	31.3	34.1	39.9	42 3	42 7	46.0	52.3	42.4	.
Base metals and manufactures of metals	7.5	1 0	27 7	28 4	15 6	13.2	16 0	16 7	16 0	20 2			..
Machinery & transport equipment	6.2	1.3	8.4	9 7	16.2	14 4	15.5	13.8	17 0	17.1	17.1	23.1	
Other manufactured goods	..	..	18.1	17.1	19.1	20 3	21.7	19 7	23 5	28.3			
MALAYA (M$)													
Food	4 7	11 2	28.4	27.9	21.0	24.8	21.8	22.7	26 5	28.9		.	
Rubber	23.2	73.2	330 1	157.6	103.2	88.8	91.6	94.8	100.5	113.8	.		..
Tin (block, ingots, bars or slabs)	8.0	17.9	48.2	43.0	32.6	28 1	25.0	31.6	33.2	40.1	.		
PAKISTAN (Rs.)													
Raw jute	..	59.3‡	96.9	58.0	47.6	48.5	43.3	51.2	42.4	36.9	34 4	60.3	59.0
Raw cotton	.	31.6‡	80.2	72.0	52.7	42 0	39 7	46.1	37.7	15.1	13.6	11.2	27.4
Raw wool	..	2.8‡	4.9	4.1	4.3	3.9	4.9	2.0	4.8	4.2	1.2	2.7	5 5
Hides and skins	.	3.1‡	4.9	2.8	3.3	3.1	2.8	3.9	2 6	2.3	1.5	2.3	3 3
Tea	.	3.1‡	5.0	2.7	2.9	4.5	4.3	0.6	1.2	4.9	5.9	10.6	10 5
PHILIPPINES (P.)													
Abaca (unmanufactured)	1.7	5.0	11.2	6.8	6.5	5.8	5.3	5.4	4 2	4.1		4.4	.
Coconut products	4 9	34.6	32 8	20.2	25.5	29.4	30.4	26.3	25.3	30.1	.	30.9	
Sugar centrifugal	7.7	3.5	11.4	15.0	15.6	14.5	10.4	23.0	21.3	12.8		6 3	
THAILAND[b] ($)													
Rice	3.6‡	10.6	16.5	18.0	17.8	19.0	14.0	12 5	10 4	12.0		12.7	
Tin ore and concentrates	1.1‡	1.2	1.9	1.9	1.7	1.2	1.9	1 0	1.7	1.6	..	1.7	.
Rubber	0.9‡	2.8	8.1	4.2	3.1	3.0	2.5	3.1	3.2	3.5	..	4.2	
Teak	0.2‡	0.4	0.6	0.4	0.6	0.7	0.8	0.8	0.9	0.8	..	0.8	

a. For 1938, former British Provinces and Indian States.
b. Value in dollars is supplied by the Bank of Thailand.
c. 1936 for Japan
d. Including drink.
e. Average of Jul-Dec for Japan.

8. QUANTITY OF EXPORTS OF SELECTED COMMODITIES

Monthly averages or calendar months — *Thousand tons*

	1938	1948	1951	1952	1953	1953		1954					
						III	IV	I	II	III	Oct	Nov	Dec
RICE													
Burma	273.3‡	105.9†	110.2	109.4	86.9	72.7	57.7	119.6	147.3	105.0	151.4	116.8	*110.7*
Cambodia–Laos–Viet-Nam	76 4	19.4	29.7	20.4	17.3	16.1	20.4	33.0	34.4	27.4	46.1	27.9	..
China (Taiwan only)	.	.	7.1	8.8	4.9	1 7	10 3	—	11.0	—	—	.	
Thailand	125 8	67.7	131.4	118.8	111.7	118.7	88.1	84.6	77.1	92.0	98.2		.
SUGAR													
China (Taiwan only)	..	..	23.6	38.3	66.8	130.5	48.3	41.9	83.0	28.2	12.2	13 8	
Indonesia	89.3	5.3	0.5	0.1	7.8	9.5	21.4	4.9	6.2	35.1	41.7	25.1	
Philippines	68.2	18.1	47.2	66.1	64.3	56.9	47.8	95.1	86.0	52.1	26.6	..	.
TEA													
Ceylon	8.9	11.2	11.5	11.9	12.8	13.2	12.9	13.3	15.5	14.0	12.2	9.7	12.8
India	13.4[c]	13.2	17.0	15.5	18.8	20.7	27.8	13 4	7.4	20.2	21.0	31.3	*27 0*
Indonesia	6.0	0.7	3.3	2.7	2.4	2.1	2.5	3 1	3.3	2.9	3.2	3 7	
Japan	1.4[d]	0.3	0.7	0.8	1.1	1.3	1.6	0.7	0.5	2.3	3.1	2.0	
Pakistan	..	1 2	1.8	0.9	1.0	1.5	1 4	0 1	0.7	1.3	1.3		
COPRA AND COCONUT OIL[a]													
Ceylon	8.7	9.2	10 3	11.1	9.0	8.1	10.7	6.7	6.6	10.5	10.4	9.6	6 5
Indonesia (copra)	25.8[e]	12.1[g]	23.1	17.1	15.3	18.1	20.2	13.9	15.8	16.2	12.9	17.5	
Malaya	13.4	7.1	10.4	8.7	8.7	8.5	12.6	11.3	9.0	10.4	*12.1*		
N. Borneo	0.4	0.3	0.9	0.6	0.7	0.7	0 8	1.0	1.2	1.8	1.6		
Philippines	28.9[e]	35.3	45.0	40.3	35.1	45.0	42 7	36.0	39.8	50 9	54.8		
PALM KERNELS AND OIL[a]													
Indonesia (palm oil)	14 2	3 3	8.1	10.1	11.0	11.1	16 4	9 1	9.1	10.8	26.8	10 3	
Malaya	3.1	4.4	4.5	4.3	4.6	5.4	4.9	4 5	5.4	4.8		..	
GROUND NUTS AND OIL[a]													
Hong Kong	1.2	0.4	0.7	0.8	0.5	0.1	0.2	0.3	0.3	0.2	0.2	0.2	0.2
India	22.0[c]	5.5	5.8	5.6	1.7	—	—	0.2	0.8	0.8	7.3	6.1	11.7
NATURAL RUBBER													
Brunei	0 1	0.2	0.2	0.2	0.1	0.1	0.1	0 1	0 1	0.1	0.1	0.1	
Burma	0.6	0.8	0.8	1.2	0.9	0 2	*0.8*	*1.1*	*0.9*	*0 4*	*0.1*	*0.5*	
Cambodia and Viet-Nam	5 0	3.5	4.4	5.1	6.0	6.6	7.9	*5.9*	*5.9*	*6 0*	*12 9*	*6 2*	
Ceylon	4.2	7.8	8.8	7.6	8.2	7.9	8.8	9.5	3.9	8.7	5.4	7.9	11 8
Indonesia	25 5	36.6	67.2	61.8	57.1	63 0	54.1	54.5	55.4	64.0	67.4	52.5	
Malaya (net export)	31.4	57.5	51.5	48.4	48.2	45.9	52.5	48.1	46.7	47.6	50.4	47.5	54.9
N. Borneo	0.8	1.7	1.8	1.6	1.4	1.4	1.4	1.4	1.3	1 5	1.5	1 6	
Sarawak	1.5	3.4	3.6	2.7	2.0	2.2	1.4	1.5	1.7	2.0	2.4	2.0	
Thailand	3.5	8.1	9.2	8.3	8.1	8.1	7.8	10.3	8.7	9.6	9 9	9.7	..
COTTON, RAW													
India	38.6[c]	8.0	2.3	4.4	3.8	0.9	2.3	3.2	1 3	1.4	2.6	3.8	3.5
Pakistan	.	13.6	18.3	20.4	23.6	19.6	17.9	18 9	15.0	6.3	5.6	5.1	10.9
COTTON YARN (metric tons)													
Hong Kong	.	..	1,732	1,300	1,190	883	1,505	1,087	752	1,825	721	1,411	940
Japan	2,084[d]	458	1,025	1,117	801	1,195	1,098	804	988	1,346			.
Malaya	197	22	167	119	113	92	143	95	42	45			
COTTON PIECE GOODS (Mn metres)													
Hong Kong[b]	..	..	12.2[b]‖	10.1	9.3	6.4	10.0	11.6	14.4	8.8	10.5	10.5	10.4
India	14.6[c]	23.5	59.1	45.7	50.0	49.4	58.5	73.4	59.4	60.0	63.8	70.4	72.3
Japan (Mn sq. metres)	200.2[d]	28.2[b]	75.3	52.0	63.7	67.9	77.8	91.2	84.1	82.5	101.6	80.3	.
Malaya[b]	2.0	7.5‖	14.5	9.8	8.0	5.7	4.0	3.5	3.1	2.0	..		..
JUTE													
Pakistan (raw)	.	28.1‡	88.7	70.0	81.7	83.5	75.9	79.6	70.9	61.5	62 2	100.3	93.3
India (bag and cloth)	78.9[f]	78.4	67.1	60.0	60.3	67.7	68.6	60.2	64.4	76.4	50.1	90 0	70.7
HEMP, RAW													
Philippines	11.8	6.2	10.3	9.1	9.3	8.7	7.9	8.6	7 4	8.2	9.9		
TIN CONCENTRATES (tons)													
Burma	171	155	125	118	*81*	*81*	*81*	*81*	*81*	*81*	*81*	*81*	
Indonesia	1,160	2,753	2,604	2,929	2,771	3,155	3,143	2,364	2,670	3,181	4,073	2,540	.
Thailand	1,145	479	746	825	863	662	1,085	*762*	*873*	*824*	*886*	.	.
TIN METAL (tons)													
Malaya	5,180	3,998	5,500	5,429	5,228	5,326	4,966	5,980	5,617	6,595	6,279	5,490	5,054
PETROLEUM AND PRODUCTS													
Indonesia	506	321	506	618	800	877	855	762	718	852	831	929	
Malaya	84	82	163	204	225	222	262	214	236	235	.		

a. Expressed in terms of oil equivalent; figures under column for 1938 relate to averages for the period 1934-1938.

b. Unit for cotton piecegoods changed from metres to square metres beginning 1950 for Malaya and beginning 1952 for Hong Kong.

c. Former British Provinces and Indian States.

d. 1936.

e. Average of 1935-1939.

f. Converted at 2.25 lb. per bag and 0.80 lb per yard of cloth.

g. Excluding exports to Singapore from Indonesia.

EXTERNAL TRADE

9. INDEX NUMBERS OF UNIT VALUE, QUANTUM AND TERMS OF TRADE

1948 = 100[a]

	1938	1950	1951	1952	1953	1953 III	1953 IV	1954 I	1954 II	1954 III	1954 Oct	1954 Nov	1954 Dec
A. *Unit Value*													
BURMA[r] (Oct 1947–Sep 1948 = 100)													
Imports	29‡	134†	96†	82	71	71	82	70	64	63	70	70	..
Exports	17‡	108†	168†	163	174	176	168	146	136	132	122	122	..
CAMBODIA–LAOS–VIET-NAM[b]													
Imports	8	122	140	129	172	205	207	202	204	206	200	202	
Exports	11	147	182	113	139	157	143	139	130	133	141	143	
CEYLON													
Imports: General	23	98	116	125	114	120	121	116	112	112	110		
Food, drink & tobacco	..	..	116	133	124	130	129	121	117	117	113		
Raw materials & semi-manufactures	.	..	126	140	109	102	117	121	119	117	116		
Manufactures	.	..	114	116	105	109	108	108	103	102	105		
Exports: General	32	144	175	136	139	135	138	144	146	154	168		.
Tea	37	127	132	116	124	120	125	139	147	154	177		
Rubber	56	222	367	255	223	217	206	177	169	202	192		
All coconut products	14	144	169	105	126	125	125	134	122	114	114		
INDIA[c] (Apr 1948–Mar 1949 = 100)													
Imports: General	28‡	104	128	130	116	110	112	115	115	114	118		
Food, drink & tobacco	.	104	118	139	118	110	117	120	137	147	148		
Raw materials & semi-manufactures	..	113	154	139	130	125	134	133	124	123	133		
Manufactures	.	97	118	121	109	103	102	106	104	102	102		
Exports: General	24‡	110	160	131	112	112	111	109	109	114	114		
Food, drink & tobacco	.	127	149	141	141	140	137	155	164	164	165		
Raw materials & semi-manufactures	.	114	151	138	142	145	155	144	143	134	130	.	.
Manufactures	..	103	169	124	91	92	89	87	87	88	82	.	..
INDONESIA[d]													
Exports: General	31	177	265	537	*424*	*392*	*362*	*402*	*403*	*429*			.
Estate produce	38	185	273	615	*498*	*469*	*438*	*451*	*452*	*512*			
Peasant produce	27	171	219	487	*374*	*337*	*307*	*367*	*369*	*370*			
Forest produce	12	99	148	358	*378*	*378*	*382*	*425*	*418*	*382*			
JAPAN[e] (1934-36 = 100)													
Imports: General	..	303	432	382	331	326	326	321	322	324	319	.	
Food	.	302	353	364	347	343	333	320	308	301	296		.
Crude materials, inedible		343	538	418	349	346	351	352	360	370	366		.
Textile fibers	..	297	478	367	310	308	318	319	326	338	331		
Metalliferous ore	..	218	420	441	341	329	326	327	317	.	..		.
Mineral fuels	..	254	352	433	345	341	350	328	332	326	330	.	
Chemicals	..	220	368	364	325	274	292	272	275	271	267	..	..
Machinery & transport equipment	..	287	279	299	283	305	317	304	307	339	214	.	..
Exports: General	.	295	459	431	384	397	398	391	382	378	381		
Food	.	341	342	360	366	379	388	402	403	384	373	..	..
Chemicals	..	345	413	409	398	448	467	485	453	471	591		.
Manufactured goods	..	296	474	425	360	370	374	363	364	358	349		..
Textiles	..	324	475	404	330	341	365	335	334	337	330	..	..
Base metals	..	231	471	450	380	384	390	388	382	355	332	.	..
Machinery & transport equipment	..	303	392	372	375	396	368	359	347	377	401	..	..
MALAYA[f]													
Imports	36	115	144	129	121	119	115	110	110	107		..	..
Exports	43	173	258	188	150	141	131	129	139	141		..	..
PAKISTAN[g] (Apr 1948–Mar 1949 = 100)													
Imports	.	75	96	84	83	84	90	91	77	81	..	..	..
Exports	..	89	119	89	62	62	61	68	66	65	62	64	69
PHILIPPPINES (1948-1949 = 100)													
Imports[h]	..	95	108	106	101	99	99	98	100	93	..	..	..
Exports	30	93	99	78	95	90	93	94	85	80	..	..	..

9. INDEX NUMBERS OF UNIT VALUE, QUANTUM AND TERMS OF TRADE (*Cont'd*)

1948 = 100[a]

	1938	1950	1951	1952	1953	1953 III	1953 IV	1954 I	1954 II	1954 III	1954 Oct	1954 Nov	1954 Dec
B. *Quantum*													
BURMA[r] (Oct 1947–Sep 1948 = 100)													
Imports	197‡	94†	102†	155	149	164	152	146	191	195	201	197	.
Exports	254‡	68†	71†	99	85	88	70	112	124	84	124	96	
CAMBODIA-LAOS-VIET-NAM[b]													
Imports	85	151	189	166	158	159	142	143	138	141	146	170	
Exports	259	88	132	126	133	129	186	147	153	146	266	165	
CEYLON													
Imports. General	89	121	135	138	144	144	153	127	145	142	164	..	.
Food, drink & tobacco			115	114	124	117	133	107	131	114	127		..
Raw materials & semi-manufactures	.		133	114	152	218	176	181	175	224	301		
Manufactures		.	163	177	172	170	177	146	160	170	194		
Exports. General	80	110	112	117	120	123	123	119	122	144	110		
Tea	80	101	103	106	113	118	109	119	137	133	98		
Rubber	56	127	110	100	103	92	111	124	52	126	70		
All coconut products	132	131	149	172	158	171	183	111	132	205	188		
INDIA[c] (Apr 1948–Mar 1949 = 100)													
Imports: General	106‡	88	108	105	84	90	76	78	88	90	94		.
Food, drink & tobacco		73	146	137	75	77	40	25	28	50	81	.	.
Raw materials & semi-manufactures		123	112	124	96	110	77	101	150	111	99		
Manufactures		79	92	84	83	87	91	89	85	98	98		
Exports: General	172‡	115	114	106	109	106	121	111	95	113	115	.	
Food, drink & tobacco	..	109	122	117	124	130	167	101	78	138	154		
Raw materials & semi-manufactures	..	103	114	101	83	62	69	70	63	66	82		.
Manufactures	..	122	111	103	114	117	126	131	115	127	114	.	
JAPAN[e] (1934-36 = 100)													
Imports: General	..	33	48	54	74	74	82	92	87	63	64		
Food		48	66	76	82	70	99	123	125	80	68		
Crude materials, inedible		33	47	48	69	72	74	77	74	51	56		
Textile fibers		40	51	53	70	75	71	69	76	47	60		
Metalliferous ore		25	65	95	147	149	176	191	188	145			
Mineral fuels	.	32	69	82	127	121	133	136	122	120	110		.
Chemicals		35	28	34	59	75	65	81	80	50	47		
Machinery & transport equipment	..	5	47	70	131	130	164	163	140	115	186		
Exports: General		30	31	31	35	34	38	37	42	47	54		
Food	.	20	26	36	45	46	42	38	38	47	59		
Chemicals		12	24	27	43	20	43	30	58	48	40		
Manufactured goods	.	36	40	38	37	36	42	45	46	54	69		
Textiles		28	31	25	31	33	38	41	42	45	52		.
Base metals	.	128	123	157	95	79	89	98	95	130	234		
Machinery & transport equipment		43	51	58	93	71	94	85	111	100	94		
MALAYA[f]													
Imports	81	137	182	162	130	133	130	128	131	142		.	.
Exports	73	127	134	114	101	104	102	107	106	116			
PHILIPPINES (1948-1949 = 100)													
Imports[h]	..	61	76	69	70	66	69	77	85	84	84		.
Exports	157	134	151	169	150	164	146	169	177	178	163		
C. *Terms of Trade*													
Percentage of unit value index of exports to unit value index of imports.													
BURMA[r]	59‡	81†	175†	199	245	249	205	209	214	209	174	174	
CAMBODIA—LAOS—VIET-NAM	138	117	123	84	81	77	69	69	64	64	70	71	.
CEYLON	139	147	151	109	122	112	114	124	131	138	153		.
INDIA	86‡	106	125	100	96	91	100	95	95	100	96	.	..
JAPAN	...	97	106	113	116	122	122	122	119	117	119		..
MALAYA	120	151	179	146	124	118	114	117	126	132		..	
PAKISTAN	..	118	125	103	75	74	67	75	86	80	..	..	
PHILIPPINES	..	97	92	73	94	91	93	96	85	86		..	..

a. Original base: *Burma*, 1 Oct 1951-30 Sep 1952; *Cambodia-Laos-Viet-Nam*, 1938 for quantum index and Jan-Jun 1939 for unit value index prior to 1952; *Ceylon*, 1934-38 for period prior to 1950 and 1948 since 1950; *Indonesia*, 1938; *Malaya*, 1938 for period prior to 1953 and 1952 since 1953, *Philippines*, 1937.

b. Beginning from 1952, new series with 1950 as 100.

c. Overland trade excluded.

d. Weighted index numbers of 18 export products at f.o.b. prices. Figures from Apr 1950 to Feb 1952 exclude the value of exchange certificates. The rise beginning Feb 1952 is principally due to the change in the conversion rate of the rupiah from 3.80 (excluding the value of exchange certificates) to 11.40 per dollar.

e. The commodity groups are abridged titles of selected SITC sections and divisions. Unit value index based on prices in terms of dollars.

f Figures from 1953, though linked to previous figures, have different treatment in imports and exports of petroleum products.

g. Index of f.o.b. export prices.

h. Based on f.o.b. import prices.

10. INDEX NUMBERS OF WHOLESALE PRICES

1948 = 100[a]

	1949	1950	1951	1952	1953	1953 III	1953 IV	1954 I	1954 II	1954 III	1954 Oct	1954 Nov	1954 Dec
BURMA													
All agricultural produce	123	115	133	114	111	117	122	108	111	111	113	115	.
Cereals	96	98	104	99	93	97	98	84	92	96	102	105	..
Non-food agricultural produce	161	196	205	155	144	158	163	165	165	155	142	157	
CHINA[b] (Taipei, Jan-Jun 1950 = 100)													
General index	58	111	183	225	245	251	257	258	255	244	242	244	.
Food	58	104	140	173	222	236	242	250	242	220	214	216	
Clothing	78	124	330	392	364	350	374	352	340	335	341	350	
Fuel & light	51	118	156	190	214	218	220	221	228	229	232	232	
Metals & electrical materials	49	115	218	270	259	254	261	258	260	268	269	271	
Building materials	52	105	154	234	249	275	257	260	276	254	261	260	
INDIA													
General index	104	109	120	105	107	111	107	108	107	104	104	102	100
Food articles	104	110	110	96	102	108	101	100	97	96	95	89	85
Industrial raw materials	108	117	141	105	107	112	104	110	107	98	100	103	101
Semi-manufactured articles	104	108	119	109	113	115	112	113	114	112	111	110	110
Manufactured goods	101	102	116	111	108	108	107	108	112	111	111	111	110
INDONESIA (Djakarta)													
General index (imported goods)	123	253	349	331	352	355	347	352	367	397			
Provisions	90	180	295	368	438	453	458	455	473	471			
Textile goods	194	351	319	260	292	290	272	273	292	342			
Chemicals	88	221	373	341	377	380	369	383	391	384			
Metals	95	220	381	388	369	367	351	349	364	378			
JAPAN[c]													
General index	163	193	268	273	275	277	280	284	272	267	268	271	268
Edible farm products	178	207	258	286	306	308	307	339	344	347	338	341	340
Other foodstuffs	164	159	175	180	177	177	176	186	187	186	190	190	189
Textiles	215	262	364	290	288	300	292	288	259	256	256	256	254
Chemicals	138	180	250	269	246	239	239	238	233	221	218	218	218
Metal & Machinery	143	214	426	415	391	390	389	386	373	355	351	349	349
Building materials	141	165	243	266	317	330	346	350	329	322	328	325	315
Fuels	150	170	203	257	256	247	258	258	239	237	240	264	264
Producers' goods	155	200	308	317	320	324	326	326	309	300	300	302	299
Consumers' goods	172	185	225	227	226	228	232	238	232	231	232	235	234
KOREA (Pusan, Seoul, 1947 = 100)[d]													
General index		.	2,194*	4,751	5,951	6,070	5,970	6,059	6,388	8,157	9,941	9,753	
Food grains	.	..	2,064*	7,305	7,567	8,292	5,812	4,896	5,140	6,718	7,242	7,385	
Textile raw materials		..	1,795*	2,478	3,741	3,641	4,328	4,971	5,672	6,572	8,151	8,949	
Textiles		.	1,763*	2,052	3,048	2,855	4,248	4,150	4,592	5,876	7,107	6,586	
Building materials		.	2,616*	3,923	7,683	7,363	9,819	10,054	11,294	13,481	17,764	18,647	
Fertilizers	..		6,136*	7,987	8,449	8,449	8,449	8,449	8,449	8,449	8,449	8,449	
PHILIPPPINES (Manila, 1949 = 100)													
General index	100	97	109	100	99	97	99	95	93	93	92	93	93
Food	100	89	98	95	90	90	90	86	86	88	86	87	87
Crude materials	100	108	113	90	112	104	112	108	96	92	95	95	95
Mineral fuels	100	100	107	113	108	107	106	106	106	105	104	104	104
Chemicals	100	101	130	111	108	105	104	105	105	101	101	100	100
Manufactured goods	100	119	156	125	114	113	113	111	111	110	108	107	107
Domestic products	100	93	101	93	93	92	94	90	87	88	87	88	88
Exported products	100	110	113	90	110	101	110	107	96	91	93	94	94
Imported products	100	122	153	136	129	127	127	126	126	125	123	122	121
THAILAND[e] (Bangkok)													
General index	94	96	104	109	102	104	100	100	100	98	99	99	..
Agricultural produce	92	112	131	117	97	102	91	90	92	94	100	102	..
Foodstuff	93	88	88	108	108	109	106	106	106	100	98	97	
Clothes	92	87	102	93	71	70	70	70	70	70	72	72	..
Fuel	90	96	103	105	104	105	106	105	101	112	112	112	..
Metal	139	122	143	137	102	101	104	103	98	92	97	105	..
Construction material	111	121	138	149	153	152	156	158	155	155	158	162	..
VIET-NAM (Saigon-Cholon, 1949 = 100)													
General index	100	98	117	132	152	168	168	157	155	162	169	166	162
Rice & paddy	100	84	90	141	157	167	163	130	120	136	146	135	128
Other food products	100	101	112	127	166	188	190	197	189	191	190	191	192
Fuel & mineral products	100	113	117	118	144	161	168	171	171	172	172	172	172
Raw materials	100	141	201	152	168	186	178	176	192	198	216	217	221
Semi-finished products	100	95	117	125	145	165	171	170	167	171	181	183	179
Manufactured products	100	84	113	99	116	130	133	137	143	140	139	140	133
Local products	100	101	119	142	160	174	171	155	152	162	171	166	163
Imported products	100	93	113	112	138	158	160	161	163	163	164	165	160

a. Original base: *Burma*, 1938-40, *India* Sep 1938-Aug 1939; *Indonesia*, 1938; *Japan*, 1934-36; *Thailand*, Apr 1938-Mar 1939.
b. New Taiwan dollar has been introduced since 15 Jun 1949. Index for 1949 relates to average of Jul-Dec.
c. Revised figures since 1953.
d. Figures from 1949-1953 relate to Pusan, from 1954 onwards Seoul.
e. Agricultural produce includes paddy, rice meal, copra, rubber, etc.; foodstuff includes milled rice, pork, banana, etc.

11. INDEX NUMBERS OF COST OF LIVING

1948 = 100[a]

	1949	1950	1951	1952	1953	1953 III	1953 IV	1954 I	1954 II	1954 III	1954 Oct	1954 Nov	1954 Dec
BURMA (Rangoon)													
All items	135	114	112	107	104	107	102	96	103	105	98	..	.
Food	142	120	120	115	111	116	111	103	113	115	104	..	.
CEYLON (Colombo)													
All items	99	105	109	108	110	113	110	109	110	109	109	110	110
Food	104	112	112	110	117	122	118	116	117	116	117	118	119
CHINA (Taipei, Jan-Jun 1950 = 100)													
All items	.	106	139	179	211	223	219	218	218	210	213	212	..
Food	.	100	109	139	176	192	183	185	185	171	177	173	.
HONG KONG													
All items	112	117	128	129	130	135	135	129	125	130	127	123	.
Food	119	127	136	136	143	152	152	142	134	141	135	128	
INDIA													
All-India (Interim index)													
All items	103	103	107	105	108	113	107	105	105	104	104	101	*100*
Food	104	105	108	107	112	119	111	107	106	106		.	
Bombay													
All items	101	103	109	111	120	123	120	117	118	120	120	119	118
Food	105	109	115	118	130	135	129	123	126	129	128		
Delhi													
All items	100	100	108	108	106	109	108	105	106	103	107	106	102
Food	101	101	112	110	110	114	113	107	108	104	112	.	
INDONESIA (Djakarta)													
Food	97	113	189	199	211	214	215	221	220	222	225	236	249
JAPAN (Urban)													
All items	132	123	143	150	160	162	167	170	171	172	173	169	..
Food	125	112	130	134	142	145	149	153	154	157	157	151	..
KOREA (Seoul, 1947 = 100)													
All items	195	565	..	4,841	7,384	7,782	8,273	8,701	8,506	10,090	12,582	..	
Food	178	612	..	5,969	7,797	8,169	7,429	8,294	8,194	9,243	10,383	..	.
LAOS (Vientiane, Dec 1948 = 100)[r]													
All items	106	105	113	157	212	236	238	251	269	265	256	257	256
Food	103	99	102	153	218	254	247	257	278	272	258	255	253
MALAYA (Federation)													
Chinese													
All items	94	101	133	138	133	133	133	131	126	123	123	123	123
Rice & rice equivalents	90	84	89	95	100	100	100	97	91	89	88	88	87
Indian													
All items	94	99	132	136	131	131	128	123	118	116	116	116	116
Rice & rice equivalents	95	90	98	105	112	113	114	106	101	100	100	100	99
Malay (Jan 1949 = 100)													
All items	98	108	136	138	134	134	134	130	126	123	123	124	124
Rice & rice equivalents	98	97	104	110	118	120	120	112	106	104	104	104	104
PAKISTAN (Apr 1948–Mar 1949 = 100)													
Karachi													
All items	98‡	95	99	101	112	112	112	112	109	110	111	110	109
Food	..	93	99	103	111	111	111	110	106	109	111	109	110
Narayanganj													
All items	103‡	98	102	110	109	118	109	92	90	90	94	90	88
Food	..	97	101	112	109	119	108	84	87	89	88	83	81
PHILIPPPINES (Manila)													
All items	94	91	97	93	87	87	87	84	85	88	87	87	87
Food	93	86	94	90	81	81	80	76	78	83	81	82	82
THAILAND (Bangkok)													
All items	96	99	110	123	135	141	140	140	140	129	129	126	128
Food	95	97	106	119	131	137	136	134	135	118	118	114	118
VIET-NAM (Saigon, 1949 = 100)													
All items	100	102	116	142	181	197	201	203	198	203	209	209	209
Food	100	96	104	141	178	190	187	188	182	189	197	197	196

GENERAL NOTE: All figures are applicable to working class except the following countries: *China*, public servants; *Hong Kong*, clerical and technical workers; *Indonesia*, government employee; *Japan*, whole population; *Korea*, urban working class; *Laos*, middle class; Thailand, low salaried workers and civil servants.

a. Original base: *Burma*, 1939; *Cambodia*, Jan-Jun 1939; *Ceylon*, Nov 1942 for 1943-52 and 1952 since 1952; *Hong Kong*, Mar 1947; *India*, 1944 for All-India and Delhi, Jul 1933-Jun 1934 for Bombay, *Indonesia*, 1938; *Japan*, 1951; *Malaya* (Chinese and Indian), Jan 1947; Philippines, 1941; *Thailand*, Apr 1938-Mar 1939.

12. EMPLOYMENT AND WAGES

Base for index Numbers, 1948[a]

	1948	1950	1951	1952	1953	1953		1954					
						III	IV	I	II	III	Oct	Nov	Dec
CEYLON													
Index of wages													
Tea and rubber estate workers[b]	100	119	147	149	151	152	152	150	150	157	159	161	161
Government workers (Colombo)[c]	100	106	115	115	116	116	116	116	116	116	116	116	116
Index of real wages													
Tea and rubber estate workers[b]	100	112	132	134	133	131	134	134	133	141	141	143	143
Government workers (Colombo)[c]	100	102	106	106	98	96	98	99	98	99	98	98	98
CHINA (Taiwan only)													
Employment[d] (1,000)													
Mining	78 9	43.0	50 4	56 1	57.3	58.5	57.3	54.4	52 2	51 1			
Manufacturing[e]	113 5	130.3	162 6	208.5	237 6‖[q]	72 4	77 3	78 0	78 6	75 5			
Index of earnings[f] (1950 = 100)													
Mining		100	172	282	288	285	306	296	290				
Manufacturing		100	168	246	307	294	328	358	336				
Index of real earnings[f] (1950 = 100)													
Mining		100	116	146	132	128	140	134	138				
Manufacturing		100	113	127	140	132	150	162	160				
INDIA													
Employment[g] (1,000)													
Factories under Factory Act	2,380	2,504	2,537	2,443	2,908[u]								
Cotton mills	644	677	714	741	744	753	748	735	736	744			
Coal mines[h]	308	350	339	342	338	328	328	338	325	326	329		
Central government[i]													
Office workers		184	198	209	213	214	213	215	218	219	219		
Manual workers		394	393	406	403	404	403	403	408	410	410		
Wages or earnings (Rs.)													
Cotton mills[j] (Bombay)		83 56	87.28	89 26	95 96	99 04	97 28	94 75	93 79	97 75	96 62		
Coal mines[k] (Jharia)	2 41[t]	2 40[t]	12 67	13.03	13 18	12 25	13 59	13 94	14 53	14 21	13 88		
JAPAN													
Employment[m] (Mn.)													
All industries	34 60	35 72	36.22	37.28	39 25	39 75	40 28	36 79	40 91	40 35	41.59	40 51	
Agriculture, forestry & hunting	16.37	17 41	16 17	16 37	17.13	18.21	17 76	13 81	18 07	17 90	19 13	17 06	
Other industries	18 22	18 31	20.05	20.92	22 12	21 54	22 32	22 98	22 84	22 45	22.47	23 45	
Mining	0.60	0.49	0.51	0 61	0 62	0 66	0 59	0 55	0 57	0 55	0 68	0 67	
Manufacturing	6 32	6.23	6.29	6 53	6 74	6 47	6 68	7 14	6 94	6 75	6 46	6 86	
Index of earnings[n]													
Mining	100	166	212	263	299	302	319	270	294	322	296	290	
Manufacturing	100	208	267	315	357	361	420	346	361	383	340	350	
Index of real earning[n]													
Mining	100	135	148	175	187	186	192	159	173	188	172	172	
Manufacturing	100	170	187	210	222	223	252	204	212	223	196	207	
Daily money wages of agricultural labour, male (Y.)	185	201	209	230	257	263	276	260	292	293	297	315	280
KOREA													
Index of earnings[f] (Seoul)													
All industries	100	489	2,691	7,157	11,735	12,816	15,965	17,277	19,589	24,346			
MALAYA (Federation)													
Employment[p] (1,000)	461	462	499	505	497								.
PHILIPPINES													
Index of employment[q] (1949 = 100)													
Mining		120	143	150	138	144	121	110	109	106	.	.	
Manufacturing		98	99	99	109	106	109	118	116	113			
Index of wages[s] (Manila)													
Skilled	100	102	96	97	99	99	99	100	99	100	100		..
Unskilled	100	91	99	105	108	108	109	107	106	107	108		.
Index of real wage (Manila)													
Skilled	100	110	97	102	111	111	111	115	115	110	109		
Unskilled	100	99	101	112	122	123	123	125	123	119	119		
THAILAND													
Employment—Mining[g] (1,000)	10.42	13 46	14 37	14 94	16.07	15 77	14 94	14 13	14.10	15 17	15.67		.
VIET-NAM													
Daily wages§ (Saigon-Cholon, Pr.)													
Skilled	.	29.10[u]	36.30	41.20	54.45	.	54.45	.	.	.	..		..
Unskilled (male)	.	16.40[u]	20.50	22.80	31.75	..	31.75	.	.		..	..	.

a. Original bases for wages or earnings index *Ceylon*, 1939, *Japan*, 1947, *Korea*, 1936, *Philippines*, 1941.
b Daily rates of minimum wages (basic wages plus special allowance).
c. Monthly wage rates for unskilled manual workers in government employment.
d. Staffs and permanent workers employed by government-owned and private enterprises. Figures relate to end of period.
e. Quarterly and monthly indexes exclude private manufacturing industries.
f Daily average of wages and allowances including payment in kind.
g Daily averages
h. Average daily employment in all coal mines governed by the Indian Mines Act. Monthly figures are slightly short of total coverage.
i. Central Government establishments exclude railways. Office workers comprise administrative, executive and clerical staffs; manual workers comprise skilled, semi-skilled and unskilled workers. Figures relate to end of period.
j. Monthly minimum wages (basic wages plus dearness allowance).
k Average weekly earnings (basic wages plus dearness allowance and other payments) of underground miners and loaders in coal mines.
m Before August 1950, average for calender week beginning first Sunday of each month. From August 1950, average for the week ending on the last day of the month, except for December when the week prior to holiday seasons was chosen.
n. Average monthly cash earnings per permanent worker.
p Number employed by government departments, estates, mines, factories and some miscellaneous establishments. Figures for 1950-53 relate to end of June.
q Comprises all full and part-time employees of 734 cooperating establishments in the Philippines who were on the payroll, i.e., who worked during, or received pay for, the pay period ending nearest the 15th of the month. Excluding proprietors, self-employed persons, domestic servants and unpaid workers.
s. Daily average wage rates of all classes of workers.
t. Average daily earnings in December.
u. First half only.

13. CURRENCY AND BANKING

	1948	1950	1951	1952	1953	1953 III	1953 IV	1954 I	1954 II	1954 III	1954 Oct	1954 Nov	1954 Dec
BURMA (Mn K)													
Money supply	505	552	607	641	828	868	828	1,010	964				
Currency, net active	335	358	398	413	506	537	506	688	624	575	556	547	576
Deposit money	169	194	210	228	322	331	322	323	340	.	.	.	
Loans, advances and bills discounted (commercial banks)	68	130	159	151	142	130	142	164	144	138	150	151	163
Bank clearings	151	138	151	181	234	242	217	261	225	241	236	226	249
Foreign assets													
Union Bank of Burma	358	556	748	940	991	1,045	991	920	864	644	583	575	
Government	20	9	10	5	14	58	14	9	5		35	40	
Commercial banks	48	41	33	49	67	83	67	61	70	73	99	87	
Rates of interest (% per annum)													
Call money rate			1.04	1 64	1.10	0 75	0.58	0 92	1.00	1.00	1.00	1.00	1 00
Yield of long term gov't bonds	..	3.00*	3.00	3.00	3.00	3 00	3.00	3.00	3.00	3.00	3 00	3.00	3.00
Internal gov't debt[b] held by													
Union Bank of Burma	16	20	22	16	6	6	6	6	6	15	15	15	15
Commercial banks	8	27	31	25	68	71	68	61	86	99	165	196	176
Gov't deposits and cash in hand													
Central gov't deposits with the Union Bank of Burma	2	57	77	50	4	4	4	53	2	2	31	9	8
Cash in Government Treasury	15	5	5	3	11	4	11	9	8	9		..	
CAMBODIA, LAOS AND VIET-NAM (1,000 Mn Pr.)													
Money supply		..	..	10 92	12 52	11 56	12 52	14 02	13 75	14 02	14 21	14 25	
Currency in circulation	..	.	..	7 67	9.19	8 55	9 19	10 25	10 61	10.74	10 63	10 38	10 69
Deposit money (commercial banks only)[c]	..	..	..	3 25	3 32	3 01	3 32	3 76	3.14	3.29	3.58	3 87	
Loans and advances (commercial banks)	..	..	..	1 01	1.67	1 48	1 67	1 71	1.64	1.69	1.64	1.70	
Foreign assets of l'Institut d'emission	..	..	..	0.68	1.67	0 89	1 67	2 39	2.39	2.27	2 05	1.62	2 53
Rate of interest (% per annum)													
Treasury bill rate	..	..	..	2	2	2	2	2	2	2	2	2	2
States treasury bills outstanding[d]	..	..	..	0.30	1.20	1 05	1.20	1.25	1.28	1 78	1 78	1.78	3.00
CEYLON (Mn Rs.)													
Money supply	607	911	1,006	894	827	824	826	810	856	881	921	931	957
Currency, net active	241	326	377	357	335	350	335	325	334	350	349	345	342
Deposit money	366	585	629	538	492	474	492	485	522	532	572	587	615
Loans, advances and bills discounted (commercial banks)	..	182	257	241	253	261	253	258	289	286	289	302	307
Bank clearings	391	549	691	688	671	723	642	648	625	708	744	757	768
Foreign assets													
Central Bank of Ceylon	460	565	668	401	245	302	245	329	446	468	484	501	524
Government[e]	380	342	367	376	294	295	294	289	274	267	269	275	278
Commercial banks	174	233	209	114	110	97	110	107	118	142	156	160	154
Rates of interest (% per annum)													
Call money rate	.	..	0.50*	0.50	0.98	1 33	1 50	1 50	1 33	1.12	1 12	1.12	1.12
Treasury bill rate[f]	0 22	0.87	0.48*	0.72	1.91	2.47	2 48	2 46	2 10	0.93	0.85	0.86	0.87
Yield of long term gov't bonds[g]	2 94	3 04	2.81	2.93	3.85	4.38	4.38	4.07	3.90	3 62	3 55	3.59	3.56
Internal government debt held by													
Central Bank of Ceylon		19	17	161	223	216	223	126	48	84	42	20	27
Commercial banks	184	271	235	302	284	283	284	280	271	291	296	302	310
Gov't deposits and cash in hand													
Government deposits with the Central Bank of Ceylon	..	12	31	6	—	—	—	—	15	8	1	5	9
Currency held by government	4	6	6	5	6	4	6	4	5	4	5	4	8
CHINA (Taiwan only, Mn NT$)													
Money supply		690	790	1,129	1,469	1,239	1,469	1,394	1,623	1,674	1,488	.	.
Currency outstanding	..	288	473	705	943	768	943	870	926	994	815	.	..
Deposit money	.	402	317	424	526	471	526	524	697	679	673		..
Loans, advances and bills discounted (banks other than the Bank of Taiwan)[h]	..	84	138	342	625	520	625	723	779	940	901	..	.
Bank clearings	.	138	418	862	1,740	1,813	1,598	1,468	1,596	1,718	1,979	..	..
Rate of interest (% per annum)													
Call money rate	..	16.42	10.80	10.80	9.0	7.20	7.20	7.20	7.20	7.20	7.20	..	..
Government deposits held by the Bank of Taiwan	..	349	626	776	1,173	1,130	1,173	1,337	1,301	1,449	1,419		..
HONG KONG (Mn HK$)													
Money supply													
Currency outstanding (notes)	783	808	800	802	802	803	802	804	726	727	727	727	..
Bank clearings	689	1,199	1,506	1,195	1,035	933	1,065	1,036	1,104	1,164	1,128	1,174	..

13. CURRENCY AND BANKING (*Cont'd*)

	1948	1950	1951	1952	1953	1953 III	1953 IV	1954 I	1954 II	1954 III	1954 Oct	1954 Nov	1954 Dec
INDIA (1,000 Mn Rs.)													
Money supply	18.84[z]	18 34	17 73	16.83	17.15	16.70	17.15	18.45	18.10			..	
Currency, net active	12 17[z]	12.03	11.70	11.22	11.53	10 99	11.53	12.18	12 10			..	
Deposit money	6.67[z]	6.30	6.03	5.61	5.62	5 71	5.62	6.27	6.00	.	.		.
Advances and bills discounted[i] (scheduled banks)	4 42	4 45	5.54	4.85	4 61	4 60	4 61	5.38	5 28	4.99	4.97	4.92	5.10
Bank clearings	5 55	5.25	6.56	5 71	5.49	5 28	5.55	6 01	5.68	5 69	5.37	6.51	6 64
Gold and foreign assets of the Reserve Bank of India	10.67	8.74	8.21	7.46	7.63	7.39	7.63	7 93	7.84	7 71	7.65	7.61	7 71
Rates of interest (% per annum)													
Call money	0 50	0.58	1.01	2 02	2 12	1.46	1.54	2 88	2 83	1.88	1 38	1 12	3 00
Yield of long term gov't bonds[j]	.	3.11	3.39	3.69	3 64	3.65	3.65	3.63	3.65	3.62			
Internal government debt held by													
Reserve Bank of India[k]	4.38	5.40	5 77	5.53	4 98	5.08	4 98	4.88	5 07	5 14	5 14	5 07	4 95
Scheduled banks	4.26	3.57	3 06	3 23	3 36	3 34	3 36	3 19	3 27	3 46	3 50	3 02	3 00
Non-scheduled banks	0.11	0.10	0 09	0.21	0.14	0 20	0.14	0.20	0 21	0.21	0 21		
Government deposits held by the Reserve Bank of India	2.14	1.64	2.10	1.75	1 10	1 37	1.10	0 66	1 64	1 41	1 03	0 79	0 55
INDONESIA (Mn Rp.)													
Money supply	3,008	4,392	5,132	6,719	7,642	7,467	7,642	8,014	8,814	9,765	10,103	10,480	
Currency net active	1,643	2,582	3,328	4,349	5,218	5,081	5,218	5,335	6,115	6,570	6,841	7,038	
Deposit money	1,365	1,810	1,804	2,370	2,424	2,383	2,424	2,680	2,698	3,214	3,262	3,442	
Loans, advances and bills discounted (all banks)[m]	266	682	2,152	2,445	2,394	2,482	2,394	2,605	3,661	2,495	2,643	2,729	
Gold and foreign assets of the Java Bank[n]	547	1,349	1,939	1,780	2,397	2,521	2,397	2,143	1,752	2,205	2,383		
Advances to government by the Java Bank	.	2,761	1,317	4,555	5,272	4,716	5,272	6,126	7,249	8,013	7,990	8,249	8,315
Gov't deposits with the Java Bank	.		.	496	495	495	495	495	495	495	495	495	495
JAPAN (1,000 Mn Y.)													
Money supply	696	866	1,266	1,636	1,826	1,589	1,826	1,685	1,634	1,658	1,650		
Currency: in circulation	338	409	492	554	610	487	610	499	505	485	506		
Deposit money	357	557	774	1,082	1,216	1,102	1,216	1,186	1,129	1,173	1,144		
Loans, advances and bills discounted (all banks other than the Bank of Japan)	385	997	1,526	2,022	2,563	2,417	2,563	2,567	2,628	2,735	2,751	2,792	2 882
Bank clearings	236	808	1,232	1,624	2,080	1,944	2,367	2,347	2,366	2,372	2,400	2,465	3,034
Gold and foreign assets													
Bank of Japan	.	.	.	18	18	18	18	18	18	18	18	18	
Government	..	204	334	379	304	321	304	249	246	286	304	321	
Other banks	.	2	1	23	44	44	44	38	35	31	30	32	
Rates of interest (% per annum)													
Call money rate (Tokyo)	..	6.40	7.12	8.05	7.82	7.67	7.30	7.30	8.03	8.03	8.03	8.03	8.03
Yield of long term gov't bonds[p]	.	..	5.50	5.50	6.68	6 71	9 03	9.05	6.32	6 32	—	—	6.32
Internal government debt held by													
Bank of Japan[q]	331	200	166	324	326	176	326	191	204	202	290	380	485
All other banks	80	37	38	39	46	38	46	46	46	46	46	46	46
Government deposits with the Bank of Japan	14	48	32	92	60	129	60	108	63	42	43	54	56
KOREA (South, 1,000 Mn H.)													
Money supply	0.53	2 52	6.50	12.13	26.51	21.34	26 51	30.35	38 05	43.01	43.70	.	
Currency: in circulation	0.41	2.23	5.39	9.74	22.43	17.31	22.43	24 17	30.31	33.52	34.86	.	
Deposit money	0.12	0.29	1.10	2.39	4.08	4.04	4.08	6.18	7 74	9.50	8.84	.	
Loans, advances and bills discounted[s]	0 43	0 46	1.93	5.78	15.41	12.28	15 41	16.62	13.03	15.21	..	.	..
Bank clearings	0 21	0.41	2.40	13.69	21.37	21.19	30.90	34 51	46.47	57.15	..	.	
Gold and foreign assets													
Bank of Korea	..	0.78[r]	2.34	4.79	18.38	6.12	18.38	18 77	19.07	17.45	.	.	.
Government[t]	..	0.58	1.79	2 64	2.68	1.08	2.68	1.99	3.02	1.51		.	
Internal government debt held by													
Bank of Korea[r]	.	3.76	8.42	11.96	24.11	23.48	24.11	34.12	41.82	58.31	.	..	
All other banks	.		0.06	0.14	0.54	0.44	0.54	0.60	0.77	0.86	..	..	..
Treasury deposits with the Bank of Korea	0.11	0.85	1.86	6.01	12.32	14.04	12.32	17.51	11.95	14.66	..	.	.
Exchange rate: Hwan to US$ (green backs)	11§	50§	105§	257§	286	270	342	426	513	673	648	656	711
MALAYA (Mn M$)													
Money supply	899	1,402	1,731	1,620	1,486	1,451	1,486	1,503	1,488	1,520	..	..	..
Currency notes: net active[u]	302	515	654	630	651	620	651	621	622	648	..	.	..
Deposit money	598	887	1,077	989	835	831	835	882	867	871	873	875	
Loans and advances of commercial banks	259[r]	461[r]	451[r]	484	437	466	437	469	461	482	484	492	..
Debits to current deposit accounts	..	..	4,167	3,396	2,946	2,850	2,829	2,682	2,766	2,856	2,879	2,940	.
Federation Treasury bills held by banks	30	23	26	14	10	11	10	10	10	10	5	10	..

	1948	1950	1951	1952	1953	1953		1954					
						III	IV	I	II	III	Oct	Nov	Dec
PAKISTAN (Mn Rs.)													
Money supply	2,698	2,964	3,755	3,220	3,568	3,302	3,568	3,706	3,671	3,583	3,694	3,785	3,856
Currency: in circulation	1,708	1,992	2,467	2,151	2,372	2,172	2,372	2,496	2,418	2,349	2,393	2,469	2,575
Deposit money[v]	990	973	1,288	1,069	1,196	1,210	1,196	1,211	1,253	1,239	1,300	1,315	1,281
Loans, advances and bills discounted (scheduled banks)	410	770	919	792	781	640	781	826	789	790	877	960	963
Bank clearings[w]	326*	460	551	534	536	517	582	615	492	528	612		592
Gold and foreign assets of the State Bank of Pakistan[x]	1,629	1,188	1,627	933	935	925	935	1,065	945	912	912	945	1,038
Rates of interest (% per annum)													
Call money rate		1.01	1.02	2.10	1.01	0.25	0.68	2.04	0.86	0.56	1.20	2.09	1.88
Yield of long-term gov't bonds[y]	..	2.96*	2.98	2.98	3.06	3.10	3.14	3.14	3.13	3 14	3.14	3 15	3.15
Internal government debt held by the State Bank of Pakistan	176	811[r]	864	1,214	1,250	1,153	1,250	1,300	1,419	1,387	1,441	1,464	1,479
Government deposits with the State Bank of Pakistan	923	661	582	377	216	417	216	325	172	260	255	222	173
PHILIPPINES (Mn P.)													
Money supply	1,145	1,148	1,053	1,089	1,105	1,049	1,105	1,124	1,082	1,080	1,083		
Currency, net active	571	669	639	624	661	608	661	655	630	645	652		
Deposit money	574	479	414	465	444	440	444	470	452	434	431		
Loans, advances and bills discounted (all banks other than the Central Bank)	511	508	686	694	773	733	773	769	792	813	834	..	
Bank clearings	381	462	457	480	520	623	528	588	558	523	536	548	
Debits to checking accounts	772	674	733	686	743	727	732	806	830	807	804	..	.
Gold and foreign assets													
Central Bank of the Philippines	800	592	488	472	481	486	481	482	493	475	464	440	
Other banks	126	148	145	162	134	144	134	175	128	158	153	..	.
Internal government debt held by													
Central Bank of the Philippines	..	158	242	235	230	228	230	240	240	224	226	226	.
Other banks	13	41	35	56	58	55	58	57	87	102	104	103	..
Gov't deposits and cash in hand													
Deposits with Central Bank	..	19	153	98	45	92	45	48	50	41	44	41	..
Deposits with Philippine National Bank	..	91	46	59	95	89	95	100	124	135	126		..
Cash in Treasury vaults	..	4	6	7	5	3	5	4	4	4	5	5	
THAILAND (Mn Baht)													
Money supply	2,881	3,967	4,907	4,932	5,438	5,145	5,438	5,686	5,420	5,674		.	
Currency: net active	2,205	3,043	3,756	3,678	4,016	3,823	4,016	4,172	4,039	4,247			
Deposit money	676	924	1,151	1,254	1,422	1,322	1,422	1,514	1,381	1,426			
Loans, advances and bills discounted (commercial banks)	414	592	741	1,202	1,649	1,659	1,649	1,781	1,846			.	
Bank clearings	774	1,544	2,057	2,270	2,386	2,326	2,250	2,367	2,367	2,136	2,108	2,331	2,327
Debits to sight deposit accounts		1,973	2,786	2,989	3,196	3,098	2,999	3,432	2,980	..	.	..	
Gold and foreign assets of the Bank of Thailand	2,180	3,641	4,511	4,434	3,782	4,123	3,782	3,641	3,320	3,327	3,354	3,401	3,497
Rates of interest (% per annum)													
Treasury bill rate	1.32	2.02	2.10	2 17	2.25	2.24	2.30	2.27	2 25	2.26	2.30	2.30	
Internal government debt held by													
Bank of Thailand	18	155	166	261	247	220	247	281	278	219	224	220	191
Commercial banks	150	116	118	102	174	120	174	129	151				
Government deposits with Bank of Thailand	392	317	423	396	698	615	698	642	671	440	330	376	439
Exchange rate: Baht to US$ (buying rate)	19.69	22.22	21.40	18 64	18.11	17.75	20.38	20.73	21.33	21.34	21.81	21 48	.

GENERAL NOTES All figures, other than bank clearings rates of interest and exchange rate, relate to the end-of-month, end-of-quarter and end-of-year respectively: bank clearings relate to monthly totals and their averages Net active currency. Total currency outstanding less holdings in all banks including the central bank and in government treasuries *Currency in circulation* Total currency outstanding less holdings in all banks including the central bank. *Deposit money:* Deposits in all banks (including central bank) withdrawable by cheques but excluding inter-bank liabilities and central government deposits. *Bills discounted* Excluding treasury bills. *Bank clearings*: Total value of cheques and other collection items cleared through clearing houses. *Gold and foreign assets*: Gross holdings of gold, foreign exchange and other liquid foreign investments. *Rates of interest* All rates are those prevailing in the capital city of each country except in India where rates in Bombay have been taken. *Call money rate:* Relates to inter-bank rate on money at call.

a. Beginning July 1952 includes foreign assets of the Burma Currency Board.
b. Treasury bills and 3 year and 5 year government bonds.
c. Includes in addition to deposits by business concerns and individuals, the deposits of Indochinese branches of the French National Treasury, and of the Autonomous Amortization Fund.
d. Treasury bills of Cambodia and Viet-Nam only.
e. Includes War Loan re-lent to U.K. Government, less the part by Central Bank.
f. Weighted average of tender rates on bills issued within the period.
g. Yield of a per cent national development loan 1965-70 calculated to earliest redemption date.
h. Includes the Land Bank, Cooperative Treasury and three commercial banks.
i. Includes bills purchased
j. Yield of 3 per cent paper (running yield) to earliest redemption date.
k. Includes loans & advances to government
m. The Java Bank, Bank Negara Indonesia, Bank Industri Negara and seven commercial banks
n. Devaluation took effect on 4 Feb 1952 but foreign assets and gold holdings were not revalued until 6 Feb 1952 and 13 May 1953 respectively.
p Weighted yield (simple rate of interest) to latest redemption date of medium dated government bonds issued during the period stated Figure for 1951 relates to average of 4 months Sep-Dec.
q. Includes advances to government
s. Excluding the Bank of Korea, Reconstruction Bank and trust account of the trust Bank
t. Figures shown are on a net basis.
u Figures include British Borneo
v. Prior to April 1952 includes inter-bank liabilities
w. Figures relate in 1948 and 1949 to 3 clearing houses in principal towns, from Jan 1950-Jan 1952 to clearing houses in 4 towns and from Feb 1952 in 5 towns.
x. Including outstanding assets receivable from the Reserve Bank of India, under the partition agreements, but excluding foreign assets of Banking Department.
y. Yield to maturity of 3 per cent bonds 1968.
z. March.

TRADE AGREEMENTS NEGOTIATED AND/OR FINALIZED DURING THE FOURTH QUARTER 1954 & THE FIRST QUARTER 1955

I. ECAFE INTRA-REGIONAL TRADE AGREEMENTS

Contracting parties	Period valid	Value of trade and principal exports	Methods of payment	Remarks
Burma—Japan	Through 1955	Total value: not specified. Burma: 220,000 tons of standard grade rice at £45 per ton f.o.b., other agricultural and forest products, minerals, etc. Japan: Textiles, cotton yarn, chemicals, electrical equipment, machinery, construction steel, non-ferrous metals, coastal ships and river crafts, etc.	Payment is to be made in pound sterling	Signed in Tokyo on 19 December 1954 This agreement is in accorddance with the Burma-Japan Arrangement for sale and purchase of Burmese rice signed on 8 December 1953.
China (Mainland)—Korea (North)	Through 1955	Total value: not specified. China: rolled steel and cotton yarn, besides other aid-goods which include building materials, communication equipment, metal products, freight waggons, machinery, raw materials for chemical industries textile industry equipment, coal, cotton fabrics and paper. Korea: electric power, minerals, marine products, fruits, etc.	Method of payment has not been specified.	Signed on 31 December 1954. A protocol on China's aid to Korea between 1955 and 1957 amounting to PBY8,000,000 million was also signed on the same day.
Philippines—Japan	18 September 1954—31 January 1955.	Total value: $100 million annually for two-way trade. Philippines: iron, manganese and chrome ores, timber, logs, rattan, mangrove bark, molasses, sugar, copra, and coconut oil, gumcopal, kapok, shells, abaca, buffalo hides, hide fleshings, etc. Japan: textiles, iron and steel products, machinery and parts, cement, wire coils, chemicals, etc.	Trade is conducted on the dollar "open account" basis. A swing limit of $2 5 million is payable on demand of the creditor party. (See *Bulletin* Vol II, No. 2 and Vol. V No 2)	Signed on 16 September 1954. This is the tenth extension in order to provide for continuity of the existing trade relations with Japan based on the original trade agreement which was signed on 29 May 1950. The ninth extension expired on 17 September 1954.

II. ECAFE COUNTRIES—EXTRA-REGIONAL COUNTRIES

Afghanistan—U.S.S.R.	Not specified	Total value: not specified. Afghanistan: wool, raw cotton, leather and oil products. U.S.S.R: paraffin, metals, sugar, cotton goods, motor cars, and industrial equipment.	Not specified	Signed on 29 November 1954.
China (Mainland)—Bulgaria	Through 1955	Total value: not specified. China: tung oil, hog bristles, tea, asbestos, etc. Bulgaria: agricultural machinery, non-ferrous metals, chemicals, fertilizers, etc.	Not specified.	Sign in January 1955.
China (Mainland)—Mongolia	Through 1955	Total value: not specified. China: silk goods, fruits, general commodities, and equipment for porcelain factories. Mongolia: horses, raw hides and other animal products	Method of payment has not been specified	Signed on 29 December 1954.
China (Mainland)—Rumania	Through 1955	Total value: not specified. China: minerals, animal and egg products, silk piece goods, consumer goods, tung oil, and other raw materials. Rumania: electrical equipment, petroleum, chemical materials, machinery, consumer goods, etc.	Method of payment has not been specified.	Signed on 20 January 1955.
China (Mainland)—U.S.S.R.	Through 1955	Total value: not specified. China: non-ferrous metals, soyabeans, rice, nuts, vegetable oils, meat, tea, tobacco, wool, raw silk, silk cloth, raw hides, etc U.S.S.R.: metallurgical mining and electrical equipment, automobiles, tractors, agricultural machines, road-building machines, construction machines, rolled ferrous and non-ferrous metals, petroleum and chemical products.	China receives goods from the Soviet Union on the basis of the Agreement on Grantinv of Credit to the People's Republic of China of $300 million.	Sign in December 1954. The agreement is the annual amplification of the 1950 agreement.
India—Czechoslovakia	1 January 1955—31 March 1955	Total value: not specified. India: jute and jute products, iron ore, mica, shellac, hides, coffee, spices, etc. Czechoslovakia: light engineering products, glass, textiles, paper and ceremics.	Payment is to be made in pound sterling.	Letters expressing the desire to extend the existing agreement for a period of 3 months were exchanged in January 1955. (See *Bulletin* Vol. I, No. 2 and Vol. IV, No. 4).
India—U.S.S.R.	Through 1955	Total value: not specified. India: jute tea, coffee, tobacco, shellac, black peper, spices, wool, hides and skins, and vegetable oils. U.S.S.R.: wheat, barley, crude petroleum and petroleum products, fibre, paper, iron and steel products, chemicals, dyestuffs, medicants, optical goods, cinematograph films, industrial and electrical equipment and agricultural machinery.	All payments will be made in Indian ruppes and the State Bank of the U.S.S.R. will maintain accounts with the authorised exchange baks and the Reserve Bank of India for this purpose. Any deficit may be converted into pound sterling on the demand of the creditor party.	Letters expressing the desire to extend for another year a Five-Year Trade Agreement which was signed in December 1953 were exchanged on 24 December 1954. In the ten months ending September 1954, India enjoys a favourable balance of Rs. 15.3 million.

TRADE AGREEMENTS NEGOTIATED AND/OR FINALIZED DURING THE FOURTH QUARTER 1954 & THE FIRST QUARTER 1955

II. ECAFE COUNTRIES—EXTRA-REGIONAL COUNTRIES—(Continued)

Contracting parties	Period valid	Value of trade and principal exports	Methods of payment	Remarks
Indonesia—Australia	Through 1955	Total value: A £5.4 million each way. Indonesia: rubber, tobacco, coffee, molasses, tapioca, spices, tea, quinine, wood, kapok, turpentine, etc. Australia: milk and other food products, chemical, pharmaceuticals, textiles, optical and medical instruments, paper and livestock.	Payment is made in Australian pound sterling.	Signed on 27 November 1954. The agreement is retroactive to 1 November 1954. (See *Bulletin*, Vol. III, No. 3).
Indonesia—Denmark	Through 1955	Total value: Indonesia, 130 million Danish crowns, Denmark, 85 million Danish crowns. Indonesia: tin, copra, tea, coffee, etc Denmark: pharmaceutical articles, combustion engines, electric machinery and appliances.	Not specified.	Signed in January 1955.
Indonesia—Switzerland	Through 1955	Total value: not specified (See *Bulletin* Vol. IV, No. 1).	Not specified.	Signed on 31 December 1954. Details of the agreement will be published after ratification by the two Governments.
Japan—Argentine	Through 1955	Total value. $90 million each way Japan: iron and steel products (including tractors and agricultural machinery, drilling equipment and motors in general) and other metals, chemicals, electrical appliances, textiles (including rayon, silk, cotton and woollen fabrics), tea, spices, etc. Argentine: agricultural produce (including corn, barley, wheat, beans, bran, glucose, tapioca, vegetable oils, cotton), animal products, (including frozen and preserved meat, hides and skins, leather goods, bristles and animal hairs, gelatin, wool and tallow), agricultuarl fertilizers, etc.	Trade is conducted on an "Open Account" based on dollar, in accordance with the modified terms and provisions of the 1949 agreement.	Signed on 29 December 1954. (See *Bulletin*, Vol. V, No. 1).
Japan—Brazil	Through 1955	Total value: $68 million each way. Japan: iron and steel products, non-ferrous metals, chemicals, textiles, machinery, ships and agricultrual and aquatic products, etc. Brazil: raw cotton, rice, hides and skins, coffee, soybeans, raw wool and vegetable oils, etc.	Trade is conducted on "Open Account" based on dollar.	Negotiation at final stage, and agreement will probably be concluded before end of 1954 (See *Bulletin*, Vol. III, No. 3).
Pakistan—Yugoslavia	Through 1955	Total value: Pakistan, 3 million pound sterling. Yugoslavia, 3 1 million pound sterling. Pakistan: jute valued at £ 520,000, hides and skins valued at £150,000, tea valued at the same amount, other commodities include wool, surgical instruments and hospital equipment, as well as sports goods Yugoslavia: cotton and woollen fabrics, agricultral machinery, hardware, drugs and medicines, electrical goods, cement, chemicals, dyeing and tanning materials.	Payment is to be made in pound sterling.	Signed in January 1955. The agreement has been ratified by both Governments The agreement is renewable annually and a 3-month notice is required for its termination by either party.
Viet-Nam—Netherlands	Through 1955	Total value: not specified. Netherlands 2,000 tons of condensed milk, 35 tons of powdered milk, 35 tons to pasteurized milk, 47 tons of butter, 21 tons of cheese, 20 tons of sugar, and 4 tons of paint.	Payment will probably be made through France which is a member of the European Payments Union.	Signed in December 1954.