The Colombo Plan

THE Colombo Plan submitted to the meeting of the Commonwealth Consultative Committee in London held in September was presented to the Parliament during die week. It rovers India, Pakistan, Ceylon, Malaya and British Dorneo, Invitations were issued to Burma, Indonesia and some other countries of South East Asia to participate in it. They have not yet done. If they do, which is now extremely unlikely, their plans, when ready, will be published as a supplement.

Though intended primarily for American consumption to induce the State Department to sponsor something like a Marshall Plan for S.-E. Asia, the report is in no sense a kite flying document, if the estimates submitted by the other countries art: on a par with those put up by India. The latter, on a cursory glance, appear to have been stripped down to the bare bones. In fact, the over-all estimates are so modest that America is being asked to Laid or spend only onr: dollar for every 19 dollars spent on Marshall Aid to Western Europe!

Taking these countries together, development is projected for the next six years at an estimated cost of £1,868 millions of which £1,084 millions will have to be met from external sources, including withdrawal from sterling balances. While therefore the expenditure will have to be met by the countries themselves to the extent of *42* per cent, of the total, 58 per cent, of the investment will have to come from foreign capital. In the case of India, the proportion of "foreign resources is smaller, being only £607 out of £1.379 or 44 per cent.

The plan covers fundamental projects like agriculture, transport and communications, fuel and power,, industry and mining, and social services including education, health, housing, etc. It is recognised that economic development requires as a condition precedent the provision of certain elementary social services.

Despite the emphasis on the report on the supreme necessity of mobilising internal resources to the maximum extent, foreign capital in appreciable quantity is made another condition for the successful operation of the Plan and is regarded as essential in order to speed up development.

The Report anticipates the following results in 1956-57, on successful implementation of the programme :

More land under cultivation—13 million acres
(increase of 3½ per cent.)
More foodgrains produced- 6 million tons
(increase of 10 per cent.)
More land under irrigation - 13 million acres
(increase of 17 per cent.)
More electric generating capacity -1.1 million kwts.
(increase of 67 per cent.)

The Problem of South East Asia

South and South East Asian countries contain 570 million people —one quarter of the world's population. The area is rich in natural resources but little touched yet by the Industrial Revolution which, in 150 years, has so completely transformed the face of the Western world. It plays a big part in world trade. It provides almost all the world's exports of jute and rubber, more than ¾th of the tea, about $^2/_3$rd of the tin and $^1/_3$rd of the oils and fats. These key products have for generations flowed into the great trade routes helping to sustain the industries of Europe and America.

Apart from this material capital, these countries possess incalculable capital in the form of the traditions of civilisation which are older than history itself- traditions which have produced treasures of art and learning and which still mould the minds and spirits of their peoples.

Fundamental Problem Poverty

Despite this potential wealth, both human and material, the fundamental problem of the region is poverty. The population in the area is growing rapidly—by 20,000 every day! Agricultural productivity is low. Industrial power has not been developed to an extent which can meet the needs of the growing population or improve their standard of living. Again, the last War, by destroying or damaging large parts of the area has caused a further worsening of the living conditions.

This poverty, apart from causing the low economic conditions of the people of the area, is apt " to cloud and circumscribe" the human assets that the area possesses. The Plan aims to raise the people from their low economic conditions by undertaking some basic development projects. Science and techniliogy has made progress possible in other parts of the world and there is no doubt "that by application of similar process " the hastening " of a similar development in Asia can be brought about. Such a consummation will be of benefit not only to Asia, but to the entire world as the latter will gain immensely from further development of the natural resources of these countries and the skills which their peoples possess. Again, the very fact that a fast growing population in this area would have more resources to stand by would contribute towards " a healthy world economy."

The distribution and cost of the prog amines of these countries are given in Table I.

External Control

The prime limitation in the execution of the programme is the avaitability of internal and eternal finance. The Report says: " The shortage of capital is the main limitation on the execution of the development programmes described in tins Report. This arises simply from the poverty of the area. Its productivity and national income per head are so low that the tax structure is inevitably narrow and the taxable capacity inadequate; the flow of savings is insufficient, for the great mass of the people have no margin above subsistence level. Consequenily there are very limited resourees with which to finance the capital expenditure required for development." Drawing its main conclusion in this context, the Report says that the problem which confronts the countries in this area is to secure, during the coming six years, a flow of capital from overseas of the order of £1,084 millions to enable them to carry out their minimum development programmes.

The Report indicates five methods by which the amount of external finance required could be raised:

(a) *Out of the foreign assets which the countries in the area themselves possess—in* particular,

TABLE I

Cost of the Programmes

	India £m.	%	Pakistan £m.	%	Ceylon £m.	%	Malaya & British Borneo £m.	%	Total £m.	%
Agricultural (a)	456	33.0	88	31.4	38	37.4	13	12.1	595	32
Transport and				20.3	22	21.5	21	19.6	627	34
Communications	527	38.2	57	18.2	8	7.8	20	18.6	122	6
Fuel and Power	43	3.1	51	18.9	6	5.8	—	—	194	10
Industry & Mining (b)	135	9.8	53	11.2	28	27.5	53	50.3	330	18
Social Capital	218	15.9	31	11.2	28	27.5	53	50.3	330	18
	1379	100	280	100	102	100	107	100	1868	100

(a) including multipurpose projects.
(b) excluding coal.

TABLE II

Domestic and Foreign Exchange Expenditure for Programmes, 1951-57

	Total	Expenditure on domestic goods and services*	Expenditure on foreign exchange	Percentage of foreign exchange expenditure
	£m	£m	£m	
India	1,379	1,142	237	17
Pakistan	280	165	115	41
Ceylon	102	63	39	38
Malaya and		87	20	19
British Borneo ..	107			

* Part of the domestic expenditure will call for external finance.

TABLE II

External Finance Required 1951-57

(£ million)

	India	Pakistan	Ceylon	Malaya & British Borneo	Total
For period July 1951-June 1957					
Total cost of the development of the programme*	1,379	280	102	107	1,868
Cost of capital goods imported for the programme	237	115	39	20	411
External finance needed—					
From sterling balances	211	16	19	—	246
From other sources	607	129	41	61	839
Total	818	145	60	61	1083
For first year, 1951-52					
External finance needed					
From sterling	35	10	5	—	50
From other sources	128	13	7	9	156

* The internal finance available for the programmes, on the assumption that external finance is forthcoming would be: India £772 million; Pakistan, £151 million; Ceylon £61 million; Malaya and British Borneo, £46 million.

the sterling credits which some of them built up in London during the War. India, Pakistan and Ceylon, the Report says, expect that they will be. able to draw on these assets up to a total of £246 millions during the next six years. The estimated withdrawal of India alone would be lo the tune of £210 millions.

(b) *Out of money put up by private investors abroad* for use of private enterprise in the area. It is too early to say, the Report observes, how much can be expected from this source but the opportunities for private enterprise in South and South East Asia should increase as the development programmes get under way;

(c) *Out of money lent by private investors abroad to the Govern ments in the area,* for example, by subscribing to loans floated in London and other important financial centres;

(d) *Out of loans from the International Bank for Reconstruction and Development,* Observing that the Bank is a very important source of funds the Report hopes that it would be possible to enlist its full support and co-operation; and

(e) *Gifts and loans from Governments outside the area to Governments inside it.* The Report observes; 'A substantial element of Governmeat-to -government finance will be required, paiticularly in'the early stages of the development programmes," as it is very unlikely that, in view of the magnitude involved, the external finance available through the previous four channels will be enough to enable the development programme to be carried out.

Another limitation in the working of the development schemes is the availability of technical skill, mainly of highly skilled personnel, such as engineers, doctors and agricultural experts. Since the technical assistance available or at present planned through national and international sources cannot meet all the known needs of the area, the Commonwealth Consultative Committee at its meeting in Sydney in May 1950 decided to set up a Technical Assistance Scheme to which Commonwealth Governments have agreed to contribute an amount upto a maximum of £8,000,000 over three years.

To implement the above scheme a Council of Technical Co-operation has already been constituted with its headquarters in Colombo and is expected to start functioning very shortly. The main work of the organization will be to find out what the countries in the area arc looking for in the way of overseas experts and training facilities and to see what can be done to help them. At the same time the Council will assist these countries to expand their own facilities for training- With regard to the technical assistance already being provided by the United Nations and its Specialised Agencies and under the ' "Point Four ' programme, the Council will keep in close touch with these organizations to prevent any overlapping and to make sure that the limited number of trained men available to the area are employed to the best advantage.