

ECONOMIC IMPLICATIONS OF THE ASIAN-AFRICAN CONFERENCE AND ITS AFTERMATH

by Benjamin Higgins and Guy Pauker

In the Western Press, the few predictions about the economic aspects of the Asia-Africa Conference were scarcely less foreboding than predictions regarding the political outcome. The more optimistic Western observers expected that nothing of significance would emerge from the Conference in the field of economic policy. Others, from a Western viewpoint more pessimistic, anticipated actions or statements tending towards economic isolation of the region, and in particular towards a weakening of economic ties with the Western World.

In extreme form, anti-Western moves in the economic sphere might have taken the form of declarations that the Communist model was the only suitable one for underdeveloped countries to follow. Few observers expected unanimity on this score; even a proposal to the effect that the region would do better to seek capital and technical assistance from the Soviet Bloc rather than from the West, would have encountered resistance from such countries as Pakistan and the Philippines. Short of so pronounced a pro-Soviet position on economic cooperation, however, there were a number of "neutralist" stands that the Conference might have taken.

Considering the growing dissatisfaction in Asian and African countries with the quantity and quality of Western technical and capital assistance, the Conference might have declared itself in favour of an approach to the economic development of the region that would be independent of such aid. An independent approach might take the form of an "up by the bootstraps" policy in each country, all members of the Conference relying on their own natural, labour and financial resources. Alternatively, the approach might be intra-regional; the members might have concluded that they would do better to rely on such technical and capital assistance as they might give each other.

Finally, the Conference might have chosen milder forms of disapproval of Western attempts to assist in the economic development of the region. They might have denounced bilateral assistance programmes in either or both of two ways: by insisting that in future any aid should come from international organization rather than from particular governments, or by maintaining that any aid should be given to

some regional organization, for reallocation in terms of regional development programmes, rather than to particular countries within the region. They might have opposed foreign aid programmes altogether, maintaining that with an effective organization for stabilizing world market prices of raw materials and foodstuffs, the countries in the region could finance their own economic development. Finally, they might have renounced generalized international trade and clearings in favour of expansion of intra-regional trade, with an Asian-African Payments Union along the lines of the European Payments Union. This last decision would have meant according a special position within the region to Japan; despite Japan's relatively high level of industrialization among countries of the region, and impressive current rates of increase in total output, capital formation, and manhour productivity, Japan has suffered a chronic unfavourable balance of payments, financed by large-scale American aid.

In fact, the Conference and its aftermath have done none of these things. The discussions and declarations that were made during the Conference, or which have occurred in connection with events arising out of the Conference, add up to support of recent trends in the field of economic cooperation.

### I. The Conference

Firm and significant action of the sort outlined above would have necessitated highly technical discussions, based on detailed information. The Economic Committee of the Asian-African Conference, however, limited its labors to a general discussion, exploratory in character. While the Heads of Delegations were engaged in heated debates on the precise phrasing of statements charged with political significance, the economic experts devoted five meetings to a survey of possible courses of action, and produced a statement remarkable for its balance and realism.

#### The Agenda

The Joint Secretariat, the sponsoring governments, and Japan had submitted working papers to be considered by the Committee. A brief exchange of views led to the adoption of the following Agenda:

1. Cooperation in economic development.
2. Cooperation in development of trade.
3. Cooperation in other fields.
4. Development of nuclear energy for peaceful purposes.
5. Organizational aspects.

The Joint Secretariat was instructed to provide subheads for each of the five agenda items, to avoid--in the words of a Burmese delegate--

"a sort of rambling discussion." The outcome of this request exemplifies the importance of staff work: most of the specific suggestions adopted by the Economic Committee, eventually to become the section on economic cooperation of the Final Communique, originated from the paper prepared by the Joint Secretariat, at the request of the Economic Committee.

### Economic Development

As part of item No. 1 the delegates discussed Technical Assistance and Financial Assistance. The Joint Secretariat suggested the following subheads for discussion:

#### 1. Technical Assistance:

- (a) provision of experts on administrative, economic and technical subjects;
- (b) provision of training facilities on administrative, economic and technical subjects;
- (c) provision of pilot projects and also supply of equipment for demonstration purposes;
- (d) exchange of industrial "know-how";
- (e) exchange of "know-how" in other fields such as agriculture, irrigation and medicine;
- (f) exchange of "know-how" and experience in the working of certain economic organizations, such as cooperative societies, insurance companies, money markets, institutions for the extension of rural credit, commercial banks, financial institutions for the mobilization of domestic capital;
- (g) survey of national resources.

#### 2. Financial Assistance:

- (a) increased intra-regional flow of private capital;
- (b) increased intra-regional flow of grants and loans on government to government basis;
- (c) establishment of a regional fund (contributed by participating countries) for promoting economic development;
- (d) establishment of a regional bank for advancing loans for developmental projects;
- (e) support for early establishment of the Special United Nations Fund for Economic Development;
- (f) urging the International Bank for Reconstruction and Development to allocate a greater part of its resources to Asian-African countries;
- (g) urging the International Monetary Fund to take a more liberal view of the problems of Asian-African countries;
- (h) recommending the early implementation of the General Assembly resolution establishing the International Finance Corporation and urge that this Corporation also undertake equity investment.

Professor Rooseno, the Indonesian Minister for Economic Affairs, was the Chairman of the Economic Committee. He firmly limited the

debate to statements which were both short and to the point. Areas of agreement were thus rapidly sorted out and controversial issues eliminated, for the sake of unanimity.

### Technical Assistance

On technical assistance there was general agreement on the proposals prepared by the Joint Secretariat. Turkey objected to the survey of national resources (paragraph "g"), which it considered an internal affair of the country concerned. The point was dropped. Pakistan suggested the establishment of national, and where possible regional, training and research institutes for imparting technical knowledge and skills. This recommendation, the only addition to the subheads listed above, was adopted.

The principle of technical assistance was accepted without basic re-examination, proof that in the decade since the end of World War II, technical assistance has become an established international institution. Pakistan reminded the Economic Committee that except perhaps for Japan, all members are all net importers of technical "know-how": All countries in the region need technical "know-how" on a large scale, it was pointed out, and will not be able to spare technical aid for other members.

Japan, on the other hand, stated that they would be very happy to provide their existing facilities for the improvement of technical "know-how", technical training and so on. An important point was raised by the Japanese delegation concerning the type of technical assistance that should be provided. Information obtained by the present writers in Tokyo and Rangoon indicates that Japan is eager to extend to other Asian countries the type of technical assistance now being provided to Burma, following the conclusion of the reparations agreement, viz. "middle class" and "lower class" experts. In Bandung, the same idea was expressed.

At present, Japan pointed out, various forms of international cooperation, such as the U.N. Technical Assistance programme, are being carried on. However, such programmes have contributed mainly to educating high class specialists. In addition, there is need to educate great numbers of skilled workers and technicians of a kind suited to the requirements of the Asian-African region.

Iraq, the Philippines and Turkey reminded the Conference that technical skill is not a regional matter, but is universal. It should be taken from any source, provided it is given in a friendly way and with good intentions. In reply to these statements, the Indian delegation felt the need to emphasize that they were not opposed to help from outside the Asian-African region, and read into the record a statement from the Indian Working Paper:

Practically all the advances in modern industrial technology have been taken outside Asia and Africa. Modern techniques of industrial production must necessarily therefore be borrowed from outside these continents. Nevertheless, there are one or two countries in this area which in some fields of industry have developed to a point where it may be possible for these countries to be of help to their neighbours even in the industrial field.

There had been some exchanges of views, prior to the Conference, on the desirability of a new organization of a permanent nature, which would provide technical assistance in the Asian-African region. The issue was raised in the Economic Committee by Ceylon, which thought that cooperation in this field could be achieved through the existing international aid organizations, such as the Colombo Plan and the United Nations. Although some countries had mildly favored some permanent agency, the point was not pressed, and no recommendation on that matter was submitted to the plenary session of the Conference.

#### Financial Assistance

The area of agreement shrank considerably, however, when the Economic Committee proceeded to the examination of the Joint Secretariat's proposals concerning financial assistance. The major issue concerned the proposals for the establishment of a regional fund and of a regional bank. Indonesia, India, Pakistan, the Philippines, Thailand, among others, agreed that the proposal is at best premature. The only delegates in favor of the proposal were those of Afghanistan, Cambodia and—with reservations—Ceylon. The Sudan thought that the Conference should recommend a study of the possibility of such institutions. The items were dropped from further consideration without difficulty.

The negative attitude towards such regional institutions is not surprising. The facts of life are well-known to most of the delegates. The majority view was expressed by the Pakistani delegate who said that all the countries of the Asian-African region have a very low rate of capital provision. At present it was generally believed to range from three to six or seven per cent of the national income. On the other hand, a far greater programme was needed which could overtake the growth of population. A rate of capital formation much higher than five per cent was needed. One should also keep in view that almost all of these countries suffered from a deficit balance of payment, and to expect that they themselves would be able to provide capital assistance to each other was rather unrealistic. The Pakistani delegate also pointed out that even if they did this, considering that very few of their countries would be able to provide convertible currencies, it would not be of much use because capital goods needed for development were at present available mostly outside the region and unless the currencies are convertible they are not of much use.

The International Bank has itself got a number of currencies at present lying with it which are not convertible and of which it cannot make any use.

No delegation, not even that of the People's Republic of China, ventured to challenge this position. The final outcome of the debate on financial assistance was far indeed from a proclamation of regional autarchy or of hostility to capital from outside the area. In its Report to the Conference, the Economic Committee states:

The level of domestic saving in the region is hardly sufficient to provide the internal capital needed to finance an adequate level of economic development. Furthermore foreign exchange earnings are inadequate to finance the import of capital equipment, industrial raw material and essential consumer goods. Thus the necessity for increasing the flow of financial assistance to participating countries cannot be over emphasized. It is recognized that, in view of their present economic status, the participating countries are not in a position to render any substantial financial assistance to one another.

The lesson derived from this conclusion was clearly expressed in the final communique unanimously adopted by the Conference:

The proposals with regard to economic cooperation within the participating countries do not preclude either the desirability or the need for cooperation with countries outside the region, including the investment of foreign capital. It is further recognized that the assistance being received by certain participating countries outside the region, through international or under bilateral arrangements, has made a valuable contribution to the implementation of their development programmes.

These few sentences alone indicate how completely economic realism triumphed over emotional nationalism at the Conference. Officially, at least, the delegates showed themselves ready even to forget legitimate fears, stemming from an unhappy past, in hopes of a more auspicious future.

#### The Bank and the Fund

The treatment of the items on the agenda referring to the International Bank for Reconstruction and Development and the International Monetary Fund provided further evidence that for the time being, at least, the members prefer to work through existing institutions. At the meetings of the Bank and Fund in Washington in September 1954, both institutions had come in for considerable criticism from Asian-African countries. It was pointed out there that by and large both

Bank and Fund have hitherto followed a "to him who hath shall be given" policy, rather than directing the bulk of their assistance towards countries most badly needing it. The attitude of Asian-African countries towards the Bank was expressed by the Governor for the Philippines, Miguel Cuaderno:

Distinguished Governors of underdeveloped countries have been unanimous, in their addresses during this meeting, in expressing their concern over the lack of means to speed up the pace of economic development in them. Conditions there are now reaching the point of economic and political crisis and psychological disillusionment . . .

Four years ago, at the Paris meeting in 1950, I took occasion to urge the Bank, since the other areas of the world had already received ample aid from it, to give due consideration to the needs of Asia and the Far East. At that time I warned: "The need of the Far East for such a program is great and merits increased attention from the Bank . . . Time is of the essence and the time is now."

I think we all know that the Bank is disposed to engage in more vigorous development financing, but is prevented from doing so by the restrictive terms of its charter. This being the case I would like to urge that serious consideration be given to the advisability of re-examining the provisions of the charter with a view to enlarging the Bank's scope of operations.

Dr. Sjaffrudin Prawiranegara, Governor of the Bank of Indonesia, made a plea for more effective treatment of underdeveloped countries by the Fund:

. . . the Fund should establish rules and pursue policies especially aimed at the achievement of the Fund's purposes with regard to the underdeveloped countries. Questions such as those referring to the transitional period . . . should be interpreted in a more liberal manner with regard to underdeveloped countries than would be the case for countries in a more favoured position. The Fund should dare to take risks in extending a helping hand to underdeveloped countries . . .

I hope not to be misunderstood. What I am pleading for on behalf of the underdeveloped countries is not a privilege from the Fund but a fair treatment, which is not always identical with equal treatment.

However, the Asian-African countries clearly felt that the proper place for such critical comments was at the annual Conference of the

Bank and Fund itself, and not at an Asian-African Conference where other members of the Bretton Woods organizations were not represented. With respect to the Bank, here was no discussion, and the delegates contented themselves with an innocuous resolution to the effect that the Bank should allocate a greater part of its resources to Asian-African development. The paragraph in the agenda referring to the Fund was withdrawn altogether, when Thailand objected that the Fund had not been set up to assist in economic development.

#### Sunfed and IFC

The delegates also refrained from discussion of the proposed new International Finance Corporation, which would make loans to private enterprise without government guarantees, and the Special United Nations Fund for Economic Development, which would provide loans of a non-profitable nature or make outright grants. The Conference contented itself with recommending early establishment of both these proposed institutions.

#### Development of Trade

As pointed out in a working paper of the Joint Secretariat, in 1950-1953, approximately 72 per cent in value of exports of primary producing countries participating in the Bandung Conference went to the countries of Western Europe, the United States and Japan; 3 per cent was sold to Eastern Europe, the Soviet Union and the Peoples' Republic of China, and the remaining 25 per cent consisted of trade among the primary producing countries. Could anything be done to protect three quarters of the primary producing countries' foreign exchange earnings against the vagaries of the business cycle in industrial nations? Could it be done without linking the Asian-African region to the rigidities--due to the necessities of total planning as well as to ideology--of the Communist orbit?

Here again, in the opening gambits of the debate, Pakistan accepted the role of stressing disagreeable realities. Her delegate sounded a "note of pessimism." All the members were producers of raw materials and importers of finished goods. The possibility of increasing intra-regional trade beyond the current 25 per cent of total value, appeared rather meager, unless production was further diversified and the range of marketable goods increased. In other words--although this point was not clearly made during the debate--the increase of intra-regional trade (with countries other than Japan) was a function of economic development and the view had already been strongly expressed that economic development could not be a purely intra-regional affair.

The assessment of the immediate future of intra-regional trade was not substantially modified by recalling--as India did--the historic role played by this region in ancient times, nor by expressing the view that, with the days of the colonial era coming to a close, the wealth of national resources in this area made it inevitable that intra-regional



trade would rise rapidly to higher levels. The final Communique mirrored, without pious distortion, the prevailing uncertainties:

The Asian-African Conference recognized the vital need for stabilizing commodity trade in the region. The principle of enlarging the scope of multilateral trade and payments was accepted. However, it was recognized that some countries would have to take recourse to bilateral trade arrangements in view of their prevailing economic conditions.

This paragraph reflected at least partially the acceptance of Japan's insistently reiterated recommendation that the Asian and African countries should make serious efforts to move from bilateral to multilateral trade and payment arrangements.

#### Commodity Trade Stabilization

Of crucial importance to this gathering of primary producing countries were the fluctuations in prices and sales of raw materials in the world market. The agenda prepared by the Joint Secretariat suggested a discussion on "Collective action for the promotion of stability in the international prices and demand of primary products." Several working papers dealt with the same topic.

In the Economic Committee, Pakistan cautioned the participants against collective action disadvantageous to the consumer countries. Her delegate argued that the monopoly power of the primary producing countries is not so large as to make them able to withstand deliberate refusal or failure of other countries to buy their commodities. But--he suggested--the countries of Asia and Africa should adopt a collective attitude in the Permanent Advisory Commission on International Commodity Trade. India retorted--"to highlight the difficulty of the problem"--that the government of the United States had not yet finally made up their minds to participate in this commission and had only sent an observer to its last meeting. The Indian delegate thought that "a mere study of the problem will lead us nowhere" and suggested concerted efforts to deal with the problem commodity-wise. The idea was not explored further. The Final Communique recommended merely:

that collective action be taken by participating countries for stabilizing the international prices of and demand for primary commodities, through bilateral and multilateral arrangements, and that as far as practicable and desirable they should adopt a unified approach on the subject in the United Nations Permanent Advisory Commission on International Commodity Trade and other international forums.

While this text gave the official blessing of the Conference to collective action toward international price stabilization for raw

materials, no concrete steps were taken to translate the principle into action. The discussion led also to a recommendation--sponsored among others by Japan--that the participating countries should diversify their export trade by processing their raw material, wherever economically feasible, before export.

#### Payments' Union

Under item 3 of the agenda, "Cooperation in other fields," the Committee discussed problems such as (a) Payments' Union; (b) Shipping; (c) Oil; and (d) Prior consultation and uniformity in attitude of participating countries in international forums on matters of mutual economic interest.

In the first week of April, the much discussed issue of an Asian Payments' Union had been explored at the ECAFE session in Tokyo. Positions had not changed two weeks later. Japan was still in favour of some such agency, while the major countries of South and Southeast Asia opposed it as premature. Indonesia made several statements to that effect. Its delegate suggested that the matter may be approached perhaps in five years. Pakistan argued that in the absence of some attractive currency in the area it would be difficult to have a Payments' Union, although it would be "quite desirable" to have one. Ceylon thought that unless external sources were willing to provide a major part of the needed capital in foreign exchange, the Payments' Union was not a practical proposition.

India avoided a clear-cut position against a Payments' Union, although she agreed that all the participating countries would have much to request from such agency and little to offer it. But she recalled that at the ECAFE meeting in Tokyo it had been agreed that the International Monetary Fund should continue to carry on discussions on that matter with different governments.

While the countries of Africa and the Middle East showed no great interest in the issue of a Payments' Union, some of them, such as Iran, favoured the position of Japan, albeit without explaining the reason for their stand. As to the People's Republic of China, it favoured bilateral payments' agreements, and regarded the Payments' Union with scepticism. The sum total of these diverse opinions was that the Final Communique ignored the issue altogether.

#### Shipping

The working paper prepared by the Joint Secretariat stressed that the participating countries, with perhaps one or two exceptions, do not possess commercial shipping on any sizeable scale, despite the fact that they are generally exporters of items which need to be shipped in bulk. It recognized that a case could be made for the establishment of joint shipping companies by some of the participating countries. However, it recognized that such companies would

be confronted with a serious problem of finance, and risked failure because of very high overhead charges, unless the undertaking were on a sizeable scale. Finally, it pointed out that any new organization was likely to face cut-throat competition from established shipping companies.

Like the ECAFE conference at Tokyo, the Economic Committee heard statements about the importance of shipping for underdeveloped countries, and complaints about shipping rates. Liberia stated that it is much cheaper to ship a car from London to Cape Town than to Monrovia. Indonesia informed the delegates that her government concentrated on building up inter-island shipping, for political and administrative as well as economic reasons. However, the delegate said that Indonesia is not neglecting international shipping. The Indonesian delegate agreed that trade tariffs were sometimes prohibitive, but felt that underdeveloped countries could face the problems, and improve the present unfavourable position by building up national shipping.

India offered to collect complaints on high rates of freight and discriminatory treatment from countries which are not members of ECAFE, and to transmit them to the ECAFE Study Group on freight rates. The wording of the Final Communique on this question was sharp by contrast with the conciliatory tone of the rest of the economic section of that document. The Asian-African Conference

attached considerable importance to shipping and expressed concern that shipping lines reviewed from time to time their freight rates, often to the detriment of participating countries. It recommended a study of this problem, and collective action thereafter, to induce the shipping lines to adopt a more reasonable attitude.

### Oil

The laconic subhead "oil" on the agenda made the delegate of the Philippines wonder what specific questions were to be raised under that topic. The major issues facing either oil-producing or oil-consuming countries were hardly touched upon in the Economic Committee. Japan made the obvious statement that she had imported petroleum amounting to \$200 million in 1954, and that if a larger part of these imports could be made from supply sources in the region this would expand intra-regional trade. The major producers of the Middle East--representing about one fifth of the world's total production of crude oil--had little to say. The delegation of Iraq welcomed any exchange of information of whatever nature, from prices down to technical details on oil, with any other participating country.

This suggestion was welcomed by the Indonesian delegate, especially in view of the fact that a new legislation on the subject is still under consideration by the Indonesian Government. The Indonesian delegate no doubt expressed the feelings of others as

well, in pointing to the problems posed by the concentration of petroleum production in the hands of foreigners. He voiced the widely felt wish for greater national participation, not only in staffing but in ownership, and the difficulty of determining tax and transfer arrangements fair both to the foreign companies and to the host countries. He suggested that the interested countries might meet again for further discussion of this specific subject.

The Final Communique:

felt that exchange of information on matters relating to oil, such as remittance of profits and taxation, might eventually lead to the formulation of common policies.

Atomic Energy

On December 3, 1953, President Eisenhower proposed to the United Nations, in the name of the government of the United States, that governments producing uranium and other fissionable materials should contribute from their stockpiles toward the establishment of an international atomic energy agency, to be established under the aegis of the United Nations, in order to serve the peaceful pursuits of mankind, especially in the fields of agriculture, medicine and electric power.

A year later, on December 4, 1954, the General Assembly of the United Nations adopted unanimously a resolution expressing the hope that an International Atomic Energy Agency would be established without delay, and decided that an international technical conference of governments should be held before September 1955, to explore means of developing the peaceful uses of atomic energy through international cooperation.

The resolution had been sponsored jointly by Australia, Belgium, Canada, France, the Union of South Africa, the United Kingdom and the United States. These states, together with Portugal, which is not a member of the United Nations, had been conferring on the setting up of such an agency; all these countries have either developed raw material resources, or advanced atomic energy programmes.

Only members of the United Nations and of Specialized Agencies were invited to the international conference to be held in Geneva in August 1955. Each invited State was asked by the Advisory Committee of that Conference to provide information on the following points:

- (a) its estimated requirements of power for industrial development during the next ten and twenty years, and rough estimates over a long period;
- (b) an estimate of its own resources of conventional energy

sources such as coal, oil and hydro-electric power;

(c) estimates of its resources of atomic raw materials, namely, uranium and thorium;

(d) the extent to which its power requirements can be met from conventional sources and the extent to which atomic power could either fill the gap or facilitate requirements;

(e) a discussion of special areas whose development might be facilitated by atomic power.

At Bandung, the Heads of Delegations decided to have the problem of peaceful use of atomic energy discussed by the Economic Committee. The Indian delegate raised the issue that limiting the August 1955 conference to members of the United Nations and of Specialized Agencies excludes vast areas of the Asian continent and precludes the collection of full information on global resources of atomic raw materials and on the world's power requirements.

The same delegate was even more concerned with the likelihood that the International Atomic Energy Agency might limit its membership to a group of powers, most of whom are colonial and would be included for no other reason than that they control atomic raw materials. This, in his judgment, was tantamount to giving international sanction and approbation to the continuance of colonial exploitation.

Most participants in the discussion that followed limited themselves to an expression of hopes that in the future atomic energy will be used for peaceful purposes only. Turkey and Thailand objected to a political debate in the Economic Committee. It was eventually decided to refer the political aspects of the development of nuclear energy for peaceful purposes to the plenary session of the Conference. The latter handled the question raised by India by urging, in the Final Communique:

the speedy establishment of the International Atomic Energy Agency which should provide for adequate representation of the Asian-African countries on the executive authority of the Agency.

#### Organizational Aspects

During the early stages of the Bandung Conference, it was far from clear in the minds of the participants whether the gathering should lead toward some form of permanent organization or not. In the West, the question was repeatedly asked whether a new regional bloc was emerging in world affairs. True enough, Prime Minister Nehru had told the press, before the conference opened, that he did not favour a Permanent Secretariat. On the other hand, some working papers and informal proposals suggested the establishment of some such institution at least in the economic sphere.

This question came last on the agenda of the Economic Committee. In the opening stage of the discussion, a few countries, such as

Sudan and Syria, expressed the view that a Permanent Secretariat was necessary. This proposal was countered by Thailand. Her delegate complained that in spite of a serious shortage of experts, Thailand and other countries had to attend conferences frequently, and participate in all sorts of organizations, so numerous that all the letters in the alphabet were not sufficient to find names for them. Turkey added her worries about the lack of financial resources, as well as of experts for the establishment of a new permanent body. Opinion jelled rapidly. While North Vietnam and Afghanistan still favoured a Permanent Secretariat, all the other speakers pronounced themselves against it. Burma withdrew the proposal made in her working paper, her delegate stating that "after discussing the matter with friends" they had reached the conclusion that it was too early to press for a Secretariat, the establishment of which would be a "herculean task at the present stage." Burma favoured instead a Consultative Committee and Study Group, to "keep in touch, discuss matters and set the pace." As for technical work, such as collection of statistics, the Burmese delegate thought that ECAFE, the Specialized Agencies, and other organs of the United Nations, for which they already paid and to which they had provided a good number of people, could be asked to do the job.

Eventually, even the proposal for the establishment of a Consultative Committee was abandoned. Ceylon and Pakistan insisted that fullest use should be made of the existing international organizations. Liberia and the Philippines ventured the suggestion that Indonesia assume responsibility for a Clearing House or Information Center, but the Indonesian delegation did not respond to this request.

The outcome of this discussion was the following paragraph of the Final Communique:

The Asian-African Conference agreed to the appointment of Liaison Officers in participating countries, to be nominated by their respective national governments, for the exchange of information and ideas on matters of mutual interest. It recommended that fuller use should be made of the existing international organizations, and participating countries who were not members of such international organizations, but were eligible, should secure membership.

#### No Regional Bloc

There was hardly any discussion in the Economic Committee on the point of the agenda concerning "Prior consultation and uniformity in attitude of participating countries in international forums on matters of mutual economic interest." Yet the Final Communique contained a statement of major political significance on this issue:

The Asian-African Conference recommended that there should be prior consultation of participating countries in inter-

national forums with a view, as far as possible, to furthering their mutual economic interest. It is, however, not intended to form a regional bloc.

This formulation, like others of the positions taken by the Economic Committee and adopted by the Asian-African Conference, originated in the Drafting Committee, composed of Burma, India, Japan, Lebanon, Liberia, Pakistan and Thailand. This Drafting Committee was appointed when it became evident that there was not enough time to synthesize, in the Economic Committee, numerous expressions of opinion on various subjects into a unanimously acceptable formulation. While the Joint Secretariat focussed the attention of the Economic Committee on the issues to be examined, the Drafting Committee, in the final analysis, often made policy for the Conference, in the process of drafting their report.

## II. The Simla Conference

Some of the participants in the Bandung Conference reiterated their current opposition to the creation of a regional bloc at the Simla Conference, two weeks later.

The Simla Conference was convened by India, after consultations with Mr. Harold Stassen, Director of the Foreign Operations Administration of the United States, during the latter's visit to New Delhi earlier this year. It was attended by representatives of Cambodia, India, Indonesia, Japan, Laos, Nepal, Pakistan, the Philippines, Thailand, Vietnam (South), Singapore, Malaya, North Borneo and Sarawak. Among the Asian members of the Colombo Plan Consultative Committee, Burma and Ceylon refused the invitation to the Simla Conference, as they were not recipients of American economic aid. It may be recalled that the non-Asian members of the organization are Australia, Canada, New Zealand, the United Kingdom, and the United States.

The Conference had the following agenda:

- (1) Pattern of utilization of United States aid;
- (2) Practical difficulties that have arisen in the utilization of the aid;
- (3) Utilization of special allocations for the development of intra-regional trade and the setting up of a machinery to provide credit to enable Asian nations to tide over short-term balance of payment difficulties;
- (4) Representation of European countries which may desire to assist in the economic development of member countries;
- (5) Setting up of a small permanent secretariat for the Colombo Plan Consultative Committee;
- (6) Provision for training facilities for economic development for people of this region.

The American suggestion to have the participants in the Colombo-Plan examine the usefulness of an organization, on the model of the Organization of European Economic Cooperation, was a major swing of the pendulum in the foreign economic policy of the United States. When the United States Congress ended appropriations for U.N.R.R.A. in 1946 the principle was established in Washington that American economic aid should not be allocated through international bodies, but through direct bilateral negotiations between the United States government and the government of the recipient country. There have been only minor exceptions such as the contributions to the United Nations Technical Assistance Programme or to U.N.I.C.E.F. Under the Marshall Plan, the Organization for European Economic Cooperation worked out programmes for the allocation of American aid, but the programmes submitted were accepted or rejected by the Chief of the Economic Cooperation Administration, after negotiations with the recipients through the American country missions.

In suggesting the Simla Conference, the United States government made it possible for the participants in the Colombo Plan to approve a system of allocation of American aid that might have gone far in the direction of regional planning. The basis for the Conference was provided in President Eisenhower's message of April 20, 1955, requesting as part of the foreign economic aid programme for the fiscal year ending June 30, 1956, the establishment of a "President's Fund for Asian Economic Development" endowed with \$200 million. "To achieve the maximum return," the message recommended

broad rule enacted by Congress for its use through loans and grants, and with adequate latitude to meet changing circumstances and to take advantage of constructive opportunities.

It would go too far to assert firmly that the United States Congress, which has not yet acted on the President's message, would have accepted the departure from the last decade's policy implied in the new proposal. But the Simla Conference eliminated such concern by deciding in favour of bilateralism, although in the past this approach has been frequently attacked as the instrument by which the great powers forced recipient countries to do their bidding.

On May 13, the Conference declared:

In the present stage of the economic development of the Asian region and having regard to the order of additional funds likely to be available, there would be no advantage in having an intermediary regional organization and that the national programmes of the countries concerned may continue to be bilateral as at present and strengthened as far as possible.



On the question of setting up a special regional fund, to meet balance of payments difficulties, promote intra-regional trade, and offset instability of raw material prices, the Conference stated:

Various alternative methods of achieving this object were considered but it was found that whatever methods may be adopted very large external resources would be necessary to set up this fund. Even though resources would have to be provided only as a revolving credit there is no indication so far of availability of such sums by way of external aid. No doubt this is one of the basic problems of the region but it is considered that action can usefully be taken to solve it only when there are clearer indications that the substantial sums required for the purpose of setting up such a fund are forthcoming.

On the question of the promotion of intra-regional trade, the consensus of opinion was that while no specific earmarking of funds for such projects was necessary, in choosing projects for financing, some preference should be given to those which not only increase production but also expand trade.

Participation in the Colombo Plan by European countries wishing to assist in the economic development of the region was also considered: it was felt that such countries could provide assistance on a bilateral basis. The Conference was also of the view that the time had not yet come for setting up a permanent secretariat for the Colombo Plan.

One can hardly avoid the conclusion that the order of magnitude of the foreign economic aid likely to become available in the foreseeable future was not the only reason for the rejection of a regional approach. Simla, like Bandung, proved that the Asian--and even more the Asian-African--region is not homogeneous and unified enough to approach major economic problems conjointly. While Europe may slowly and painfully move towards regional integration, resurgent Asia and Africa are at the beginning of their age of nationalism.

### III. The Response from the West

Two days after the opening of the Bandung Conference, the United States administration made its major move in the field of economic cooperation. President Eisenhower made a statement to Congress urging the allocation of \$3.5 billion for foreign aid during the fiscal year 1956. Of this amount, \$200 million was to be set aside as a "President's Fund for Asian Economic Development." Slightly over \$1,000 million was to be for "defense support which serves both economic and defense purposes . . . particularly in Asia," and \$1.7 billion for military assistance. The balance of \$512.5 million would be for economic programmes. The President also recommended

that FOA be replaced by a new International Cooperation Administration, within the Department of State.

Some observers have suggested that the President's statement was ill-timed, and should have been made earlier. As it was, the announcement came when the delegates and the press corps were already flooded with materials emanating from the Conference, and it could not get the attention it deserved. However, the United States was facing an awkward dilemma. Had the announcement been made before the Conference opened, it might indeed have created a greater stir. But until the Conference was well under way, no one could be sure what its tenor would be; and the President's request might have made the basis for a storm of attacks against the West. The chances of the Bill getting through Congress would then have been small. By the time the announcement was made, the United States could be sure of a reasonably warm reception for it at Bandung, and the implications of the President's proposal could be discussed calmly at Simla.

At the time of writing, the Senate had approved authorizations of \$3.4 billion, although with emphasis on loans rather than grants. Harold Stassen, retiring FOA director, was urging adoption of the new Bill before the House Foreign Affairs Committee. The chances of the President's proposals being accepted by Congress seemed good, although the Hoover Commission, set up to study ways of saving foreign aid funds, was recommending "substantial reductions" in foreign aid, and restriction of assistance to agricultural projects.

While the Asian-African Conference may have influenced the timing of the President's statement, Washington had been working towards such a request for some time. There had been growing dissatisfaction with the results of the foreign programme, especially in Asia, and growing recognition that the aid should be more liberal both in amount and in administration. The publicity given to the proposals presented informally to the Administration by M.I.T.'s Center for International Studies, reflects the fact that these proposals provided support from an objective, non-political organization, of ideas already prevalent within the Administration, rather than any special merit of the Center's formulation.

#### Other U. S. Action

Early in June, the Eisenhower Administration urged Congress to provide \$35 million of the initial \$100 million of the proposed International Finance Corporation. According to present plans, the IFC, which would be an affiliate of the International Bank for Reconstruction and Development, would not begin operations until subscriptions amounting to \$75 million had been received from a minimum of thirty countries; but if the United States takes the first step by providing \$35 million, the major hurdle will have been surmounted.

Another example of the new conciliatory attitude of the United

States towards Asian--and particularly neutralist--countries, is the statement made late in May by the rice mission to Burma. Any American rice sold in Asia during the current crop year "will not be sold in quantity or at a price which would result in material injury to friendly countries by interfering with their normal exports," said the mission. To assist in restoring balance to the world rice market, the United States government is taking steps to reduce acreage under rice by 25 per cent.

There is also evidence that organizations of private enterprise in the United States are becoming increasingly interested in the possibilities of "private technical assistance" to underdeveloped countries, which might be attached to private investment in these countries. The M.I.T. Center for International Studies has recently undertaken a study for the U. S. Chamber of Commerce of the possibilities of such private technical assistance.

While the manner in which the enlarged funds for U. S. foreign aid will be administered--and particularly the President's Special Fund--will probably not be clear until some time after Congress has acted upon the proposed legislation, there is as yet no clear evidence that the U. S. is prepared to abandon its bilateral approach to foreign aid in favour of some such organization as SUNFED. However, the proposed initial capital for SUNFED--\$250 million--is very small in comparison to the sum requested by the President. If other countries show an interest in SUNFED, the United States might make a contribution to it from the general appropriation for economic aid. In suggesting the Simla Conference, the United States has already indicated that she is gradually overcoming her past repugnance to multilateral allocation of American economic aid.

#### Assistance from Other Western Countries

Thus far, the United States retains the leadership in the field of economic assistance to underdeveloped areas. The other industrialized nations have done relatively little in this field, even in per capita terms. Canada has recently provided some \$25 million annually for bilateral assistance under Colombo Plan. Australia and New Zealand have provided respectively some \$11 million and \$2.8 million annually. The major portion of the capital assistance provided under the Colombo Plan by the United Kingdom has consisted of the release over a six year period of £250 million of sterling balances, built up during the war by India, Pakistan and Ceylon. The United Kingdom has shown more real interest in assisting her own colonies, whether through the Colonial Development Corporation or directly. The capital of the CDC is only £100 million, however, and it has not been fully utilized, partly because of the restrictions imposed on the nature of its lending activities. Yet the United Kingdom has cited its responsibilities in her colonies, as well as the burden of defense expenditures, as reason for her lack of enthusiasm for the SUNFED proposal. The other industrialized countries

have also accorded the SUNFED proposal a cool reception thus far. Sweden, Switzerland, Germany and France, which have provided modest amounts of bilateral technical and capital assistance, have also been lukewarm towards SUNFED.

There are some signs, however, that with strong leadership from the United States, the other advanced countries would also be prepared to expand their contributions to organizations for the development of underdeveloped areas. Discussions with party leaders in England indicated that both parties now recognize the need for liberalized foreign aid, and that the Government is awaiting a lead from the United States. Early this year, the Director-General of the British Industries urged on the Government greater participation in technical and capital assistance programmes. If both the United States and the United Kingdom embark on a more ambitious programme of foreign aid, other advanced countries are likely to follow.

#### IV. The Aftermath in Indonesia

Apart from public statements and editorial comment, the major follow-up of the Bandung and Simla Conferences in Indonesia has been the visit of the Prime Minister, the Director-General of the National Planning Bureau, and others to China. As might be expected, the Prime Minister, Dr. Ali Sastroamidjojo, did not make strong statements regarding economic cooperation in connection with this visit. However, upon landing in Peking, the Prime Minister did say that "our problems are in many ways fundamentally the same, although we may view them from different political and economic angles," a clear enough statement that Indonesia does not now intend to seek economic development along Communist lines. In a later address to a mass meeting in Peking, Dr. Ali made this point in more forthright fashion; while China has chosen a Socialist community based on Marxism, he stated, Indonesia has chosen the Pantja-Sila. Both China and Indonesia believe in their own system, he added, "and history may prove that both respectively have chosen the right one."

Ir. Djuanda, Director-General of the Planning Bureau, was more outspoken on economic cooperation. The problems and deficiencies in China and in Indonesia are too much alike, he stated, for China to provide much in the way of technical assistance to Indonesia. Ir. Djuanda also used the occasion to give his own people some good advice. Among the factors of strength in the Chinese economy, he said, were a budget surplus, a 44 to 48 hour working week, effective price control, use of labour-intensive rather than capital-intensive techniques where possible, and good maintenance of existing capital equipment--all factors which can perfectly well be introduced into a non-socialist economy. In another statement to the Press (May 20), Ir. Djuanda expressed his approval of assistance to Indonesia through FOA, the Eximbank, and Colombo Plan, and favoured establishment of the

IFC and SUNFED.

Similar views have been expressed in the Indonesian press since the Bandung Conference. Opposition spokesmen have approved the Conference, and the extreme left wing has refrained from complaints about its results. Editorials have pointed out that hitherto nothing in the way of technical and capital assistance has been forthcoming from the Soviet Bloc, and that little is likely to become available in the future--although there is interest in the Soviet project to provide a steel mill, with 500 technicians, to India. While the Indonesian schizophrenia on U. S. aid has of course not disappeared, public statements indicate the Government's willingness to accept large amounts of such aid. The Minister for Economic Affairs, Dr. Roosseno, told an American foreign correspondent that Indonesia would like a substantial increase in American aid to Indonesia. The statement of the Information Minister, Dr. Tobing, on economic aspects of the Asian-African Conference, while expressed in the form of a complaint over the small amount of American aid received by Indonesia in comparison to other countries, can also be interpreted as a request for more generous American aid in the future. In general, post-Bandung developments in Indonesia have followed the line taken at the Conference itself; Indonesia, like other countries in the region, is looking largely to the advanced countries in the West, and particularly to the United States, for assistance with economic development, whether bilaterally or through international institutions.

#### V. Conclusion: Future Needs

The events of the Asian-African Conference and its aftermath appear to have improved the outlook for cooperation between the Western World and the Asian-African countries in the economic development of the latter group. There has been a commendable expression on the part of Asian-African countries of a desire to do as much of the job themselves as they can, and to strengthen their economies as a basis for development. But there has also been a realistic recognition of their need for outside help. With President Eisenhower's request to Congress, there now seems to be a good chance that they will get it, and on a scale large enough to be effective. If these trends continue, and the necessary steps are taken in both the donor and recipient countries, the prospects for a better life in the Asian-African countries will be much better than they were only a year ago.

The total sum of \$3.4 billion per year for assistance to underdeveloped areas, especially if supplemented by more generous aid from other advanced countries as well, is enough to meet the capital requirements of underdeveloped areas, as estimated by the M.I.T. Center for International Studies and by other experts. Indeed, it may exceed the current capacity of the underdeveloped countries to absorb investment funds and technical assistance in an efficient fashion. In other respects, however, the President's proposal does not yet meet

all the requirements of an effective foreign aid programme, as outlined a few months ago by experts in the Center and elsewhere. Among these requirements, the following might be noted:

(1) The geographic distribution of the funds should be almost exactly the opposite of what it has been in the past. Over half the total should go to Asia and the allotments to Africa and the Middle East should be very little less than the allotment to Latin America.

(2) The bulk of the funds should be provided through international channels rather than on a bilateral basis. Bilateral aid is already tinged with "Western imperialism" in the eyes of many people in underdeveloped areas, and it would be more so if it were on a larger scale, whatever declarations of good faith were made. The success of the programme depends on the degree of enthusiasm with which it is received in underdeveloped countries themselves, and there can be no doubt that the enthusiasm will be greater if the funds come through the United Nations, or some other international organization, rather than directly from foreign governments. With a firm basis of government aid through international channels, private capital should also find more attractions in underdeveloped countries, and any international agency set up to administer the programme should make every effort to supplement public with private capital. It is worth noting that some Asian-African countries are not yet members of the United Nations. To meet their needs, either the doors of the U.N. must be opened to them, or another international organization must be established.

(3) No economic, military, or political "strings" should be attached to loans or grants. The only criterion applied to an application for funds from any country should be the ability of that country to make effective use of the money. In practice, this criterion would probably boil down to approval of an overall development plan, and provision of funds for projects within that plan which are clearly worthwhile and which the country can clearly carry out, given the financial resources. On this criterion, it is likely that funds allocated in the first few years will fall below estimates of capital requirements; shortages of labour, managerial, and technical skills are likely to limit the amount of capital that can be effectively absorbed.

(4) The provision of capital assistance should be accompanied by supplementary policies, such as establishment of an international commodity stabilization authority and an international development loan insurance agency (perhaps combined), liberalization of trade policies of advanced countries so that the expanding output of underdeveloped countries can find a ready market and loans can be repaid and--eventually--restoration of currency convertibility.

This programme requires the establishment of an agency like SUNFED, but with much greater resources than are now proposed. It probably

also requires a general supervisory agency, called perhaps the International Development Authority, which might become one of the specialized agencies of the United Nations and serve as the secretariat of SUNFED. Its main function would be to review and certify the plans of underdeveloped countries in collaboration with the appropriate agencies of those countries and to allocate projects to SUNFED, the IFC, and to various agencies already in existence, such as the International Bank for Reconstruction and Development and the Export-Import Bank. Alternatively, SUNFED, like the IFC, could be set up as a department of the International Bank, taking advantage of the accumulated experience and skill of that institution.

The exact form of the organization, however, is a matter of secondary importance. What is really important is that some such programme be undertaken, that it be launched in the very near future, and that advanced and underdeveloped countries alike approach the programme in a spirit of "partnership in progress."