

tion and subsistence.—a substitute up to the time of the first possible embarkation for the nearest American port.

In effect this means that if such a man is willing to desert his family, — at least temporarily, he is aided to get out. Men who can not bring themselves to do that, can not be helped.

It must be emphasized that there is no prohibition against an American taking his foreign-born wife and children home with him to the United States or sending for them later. If he is an American in good standing and he and his family are not likely to become a public charge, he can obtain non-quota visas for his wife and children. But he himself must pay for their passage.

American Embassy and Consulate officials have no choice in this matter. Only Congress, by special legislation, could make things different. Special arrangements were made by the State and Army and Navy Departments to bring home the foreign wives of servicemen following the war. It is becoming time to consider the plight of American ex-servicemen in many foreign countries "who accepted discharge

abroad through misapprehension as to the possibility of being gainfully employed", — *the ex-servicemen and their families.*

Philippine independence has made for a number of changes in respect to the possible dealings of American officials here with American nationals. This now being foreign territory, American officials can no longer, for instance, deport American "undesirables". Only the Philippine Government may do that. Americans sentenced to prison here can not be sent back to the United States, but must serve out their terms here. No such wholesale repatriation of "undesirable Americans" could be resorted to as were carried out here several years after the close of the Spanish-American War.

Stranded American seamen must be returned to the United States by the shipping companies which employed them.

The situation for any American here without a job and without funds is a desperate one and the time has already come when more fortunate Americans are called upon to deal privately with a problem which should be of some concern to our Government at home as well as to our official representatives here.

The Economic Development of the Far East

By Myron M. Cowen

United States Ambassador to the Philippines

THE Commission has before it the report and recommendations on industrial development by the Working Party. While the major discussion of this report will take place in the committee to which it will be referred, it seems appropriate at this time to offer some general remarks on the character of the report and on the problems of economic development in the Far East.

Need of Food Production

While the United States delegation will wish to make some specific criticism of certain parts of the report when it comes up for committee consideration, in general we believe that the Working Party has made important progress in the past six months. Many of the recommendations are sound and useful. The United States delegation believes that emphasis on the broad phases of economic development is well placed, in particular on the articulation of agricultural, transport, and raw material factors with industrial growth. While the United States appreciates the importance to Asia and the Far East, of the development of new industries and of increased manufacturing output, it believes very strongly that economic development must be balanced, that as new industries are added raw material sources must be developed, transport improved, and agriculture modernized. While the Working Party terms of reference have properly kept its consideration of agriculture to the problem of agriculture requisites, the role of improved food production in a balanced economic development of the ECAFE region cannot be over-emphasized. It is paradoxical that an area that is primarily agricultural in nature should now be a net food importer.

Asia and the Far East must find a way to feed its growing population from its own resources so that its foreign exchange resources may become available for importation of capital goods and the whole range of commodities which the area requires for a higher standard of life. In planning for industrial development it is not easy to find the proper point between excessive dependence on a few crops or products to procure all imported needs, and the other extreme, complete autonomy. On the one hand, the United States Government endorses the attempts of countries in the ECAFE region to increase diversification of their economies to give better balance and to enlarge the working opportunities of their growing populations. On the other hand, an attempt at complete self-sufficiency for its own sake will result in the creation of industries which can be maintained only by extreme protective measures and at the cost of sub-standard employment conditions. Resources would be wasted and the consequence would be a lower, rather than higher, standard of life for the people.

In the opinion of the United States delegation, the Working Party shows an appreciation of this problem and the necessity for relating development, particularly of heavy industries, to the availability of raw materials. There are locations in the region favorable for an expansion of basic industry.... The economy of New Zealand is a prime example of a country which has achieved a very high standard of living — some estimate it to be the highest in the world — by concentrating its efforts upon agriculture and the processing of agricultural commodities.

Need of Local Capital Formation

The United States delegation also welcomes the Working Party report on the steps which the countries concerned can take to promote their own industrial development. While outside assistance in the form of technical knowledge and capital goods can greatly assist the economic development of the

The text of an address made on December 1, 1948, by Myron M. Cowen, then Ambassador to Australia and head of the American delegation to the fourth conference of the ECAFE (Economic Commission for Asia and the Far East).

ECAFE region, the lack of this assistance is not the primary present bottleneck hampering the industrial expansion of the area. The expansion of production through activation of existing capacity and the creation of new plants and equipment, require the formation of local capital, training of a labor force, and creation of an institutional framework for modern industry. This in turn depends on the favorable economic climate of balanced budgets, stabilized currencies, and the effective use of foreign exchange. In many instances it will be found that local economic conditions form the critical bottlenecks rather than the lack of imported capital. This is not to say that every facet of economy must be put in order before the import of capital. Two aspects of the development can proceed concurrently, but local progress is a necessary part of the progress.

The creation of necessary conditions for capital formation is difficult in any under-developed area, and when political strife and social upheaval are present, capital formation becomes well-nigh impossible. When capital accumulation of generations is being consumed at a voracious rate, it is futile to think that importation of new capital can create economic stability or solve a country's economic problem.

Need of Restoring Exports

I would like to turn now briefly to the recommendations with regard to finance. Many of these recommendations are indeed sound, but the United States delegation regrets that the recommendations do not emphasize the desirability of restoring exports to at least pre-war levels. The restoration of the pre-war level of export seems to be the only sound basis upon which the economies of the area can proceed with their industrial development. The process of industrial development will inevitably lead to increased demand for imports, both of capital goods and of many other commodities desired by an industrial population. At the same time, newly created industries will only slowly increase export potentials, or decrease the need for imports. In these circumstances the only sound method for financing the development of the region is the promotion of exports from industries easily expanded in the region. Such industries would include not only agricultural products and raw materials, for which the world demand is high and the area has a great natural competitive advantage in producing, but should also include any manufactured goods for which labor and other resources are available and the demand exists in world markets. The expansion of such exports would not obviate the need for the net import of capital, but would put the balance of payments of the countries in question in a sound position and facilitate financing and repayment of capital import. We in the United States speak with experience on this matter, for the early industrialization of the United States was largely accomplished by borrowing from abroad and repaying through export of food and raw materials without placing our economy under foreign domination of any kind.

The United States delegation has also noted the recommendation for further assistance in obtaining capital equipment from more advanced industrial countries. It has noted with satisfaction a recommendation that attempts be made to develop capital sources in Europe. Such efforts should logically be extended to Japan, which the report points out has the capacity for producing capital goods. It would of course be impossible for the United States to provide all the capital equipment which the countries of Asia and the Far East together with the rest of the world might desire. The total volume of goods which the United States has exported to the countries of the ECAFE region has far exceeded that exported by the United States before the war or by any other nation or combination of nations since the war.

The total exports to the area from the United States have quintupled as compared with the pre-war level. During 1936-38

the average of exports to the ECAFE region was about \$300,000,000 worth of commodities. During 1947 the United States exported more than \$1,500,000,000 worth. The percentage of the total exports from the United States accounted for by the exports to the ECAFE region increased from 7.6 to 10.5%. With regard to capital goods alone, the records show that exports for 1947 amounted to \$246,000,000 as compared with \$82,000,000 for 1936. These capital items included transportation equipment, machinery, steel, and spare parts.

United States Assistance

The position of the United States Government with regard to the request made by the third ECAFE meeting for increased assistance in the way of capital goods exports has been set forth in the letter of the Secretary-General which has been placed before the Commission. The letter points out the assistance already given by the United States for the rehabilitation of areas devastated by war and for general restoration of production. In addition to financial assistance, the United States has made available for export without restriction a wide range of capital goods. The controls which have been maintained for the purpose of safeguarding the economy of the United States against excessive exports and for security purposes have been narrow in scope.

The export quotas have been set in such a way as to take account of world shortages and needs, as well as domestic requirements, and the division of quotas by areas has attempted to secure access to available supplies on an equitable basis.

The final paragraph of the letter reads as follows:

"The Government of the United States is to repeat, convinced of the necessity of a strong and expanding world economy, it recognizes fully and with sympathy and satisfaction the desire on the part of countries of Asia and the Far East to have an important place in this development. This Government has made major efforts toward the restoration of the world economy to the working level of production and assistance throughout the world. It will continue such efforts to the extent of its ability. The countries of Asia and the Far East may be assured of the strong desire of the Government of the United States to afford, to them as to all others, the fullest possible access to the products of American industry and commerce. They may be assured, also, of the willingness of this Government to make the fairest possible provision for the needs of Asia and the Far East in administering the limited controls over the United States exports which are necessitated by the position of the United States domestic economy."

It is the hope furthermore that capital goods will become more fully available and that a revival of European economy, which now seems to be well on its way, will, directly and indirectly, make more capital imports available to other parts of the world, including Asia and the Far East.

The United States delegation has also noted the conclusion in the Working Party report that "assistance in the form of credit and aid has not so far been available to countries of this region on a scale commensurate to their requirements." This conclusion is no doubt applicable to all areas of the world and certainly applies to all areas whose economies were devastated or severely disrupted by war. It has been the objective of the United States policy to assist such areas in the restoration of their economic health. In the process of this assistance the United States has poured out unprecedented amounts of aid. The dollar aid which has gone to areas in Asia and the Far East has been great. . . . has amounted to approximately 2,500,000,000, dollars. This aid has been mainly of emergency character, to assist these countries to recover from the immediate ravages of war, to achieve stabilization of their economies, and to make a start on the problem of reconstruction. While some of the countries in Asia and the Far East have been able, under orderly conditions, to approach pre-war levels of economic activity, the recovery in important parts of the region continue to be blocked, directly or indirectly, by political strife. The United States will, of course, continue its efforts to assist such sound efforts toward economic recovery as can be undertaken within limitations imposed by these circumstances.

Long-term Policy of the United States

As for a long-term policy, it is the policy of the United States to assist within the limits of its capabilities in the expansion of industrial and agricultural production and trade. It believes it can contribute in the field of technical assistance through established United States firms working on specific industrial projects and on general economic surveys. Assistance is also available under the Fulbright Act for financing of technical teachers and students in countries

which have signed Fulbright agreements. Of broader scope is the Smith-Mundt Act which authorizes the United States Government to provide directly a wide variety of technical assistance. It is hoped that funds will be available shortly to implement this act.

Private United States Capital

The United States Government also wishes to see United States capital contribute to an expansion of production and trade in the ECAFE region. It believes that such capital should be furnished on a private basis, or through government loan when private capital is not available on reasonable terms, and that funds should go into sound projects which will expand production and trade and help create the increased income necessary for repayment. Suitable projects for investment include reestablishment of pre-war industries as well as development of new enterprises. Projects must be individually considered on their merits to ascertain that such industries are economically sound and that after the time for development they can produce at competitive costs. This policy of the United States of relating loans and investments directly to the expansion of production and trade, is of general applicability and is, we believe, on the basis of considerable experience, designed to develop the resources of a country on the soundest possible basis.

The spokesmen of the countries in the ECAFE region in previous meetings of the commission have frequently stated that loans and credits should not be made on conditions which would jeopardize the political and economic independence of the country in question. There is no argument from anyone on this score. The United States is not seeking to dominate any country in the ECAFE region. The United States is concerned that financial assistance extended by the Government, as well as private investments, should contribute to the development of a more stable world economy, an increase in multilateral trading, and an increase in production which will make the repayment of the loans possible. The United States considers it self-evident that agreements to take specific actions to expand world trade and to take steps which will make possible repayment of a loan, are eminently reasonable conditions.

It must be observed that by far the greatest source of foreign capital potentially available for expansion of production in undeveloped areas, is held by private investors. If the countries of Asia and the Far East desire a maximum flow of foreign capital, they should create conditions which will encourage the venture of private capital. Such conditions should not, of course, include permitting foreign countries, through their creditors and investors, to exercise domination over the borrowing country, and there is nothing inherent in the process of foreign investments that makes such domination inevitable.

It may be recalled that up to the second decade of the present century the United States had been a debtor nation. Insofar as its industrial development was financed from abroad, it was financed almost exclusively by private capital. By achieving and maintaining political and economic conditions attractive to private investors, the American people obtained capital in sufficient quantity to finance an expansion of production unparalleled in history. In accepting such capital, the United States neither feared nor experienced any domination by its creditors.

The International Bank for Reconstruction and Development and the United States Export-Import Bank

The United States Government believes it desirable where private funds are not available on reasonable terms that foreign assistance for reconstruction and development be provided as far as possible by the International Bank for Reconstruction and Development. While the Bank has not as yet made loans in the ECAFE region, it is hoped by the United States that positive action may soon be taken by the Bank and that the governments represented here who are members of the Bank will take a direct interest in the development of bank operations in the Far East. While the use of an international agency established for the purpose of development seems particularly appropriate in the ECAFE region, the United States Export-Import Bank is also in a position to make funds available for specific projects which could assist the economic development of the countries concerned.

The Role of ECAFE

This leads to the consideration of the role of ECAFE in the economic development of the region. The United States delegation notes that the Industrial Working Party has recommended the establishment of a committee as part of the machinery in the ECAFE to aid and promote the progress of industrial reconstruction and development of countries in the region.

Without at the same time specifying the position of the United States Government on this proposal, I wish to state that the United States favors the continuation of the very useful work that ECAFE has started on the subject of industrial development. It is clear, however, from the nature of the problem of industrial expansion in Asia that the increase of exports is a basic requisite which requires the priority attention of all governments in the region; that the economic pattern of the region is not such as makes necessary a multilateral and detailed integration of industrial plans by the governments concerned; and that an attempt by ECAFE to assume operational functions which respect to industrial reconstruction and expansion in individual countries would be inappropriate and beyond its terms of reference.

So far as the United States is concerned, the extension of financial assistance must be decided by direct negotiation between the lender, whether a private individual, corporation, the International Bank, or a United States government institution, and the borrower. The proposal for a committee on industrial development should be carefully reviewed with these considerations in mind.

ECAFE could be extremely useful in providing a forum for an exchange of information on plans and programs, for the development of sound principles of economic progress, for the development of statistical and other basic information required, and for the taking of concerted action to eliminate trade bottlenecks which are preventing the expansion of the economy of the region. It would be a matter for regret if ECAFE, by preoccupation with the development of multilateral industrial plans and controls which are more appropriately the concern of individual member nations, should allow work along the lines just mentioned to suffer.

HOWEVER measured,—by population, by natural resources, by technical efficiency, by organizing capacity, the free world disposes of much greater reserves of strength than the Russians command. Were this not the case, were the positions reversed, we may be fairly certain that we should by now have faced armed aggression, not political warfare. —Max Beloff in *Foreign Affairs* for January.