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Washington, D.C.

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L. B. Rist: Round the world trip

1952

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A1990-230 Other #: 5

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Leonard B. Rist - President Eugene Black Round the World Trip - Correspondence -  
Volume 3 - 1952 - New Zealand, Australia, Thailand, Malaya, Singapore

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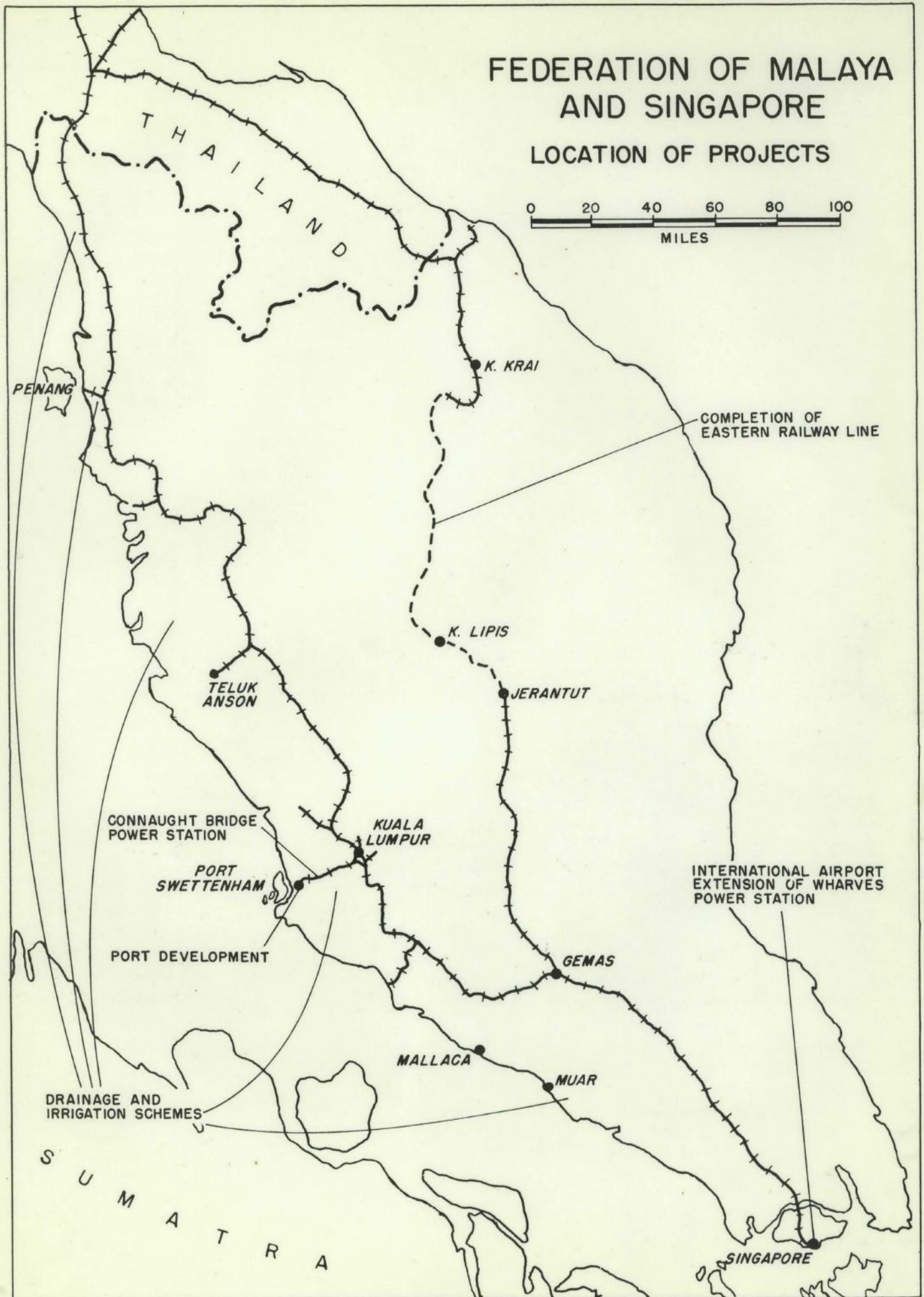


MALAYA

SINGAPORE

# FEDERATION OF MALAYA AND SINGAPORE

## LOCATION OF PROJECTS





## MALAYA (FEDERATION)

### GEOGRAPHY

Area - Situated in southernmost part of Malaya peninsula, covers area of about 51,000 square miles (approximately size of Alabama), bounded by Thailand on north and surrounded by sea on all other points. Consists of nine states and two British settlements, Penang and Malacca. Singapore, third of the former Straits Settlements, is now a separate Crown Colony.

Physical Features - Projecting into China Sea, Malay peninsula forms Southernmost part of continent of Asia. Divided by backbone of mountains into two parts (eastern one is the larger), practically one vast forest, intersected by countless streams and rivers which form one of most lavish water systems in the world. Only a fraction of the forests has been visited by human beings and population is largely settled on banks of rivers.

Climate - Extremely humid. Temperature on southern coast rises to 93°F. in shade, averaging 80° per annum; on mainland and eastern slopes cooler, averaging 68° to 88° falling below 70° at night. Rainfall on west coast between 64-115 inches per annum; on monsoon-exposed east coast 122 inches per annum.

### POPULATION

Total estimated at 5.2 million (1950). Somewhat lower census figure for 1947 of 4.9 million showed following composition: (in millions) 2.4 Malays; 1.9 Chinese; 0.5 Indians; 0.01 Eurasians and Europeans each; and 0.05 other communities.

Kuala Lumpur (111,000), capital of Federation, most important city and railway junction on West Coast Railway.

### HISTORY

British control of Malaya developed since early 19th century through piecemeal acquisition of small territories largely divergent in their ethnic, political and economic character. For administrative purposes these were combined into larger groups ultimately to form three principal political divisions of pre-war Malaya: the Straits Settlements, comprising the ports of Singapore, Penang and Malacca; four Federated States including most of the rubber-producing areas of the peninsula; and five Unfederated States comprising the less-populated areas.

Three principal economic factors were primarily responsible for Malaya's evolution: entrepot trade of Straits Settlements and Malaya's important tin and rubber production. Political struggles in pre-war years were almost entirely confined to conflicts between British authorities and local rulers for a relatively greater share in power. Japanese occupation, since early 1942, brought no major changes in political structure,



but due to isolation policies, created critical supply situation in the country, which normally imports two-thirds of food requirements. Communist inspired resistance movement, organized by Chinese, engaged in guerrilla warfare supported in later phase by British.

After war British attempted to restore pre-war control by simplifying and centralizing administration within proposed "Malayan Union", but met strong opposition by all parties concerned. Besides measure of future self-government, principal subject of dispute was question of grant of citizenship to non-Malay communities, particularly Chinese (latter equaling in numbers indigenous Malay population of peninsula and Singapore). Malayan fears of loss of privileged pre-war position could hardly be allayed by proposed separation of Singapore with its predominantly Chinese population.

In February 1948 British introduced present status of Federated Malay States, providing for enlarged Federal Legislative Council to include 9 formerly federated and unfederated states, and transferring some of the powers of latter to the Federal Government. Of the pre-war Straits Settlements Penang and Malacca were absorbed in Federation, while Singapore became separate Crown Colony.

New Constitution somewhat modified British controls at the same time widening competence of Legislative Council, but preserved appointive nature of its membership. Malay interests were protected by stiff regulations required for acquisition of citizenship.

Attempts for organized opposition to new Constitution on basis of idea of common nationality and equal rights for all residents of self-governing Malaya failed for lack of popular support. All further efforts for political consolidation were frustrated when Malay Communist Party, by far the country's strongest single political force, supported by major part of Chinese community, launched revolt in early 1948.

During postwar period Communists had embarked upon "middle of the road policy" designed to gain support of all anti-British elements, enlarge membership throughout peninsula and organize labor movement. However, premature attempt for instigation of strikes and ruthless extortion of "protection money" brought effective retaliation by British Government and caused progressive dissipation of good will earned by the Party during wartime activities. Two and a half years after the war, faced with dwindling support and tightened British controls, the Party evidently decided to abandon legality and to enter into open revolt.

Since 1948 the Communists have engaged British in costly guerrilla warfare after forcing large Chinese community either to cooperate or remain neutral. Revolt has caused serious damage to British interests in Malaya and has practically nullified, at least temporarily, such progress as Malaya had made towards self-government and improved working and living conditions. On the other hand, it has failed to achieve its ultimate objective of driving the British out of Malaya, nor could it seriously affect recovery of the country's tin and rubber production, which since the Korean war has recorded a boom condition to the benefit of all Malayan communities.



## GOVERNMENT

Present Constitution came into force on February 1, 1948, as result of consultations between British Government, rulers of Malayan States and the United Malays National Organization (a conservative body of upper class Malaysans).

Political Division - Federation of Malaya consists of the nine (formerly federated and unfederated) States of Selangor, Negri Sembilan, Pahang, Perak, Johore, Kelantan, Trengganu, Kedah and Perlis, and the two British settlements of Penang and Malacca. Singapore is a separate Crown Colony.

### Central Government -

(i) Composed of Commissioner General in Southeast Asia, whose authority extends over Federation of Malaya and Singapore, as well as North Borneo, Sarawak and Brunei.

(ii) High Commissioner for Federation, to whom power is delegated jointly by King and Malay rulers. Advises States on all matters of government, exercises control over questions of defense and foreign relations.

(iii) Federal Legislative Council and Federal Executive Council both headed by High Commissioner. Former consists of representatives of each State and Settlements Council and of 14 official and 50 unofficial appointed members. Has legislative power in matters concerning the Federations as a whole.

Local Government - Each State is governed by its respective ruler, assisted by State Executive Council, Council of State, as well as a British adviser. Settlements have Settlements Councils.

### OFFICE OF THE COMMISSIONER GENERAL FOR THE UNITED KINGDOM IN SOUTH EAST ASIA

The Commissioner General and his staff are responsible for co-ordinating and advising British administration in the dependent areas (Federation of Malaya, Colonies of Singapore, Sarawak and North Borneo, Protected State of Brunei) and British diplomatic missions in non-British countries in South East Asia. He has, however, no direct administrative functions or administrative authority over British colonial and diplomatic officials in this area; also has no responsibility for campaign in Malaya. Established since the war, the Office now consists of a Colonial Side, headed by the Deputy Commissioner General (Colonial Affairs), and a Foreign Side, headed by a Deputy Commissioner General (Foreign Affairs). The Commissioner General's economic organization has given active assistance in the campaign to produce more food in South East Asia, to rationalize its distribution and to develop coordination in social and economic matters. The Commissioner General is also assisted by an Economic Adviser.



Commissioner General - H.E. The Right Honorable Malcolm John MacDONALD

Age 50 - born Lossiemouth - son of late Ramsay MacDonald. Married, 1 daughter, Educated Bedales School, Petersfield; Queen's College, Oxford, M.A. Member of Local County Council, 1927-30; M.P. (Labour), 1929-31; (National Labour), 1931-35; (National Government), 1936-45; Parliamentary Under Secretary, Dominions Office, 1931-35; Secretary of State for Dominion Affairs, 1935-38 and 1938-39; Secretary of State for Colonies, 1935 and 1938-40; Minister of Health, 1940-41; High Commissioner in Canada, 1941-46; Governor General of Malayan Union and Singapore, May-July, 1946; Governor General of Malaya and British Borneo, 1946-48; Rhodes Trustee, 1948; Chancellor of University of Malaya, 1949. Commissioner General for U.K. in South East Asia since 1948.

Trained economist; youthful looking and able. A self-styled "evolutionary socialist" - unpretentious extrovert with unaffected sense of social and racial equality - wants to see everyone - is relaxed and informal. His endeavours to please everyone - Europeans, Chinese, Malaysians, etc., - have caused him to become unpopular in varying degrees with most of them. Rubber planters and tin interests are particularly strongly against him. Considers Asian people do not care about Communism as Communism because their natures are opposed to it, but that they support passionately national freedom and uplift of the masses.

Despite Civil Service resistance is pushing educational and economic plans (more village schools and 5-year economic plan).

Realizes British resources are strained and fervently hopes for U.S. help.

Retention as Commissioner now under discussion in U.K.

Publications: Canadian North, 1945; The Birds of Brewery Creek, 1947;

Recreation: ornithology, collecting, skiing.

Economic Adviser (1st Secretary) - Mr. T. F. BRENCHLEY

Regional Information Officer (1st Secretary) - Mr. W. J. RAYNER

Deputy Commissioner General for Colonial Affairs - Mr. William ADDIS

Age 50; born in Japan, educated Rugby and Cambridge; Colonial Administrative Service in Zanzibar, 1925, and except for a period as District Commissioner in Northern Rhodesia 1936-38, served in Zanzibar until appointed Colonial Secretary in Bermuda, 1945. Acting Governor of Bermuda 1945-46, and again in 1949. Present post 1950.



Deputy Commissioner General  
for Foreign Affairs - Sir John Cecil Sterndale BENNETT, K.C.M.G.

Age 56 - Cambridge University. Military service World War I. Diplomatic Service 1920. Assignments in Sweden, Chile, China, Egypt, and Turkey. Headed Far Eastern Department and the Mediterranean Department at Foreign Office. British Political Representative in Bulgaria and subsequently Minister, 1947. Foreign Office Representative at Imperial Defense College, 1949. U.K. delegation to Council of Foreign Ministers, Moscow, 1945; Peace Conference, Paris, 1946; Council of Foreign Ministers, New York, 1946. Present post 1950.

Economic Adviser - Dr. Frederick Charles Courtenay BENHAM

Professor of Commerce (with special reference to International Trade) University of London, 1945-47. Author of several publications including Economics; South Eastern Europe (part author); Great Britain under Protection. Delegate to 1947 and 1949 sessions of ECAFE, and accompanied MacDonald to London in 1950 for talks on economic development of South and South East Asia. Present appointment 1947.

U.K. OFFICIALS

High Commissioner (appointed but  
not yet assumed duties) - General Sir Gerald Walter Robert TEMPLER,  
K.B.E., C.M.G., D.S.O.

Age 53 - married - 2 children. Regular Army - Major - Intelligence, France, 1939-40. At age 44 became youngest Lieutenant General commanding a corps - Division Commander Italy, 1943. After being seriously injured joined staff Field Marshal Montgomery as Director of Civil Affairs, 1945. British Military Governor Western Germany; Director of Military Intelligence, War Office and Vice Chief Imperial Staff, 1948-50. Eastern Command U.K., 1950. Appointed High Commissioner for Malaya, January 15, 1952.

Dynamic soldier. Tough disciplinarian; considerable political experience.

Will control Malayan civil administration and also be in charge of military and police campaign against Communist-led insurrection.

Acting High Commissioner - Mr. Moroboe Vincenzo del TUFO.

Formerly Chief Secretary of the Federation of Malaya. Appointed Acting High Commissioner and assumed administration of Government, October 1951, on assassination of Sir Henry Gurney.

Director of Operations - General Sir Rob McG. M. LOCKHART, K.C.B.,  
C.I.E., M.C.

Responsible for anti-guerrilla operations in the Federation and has authority over the Army and Police and civilian agencies engaged in these measures. Full executive authority in all emergency matters



falling within the sphere of the Federal Government and is subject only to the authority of the High Commissioner. Present post since November 1951. Will become Military Deputy to General Templer when latter arrived.

Commissioner of Police since 1948 - Mr. William Nicol GRAY.

General Officer Commanding, Malaya, since 1950 - Major General  
R.E. URQUHART

#### ASIAN LEADERS

Dato ONN bin JAAFAR - Generally regarded as leading political figure. Founder and leader of the Independence for Malaya Party, Member for Home Affairs in the Federation Government and Chairman of the Rural and Industrial Development Authority (RIDA). During post-war period served for a number of years as Mentri Besar (Prime Minister) of Johore state, as well as President of the United Malays National Organization (UMNO).

Dato TAN CHENG LOCK - President of the Malayan Chinese Association. Recognized as the elder statesman and leading figure of the Chinese community in Malaya.

Dato E.E.C. THURAISINGHAM - Influential Malayan of Ceylonese origin. Lawyer by profession. Member for Education in Federation Government and President of Ceylonese Federation of Malaya. Became prominent as public figure in post-war period during which served on various governmental councils and acted as chairman of the influential Communities Liaison Committee. Has rubber interests in the Federation, is active in various rubber committees and visited the U.S. for recent rubber talks.



SINGAPORE (Crown Colony)  
(From Malayan - "City of the Lions")

GEOGRAPHY

Area

Island about 26 miles long by 14 miles wide, with an area of 220 square miles (about 1/5 the size of Rhode Island) separated from southern extremity of the Malay Peninsula by the Johore Straits, three-quarters of a mile wide. Joined to the mainland by causeway. Number of small adjacent islands form part of settlement.

Town of Singapore, at southeastern point, is seat of Government of the Crown Colony. Owes existence to entrepot trade between Europe and Far East. Has largest dockyard installation in Far East and is British major naval base.

Climate

Uniform temperature averaging 87.5° F. maximum and 75.1° F. minimum. High humidity and copious rainfall; annual average 95 inches.

POPULATION

1,020,000 (mid-1950 estimate); including about 125,000 Malaysians, 790,000 Chinese, 72,000 Indians and Pakistanis, 11,000 Europeans and 10,000 Eurasians.

HISTORY

Early history is obscure. Occupied an important position in 13th and 14th centuries until 1365 when destroyed by Javanese. Uninhabited until 1819 when Sir Stafford Raffles founded trading settlement. By agreement of August 1824 with Sultan of Johore, island ceded to East India Company. Subsequently Penang, Malacca and Singapore combined into an India Presidency, and in April 1867 control of territory transferred to Secretary of State for Colonies. Cocos Islands, Christmas Islands, and former Colony of Labuan were gradually incorporated in the Straits Settlements.

After World War II when Malayan Union (now Federation of Malaya) formed, Singapore given separate status as Colony.

GOVERNMENT

Colonial status (since April 1, 1946) provides for:

(i) Governor appointed by U.K.

(ii) Legislative Council headed by Governor as President (with original and casting vote); three elected by Singapore, Chinese and Indian Chambers of Commerce; and nine elected by vote of British subjects.



Note: Certain Government departments are shared with Government of Federation of Malaya and major policies are coordinated with that Government.

Singapore is seat of Commissioner general for U.K. in Southeast Asia and British Military Headquarters for the Far East.

(iii) Municipal Administration run by body of 27 commissioners of whom 18 are elected by popular vote.

Governor and Commander-in-Chief, Singapore - Sir Franklin GIMSON

Age 61 - son of clergyman. Educated Balliol College, Oxford. Entered Ceylon Civil Service; Colonial Secretary's Office; later became Secretary to Minister of Education, and Controller of Labor 1937. After twenty-seven years in Ceylon appointed Colonial Secretary, Hong Kong, and arrived just in time to be interned by Japanese. After liberation took charge of administration until reinforcements flown out from London, when resumed duties as Colonial Secretary. Present post 1946. According to reports, is slated for retirement in March 1952, and will be replaced by John Fearn Nicoll, at present Colonial Secretary of the Government of Hong Kong.

Colonial Secretary, Singapore - Wilfred Lawson BLYTHE

Age 55 - Birkenhead Institute, Liverpool University; Active service World War I; Malayan Civil Service 1921. As a result of knowledge of Cantonese, has been chiefly concerned with Chinese affairs. Assistant Controller of Chinese Labor in Kuala Lumpur 1940. During the Japanese occupation language liaison officer in Singapore. Secretary for Chinese Affairs, Malayan Union, 1946. Deputy President and then President of the Singapore Municipal Commission 1948. Present post March 1950.

Secretary for Economic Affairs, Singapore - Andrew GILMOUR

Age 53 - Edinburgh University. Service World War I; Malayan Civil Service 1921; Registrar General, Statistics, Straits Settlement and Federated Malay States 1938; Shipping Controller, Straits Settlement 1939-41. Interned Hong Kong 1942-45. Chairman, Standing Trade Advisory Committee and of Port Emergency Committee, Singapore, 1946-47. Chairman, North Borneo Rubber Commission 1949. Reported 1951, assigned to staff of the Commissioner General for special economic work. Present post 1946.

Financial Secretary (Acting), Singapore - J. E. PERPER

Age 48 - Cambridge. Malayan Civil Service 1928; Deputy Financial Secretary in the Colony of Singapore, 1948.

PROMINENT ASIAN LEADERS

LIM YEW HOCK

Age 37 - Born Singapore. Educated Raffles Institution - higher studies interrupted by premature death of father. Started as junior clerk. Largely through hard work and self-study, rose rapidly to prominent position.



One of the few labor leaders of Chinese extraction in Malaya. President, Labor Party of Singapore. Also serves as President of Singapore Clerical and Administrative Workers' Union and Secretary of the Building Society of Malaya. April 1948 to February 1951, unofficial member of Singapore Legislative Council. Also active in numerous other associations and organizations, and honorary adviser to number of trade unions. Has gone on official tours to India and U.K., and in 1951 visited U.S. for several months on a State Department Leader Grant.

C. C. TAN

Age 50 - St. Joseph's Institution, Singapore, London University and Middle Temple. Returned to Singapore 1932 to practice law. One of founders of Progressive Party, President of Party since formation in 1947; served on Singapore Advisory Council; Legislative Council 1948. Adviser to Malayan delegation to Commonwealth Conference on Economic Aid to South and Southeast Asian countries, London, late 1950.

DIPLOMATIC AND CONSULAR REPRESENTATIVES

UNITED STATES

Consul General, Singapore - Charles F. BALDWIN

Age 50 - born Ohio - Georgetown University - married. Trade Commissioner, 1927-30; Department of Commerce, division chief, 1930-32; U.S. Shipping Board, 1932-35; credit association representative 1935-41; Navy, commander, overseas 1941-45; Foreign Service since 1945, Santiago, Oslo, Trieste, London.

Consul (Chief, Economic and Commercial Section) - Joseph H. ROGATNICK

Age 34 - born New York City - University of Iowa. Office manager, film exchange corporation 1939-40; Bureau of Census, 1940-41; Lend-Lease Administration, 1941-44; Foreign Economic Administration, 1944-45; Foreign Service Auxiliary, Reykjavik, 1945-47; Tientsin, 1947-50; Department of State 1950.

Consul (Chief Public Affairs Officer, Director USIS) - Elmer NEWTON

Age 56 - born Newton, Mass. - married - Harvard and N.Y.U. - overseas service 1920-21; salesman, investment, banking, 1920-34; insurance agent, 1934-40; president of cooperative handicraft organization, 1940-43; publisher, 1943-44; news editor 1944-45; Foreign Service and assigned to Canton, 1946; Consul at Canton 1947; editor-in-chief (Chinese) in Department of State, 1948.

FRANCE

Consul General, - André Guibaut

Age 48 - Delegate of French National Commission for China, 1942-43; 2nd Counsellor of Embassy, Chungking, 1945; Consul General Singapore since 1946. Chevalier, Legion of Honour, 1947.



# FEDERATION OF MALAYA AND SINGAPORE

## BASIC STATISTICS

### Area

Federation of Malaya	50,650 sq. miles
Singapore	220 sq. miles

### Population (1950 estimate)

Federation of Malaya	5,227,000
Singapore	1,020,000

### Currency

Unit	Malayan Dollar
Parity	M\$3 = US\$1
	US 33¢ = M\$1

### Trade Statistics (Federation of Malaya and Singapore, excluding trade between these territories) (in millions of US\$ equiv.)

	<u>1949</u>	<u>1950</u>	<u>1951</u> (Jan-Sept)
Exports	718	1312	1555
Imports	810	952	1176
Balance	- 92	+ 360	+ 379

### Balance of Payments (Federation of Malaya and Singapore, excluding transactions between these territories) (Estimate in millions of US\$ equiv.)

	<u>1948</u>	<u>1949</u>
Receipts, current	961	871
Payments, current account	981	894
Deficit	- 20	- 23

### Budget

#### Federation of Malaya (in millions of M\$)

	<u>1949</u>		<u>1950</u>		<u>1951</u>
	<u>Est.</u>	<u>Revised Est.</u>	<u>Est.</u>	<u>Revised Est.</u>	<u>Est.</u>
Revenue	261.1	335.7	273.7	443.6	367.6
Expenditure	320.6	365.9	280.8	342.6	440.5
Surplus (+) or Deficit (-)	- 59.5	- 30.2	- 7.1	+ 101.0	- 72.9

*\* announced January 1952 that rice exports 1952*



Budget (Continued)

Singapore (in millions of M\$)

	<u>1949</u> <u>Actual</u>	<u>1950</u> <u>Est.</u>	<u>Revised Est.</u>	<u>1951</u> <u>Est.</u>
Revenue	109.0	102.8	110.5	124.7
Expenditure	94.2	104.4	110.7	128.4
Surplus (+) or Deficit (-)	+ 14.8	- 1.6	- 0.2	- 3.7

Public Debt (end 1949, in millions)

	<u>Federation</u>	<u>Singapore</u>
External Debt	£ 12.05	0
Internal Bonded Debt	M\$ 73.5	M\$ 105.0
War Savings Certificates	M\$ 2.9	M\$ 8.7
Treasury Bills	n.a.	M\$ 33.4
Total Public Debt, in	M\$ 179.7*	147.1

\*Excluding Treasury Bills

Notes in Circulation (millions of M\$)\*

<u>Dec. 1949</u>	<u>Dec. 1950</u>	<u>Sept. 1951</u>
402.9	633.5	739.5

\*In addition to the Federation of Malaya and Singapore, Malayan dollars circulate as legal tender in British North Borneo, Sarawak and Brunei.

Cost of Living Index

Singapore (1939 = 100)

	<u>Dec. 1949</u>	<u>Dec. 1950</u>	<u>Aug. 1951</u>
European Standard	195	206	232
Asian Standard	263	288	343



## FEDERATION OF MALAYA AND SINGAPORE

### ECONOMIC BACKGROUND

The cultivation of rubber and tin mining are by far the most important economic activities in the Federation of Malaya. 65% of the cultivated area is devoted to rubber. Rice, oil palm, coconut and pineapple are the other important crops. Besides agriculture, which occupies more than 60% of the working population, and tin mining, other economic activity consists largely of forestry and fishing, mining of iron ore and low-grade coal, processing of agricultural, mineral and forestry products, trade, handicrafts, personal service, and a few small engineering industries.

Although Singapore is a separate political entity from the Federation of Malaya, it is a primary port and distribution center for the Federation (approximately two thirds of the Federation's 1950 foreign trade moved through Singapore) as well as nearby countries, particularly Indonesia and Thailand. Besides industries for processing and preparation of agricultural products for export and tin smelting, numerous other small industries are located in Singapore, such as breweries, soft drink bottling, shoe factories, engineering and foundry works; asbestos, concrete and steel pipe industries, and a plant for manufacture of dry batteries.

Malaya's\* total rice requirements are around one million tons per year, of which more than half must be imported. In addition to rice Malayan imports consist mainly of other foodstuffs and most of the manufactured goods, the most important of which are textiles, iron and steel products, machinery and vehicles, and petroleum products. The two major exports are rubber and tin, which comprised approximately 75% of total exports in 1950. Other important exports are copra and coconut oil, palm oil and kernels, tea, pineapple and wood and timber. Malaya had a consistent export surplus from 1933 until World War II.

Malaya suffered extensive war damage to tin mining equipment and transportation facilities; rubber holdings suffered from neglect and some direct damage. Rubber production recovered rapidly after the war, however, and since 1947 it has been substantially above the prewar average. Rehabilitation of ports has been completed, and the repair of railways and highways has been largely completed except in a few areas where work has been suspended due to guerilla activity. Production of tin showed a steady advance from the end of the war through 1950, and in 1948 Malaya resumed its prewar position as the world's largest producer. The 1950 production of 57,540 long tons represented about 35% of total world tin production, but it was still considerably below Malaya's prewar capacity of more than 70,000 tons. Tin production in the first ten months of 1951 was slightly below that of the comparable period of 1950.

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\*The term "Malaya" as used in this paper refers jointly to the Federation of Malaya and Singapore.



## RECENT DEVELOPMENTS

Following a series of trade deficits in the early postwar years, Malaya achieved a substantial export surplus in 1950, and in the first nine months of 1951 exports and imports, as well as the trade surplus, were considerably higher in value than in the whole of 1950. Both rubber and tin exports reached postwar records in volume and value in 1950. Rubber exports were 1.1 million tons (of which 657,800 tons originated in the Federation of Malaya), and tin exports were 81,800 long tons (of which around 71,000 tons originated in Malaya, including drawings of about 14,000 tons from stocks on hand at the beginning of 1950). In the first ten months of 1951 rubber exports of 961,900 tons were 8% higher than in the comparable period of 1950, although monthly figures show a declining tendency after June 1951. Tin exports of 53,900 during January-October 1951 were approximately 28% below those of the first ten months of 1950. The major reasons for the reversal of the upward trend in the volume of exports have been the decline in both rubber and tin prices since the first quarter of 1951, rising costs of production and shortages of labor, reduced purchases of tin by the U.S. and deteriorating security conditions in the Federation.

Malay's three most important trading partners are the U.S., the U.K. and Indonesia, which in 1950 accounted for around 46% of Malaya's total exports and 47% of total imports. The remainder of Malaya's trade is widely dispersed throughout the world.

Despite overall trade deficits up to 1950, substantial trade surpluses with the U.S. have been maintained since 1946, and Malaya's net dollar earnings in the postwar period have exceeded those of any other member of the sterling area. In 1949 and 1950 approximately 25% of Malaya's exports went to the U.S., while 6% and 3.5% respectively of imports came from the U.S. In the first nine months of 1951 the U.S. share of exports declined to 20% and its share of imports increased to about 4.5%.\* During January-October 1951 the quantity of rubber shipments to the U.S. was 6% above the comparable period of 1950, while the value was 144% higher than in the 1950 period. Because the U.S. curtailed its purchases of tin after March 1951 in an effort to bring down the world price, the volume and value of Malaya's exports of this commodity to the U.S. in the first ten months of 1951 were equivalent to only 15% and 25% respectively of the shipments in the similar period of 1950. The losses on tin were more than offset by the gains on rubber, however, and the value of Malaya's total exports to the U.S., as well as the trade surplus with the U.S., were substantially higher in the first ten months of 1951

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\*Before the war the U.S. usually supplied 3% or less of total imports, while its share of exports ranged from 30% to more than 50%.



than in the entire year of 1950. The recent development of Malayan-U.S. trade is summarized in the table below (based on U.S. statistics).\*

(Quantity in millions of lbs. and value in millions of US\$)

	1949		1950		1951 (Jan-Oct.)	
	Quantity	Value	Quantity	Value	Quantity	Value
Exports:						
Rubber, latex and crude	697	115.4	812	207.8	700	349.2
Tin ingots	77	77.3	120	96.8	16	21.6
Total	--	195.7	-	309.6	-	381.8
Imports:						
Total	--	37.4	-	19.4	-	47.3
Balance		+ 158.3		+ 290.2		+334.5

Prospects of a further improvement in Malaya's trade position appear favorable as a result of the recent (January 1952) agreement between the U.S. and the U.K. which provides for U.S. purchases from the U.K. Government of 20,000 tons (45.8 million lbs.) of tin at a price of US \$1.18 per pound.

During the period 1947-1949 Malaya incurred small annual balance of payments deficits. The trade deficits and payments for dividends, private remittances and foreign travel were almost offset by U.K. military expenditures, profits from entrepot trade and receipts from bunkering charges. Although data are not available beyond 1949, it is most likely, in view of the improved trade position, that substantial balance of payments surpluses were realized in 1950 and 1951.

The Government financial positions of the Federation and Singapore were favorable in 1950. The Federation's budget showed an overall surplus of M\$101 million compared to an estimated deficit of M\$7 million, due mainly to a large rise in customs receipts which comprised almost 70% of total revenue. Although a sizeable budget deficit was forecast for 1951, it is probable that revenues were again substantially underestimated and that a budget surplus was realized, mainly as a result of the introduction at the beginning of the year of a steeply progressive export duty on rubber to replace the former 5% ad valorem tax. Singapore's budget was virtually balanced in 1950, and it will probably show approximately the same result in 1951.

\*U.S. trade with British North Borneo and Sarawak as well as with the Federation of Malaya and Singapore is included in the table. U.S. statistics do not show separately trade with the Federation and Singapore.



The rapidly mounting export earnings since mid-1950 have caused considerable upward pressure on prices and wages, although the pressure has probably been eased somewhat recently by the substantial increase in imports.

The Malayan note circulation, following four years of stability, expanded by 57% during 1950 and by a further 17% in the first ten months of 1951. This was due mainly to the improved balance of payments position.

The internal price level, following a considerable period of stability, has also risen rather sharply as indicated by the Singapore cost of living indexes, which increased by 19% (European standard) and 30% (Asian standard) in the period from the beginning of 1950 to August 1951.

### MAJOR ECONOMIC PROBLEMS

The most important development needs of the Federation of Malaya are improvement of agricultural efficiency, diversification of the economy, more electric power and better communications. The Government development program (which is included in the Colombo Plan) proposes to increase the present low yields from existing rice acreage by providing irrigation, drainage and better seed; it also envisages the opening up of new rice land. The planned increase in rice production, however, will do little more than keep pace with the rapidly increasing population. Various measures are planned to aid replanting of rubber trees on about 350,000 small holdings where the trees are old and the yields are falling. With a view to diversifying agriculture, experiments are being conducted and encouragement given to the introduction of new crops (e.g. cacao, jute and manila hemp) and the extension of crops which at present are grown on only a small scale (e.g. pepper).

The demand for electricity in the Federation is now far greater than the supply. The output of a number of industries, especially tin mines, has been hindered, while future industrial development is impeded by the power shortage. The major project now in progress is the Connaught Bridge Power Station designed for an ultimate capacity of 80,000 kilowatts. The Federation development plan also provides for improvement and extension of roads, railways and telecommunications as well as substantial expenditure on social capital, including education, labor, medical and social welfare services.

The Singapore portion of the Colombo Plan stresses transport and communications (extension of harbor facilities and establishment of a large international airport), expansion of electrical power as a basis for industrial development, and investment in social capital, especially housing, education and health services.

The proposed expenditure on these programs during the six years from 1951/52 to 1956/57 is shown below (in millions of US\$ equiv.).

	<u>Federation</u>	<u>Singapore</u>
Agriculture	30.5	1.1
Transport and Communications	30.2	19.9
Fuel and power	28.0	27.7
Industry	0.6	-
Social capital	35.8	99.7
	<u>125.1</u>	<u>148.4</u>



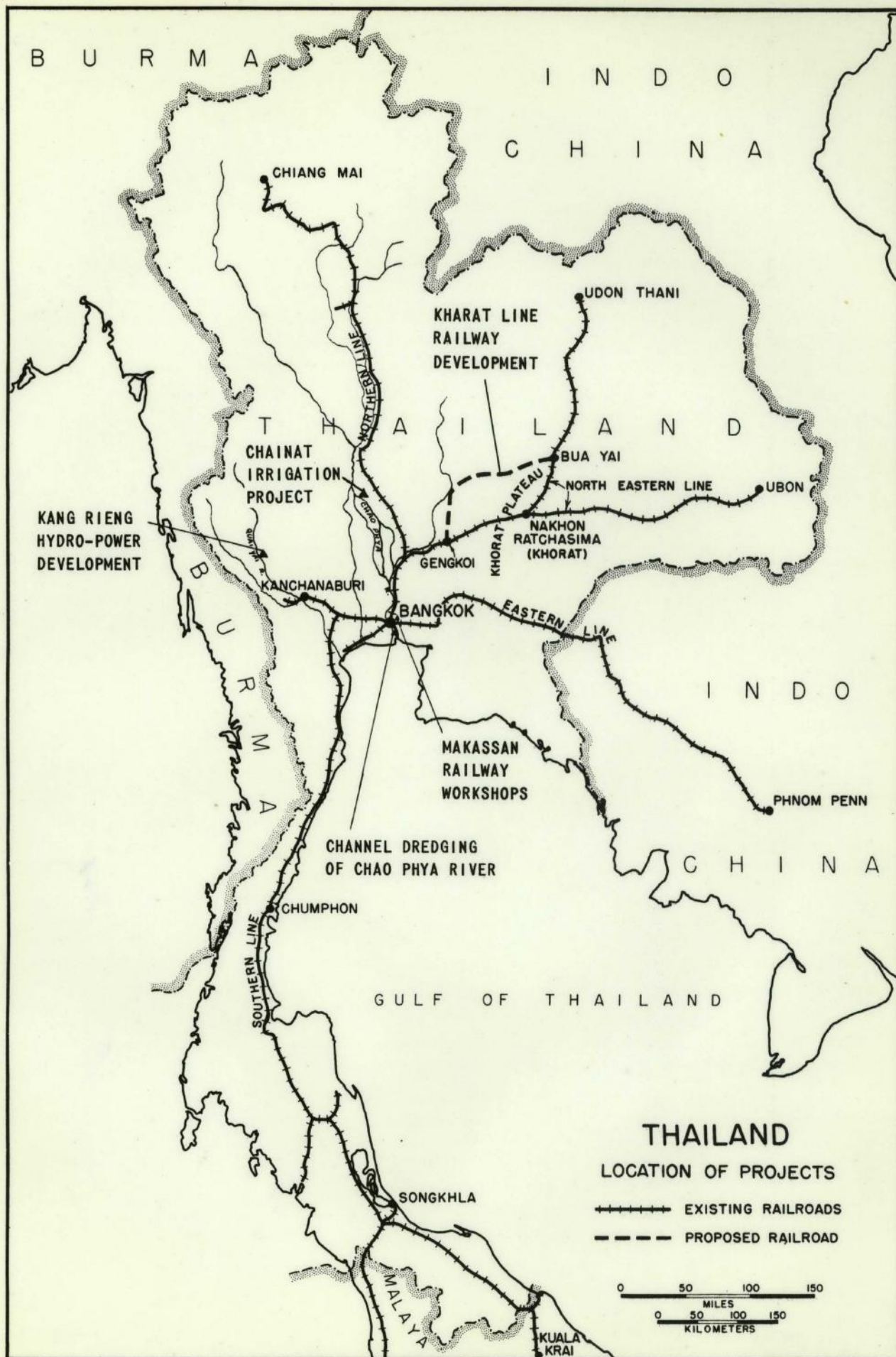
When the program was planned in early 1950 it was estimated that more than half of the total financing would have to be from external sources because of the inadequacy of internal finance available to the Government. In the case of the Federation, it may be possible to finance a somewhat larger part from domestic resources than originally anticipated because of the improved budgetary position. However the present position could deteriorate rapidly should conditions in the rubber and tin markets develop unfavorably. Moreover the deterioration in internal security conditions in recent months may necessitate expenditure of further substantial sums for defense purposes which might otherwise have been available for development.

The U.K. plans to contribute £ 50 million (US\$ 140 million) toward the financing of Colombo Plan projects in the Malayan area (including British North Borneo and Sarawak as well as the Federation and Singapore).



THAILAND







THAILAND (Kingdom)  
(from Maung Thai - "Land of the Free")

GEOGRAPHY

Area and Boundaries

Formerly known as Siam. Area about 200,000 square miles, slightly smaller than Texas. Bordered by Burma on west and northwest, Indo-China on northeast and east, and Federation of Malaya on extreme south.

Natural Regional Division

Forest-clad mountains in north and west, grassy land and forests in center, and fertile rice-growing region in south center, well watered by Menam River ("mother of waters") and its tributaries. Mekong River in east partially forms boundary with Indo-China. A long strip of Thailand territory in neck of Malay Peninsula provides extended eastern coastline on Gulf of Siam and smaller western coastline fringing Bay of Bengal.

Climate

Monsoon type: (i) wet and excessively humid from early May through October, (ii) dry and cool from November until mid-February, and (iii) hot from mid-February through April. Accordingly, temperatures fluctuate between 100°F. in summer (April) and 62° in winter, averaging 82°F.

POPULATION

About 18 million, including 3 million Chinese and some 700,000 Malay Moslems, both of whom do not intermingle with Buddhist Thais. Chinese population, largely settled in Bangkok region, due to affiliation with China represents potential danger of Communist infiltration. About 90% of the population engaged in agriculture, mainly rice cultivation.

PRINCIPAL CITIES

- |                   |   |
|-------------------|---|
| <u>Bangkok</u>    | - over 1,000,000 - capital; situated on Menam River about 20 miles from Gulf of Siam. Terminal railway to Singapore; important air center of Far East. Only an agricultural village before 1769 when it became stronghold against Burmese. Old city built on pontoons and piles with many canals; modern city has paved roads and modern buildings. |
| <u>Chiang Mai</u> | - 500,000 - chief city of province; on upper course of Ping River, about 80 miles east Burma border. Important trade center, especially in teak; railway terminus.  |



- Ayutthaya - 50,000 - about 40 miles north of Bangkok; situated on island in lower Chao Phya River. Like Venice intersected by many canals, and many inhabitants live on boats. Siamese Capital until 1767 when destroyed by Burmese; Dutch and English influence in 17th century; historically one of the most interesting places.
- Phuket - Seaport on Phuket Island in southwest Thailand, off west coast of Malay Peninsula; outlet for important rubber and tin exports.
- Songkhla - Seaport on east coast of Malay Peninsula particularly for rubber and tin exports.

## HISTORY

History of the Thais believed to date back 3,000 years--probably coming from southern China. Only country in Southeast Asia with long tradition of independence. Contacts with European powers negligible until seventeenth century when Holland, Portugal, England, France and Japan began trade relations. These were broken off after a revolution at end of century. Period of isolation throughout eighteenth century characterized by continuous wars with Burma, and internal unrest. In 1782 General Chakkri, as Rama I, established the Chakkri dynasty, with line of successors down to present King.

New era of expansion by European powers, in nineteenth century, resulted in British domination of Burma (1826) and French settlement in Indo-China (1859). With European influence at its door, Siam abandoned isolationism and actively sought international trade. King Mongkut initiated these policies (1851), showing remarkable skill in dealing with the great powers. Thais eventually lost some territory to England and France in 1907 and 1909, but managed to maintain sovereignty, playing one power off against the other and getting both powers to relinquish territorial rights granted in previous treaties. Friendly relations with western powers and policy of employing westerners, launched by Mongkut and continued by his British-educated son, had notable effects on country's political life. Absolute monarchy continued, however, until 1932, when bloodless revolution by group of civil and military leaders (latter including present Prime Minister, Luang Phibun Songgram), limited powers of King Prajadhipok and introduced Constitution, franchise and partly elected Parliament. Shorn of power, Prajadhipok abdicated May 1935 in favor of nephew, Ananda Mahidol, and Regency appointed while latter under age.

Phibun became Prime Minister in 1938 to embark on new foreign policy, acknowledging Japanese predominance in Far East, which caused split between civilian and military leaders, and continuous struggle for



control thereafter. In December 1941 Thailand yielded to Japanese occupation, and declared war on U.K. and U.S. (U.S. did not reciprocate). An underground movement, organized by former Thai Minister to U.S., Nai Pridi Panomyong, worked with O.S.S. Peace Treaty subsequently signed with U.K. and Dominions.

After the war government amended Constitution to provide for a fully-elected House of Representatives as well as Senate. Present king, Phumibol Adulyadej, came to throne June 1946, following unexplained death of brother, Ananda, shortly after latter had opened first fully-elected Parliament.

There have been nine governments since the end of World War II. First post-war government of Phibun Songgram was sponsored by small group of military leaders who staged a coup d'état in 1947, overthrowing the previous regime, which was backed by Pridi Panomyong, who escaped into exile. After a brief interim regime, Phibun assumed the Premiership in April 1948. An amended Constitution was introduced providing for Upper House with 100 appointed members and Lower House 121 elected members.

An embryonic plot by career Army General Staff Officers to unseat the 1947 coup group was crushed in October 1948. The military backers of the Phibun Government further consolidated their position following an abortive coup d'état attempted by Pridi, with the support of the Free Thai and Navy forces, in February 1949. As a result, the Royalist Democratic Party, the Parliamentary opposition, was deprived of sources of political strength and became progressively less effective.

Several plots against the 1947 coup group were reported in early 1951. On June 29, 1951 a coup d'état was prematurely attempted by a group of Navy and Marine officers, and was crushed in a brief but violent action by the Army, Air Force and Police, as a result of which the Navy was eradicated as a significant military force in opposition to the 1947 coup group. The latter emerged from this abortive coup as the dominant political force in Thailand. The strongest leaders of the group have proven to be Lt. General Phao Sriyanon, Director General of Police, General Phin Chunhawan, Commander-in-Chief of the Army (father-in-law of General Phao), and Lt. General Sarit Thanarat, Commander of the First Army.

Following various rumors of an impending coup d'état from one of several possible directions and immediately prior to the arrival of King Phumibol from Switzerland, a military group consisting of the leaders of the 1947 coup group "ousted" Phibun's government on November 29, 1951, and, following a brief provisional regime, reinstated Phibun with a reorganized Cabinet, in which the 1947 coup group was more firmly entrenched. The Parliament was disbanded, the relatively democratic Constitution of 1947 abrogated, and the authoritarian Constitution



of 1932 reinstated. The King, who had been absent in Switzerland, was required to accept this situation shortly after his arrival. All major governments have recognized the "new" regime, although no formal recognition has been extended in most cases since it is considered to be in fact a continuation of the old regime.

#### GOVERNMENT

Under 1932 Constitution: Hereditary monarchy. Executive power in hands of Prime Minister and Cabinet. Unicameral legislature -- one-half membership appointed and other half elected.

#### POLITICAL PARTIES (unlawful under present Constitution)

Even during the brief period of the 1949 Constitution, which permitted the existence of political parties, such parties were essentially merely small coterie groups grouped about leading political figures. These groups continue to exist, although no longer formally organized as political parties. They have no real grass roots connections and reflect the existing distribution of political power rather than serve as effective instruments for political action. However, they are important in conducting Parliamentary operations and electoral campaigns, and serve as centers for mobilizing political support.

Prior to the November 29 coup, the Phibun Government was represented in the Legislature by a loose coalition of small factions, known as the United Parties, the backbone of which was the so-called 1947 coup party (or group), otherwise known as the Rataphahan. It is the 1947 coup group which has now solidly entrenched itself in the government as a result of the November 29, 1951 coup, to the detriment of certain of the civilian elements in the former United Parties.

The principal opposition groups to the government parties were the Royalists Democratic Party and the former Free Thai supporters of exiled ex-Premier Pridi Panomyong.

The Communist Party has not been a strong force in Thai politics, although always a potential danger, particularly in view of the large overseas Chinese minority, from which it draws important support.

#### POLITICAL SITUATION

Government and armed services have been involved in widespread corruption over long period.

Recent coup ousted most remaining civilians and further concentrated dictatorial power in military group which apparently needed Phibun and retained him as Prime Minister (Note:-He is not operating as a puppet).



Internally this group has a number of possible combinations. Phibun with his astute political ability will probably continue to hold the balance of power but further internal coups are possible.

Present constitutional position is confused. King, although with little temporal power, is revered generally as spiritual head of Thai Buddhism and influences a definite following. Elections for Parliament (one-half membership) have been promised in next two or three months but result under present regime is unlikely to be impressive.

New Government has announced that there will be no change in its international attitudes and that it will take an even stronger position against Communism both internationally and internally.

Postwar, the Government has aligned itself progressively with the West, and under Phibun, gave witness to this by refusal to recognize Communist China, recognition of the Associated States of Indochina, agreement with the British authorities in Malaya concerning anti-Communist measures on the Malayan border, dispatch of troops to join the UN forces in Korea, and acceptance of a U.S. Military Assistance Advisory Group. E.C.A. and M.D.A.P. missions are currently rendering economic, technical and military assistance and Thailand is host to a number of U.N. Far East branch organizations.

Internal issues with Chinese population, more recently including closing of Chinese schools and restrictions to Chinese immigration, have been continuous.

#### KING OF THAILAND - Rama IX

Somdet Phra Chao Yu Hua Phumibol Adulyadej - age 24 - born Cambridge, Massachusetts; educated Bangkok and Lausanne, Switzerland; married, April 1950, (Queen Sirikit Kitiyakorn) daughter of Thai Ambassador in London - one daughter; planned to become an architect; succeeded to throne on brother's unexplained death 1946 - ninth sovereign of Chakkri dynasty which has reigned since 1782; returned to Lausanne to study law; coronation May 1950; returned again to Lausanne, coming back to Thailand recently. Hobbies: Music and photography.

#### PRIME MINISTER AND CABINET

##### Prime Minister and Minister of Defense - Field Marshall PHIBUN SONGGRAM

Age 54 - married but separated - son served on Thai U.S. Embassy staff - entered Thai Army at early age; Thai army schools, Fontainebleau Military School, France. While major in Thai Army, was one of promoters of 1932 coup; following year came into prominence as the leader of government troops which suppressed the royalist counter-revolution attempted by Prince Bowaradet. Largely as result of this, was recognized as leader of military faction which opposed civilian control of government; Minister of



Defense 1934-43. Prime Minister 1938-mid 1944, concurrently holding other portfolios and serving as Commander-in-Chief of Thai armed forces.

Collaborated fully with Japanese during World War II. Responsible for Thai declaration of war against Great Britain and U.S. 1942. (Note: U.S. did not reciprocate.) Retired from government service 1945. Accused by Government as Number One Thai War Criminal. Acquitted early 1946 when the Dika (Supreme) Court declared War Crimes Act unconstitutional. Returned to power by military coup of November 1947, becoming Commander-in-Chief of Armed Forces. In April 1948 again assumed premiership and has remained despite series of attempted revolts. Since return to power has committed government to policy of active cooperation with U.S. and U.N.

Deputy Prime Minister and Commander-

in-Chief of the Royal Thai Army: - General Phin CHUNHAWAN

Veteran professional soldier. Senior member of the military triumvirate which instigated coup of November 1947. His son-in-law (one of three in the present cabinet), Police Lt. General Phao Sriyanon, was a second member. Already Commander-in-Chief of the Thai Army, appointed to present cabinet post following November 1951 coup.

Minister of Foreign Affairs - Nai WORAKAN BANCHAI

Member of prominent and wealthy family from Chiangmai. Educated in England; law practice Chiangmai; Parliament 1938, from beginning of first Phibun regime until January 1946. Came into prominence as civilian member of military group which executed November 1947 coup. After appointment to second-level cabinet post in Phibun government, reelected to House of Representatives 1948; several lesser ministerial positions 1948-50. U.N. General Assembly, head of Thai delegation 1950 and 1951; present post March 1950.

Minister of Finance - Major General BORIPHAN-YUTTHAKIT

Educated in Thai, French and German military schools; graduate, Marseilles (France) School of Economics; primarily financial administrator; Quartermaster General of Army 1935; appointed Minister of Economic Affairs by then Prime Minister Phahon 1936, continued that position when Phibun first came to power in 1938; also Minister of Finance and, in 1943-44, President of Central Bank of Thailand; following November 1947 coup, Senator and Director of Central Bank; Minister of Commerce, November 1948. Present post since November 1951.

Minister of Agriculture and Commander-

in-Chief of Royal Thai Navy - Rear Admiral Luang Prayun HUTHASAT KOSON

Age 57. Graduated Royal Naval Academy, 1914; command and administrative posts in Thai Navy, retired 1934; transferred to Ministry of Defense 1934; series of second-level positions in Ministry to 1944;



along with many other high-ranking Army and Navy personnel associated with Phibun, placed on inactive list November 1944; director of War Veterans Organization and the Saifahlab Phanich Company, both trading and commercial firms; recalled to Navy following abortive Navy revolt, June 1951; present post since November 1951 coup.

Minister of Industry - Nai SUKHIT NIMANHEMIN

Born into wealthy banking family in Chiangmai; educated in England; on return joined faculty of Chulalongkorn University; by 1939, Secretary-General of University, Chairman, Faculty of Arts and Sciences 1940; did not enter politics until after World War II; member, wartime Free Thai Movement headed by Pridi Panomyong, and later a leader of the Sahachep party which supported Pridi; apparently reversed political loyalties, joined Phibun Government after coup of November 1947. Though in 1946 elected to Senate on pro-Pridi ticket; elected to House of Representatives, 1948 as Phibun supporter; Assistant Minister of Education 1948; of Industries 1949; has represented Thailand at diverse inter-Asian meetings.

Minister of Commerce - Luang Wichit WICHIT WATHAKAN

Age 56. Educated in France; on return, twenty years in diplomatic service; Director General of Fine Arts, Secretary General of the Royal Institute; Minister of Foreign Affairs, 1942; Ambassador to Japan, 1943; after returning late in 1945, re-entered Thai domestic politics and actively supported return to power in November 1947 of Phibun; present post since November 1951 coup.

Minister of Public Health - Phya (title) BORIRAK-WETCHAKAN

Minister of Communications - Air Chief Marshall F. RONAPHAKAT RITHAKHANI

Minister of the Interior - Major General Banyat THETHATSABIN

Minister of Justice - Phra NITITHAN-PHISET

Minister of Education - General Mangkorn PROM-YOTHI

Deputy Minister of the Interior

and Director General of Police - Police Lieutenant General Phao SRIYANON

Age 41. Graduated from Military Academy 1930, served in Army until retirement as colonel, 1945. Just prior to retirement was aide and secretary to Phibun, then serving his first tenure as Prime Minister (1938-44). Shortly after 1947 coup appointed Deputy Director General of Police Department and later promoted to Police Lieutenant General. Under Secretary in the Ministry of Interior April 1951, and following June 1951 coup became Director General of Police. Appointed to his cabinet positions following November 1951 coup. One of Thailand's most powerful figures. Son-in-law of General Phin Chunhawan (Commander-in-Chief of Thai Army and Deputy Prime Minister).



Deputy Minister of the Presidency of the Council  
of Ministers (new portfolio) - Air Vice Marshall Muni M. WECHAYANRANGSARIT

Deputy Ministers of Education - Air Marshall Luang SUNAWIN WIWAT  
Lt. Col. Sarit THANARAT

Deputy Minister of Finance - Major General Prayun PHAMONMONTRI

Deputy Minister of Agriculture - Police Colonel Lamai UTHAYANANON

Deputy Minister of Industries - Mr. Luan PHONGSOPHON

Deputy Ministers of Communications - Rear Admiral Luang CHAMNAN-ATHAYUT  
- Colonel Praman ADIREKSAN

#### OTHER THAI PERSONAGES

Ambassador to U.S. - H.R.H. Prince Wan WAITHAYAKAN

Age 60 - married - educated Oxford and Paris; Ministry for Foreign Affairs, 1919; Under-Secretary, 1924; Minister to London, 1926-30; Permanent delegate to League of Nations, 1930; Adviser to Prime Minister's Office and Minister for Foreign Affairs 1933-46; Ambassador to U.S. and Permanent Delegate to U.N. Scholar and able diplomat. Takes no part in Thailand's internal politics.

Chairman of Port Authority - Admiral BHOLASINDH

Relieved Admiral Sindh as Chairman of Port Authority, as well as Commander-in-Chief of Navy, after "coups" of June 29, 1951. Not as able and experienced as predecessor, nevertheless satisfactory and probably best in circumstances. Reportedly honest, sincere and conscientious. However, is subject to influence and could become tool of intrigues. He is not held in particularly high regard by his own outfit (Navy) but has recently increased in stature.

Director, Port of Bangkok - Captain SUPHI CHANTHAMAT, R.N.

Career Naval Officer. Replaced acting director Yin Samanond after coup d'état because latter reportedly had paid more attention to private business than to Port. Was on various occasions Port Director and replaced for reasons unknown. Has yet to prove himself, but may be expected to proceed with necessary Port reorganization. Head of Occupational Promotion Section of government-sponsored Thai Labor Union 1949-50. Director of Port of Bangkok for several years during postwar period - reappointed August 1951.

Chairman of Railways Authority - Leng SRISOMGWONG

Appointed June 7, 1951.



Governor of Railways Authority - Lieutenant General Luang  
Charun Ratanakun SERIROENGRIT

Served in ministerial capacity in Phibun regime (1938-44), during which time he held the Economic, Communications and Defense portfolios. During 1945-49 relatively inactive on political scene. Director-General of State Railways in 1949. Appointed June 7, 1951 Governor of Railways Authority, a government authority established when the Railways Department was officially separated from the Ministry of Communications. In opinion of U.S. Embassy, appears qualified for job by experience.

DIPLOMATIC AND CONSULAR REPRESENTATIVES

UNITED STATES

Ambassador - Edwin Forward STANTON

Age 51 - born New York State - married; University of Southern California, 1920; student interpreter, China 1921; Foreign Service 1924; in China 1924-41; Consul-General, Vancouver 1945; Minister to Thailand 1946, Ambassador since 1947; U.S. delegate to ECAFE, Bangkok, 1949.

Counselor, Deputy Chief of Mission - William T. TURNER

Age 51 - born Japan - married; Emory University; army 1918; teacher, business school, Japan, 1921-23; student interpreter, Japan, 1924; Foreign Service, 1924; posts in Japan and China 1924-49; Army and Navy Staff College, 1945; Consul-General, Windsor, 1949; present appointment March 1950.

Counselor - Chief, Political Section - Aaron S. BROWN

Age 48 - born Michigan - Married; Princeton; Georgetown School of Foreign Service 1935-36; newspaper reporter 1936-37; Foreign Service, 1937; posts at Mexico City, Warsaw, Dublin, Bogotá, Caracas.

Second Secretary, Political Section - Rolland H. BUSHNER

Age 31. Kansas State Teacher's College; Army 1943-45, overseas service; Foreign Service 1946; Tokyo 1946; Bangkok since January 1948.

Commercial Attaché, Chief,

Economic and Commercial Section - Rufus B. SMITH

Age 30 - born Illinois - married; Illinois College; Army, overseas service; Foreign Service 1946; posts in Amsterdam and Panama before present appointment.

Agricultural Attaché - Graham S. QUATE

Age 61 - born California - married; University of California; U.S. Forest Service 1920-34; State Conservationist for Utah 1935-42; Office



of Coordinator of Inter-American Affairs 1942-45; Foreign Service 1945, at Guatemala, San Salvador and Tegucigalpa; Attaché Bangkok since 1949; U.S. delegate to 2nd meeting of Nutrition Commission for Southeast Asia, F.A.O., Rangoon, 1950.

Attaché, Public Affairs Officer (Director, USIS) - Eugene F. O'CONNOR

Age 36 - born New York City - married; Princeton; publicity director for publishing company 1937-42; Director of Public Relations and editor, American Red Cross 1942-45; 1946-48; Director of research for credit company 1945-46; Foreign Service 1949, assigned to Bangkok.

Attaché, Acting Public Affairs Officer - William POTT

Age 62 - married - Foreign Service Officer, assigned to Seoul 1950.

#### UNITED KINGDOM

Ambassador - Geoffrey Arnold WALLINGER, C.M.G.

Age 48 - twice married - 1 son; educated Sherborne and Cambridge. Diplomatic Service 1926, posts in Cairo, Vienna, South Africa, Buenos Aires and China. Minister to Hungary 1949 to present appointment.

Commercial Adviser (First Secretary) - D. A. BATWELL

Information (First Secretary) - D.C. RIVETT-CARNAC

#### FRANCE

Ambassador - Jean PAUL-BONCOUR *(never)*

Age 53 - Ministry of Foreign Affairs since 1922; Washington, 1923; League of Nations 1924; Member, Observation Mission to Naval Conference, Geneva, 1927; Secretary-General, Delegation to London Naval Conference, 1930; General Disarmament Conference, Geneva 1932; League of Nations General Assembly, Geneva, 1934; London Naval Conference, 1935-36. Consul, Geneva, 1938; Observer at 8th Pan American Conference, Lima, 1938; Counsellor of Embassy, Peking, 1931; Chief of Information and Press Section 1939-40; In June 1944 sent to Washington as press chief; then to Peking, recalled by Vichy in 1943; Joined Free French in 1944. Chargé d'Affaires in Roumania. UN-Korea Commission January 1948.



100 lbs. paddy = 66 lbs rice = rice £44 per ton (metric)

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## BASIC STATISTICS

Area 200,000 square miles

Population (1950 estimate) 18.3 million

### Currency

Unit Baht

Parity

Official Baht 12.5 = U.S. \$1  
8 ¢ = Baht 1

Free market rate at  
end of November 1951 Baht 22.49 = U.S. \$1  
4.45 ¢ = Baht 1

### Trade Statistics - (estimate in millions of U.S. \$ equiv.)

	1948	1949	1950
Exports	223	271	288
Imports	144	205	209
Balance	+ 79	+ 66	+ 79

### Balance of Payments - (estimate in millions of U.S. \$ equiv.)

	1948	1949	1950
Receipts, current account	227	280	292
Payments, current account	154	218	223
	+ 73	+ 62	+ 69

### Budget (in millions of baht)

	1949		1950		1951
	Estimate	Actual	Estimate	Actual	Estimate
Revenue	1598	1915	1949	2144	2500
Expenditure	2309	2028	2670	2253	3498
Of which capital expenditure	(533)	(410)	(545)	(234)	(998)
Deficit	711	113	721	109	998

### Public Debt (September 30, 1951, in millions)

Total	Baht 1854.2
Government Bonded Debt	Baht 371.0
Treasury Bills	Baht 1356.3
Total Internal Debt	Baht 1727.3
External Debt, Sterling	£ 1.48
External Debt, Dollars	\$ 5.99
Of which disbursements on IBRD loans	\$ (1.19)

(\*) Announced Jan'y 1952 that rice exports will be reduced in 1952 to about 800,000 tons (against 1,500,000 in 1951)  
Thailand, sell, thru bulk agreements w. U.K. Japan India (now being imported)



Monetary Reserves Held by the Bank of Thailand  
(In the Banking as well as in the Issue Dept.)  
(End of Year or Month, in millions)

	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>Nov. 1951</u>	<i>Jan 10.52</i>
Gold	\$ 85.9	118.1	118.3	113.4	112 + (1)
U.S. Dollars	\$ 50.8	16.7	37.2	89.3 <sup>a/</sup>	
Sterling	£ 15.9	27.9	46.9	54.8	
Total in Baht <sup>b/</sup>	1992.7	2661.5	3584.2	4450.0	3800 + (2)

<sup>a/</sup> Including \$10,297,000 of IBRD Bonds

<sup>b/</sup> Converted at official rate of Baht 9.925 = U.S. \$1 at end of 1948 (pre-devaluation) and Baht 12.5 = U.S. \$1 at end of 1949 and succeeding dates.

Notes Circulation (end of period, in millions of Baht)

<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>Nov. 1951</u>
2390	2554	3278	3917

Sight Deposits of Commercial Banks (end of period, in millions)

<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>Aug. 1951</u>
693	646	914	1183

Cost of Living Index (Bangkok) (Apr. 1938 - Mar. 1939 = 100)

<u>Dec. 1948</u>	<u>Dec. 1949</u>	<u>Dec. 1950</u>	<u>Aug. 1951</u>
1175	1188	1350	1359

Wholesale Price Index (Apr. 1938 - Mar. 1939 = 100)

<u>Dec. 1948</u>	<u>Dec. 1949</u>	<u>Dec. 1950</u>	<u>Sept. 1951</u>
1616	1488	1680	1770

(1) + part of item called "Balance at Provincial Treasuries & Banks"  
(2) + part of item called "Post-accumulation and Provincial Treasuries"



## STRUCTURE OF THE ECONOMY

Agriculture occupies over 80% of Thailand's working population and - together with a few extractive industries such as tin mining, lumbering and fishing - forms the essential foundation of the economy. Other economic activity consists largely of handicrafts, processing of agricultural and forestry products, a few light manufacturing and service industries, a modern cement industry, trade, and the professions.

At present Thailand is the world's largest exporter of rice, followed by Burma and the U.S.<sup>1/</sup> Rice provides more than half of Thailand's total export earnings. The other major exports are rubber, tin and teak. The most important imports are textiles, petroleum products, machinery and vehicles, foodstuffs and beverages. Before the war a consistent export surplus was more than sufficient to cover the deficit on current invisible account.

Thailand has avoided large foreign indebtedness; private foreign investment is also relatively small. Until World War II full and uninterrupted service was maintained on such external obligations as were incurred. In 1947, after a lapse of five years, debt service was resumed with full settlement of arrears.

The economy was not greatly disrupted by the war, despite disorganization of timbering operations and extensive damage to railway bridges, workshops, locomotives, rolling stock, and to tin-mining equipment. Production and export of agricultural commodities recovered rapidly after the end of hostilities. Since 1947 a clear upward trend has been evident in the whole economy; and in 1949 the overall production as well as real income per capita, reached higher levels than pre-war.

An important feature of post-war economy is Government monopoly in the export of rice. This monopoly makes a substantial profit through control of the internal purchase price of rice well below the baht equivalent of rice export prices.

Another interesting feature is the exchange system. Thailand is the only country in Southeast Asia with a free exchange market, but a limited system of multiple exchange rates is in operation which acts as an export tax on rice, tin and rubber, and as an import subsidy for Government

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<sup>1/</sup> Before the war the largest rice exporters in order of importance were Burma, Thailand and Indochina.



requirements, fuel oil and a few health and educational requirements.<sup>1/</sup> The Rice Monopoly surrenders all its foreign exchange proceeds from rice exports to the Bank of Thailand at the official rate, and tin and rubber exporters are required to surrender 40% and 20% respectively of their exchange proceeds at the official rate. Part of these exchange receipts are made available for authorized imports at the official rate; of the remainder, dollars and Swiss francs are added to the monetary reserves, while other exchange is sold, at a considerable profit, to commercial banks at an established price which is slightly below the free market rate, or at the special rate in the case of open account credit under the Thailand-Japan barter agreement. In order to curb the volume of currency circulation, the profits accruing to the Bank of Thailand from these transactions are deposited in the "Stabilization Account" or, in the case of profits from sale of Thai-Japanese open account credit, in the "Exchange Profit and Loss Account."

#### Recent Developments

The trade and balance of payments surpluses which Thailand has realized with both the hard and soft currency areas since 1947, have continued at an accelerated rate since the outbreak of the Korean war. Exports of each of the three main commodities, rice, rubber and tin, reached post-war records in volume and value in 1950. Rice exports of about 1.5 million metric tons surpassed the prewar average of 1.4 million tons for the first time since the war, and during January-August 1951 the volume was 11% higher than in the comparable period of 1950. Rubber exports reached 112,700 tons in 1950 (compared to the prewar average of less than 50,000 tons), and 55,000 tons were exported in the first half of 1951. Tin exports of over 14,000 tons in 1950 were almost equal to the prewar average, but they declined to an annual rate of around 9,200 tons in the first half of 1951.

Thailand's main trading partners are Malaya and Singapore, the U.S., Japan, Hong Kong and the U.K. In 1950 these countries accounted for around 85% by value of Thailand's exports and 80% of imports. The

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<sup>1/</sup> The basic exchange system consists of an official rate (baht 12.5 = US \$1 or baht 35 = £1) and a free market rate which fluctuates at levels considerably above the official rate (e.g. around baht 22 = US \$1 and more than baht 50 = £1). In addition, under a barter trade arrangement with Japan, trade is conducted at a special rate of baht 20 = US \$1).



major change which has occurred in the geographical trade pattern since prewar is the increased share of the U.S. Thus in 1950 approximately 25% of total exports went to the U.S. and 15% of imports came from the U.S., compared to 0.4% and 4.2% respectively in the prewar period. Thailand's trade surplus with the U.S. in 1950 amounted to \$50.3 million (exports \$75.3 million; imports \$25.0 million). During January-October 1951 Thai exports to the U.S. were considerably more than twice as large while imports were less than twice as large as in the comparable period of 1950. As seen below, Thailand's favorable balance increased from \$31.7 million in the first ten months of 1950 to \$73.1 million in the 1951 period.

Thai - U.S. Trade. <sup>1/</sup>		
(in millions of U.S. \$)		
	Jan.- Oct.1950	Jan - Oct.1951
Thai Exports	52.4	112.9
Thai Imports	20.7	39.8
Balance	+ 31.7	+ 73.1

<sup>1/</sup> Based on U.S. statistics.

The favorable trade and balance of payments position is reflected in the sharp rise in the gold and foreign exchange holdings of the Bank of Thailand. From July 1950 to June 1951 gold and dollar holdings increased by \$43.8 million, after an increase of \$46.2 million from the end of 1947 to mid-1950. Sterling holdings increased by £ 17 million in the year ended June 1951 compared to a rise of £ 20.5 million in the preceding two and one-half years.

Mainly as a result of the increase in foreign exchange holdings, Thailand's note circulation, which is the most important element in the money supply, increased sharply by 39% during the year ended June 1951. From April to the end of September 1951 however, a levelling off of the monetary inflation was evident. The note circulation increased by baht 25 million (less than 1%), while the Bank of Thailand's gold and foreign exchange holdings rose by baht 199.6 million (\$16 million). At the end of September the Bank's holdings of gold and foreign exchange (in the Banking as well as the Issue Department) were equivalent to 111% of the note circulation (converted at the official rate).

The Bangkok cost of living index increased by 12.7% and the whole-sale price index rose about 8% in the year ended June 1951. This increase in the internal price level was quite moderate in view of the general rise in world prices, and it is much less than might have been expected in view of the substantial increase in the money supply. The price effects of the increased money supply were mitigated by higher levels of production and overall economic activity and especially by hoarding of currency notes.



The national budget showed an overall deficit of baht 109 million in 1950, compared to an estimated deficit of baht 721 million. As in previous years all of current expenditure and more than half of capital expenditure was met from revenue. The estimated deficit in 1951 is baht 998 million. Revenues were probably under-estimated and expenditures over-estimated as in previous years, however, and it is expected that the actual 1951 deficit may be around baht 200 million. Press reports indicate that a balanced budget, with both revenue and expenditure estimated at baht 3035 million, has been approved for 1952.

Despite an increase of baht 540 million during July 1950 - June 1951 (due entirely to increased Treasury bills outstanding), Thailand's total public debt is equivalent to substantially less than one year's budgetary revenue. In August a new baht 200 million Government bond issue was sold. The sales of Treasury bills were mainly for the purpose of obtaining cash to repay money which the Government had borrowed from funds deposited with the Treasury by various Government agencies. The inflationary effects of the Treasury bill sales were offset to a substantial extent by the sterilization of export profits through deposits in the Stabilization Account and the Exchange Profit and Loss Account, totalling baht 369 million in the year ended June 1951.

In July 1951 Thailand began withdrawals against the three IBRD loans granted in October 1950. As of December 31, 1951 total disbursements by the IBRD amounted to \$3,738,278, of which \$11,400 for railway rehabilitation, \$396,113 for development of the Port of Bangkok, and \$3,330,765 for development of irrigation.

### MAJOR ECONOMIC PROBLEMS

Problems of Rehabilitation and Development. Thailand has no overall development program. Until recently the repair of war damage and the implementation of the Government's various development plans have progressed rather slowly. Rehabilitation of railways and highways is not yet complete. Recovery of tin mining has been slow due, among other reasons, to relatively high royalty rates (compared to those across the border in Malaya) and the requirement to surrender at the official rate 40% of the foreign exchange proceeds from tin exports. A substantial part of the work of developing the port of Bangkok, which was begun before the war, remains to be completed. These and other more basic programs for developing Thailand's resources will have to be carried out if the population, increasing at the rate of 2% yearly, is to be assured an improved standard of living.

Development will continue to center upon agriculture. The completion of the Chao Phya irrigation project is expected to result in a significant increase in rice production, without which rice exports would decline because of population increase. In order to diversify agriculture, plans have been laid for a substantial increase in production and export of other crops,



such as groundnuts, coconut oil, soya beans, sesame and tobacco. A five-year program has been prepared aiming at forest improvement, conservation and better utilization of timber. This program includes the establishment of a plywood factory, a wood distillation and refinery plant, and a wood preservation plant. The development of various light industries is contemplated, such as a large modern sugar factory, a large industrial alcohol plant, a modern textile factory, and a gunny bag factory.

Problems of Financing Development. So far as public expenditures are concerned, it has been the Government's practice to finance substantial capital investment from budget revenue. Barring unforeseen contingencies, e.g., a worsening of the international situation which might necessitate a large increase in defense expenditure, the Government should be able to balance ordinary expenditure and revenue and reserve the abnormal income from the Rice Monopoly for capital investment purposes. During the next three or four years this income could provide sufficient funds for the remaining rehabilitation projects and some development projects. After that period capital expenditures may decline and, if in the meantime a vigorous educational campaign is undertaken to stimulate savings by the people in the form of deposits with the Government Savings Bank, this source of local currency financing would permit additional development projects to be undertaken without inflationary consequences. Such an educational program could be a preliminary step to a longer-term goal of organizing a capital market, which is non-existent in Thailand today. The successful establishment of a capital market would facilitate greatly the financing of both Government projects and private capital investment. At present it is estimated that the Bank of Thailand holds more than three fourths of the internal public debt, while most of the remainder is held by the Savings Bank, commercial banks and public institutions. Only a small fraction is held by private individuals.

With regard to external financing, the prospects are favorable that Thailand will be able to maintain trade and balance of payments surpluses quite consistently, although at levels below those of the recent past. The sterling position is especially strong, since the bulk of rice exports go to the sterling area, and Thailand should be able to service additional sterling obligations in amounts well above any now contemplated. Prospects of a dollar surplus also appear favorable, even with rubber and tin exports to the U.S. considerably lower in volume and value than those recently recorded.

Private foreign investment could make a significant contribution to Thai development, particularly if accompanied by managerial and technical skills, which are very much needed in Thailand, as well as financial resources. It is doubtful, however, if private foreign capital will be forthcoming on a substantial scale as long as the present disturbed conditions persist in Indochina, Malaya and other nearby countries. Existing Thai legislation in principle gives foreign investors rights and privileges equal to those of Thai investors. The laws are flexible enough, however, to enable the Government to act as it prefers in any particular case. In this connection the



Ministry of Agriculture has recently indicated that the teak cutting concessions of six foreign firms in North Thailand will not be renewed when they expire in the next two to five years. Under present policy the foreign investor is likely to be more welcome if he invests jointly with Thai private investors or the Thai Government.

In the past year or so the tempo of rehabilitation and development work has increased appreciably. Technical and financial assistance by the IBRD and ECA have been important contributing factors. In the fiscal year ending June 30, 1951 the ECA program for Thailand amounted to \$8 million for improvement of public health, rehabilitation and development of agriculture, forestry and fisheries, rehabilitation of railways and highways, port development (including the purchase of the dredger "Manhattan"), development of handicrafts, mining and manufacturing industries, and technical assistance in the fields of education and public administration. These projects are being continued under a \$7 million ECA program during fiscal 1952.

#### ISSUES BETWEEN THAILAND AND THE FUND

1. Following the Fund Mission to Thailand in the fall of 1949 the IMF recommended that Thailand consult the Fund at an appropriate time regarding measures to simplify the exchange system. Due to the broken dollar/sterling cross-rate on the Bangkok free market (e.g. it was around \$2.50 during August 1951), the IMF suggested that the Bank of Thailand stabilize the baht/dollar free market rate, while permitting the baht/sterling rate to continue to fluctuate. The IMF has also recommended that Thai-Japanese trade under their barter arrangement be conducted at the free market rate (around baht 22 = US \$1) instead of the special rate (baht 20 = \$1), on the grounds that the use of the special rate gives especially favorable treatment to Japan. In September 1951 further discussions on these questions were held in Washington between Thai and IMF officials. Thailand agreed to continue studying the IMF recommendations, but no action has yet been taken to implement them.

2. In April 1951, following an interruption of about seven months in the Bank of Thailand's sterling sales for its Stabilization Account due to a decline in the free market baht/sterling rate below the Bank's established selling price for sterling, Thailand asked for and received permission from the IMF to reduce the Bank of Thailand's sterling selling rate to a level no lower than 2% below the prevailing selling rate of commercial banks.



## RELATIONS WITH BANK

### A. Loans Granted

<u>PROJECT</u>	<u>Date of Signature</u>	<u>Totals</u> (millions \$)	
		<u>Amounts</u>	<u>Disbursed</u>
1. Railways (35-TH)	Oct. 27, 1950	3.0	-
2. Irrigation (36-TH)	Oct. 27, 1950	18.0	3.5
3. Port (37-TH)	Oct. 27, 1950	4.4	.4
		<u>25.4</u>	<u>3.9</u>

### Outstanding Problems

(1) Railways - Final design of the Makassan workshops (for which \$1.8 m. provided for in the loan) has not yet been approved by Bank's consultant (de Leuw, Cather and Co.) and the Bank's engineers. ECA technical expert assists the Railways in the preparation of such design and list of equipment. Tenders for a part of equipment have already been received, others are expected in February and March, 1952. In June 1951 the Bank was informed that orders were being placed for the signalling equipment (for which \$1.2 m. provided in the loan) but no specifications have so far been submitted to the Bank.

(2) Port - Dredging operations behind schedule, due to delayed arrival of a large dredge (owned by Amsterdamsche Balaast Maatschappij) from Suez. Company's small dredge, together with dredge provided under U.S. assistance, has been in operation since September 14, 1951 at a slowed-down rate due to river currents. Out of \$3 million provided for in the Loan for the dredging contract, about \$2 million will be payable in U.S. currency, and the balance of \$1 million in sterling. The Bank agreed to allocate \$400,000 from that balance for the purchase of port equipment. The Government has not yet decided for what projects it will ask the Bank to allocate the remaining \$600,000. Only a small part of the orders for port equipment (for which \$1.4 m. allocated in the Loan) has so far been placed.

### B. Loan Possibilities

No other projects have been submitted to the Bank since above loans were made. Bank advised U.S. Government in August 1951 that it was willing to extend to Thailand additional \$5 million credit for justifiable projects, preferably self-amortizing. The following projects may become a basis for possible requests for Bank financing:

1. Chainat Power House. Estimated foreign exchange cost \$3.6 million; for hydroelectric station and transmission system for the Chao Phya irrigation barrage. Financing not required



until time for placing orders (about three years after beginning of barrage construction). Bank indicated that it will consider this project in due course (probably in 1953).

2. Kang Rieng Hydroelectric Project. Estimated foreign exchange cost \$13 - 15 million. Project submitted to the Bank in 1950. The Bank notified Thailand on March 5, 1951 that additional studies which will be needed to make appraisals should include: (a) suitability of geological structures for foundation of dam; (b) geology and water-tightness of reservoir area; and (c) rainfall and other hydrological data over an extended period. Above studies are being made by the Irrigation Department. *probably not ready before 2/3 years*

3. Korat Plateau Access Railroad Line. Estimated foreign exchange cost \$6.2 million. For development of northeastern area. Needs quantitative economic justification of effects of new railroad line as compared with roads. ECA assisting Thai Railways in the preparation of project which may become a suitable basis for Bank additional financing of about \$5 million in the current year (see above). *Good idea open up new territory*

4. Industrial Development Bank. Informal inquiries were made to establish Bank's interest. Bank replied that a study of possibilities for industrial development should be made before the need for financial assistance can be determined. Bank recommended that ECA be requested to furnish assistance in studying these possibilities. *no initiated by Wivat*

Bank and Alderwood in March 51 discussed use of rice monopoly profit and promise was given that in Budget 1952 (calendar) there will be shown profit and develop expenditure. Alderwood was written to him of finance referring to his discussion and to increased taxation - he answer seen. Main question is however only whether investment expenditures are met in non inflationary manner and whether some investments induced by SCA and fully satisfied may exceed normal means. Is this still a problem? How met? Do they feel that SCA is pressing them too fast.



STANDARD B & P "NOTEAR"

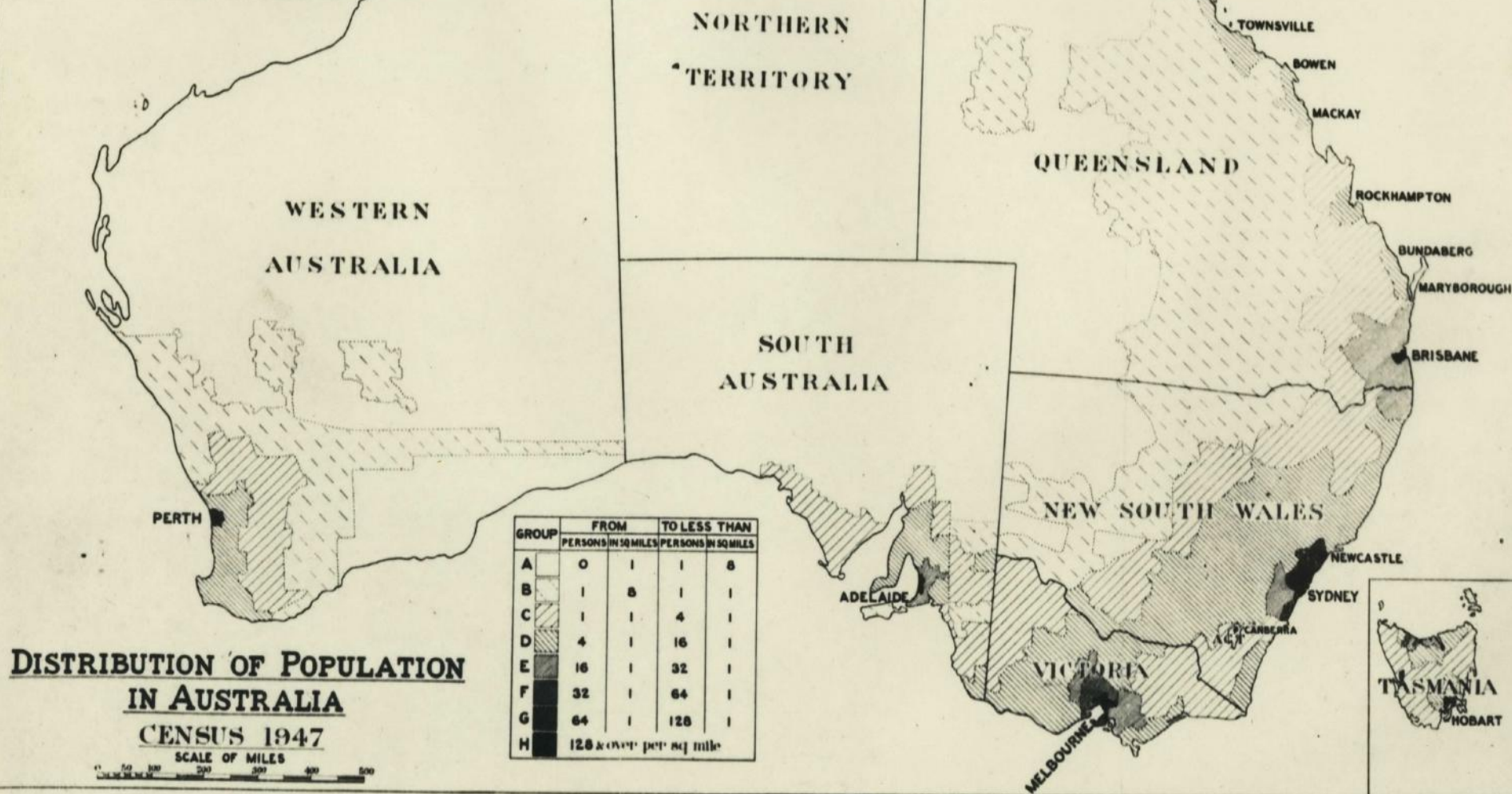
STANDARD B & P "NOTEAR"

AUSTRALIA



N.S. WALES	2,984,838
VICTORIA	2,054,701
QUEENSLAND	1,106,415
S. AUSTRALIA	646,073
W. AUSTRALIA	502,480
TASMANIA	257,078
A.C. TERRITORY	16,905
N. TERRITORY	10,868

SYDNEY	1,484,004
MELBOURNE	1,226,409
BRISBANE	402,030
ADELAIDE	382,454
PERTH	272,528
HOBART	76,534
CANBERRA	15,156
NEWCASTLE	127,138





AUSTRALIA (Dominion)  
(From Latin auster - "south wind")

GEOGRAPHY

Located in the southern hemisphere, consists of the island Continent of Australia and island of Tasmania. Lies between Pacific and Indian Oceans with Timor and New Guinea a few hundred miles to north, New Caledonia about 900 miles to east, and New Zealand about 1,200 miles to southeast. About 2,970,000 square miles, mainland alone about 2,948,000 square miles. Almost size of U.S., and four-fifths size of Canada.

Physical Features - Vast central area largely arid, with plantless sand or rock deserts or tropical desert shrub; on western side desert extends to sea; on other sides an intermediate zone of tree-dotted grassland and outer zone of forest.

Climate - 40% within tropics, 87% has rainfall of less than 30 inches per annum. North coast area of summer rains (January - March) averaging about 15 - 30 inches per year. South coast, winter rains (June - July) about 20 inches annually. East coast, around Sydney, where production concentrated, temperate, (mean annual temperature 63°) rainfall about 40 inches, distributed more uniformly through year.

POPULATION

Estimated at 8.5 million (December 1951) around 97% of British origin. Highly concentrated in capital cities; about 68% in urban areas. Expanding both by natural increase and deliberate policy of immigration. By 1960, population expected to reach 11 million.

PRINCIPAL CITIES

- |                  |   |
|------------------|---|
| <u>Canberra</u>  | - 15,000 - Federal capital, located in Australian Capital Territory, about 200 miles from Sydney in New South Wales.  |
| <u>Sydney</u>    | - 1,500,000 - Largest city - Capital of New South Wales - largest seaport, with deep and sheltered harbor, a favorite pleasure resort. Many parks. Chief commercial, banking, shipping and wool-selling center.   |
| <u>Melbourne</u> | - 1,200,000 - Capital of Victoria - seaport (close second to Sydney) on large sheltered bay. Railway center for large agricultural, dairying and wheat area. Industries: milling and food preparation, leather, wool, wood and iron working. Abundant cheap electric power. |



- Brisbane - 400,000 - Capital of Queensland - Spacious, solidly-built, well laid-out. Center for rich agricultural, pastoral and mining area. Dredged river channel gives access to sea for rapidly growing port.
- Adelaide - 382,000 - Capital of South Australia - extends several miles along narrow coastal plain. Harbor at Port Adelaide, 8 miles away. Manufactures woolens, machinery and pottery; commercial center for surrounding fertile agricultural area. Typical Mediterranean climate.
- Perth - 273,000 - Capital of West Australia and practically its only port. Old, plain city with narrow streets is disappearing through rebuilding. Swan River broadens into lake (Perth Water) in front of city. Trade, commerce and banking center for the state.

## HISTORY

First European to land in Australia was Willem Jansz (Dutch) 1606. Claimed for Britain by Captain Cook, 1770. European colonization began with convict settlement at Port Jackson (now Sydney) in 1788. Separate settlements established at Risdon in Van Diemen's Land (now Tasmania) 1803, King George Sound (now Albany) 1827, Perth 1829, and Adelaide 1836. Numerous explorations: Stuart west from Sydney 1828 and 1831, north from Melbourne 1845; Eyre west along south coast from Adelaide 1841; Leichardt to northwest coast from Brisbane, 1844; Stuart across continent, north from Adelaide 1859-60; Giles through west-central desert, 1875-76.

In 1841-43 there was a commercial crisis caused by extravagant land speculation and inflated prices. Gold in commercial quantities discovered in 1851 and a gold rush began; great Ballarat and Bendigo goldfields opened up. All states except West Australia got responsible self-government in 1860. In 1893 there was a bank crisis which, however, led to trade being put on a sound basis and abuses of the credit system being abolished.

In 1900 the six states were federated into the Commonwealth of Australia under the British Crown. The first Parliament met in May 1901. The Commonwealth received Dominion status by the Statute of Westminster 1931.



## GOVERNMENT

### Political Subdivisions

Australia is a Dominion member of the British Commonwealth of Nations, and is itself a Commonwealth of six states (New South Wales, Victoria, Tasmania, South Australia, West Australia, Queensland) with a Federal Government which is distinct from the state governments. Northern Territory and Australian Capital Territory are both administered directly by the Federal Government.

Each mainland state is divided into Shires (District Councils in South Australia, Road Board Districts in Western Australia) for local government. Town areas may be raised to Municipalities which differ from Shires administratively only. Tasmania is divided into Municipalities.

Form of Government - Commonwealth Constitution largely modeled on that of U.S. Main differences are in recognition of British Crown, and retention of British system of cabinet government under a Prime Minister.

Governor General appointed by King on advice of Australian Government.

Senate of 60 members (10 from each state) elected for 6 years, with half of Senators retiring every 3 years. House of Representatives of 123 members, representing electoral divisions across the country, elected for 3 years.

State Governments are on similar lines, under cabinet system and a State Governor appointed by the King. All states except Queensland have two legislative houses.

Recent Elections - Coalition of Liberal and Country Parties defeated Labor Party at elections December 1949. Labor, however, retained control of Senate which obstructed Government's program. Prime Minister, by snap election early 1951, won control of Senate:

	<u>Senate</u>	<u>House of Representatives</u>
Liberal Party )	32	52
Country Party)		17
Labor	28	54
Coalition majority	<u>4</u>	<u>15</u>

### POLITICAL PARTIES

Liberal - Organized in immediate postwar period, endeavors to consolidate non-Labor forces which do not adhere to Country Party.



United Australia Party (U.A.P.) was absorbed by Liberal Party after heavy U.A.P. defeat in 1943 elections. U.A.P. organized 1931 and in office for a decade - mostly in coalition with Country Party - favored private enterprise, although supported, as do all Australian parties, government ownership of railways and other public services, e.g. irrigation schemes, power and light and broadcasting service.

These policies are continued by Liberal Party which has attacked Labor's socialization and attitude towards strikes by unions - advocates profit-sharing schemes and reduction of government enterprise, e.g. airlines as set up by Labor. Has continued to support immigration policy of late Labor government. Because of increasing strains on economy due to defense program, target figure of 200,000 per annum has recently been reduced to 150,000.

In recent election campaign coalition's most effective issue was question of combatting communist influence. All three parties are anti-communist but Labor has not approved of some of Government's measures to combat it.

In international affairs supports full cooperation with U.S. and U.K. Leaders: R. G. Menzies (Prime Minister), H. E. Holt (Minister for Labor), R. G. Casey (External Affairs).

Country - Product of post-World War I period - claims to represent interests of farmers and all others living in country districts. Policy mainly concerned with rural issues. Advocates guaranteed prices for farmers under producer control, irrigation and decentralization schemes, extension of transport and communications in rural areas. Leaders: A. W. Fadden (Deputy Prime Minister and Treasurer), J. McEwen (Minister for Commerce and Agriculture).

Labor - Oldest of parties with history since 1890's. Trade union party tightly organized. Pledged to gradual socialization. Lays great emphasis on social services which it believes should be financed either out of revenue or upon the New Zealand principle of a universal tax. Although powers of Commonwealth to nationalize industries much in doubt, Labor set up a Government air line, planned a government shipping line and a national health service. In 1947 passed legislation aimed at nationalizing private commercial banks but Act ruled constitutionally invalid by High Court and Privy Council.

Appeals for vote of small farmer as well as those of trade unionist and salaried worker. Supports plans for government-guaranteed marketing of primary products.

Stands for Australian independence within framework British Commonwealth and lays great stress on international organizations such as U. N.



Main spokesman for White Australia Policy, supported by all parties except communist, opposing migration of colored peoples. Previously opposed to large-scale migration even of white peoples, now energetically in favor of migrants from Britain, Europe and U. S.

Leaders: H. V. Evatt (former Deputy Prime Minister, Minister for External Affairs and Attorney General).

Communist - Very small membership but holds important positions in certain key unions, e.g. mining and transportation.

#### POLITICAL SITUATION

Government situation appears secure. Difficulties in program, however, have arisen because of defense preparations.

Liberal Party objections to appointment of present Governor General (former Labor politician) appear to have been largely dissipated.

Government continues to pursue vigorous policy of strengthening Australia's bonds with U.S. while maintaining and strengthening British Commonwealth relationships.

Security Treaty signed by U.S., Australia and New Zealand is expected to be ratified shortly. Australia has been found eligible for reimbursable military assistance under Mutual Assistance Defense Act.

#### GOVERNOR GENERAL AND CABINET

##### Governor General - Sir William MC KELL

Age 60 - born New South Wales - married - 1 son, 2 daughters. Left school at age 13, became boilermaker; Assistant Secretary, Boilermakers' Union; Labor Member, Legislative Assembly, 1917-47; Assistant Minister for Justice 1920-22; Treasurer 1925-27; called to Bar 1925; Minister for Local Government 1930-31; for Justice 1931-32; Leader of Opposition 1939-41; Premier and Treasurer 1941-47; K. C. 1945; Privy Council 1948. Awarded K.C.M.G. by U.K. Government (Conservative) November 1951.

Second Australian-born Governor-General. Honest, astute, conservative politician. Appointment caused strong criticism from Liberal Party, but this largely dissipated--Prime Minister Menzies requested extension of his term so that he might continue as Governor General during forthcoming Royal Visit.

Affable, very pro-American. Greatly interested in soil conservation, water supply and Snowy Mountain Irrigation and Power Project. Likes boxing and football.



Prime Minister - Right Honorable Robert G. MENZIES

Age 57 - born Victoria - married - 2 sons, 1 daughter - University of Melbourne; Bar, 1918, K.C. 1929; various state legislative and cabinet posts 1929-34; Federal Attorney General 1934-39; Prime Minister of Australia 1939-41; Leader of Opposition 1943-49; prime mover in founding Liberal Party 1945; Prime Minister 1949; following double dissolution of Parliament in 1941, again Prime Minister in Liberal-Country Coalition. Brilliant, self-confident, strong supporter of Commonwealth. Friendly to U.S. Visited U.S. 1950. Recreations: walking, watching first-class cricket. Author: The Rule of Law During War; To the People of Britain at War; The Forgotten People; joint author, Studies in Australian Constitution.

Deputy Prime Minister and Minister of Finance - Rt. Hon. Arthur W. FADDEN

Age 57 - born Queensland - married, 2 sons, 2 daughters. Chartered accountant and few minor municipal positions; Federal House of Representatives 1936; Assistant Federal Treasurer, Assistant Minister for Supply and Development, Minister for Air, and Federal Treasurer 1940-41; Acting Leader of Country Party 1940, Leader 1941, Deputy Prime Minister. Acting Prime Minister, and when Menzies resigned, although Fadden was leader of smallest party in Parliament, became Prime Minister August-October 1941; Leader of Opposition until badly defeated 1943. Coalition dissolved, Fadden remained as leader of Country Party; Advisory War Council; Privy Council 1942. Recreation: golf.

Vice President of Executive Council

Minister for Defense Production - Hon. Eric J. HARRISON

Age 59 - born New South Wales - married (twice) - 4 daughters. Educated Crown St. School. Military service World War I. House of Representatives 1931-51; Executive Councillor and Minister for Interior 1934, resigned; Minister for Interior, Postmaster General and Minister for Repatriation 1939-40; Minister for Trade and Customs 1940-41; Liaison Officer, New South Wales L. of C. to U.S.; Deputy Leader Federal Opposition 1944-49. Minister Defence 1949. Recreations: rowing, sailing, golf, reading.

Minister for Labor and National Service

Minister for Immigration - Hon. Harold HOLT

Minister for Commerce

Minister for Agriculture - Hon. John MC EWEN

Minister for External Affairs - Rt. Hon. Richard G. CASEY

Age 61 - born Queensland - married, 1 son, 1 daughter. Melbourne University, Trinity College, Cambridge - engineer and mining. World War I overseas, rose to major. Political Liaison Officer between British and Australian



Governments in London 1924-31; Federal House of Representatives 1931; Assistant Federal Treasurer, Federal Treasurer, Minister in charge of Development and Scientific Research, and Minister for Supply and Development 1931-41; Privy Council 1939. Minister to U.S. 1940-42; British Minister of State in Middle East at Cairo and member of British War Cabinet 1942. Governor of Bengal, India, 1944-45; Minister for National Development 1949; Minister for External Affairs, 1951. Author: An Australian in India. Recreations: aviation, tennis, squash.

Minister for Defense

Minister for the Navy

Minister for Air - Hon. Philip A. MC BRIDE

Minister for Health - Sir Earle PAGE

Minister for Trade and Customs - Hon. Neil O'SULLIVAN

Minister for Fuel, Shipping and Transport - Hon. George MC LEAY

Postmaster-General and

Minister for Civil Aviation - Hon. Hubert L. ANTHONY

Attorney General - Hon. John A. SPICER

Minister for National Development - Hon. William SPOONER

Age 54 - born New South Wales - married - 1 son, 2 daughters. Christ Church School, Sydney. Chartered Accountant; Commonwealth Minister for Social Services 1949; Senator for New South Wales 1950. Recreation: golf.

Minister for Repatriation - Hon. Walter J. COOPER

Minister for the Army - Hon. Josiah FRANCIS

Minister for Supply - Hon. Howard BEALE

Minister for Interior

Minister for Works and Housing - Hon. Wilfred S. KENT HUGHES

Minister for Social Services - Athol G. TOWNLEY

Minister for External Territories - Paul HASLUCK

#### OTHER AUSTRALIAN PERSONAGES

Ambassador to U.S. - The Honorable Percy Claude SPENDER, K.C.

Age 54 - married, 2 sons - Sidney University; Lawyer 1923; House of Representatives since 1937; Menzies ministry 1939; Federal Executive Council 1939-40; Advisory War Council 1940-45; War Cabinet 1940-41; Military service 1942-45 (Lieut. Colonel); Minister for External Affairs and External Territories, 1949 to present appointment, June 1951. Vice President U.N. General Assembly and Chairman Australian Delegation.



Author of books on law and politics. Recreation: swimming, tennis and golf.

Leader of Opposition - Rt. Hon. Herbert Vere EVATT

Age 58 - born New South Wales - married - 1 son, 1 daughter. University of Sydney, B.A. M.A. LL.B., LL.D; Called to Bar; K.C. 1929; Legislative Assembly New South Wales 1925-30; Justice High Court of Australia 1930-40; House of Representatives since 1940; Chairman, Commonwealth Advisory Committee on Reconstruction 1941; Attorney General and Minister for External Affairs 1941-49; Privy Council 1942; Leader Australian delegation various conferences; At U.N. Conference San Francisco 1945 made name for self as champion of rights of small nations; U.N. 1946-48; President of Assembly Session 1948-49; Leader of Labor Party. Ambitious, outstanding ability, great determination. Author: several books on government, Labour movement. Recreation: cricket.

DIPLOMATIC and CONSULAR REPRESENTATIVES

UNITED STATES

Ambassador - The Honorable Pete JARMAN

Age 59 - born Alabama - married. University of Alabama, 1913; University of Montpellier, France, 1919; Army 1917-19, overseas service; examiner of accounts, 1919-31; Alabama Secretary of State, 1931-35; Assistant Comptroller, Alabama, 1935-37; member of Congress 1937-49; present post June 1949.

Counselor of Embassy (Canberra) - Richard W. BYRD

Age 52 - University of Virginia - married; teacher 1922-24; mortgage business 1925-35; Foreign Service since 1935, posts in France, Near and Middle East, Ottawa.

Consul (Brisbane) - Cyril L. F. THIEL

Age 48 - born Chicago - married; Georgetown and London Universities; Foreign Service since 1924 at Calcutta, Colombo, Bristol, Jerusalem, Helsingfors, Habana and Seville; present appointment since December 1949.

Consul General (Melbourne) - Henry E. STEBBINS

Age 46 - born Massachusetts; Harvard; Department of Commerce foreign service, Western Europe, 1929-38; Foreign Service, London, 1939 to present appointment, June 1951.

Consul General (Sydney) - Donald W. SMITH

Age 45 - born Washington, D. C. - married; George Washington University; Department of Commerce posts in Singapore, Tokyo, Batavia, 1927-39; Foreign Service since 1939; Stockholm 1945-47; State Department, 1947; Chief, Division of Foreign Service Personnel, 1948; Consul General, Sydney since July 1950.



Consul (Head of Economics Section) (Sydney) - Harris R. HUNGERFORD

Age 55 - born Maryland - married. Northwestern, Georgetown, George Washington Universities; Army overseas, 1918-19; Department of Agriculture, marketing, 1914-25; Department of Commerce, economic analyst, 1925-45; Foreign Service, economic analyst, London, 1945-49; Sydney, 1949; Consul, Sydney since 1950.

Consul (Agriculture) Sydney) - Thomas Clyde M. ROBINSON

Age 39 - born Canada - married - Monmouth College, Universities of Chicago and Missouri; Department of Agriculture, 1935-40; 1946-49; Lieut. Col. 1941-46; Commodity Credit Corporation, agricultural economist, 1940-41; F.A.O. statistical consultant 1947-48; Foreign Service, Canberra, 1949; economic officer, Sydney, 1949; Consul, 1950.

Consul (Commerce) (Sydney) - Harold E. HALL

Age 35 - born Utah - married. Utah State Agricultural College, Stanford, George Washington and Oxford Universities. Newspaperman, 1937-38; high-school teacher, 1938-42; professor 1942-43; Department of State 1943-44; Department of Commerce, international trade economist, 1944-49; merchant marine, 1945; Foreign Service, economic officer, Sydney, 1945; Consul 1950.

Labor Reporting Officer (Sydney) - Herbert L. WEINER

Age 31 - born New York City - Columbia University, Ph.D., 1947. Teacher 1943; Army 1943-46; college instructor, economics, 1946-47; Foreign Service, London, 1947; vice consul, Sydney, 1949.

UNITED KINGDOM

High Commissioner - His Excellency The Right Honorable Edward John WILLIAMS

Age 61 - married - 2 daughters. Labour College, London 1913-15; miner at age of 12; Secretary to Great Western Collieries 1909-13; Lecturer for Labour College; County Council 1928-31; Miners' Agent to Garw District of South Wales Miners' Federation, 1919-31; M.P. (Labour) 1931-46; Parliamentary Private Secretary 1940-45; Minister for Information 1945-46; High Commissioner 1946. Author of articles to various South Wales and Miners' journals.

Deputy High Commissioner - Ben COCKRAM, C.M.G., O.B.E.

Age 48 - married, 1 daughter; educated Oxford, London and Michigan (U.S.); Dominions Office 1926; Private Secretary to Parliamentary and Permanent Under Secretaries of State 1929-34; Political Secretary to High Commissioner in South Africa 1939-44; Counsellor, Embassy, Washington, 1944-49; Adviser to delegations to League of Nations, U.N., etc. 1935-48; Far East Commission on Japan 1946-48; present position January 1952.



Official Secretary - J. A. M. MARJORIBANKS (pronounced Marshbanks)

Information Officer (Melbourne) - J. L. HAYDEN

FRANCE

Minister - Gabriel PADOVANI

Age 58. Attached to High Commissioner, Kaunas, 1920; Chargé d'Affaires 1924; Ministry of Foreign Affairs 1926; Consul General Basle 1935; French High Command, Austria, 1946; First Conselor, Vienna and Chief of Political Division, Allied Council for Austria, 1946. Chevalier, Legion of Honor, 1927.

CANADA

High Commissioner - Colin Fraser ELLIOTT, K.C. C.M.G.

Age 63 - married, 2 children. University of Toronto, Osgoode Hall. Law practice. Overseas military service, 1917-19; Income Tax Division, 1919-43; Deputy Minister of National Revenue for Taxation, 1943; Fiscal Committee, League of Nations; C.M.G., 1944; Ambassador to Chile, 1946; present post 1951.



# BASIC STATISTICS

Area: 2,970,000 square miles (almost the size of the U.S.)

Population: December 31, 1951 - 8.5 million (est.)  
Goal 1960 - 11 "

Currency: Unit - Australian Pound (£A)  
£A = £ 0.8 = \$2.228

National Income: (1950/51) - £ 3,000 million (\$6.7 billion or \$805 per capita)

<u>Balance of Payments:</u>	Years to June 30		
	1949/50 £A million	1950/51 £A million	1950/51 £ million
Exports (f.o.b.)	595	979	2183
Imports (f.o.b.)	-538	-743	-1657
Trade balance	57	236	526
Invisibles	-106	-152	-339
Current Account Balance	-49	84	187
Capital Inflow, Errors and Omissions	235	109	243
Increase in Overseas Funds	186	193	430

<u>Principal Exports</u>	% of Total Value	
	1937/48	1950/51
Wool	33	65
Wheat	19	11
Meat	8	3
Other Foodstuffs	20	11
Base Metals	6	4
All Other	14	6
Total	100	100

## Price Indices (1937 = 100)

	Jan. 1949	Jan. 1950	Jan. 1951	Sept. 1951
Wholesale prices	183	207	248	291
Export goods prices	310	373	687	411 (Aug.)
Import goods prices	195	226	372	399 (May)



<u>Public Finances (in £A million)</u>	<u>1950/51</u>	<u>1951/52 (est.)</u>
Current Budget Revenue	784	1041
Budget Expenditure	<u>-784</u>	<u>-927</u>
Budget Surplus	0	114
Trust Funds Receipts	114	43
Loan Funds Expenditure	<u>-29</u>	<u>- 4</u>
Total Commonwealth Surplus	85	153
State, Local, Semi-Public Authorities Programs	<u>-206</u>	<u>-297</u>
Net Total Governmental Deficit to be Financed	<u>-121</u>	<u>-144</u>
<u>Foreign Exchange Balances: (Practically all sterling)</u>		
June 30, 1950	£A 465 million, or \$1040 million	
June 30, 1951(est.)	£A 675 million, or \$1700 million	
Oct. 30, 1951 (est.)	£A 540 million, or \$1200 million	
<u>Gold Holdings: Approximately \$100 million</u>		
<u>Foreign Debt: I.B.R.D.</u>	\$100 million, 4.25%, 1955/75.	
Other dollar debt	\$212 million	
Sterling debt	\$975 million equivalent	
Contribution to Colombo Plan: £A 25 million of which £A 7 million in 1951/52		



# AUSTRALIAN BONDS

## A. Prices and Yields of two representative issues

<u>Representative Dollar Bond</u>			<u>Representative Sterling Bond</u>	
Amount outstanding	\$44 million		£ 14 million	
Coupon	3 3/8%		3 1/4%	
Maturity	Feb. 1962		July 1974	
Call date	45 days		July 1964	
Call price	102 1/2		100	
Market	New York		London	
<u>End of</u>	<u>Price</u>	<u>Yield to Mty.</u>	<u>Price</u>	<u>Yield to Mty.</u>
1947	83	5.07	103	3.02
1948	85	4.95	104	2.93
1949	90 5/8	4.38	99 1/2	3.28
1950	87	4.81	99	3.31
1951	85	5.11	85 1/2	4.26

## B. Prices and Yields of other Bonds

<u>London, Dec. 31, 1951</u>			<u>Price</u>	<u>Yield to Mty.</u>
2 1/2% Reg. Stock	1970-75		76	4.13
2 3/4%	" "	1967-71	81	4.19
3%	" "	1955-58	96 1/2	3.74
3%	" "	1958-60	93 1/2	3.90
3%	" "	1963-65	88 1/2	4.18
3%	" "	1964-66	88 1/2	4.19
3%	" "	1965-67	87	4.15
3%	" "	1972-74	82 1/2	4.28
3%	" "	1975-77	81 1/2	4.19
3 1/4%	" "	1964-74	85 1/2	4.25
3 1/4%	" "	1956-61	94 1/2	3.99
3 1/4%	" "	1965-69	87	4.31
3 1/2%	" "	1954-59	98 1/2	3.78
3 1/2%	" "	1950-52	101	3.56
3 1/2%	" "	1951-54	100	3.50
3 1/2%	" "	1961-66	94	4.16
3 3/4%	" "	1954	100 1/2	3.41 1/
4%	" "	1955-70	97 1/2	4.19
4%	" "	1961-64	98 1/2	4.16
<u>New York, Jan. 21, 1952</u>			<u>Price</u>	<u>Yield to Mty.</u>
5%	1955		100 3/4	3.48 2/
3 1/2%	1966		85 3/4	4.88
3 3/8%	1962		85	5.33
3 1/4%	1957		93	4.75
3 1/2%	1967		86 1/4	4.77

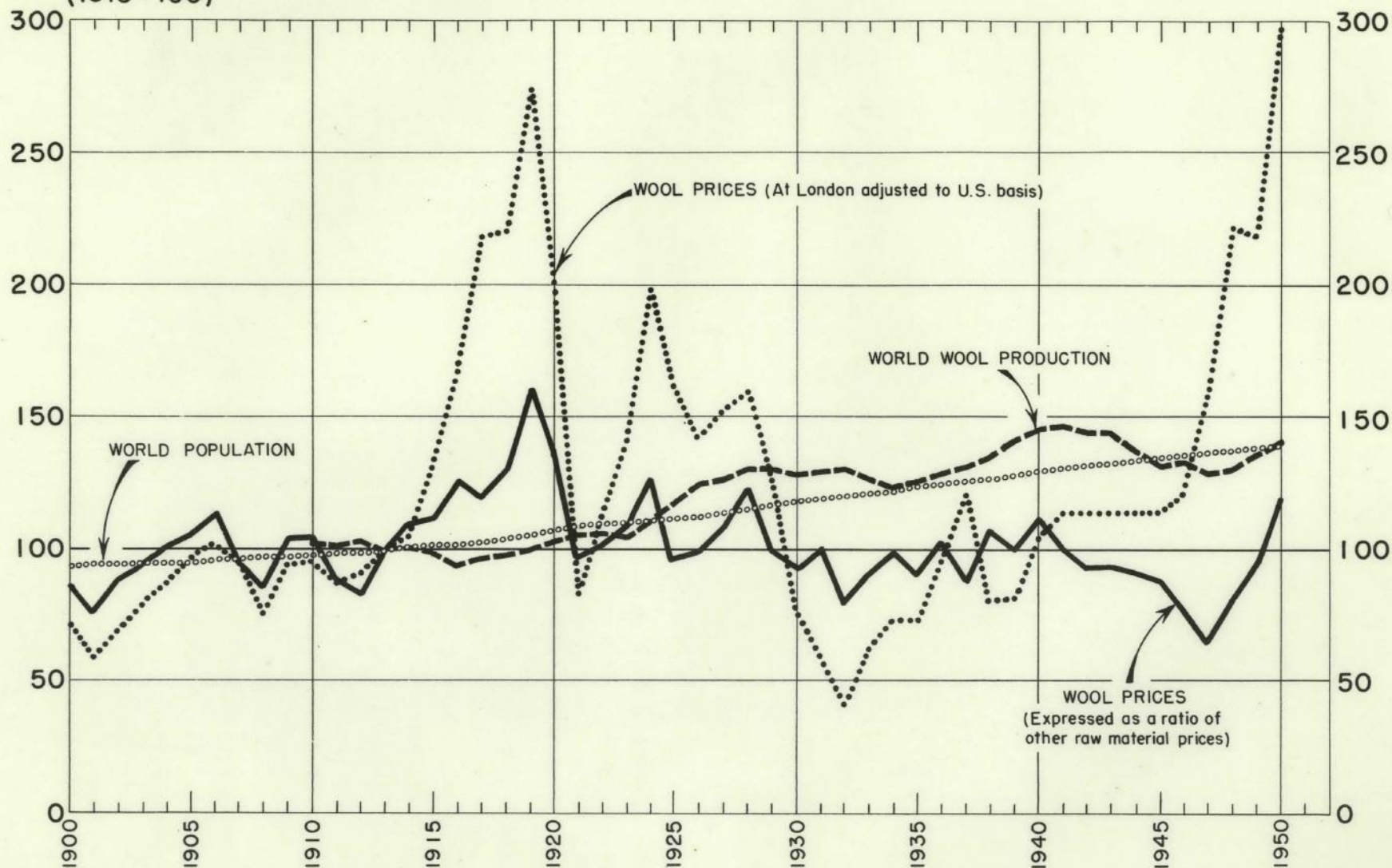
1/ Yield to call date.

2/ Yield to call date 7/15/52



# WOOL: INDEXES OF PRODUCTION AND PRICES

(1913 = 100)





## BRIEF DESCRIPTION OF ECONOMY

Australia is still a relatively new country and her pattern of development is following that of the United States. In 1800 her population of 2.25 million was predominantly agricultural. Since then, her population has increased to 8.5 million, in part due to substantial immigration, and she has become one of the most highly industrialized countries in the world with a slightly higher proportion of her workers in manufacturing than is true of the United States. In contrast to the U.S., exports have remained almost wholly primary products: wool, wheat and flour, meat, dairy products, gold and non-ferrous metals. Imports have come to consist more and more of equipment and raw materials for agriculture and industry rather than finished consumer goods.

About two-fifths of trade is carried on with the U.K., four-fifths of her foreign debt is payable in London, and the greater part of foreign private investment is British-owned. Australia keeps the bulk of her international reserves in sterling and is a full member of the sterling area. The pattern of trade has been a surplus with the U.K., continental Europe and the rest of the sterling area while she ran a payments deficit with the dollar area. In 1950-51, for the first time in the postwar period she had a dollar surplus on current account of \$110 million.

## RECENT ECONOMIC TRENDS

Since the war, the major economic developments have been:

(a) With a population of 7.5 million at the end of 1946, the target was set of a population of 11 million by 1960. By the end of 1951, population had increased to 8.5 million through net immigration of 500,000 and natural increase of the same number.

(b) In addition to the investment required to assimilate this rapid growth of population, there has been large investment to meet wartime backlogs of demand and for growing industrialization. Investment expenditures have attained the high level of around one-fifth of national income.

(c) There has been a large inflow of private funds principally from the U.K. In the three years ending 1949-50 for which an official analysis has been attempted, the net inflow was £A 465 million, of which £A 300 million was "hot money". Although the banking reserve arrangements prevented any secondary monetary expansion, it did not sterilize the actual inflow itself. This provided the easy money conditions making possible the large-scale investment mentioned above.

(d) The inflow of funds was a flow of money only without goods; instead of running an import surplus postwar she has actually had an export surplus which resulted in around £A 100 million in net current balance of payments receipts. This was due to unavailability of British goods,



inaccess to dollar goods, and the exceptionally favorable export prices of wool, lead and zinc. The inflow of private funds plus the export surplus resulted in an increase of some £A 500 million in Australian funds.

(e) Wages arrangements are almost ideally designed to keep inflation rolling once it has been begun. Wages are increased automatically as the cost of living goes up giving a spiraling effect to price increases. Trade unions concentrate on securing an increase in the legal basic wage independent of the cost of living adjustment which goes on top of the basic wage.

(f) With all this inflationary tinder lying around, the Government's measures to prevent inflationary fire were quite inadequate.

(g) The result has been a constant rise of prices since June 1947 which has accelerated in the last year: in the three years, June 1947 to June 1950, wholesale prices rose by 15%; from June 1950 to June 1951 they rose by 27%. On the latest date for which figures are available, September 1951, they had risen by another 4%.

## CURRENT PROBLEMS

### Inflation

During the Bank loan negotiations in August 1950 there was considerable discussion about the persistent inflation. The Australian delegates drew the Bank's attention to the methods of control at the Government's disposal, including particularly fiscal and taxation policy. They indicated that, assuming there were no changes in international prices, these controls plus the Bank's loan would be sufficient to keep the situation in hand. After the sharp rise in wool prices had occurred, members of the Bank's staff had a meeting around the end of the year with the Australian Executive Director on the situation. At that time, the Bank representatives took the view that the action taken by the Government was not a sufficient answer to the new developments. The Bank's position has been borne out by events: since the Bank's loan was granted in August 1950, wholesale prices have increased by around 27% to September 1951.

Last fall the Commonwealth Treasurer announced a series of anti-inflationary proposals in his Budget speech providing for:

- a) A Commonwealth Budget surplus in the fiscal year 1951/52 of £A 114 million;
- b) Adoption of more restrictive monetary and credit policies;
- c) Reduction of the target rate of immigration from 200,000 a year to 168,000.



The Treasurer also recognized that the inflation is "preponderantly of local origin", and stated that a "significant" import surplus was to be expected in 1951/52.

Budgeting for an anti-inflationary surplus is an act of courage. This surplus is to be attained by increased taxation which must not only provide for the surplus but make up for an increase in expenditures over the previous year. Unfortunately, increased expenditures on public works by State and other public authorities is likely to absorb the Commonwealth surplus. The major contribution made by the Treasurer is thus essentially holding the line against increased inflationary pressures from expenditures by public authorities.

Some measures of credit control appear to have been taken. The authorities have allowed interest rates to rise (the yield on government securities has risen from 3-1/8% to 3-3/4%) and installment credit has been curtailed.

The reduction in the target rate of immigration from 200,000 to 168,000 is significant even though it was little more than a paper reduction (net immigration was 166,000 in 1950 and fell to 130,000 in 1950/51). A high rate of immigration is so fundamental to the policy of national expansion and development, which enjoys wide support in Australia, that a cut in the target rate represents a major admission on the part of the Government that they were attempting to go ahead too fast. It likewise is important as a change in one of the basic assumptions of the development program which the Bank's loan was to finance.

9/20  
why a  
loan  
The final point on which the government is relying for anti-inflationary effect is the expectation of a "significant" import surplus this fiscal year. The government had hoped such a development would occur in the last fiscal year and was disappointed as a result of upsurge in wool prices. There is some basis for believing that this hope may come true in the present fiscal year: wool prices are lower and in the four months to the end of October, foreign balances fell by £A 135 million due to a larger excess than usual at this time of year of commodity imports over exports (the import surplus for the quarter ending September 30 was £A 111 million). However, as the balance of payments is largely beyond the control of the Government, a resurgence of export prices and/or import shortages might cause the balance of payments to reverse itself again. In such contingency the anti-inflationary measures which have been taken are not likely to be adequate unless new measures are adopted to offset the impact of the balance of payments on the economy.

#### Basic Pattern of Development

Although Australia is one of the most industrialized of countries, her ability to pay her way in the world depends on her exports of agricultural products: primarily wool, wheat and flour, dairy products and meat.



Considerable doubt has been raised whether postwar development has been lopsided and dangerous for Australia's future: production of wool has increased by only 15% in the last 14 years whereas production of manufactures has increased in the neighborhood of 70%. Wheat production has done better, increasing by 44% but meat production has increased by only 10%, i.e. less than population growth. Dairy products have done as badly as meat.

This difference in relative rates of growth has not hurt Australia to date because of the shift of the terms of trade in her favor in the post-war: a given quantity of exports buys twice the imports it used to. However, Australia has lost the gains she might have made if she had been able to increase the production of her main exports significantly. During the Bank loan negotiations, the Australians indicated that they were conscious of this problem and in their development plans were attempting to take action to correct it. The Bank Mission will have to investigate carefully what has actually been done.

Another problem is whether development of industry itself has been distorted: is too little being done in the basic industries as compared to manufactures? There is some evidence of this in the persistent shortage of coal, steel and power which is felt throughout the community. The Australians, also, on this point in the Bank negotiations said that they were giving particular priority to further expansion only in the case of basic industries or where other special considerations apply (i.e. dollar-saving or dollar-earning industries). This is another matter which the Australian Mission will have to look into.

#### Other Information of Possible Interest

Banking System: There are eight commercial banks including the Commonwealth Bank which, in addition to being a central bank, does a considerable commercial banking business. The Commonwealth Bank also holds about 60% of all savings bank deposits. The largest commercial bank is the Bank of New South Wales. The second largest is a new bank, Australia and New Zealand Bank, Ltd., which was formed in October 1951 from a merger of the Bank of Australasia and the Union Bank of Australia.

The Commonwealth Bank was originally established in 1912 by a Labour Government as a commercial bank and only gradually took over the note issue and other central bank functions. In 1945, the last Labour Government increased the power of the Commonwealth Bank over the other banks and abolished the Commonwealth Bank Board placing control over the Commonwealth Bank in the hands of the Governor under the direction of the Commonwealth Treasurer. Last July, the present government reversed the latter aspect of the legislation by recreating a Bank Board.

Peak Loan Maturities. Of the non-IBRD dollar debt of \$212 million, \$74 million comes due in 1955, \$20 million in 1956, and \$28 million in 1957.



There are also substantial sterling maturities in these years (1955, \$83 million equivalent; 1956, \$45 million equivalent; 1957, \$34 million equivalent).

Tour of Princess Elizabeth and the Duke of Edinburgh. The Princess and her husband are making a tour of Australia from March 1 to May 1.



### RELATIONS WITH BANK

\$100 million granted August 22, 1950 for development and expansion of electric power facilities, water conservation works, railways, agriculture and land settlement, mining, smelting and refining and iron and steel, engineering and other industries.

Effective December 27, 1950, Dollar Import Licenses issued for full amount; almost \$37 million disbursed from Loan Account. At the time the Loan was made a letter from the President of the Bank was given to the Australian Ambassador informing that the Bank was willing, in principle, to participate over the next five years in the financing of the Australian development program. The letter concluded as follows:

"Furthermore, the Bank is prepared to send representatives to Australia in the fall of this year to examine Australia's development plans in more detail and to determine the extent to which Bank participation in the full five-year program is justified and the assurances which the Bank will be able to give with regard to it."

On receipt of an invitation from the Commonwealth Government in December 1951 to send a mission to Australia, the Bank agreed to send a mission in the middle of February 1952.

There have been no serious problems in the administration of the Loan. The economic situation which has caused the Bank some concern will be examined by the Bank mission.





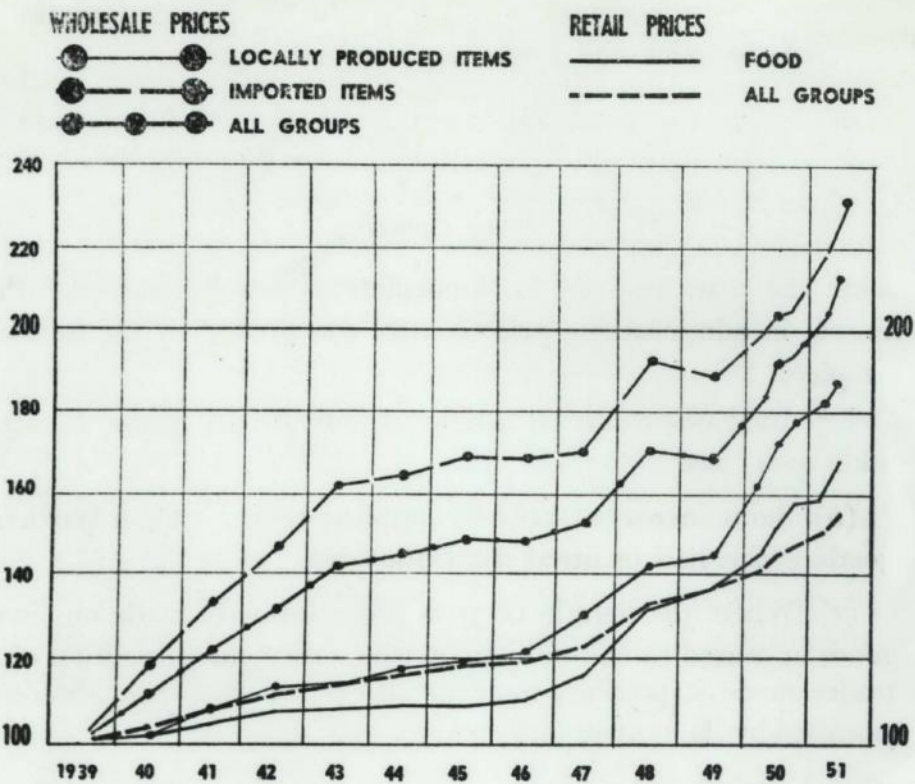




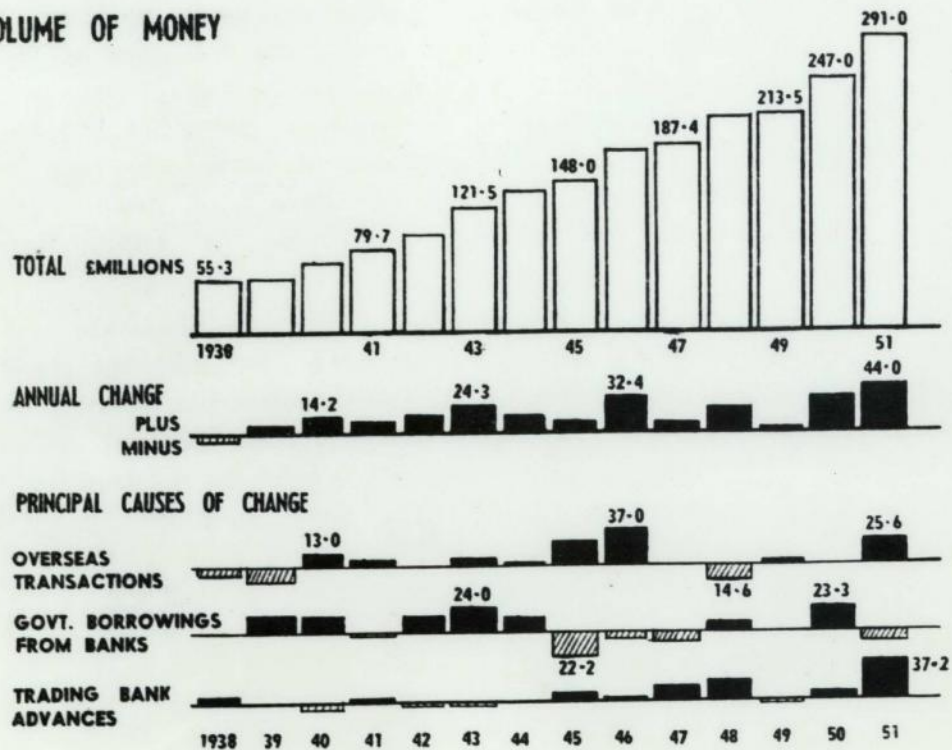


# NEW ZEALAND

## WHOLESALE AND RETAIL PRICE MOVEMENTS



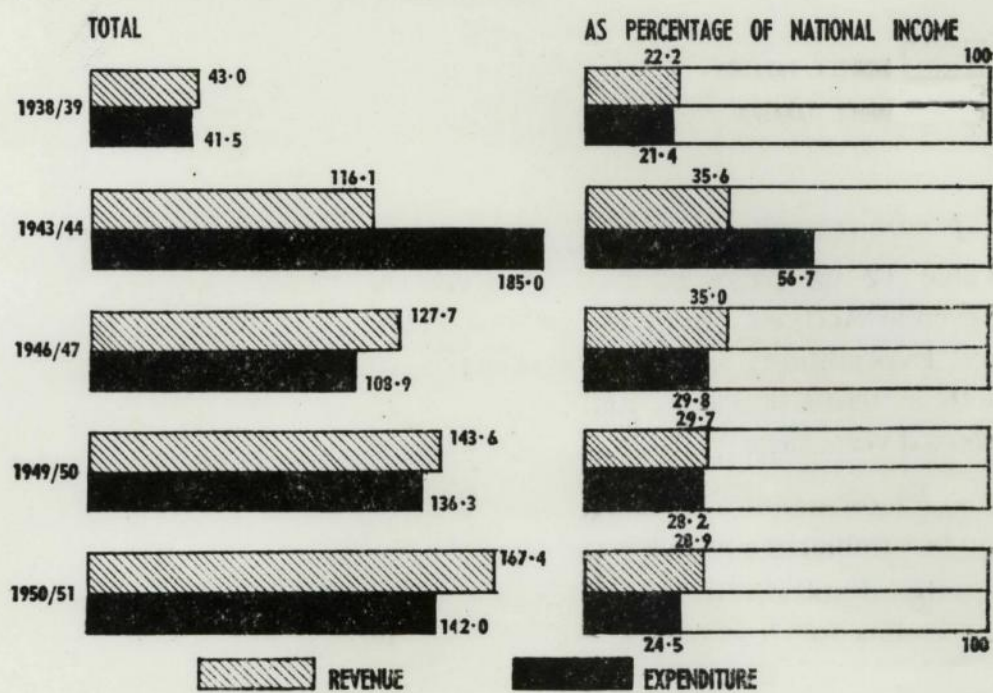
## VOLUME OF MONEY





# NEW ZEALAND

## GOVERNMENT REVENUE AND EXPENDITURE





## NEW ZEALAND (Dominion)

(From Maori "Aotearoa" - "The long bright land")

### GEOGRAPHY

Group of islands in South Pacific, running one thousand miles in southwesterly direction, approximately 1,200 miles east of Australia, 6,000 miles west of San Francisco. Main territory consists of North Island, South Island, and much smaller Stewart Island, covering combined area of 103,000 sq. miles, equal to Colorado. Controls scattered groups of islands from Equator to Antarctica.

### Physical Features

The emerged top of a great ridge in the earth's crust - much of the land is mountainous. Main range, rising over 12,000 feet (Mt. Cook), runs along South Island near western shore, continues in a northeasterly direction beyond Cook Strait into North Island where it divides into two prongs, to northwest and northeast. Near the junction of the two prongs there is much volcanic activity. In South Island are the Canterbury Plains on the east coast, but in North Island there is no large plain. Coastline generally smooth except for some very deep fiords on southwest of South Island, and peculiar broken edges on the north coast of North Island.

Southern part of North Island and northern portion of South Island subject to earthquakes, seldom destructive.

### Climate

Moist-temperate marine climate with abundant sunshine. Seasons are reverse of those in northern hemisphere. Small annual range of temperature permits some growth of vegetation, including pasture, all year round. Very little snow on low levels, even in South Island. Mean temperature ranges from 59°F in north to about 49°F. Rainfall over settled areas in North Island ranges from 35 to 70 inches and in South Island from 25 to 45 inches.

### POPULATION

Just under two million, of which 1.3 million on North Island. Of total, 1.9 million are Europeans (mainly of British stock), remainder Maoris.

### PRINCIPAL CITIES

- Auckland - 309,000, capital of provincial district of Auckland. Founded 1840 as capital of New Zealand but replaced by Wellington in 1865. Seaport with excellent harbor. Trade and distribution center for extensive prosperous dairy region. Seat of Auckland University College, a unit of N.Z. University.
- Wellington - 193,000, capital of New Zealand and of Wellington provincial district, with House of Parliament and other public buildings.



Deep capacious harbor on an inlet of Cook Strait. Center of inter-island and coastal shipping; large transoceanic trade. Seat of Wellington College, St. Patrick's College, and Victoria University (part of N.Z. University).

Christchurch- 172,000, capital of Canterbury provincial district. Founded 1850 by English Anglicans, on small Avon River. Port (Lyttleton) 8 miles away. Center of most productive wheat and grain region.

Dunedin - 91,000, capital of Otago provincial district. Founded 1848 by Scots Presbyterians. Port on Otago Harbor. Exports wool and gold, which has been mined in vicinity since its discovery in 1861. Base for Byrd's Antarctic Explorations.

### HISTORY

Discovered by Tasman 1642, coast explored by Captain Cook in 1769. From 1792 onwards sealers and whalers (mainly from Australia) settled along coast; trade in timber and flax followed. In 1840 Maori chiefs ceded sovereignty to British Crown, 1841 New Zealand created a colony distinct from New South Wales. Organized large-scale colonization commenced 1840 with New Zealand Company's settlement at Wellington. 1845-1848 and 1860-70 a large proportion of the Maoris revolted against British rule, but permanent peace in 1871. In 1907 New Zealand designated a Dominion.

### GOVERNMENT

A Dominion within British Commonwealth of Nations. Cabinet Government under Prime Minister. Parliament consists of House of Representatives, 80 members (76 Europeans and 4 Maoris), elected for three years. Former Upper House, Legislative Council, abolished 1951. Executive authority is Governor General appointed by Crown, advised by Executive Council of 17 members, all Ministers.

For local government divided into counties, boroughs and town districts; counties subdivided into ridings. Numerous other local authorities created for specific functions, e.g. electric power districts, rabbit extermination districts, etc.

Central Government control extends over the Chatham Islands, Cook Islands, Tokelau Islands and other small outlying islands in the Pacific, all part of central territory. Also administers trusteeship-territories of West Samoa and, with British, of Nauru Island of the Gilbert Group.

### POLITICAL PARTIES

National - led by S. G. Holland (present Prime Minister). Formed 1931 by union of Reform (Conservative) and United (Liberal) Parties to cope with economic depression. Stands for free enterprise, opposed to state socialism. After overwhelming defeat 1935, slow gain - now holds 47 out of 80 seats. Began draft of vigorous legislative program. Combines



frequently conflicting interests of farmers, merchants (importers) and employers. Holland has avoided some of difficulty of harmonizing interests by delegating crucial decisions to an independent tribunal, the Board of Trade.

New members were appointed to Upper Chamber or Legislative Council giving majority to Government and one of first measures passed was Act abolishing Council as from January 1, 1951.

Enthusiastic for Anglo-American cooperation in world affairs.

Labor (Opposition) - led by Walter Nash. First Labor M.P. 1908 - gradually increasing strength over 25 years - defeated Coalition Government 1935 - opposed to laissez-faire idea. Embarked on program of economic and social legislation and vigorous public works policy; guaranteed fair price to dairy farmers and instituted state marketing of certain produce; introduced 40-hour week with minimum basic wage. After 1938 election Social Security Act passed.

Defeated in 1949, winning only 34 (including 4 Maori) seats. During recent session fought measure which would destroy beneficial effects of Labor legislation. While in office opposed abolition of Legislative Council but did not vote against bill. Strongly supports U.N.

#### POLITICAL SITUATION

National Party returned with increased majority as result of 1951 election when Labor divided and demoralized by waterfront strike. Indicative of government policy has been its action in removing import control protection from many artificially fostered secondary industries; in removing or reducing major part of Government subsidies on basic consumption items 1950; and move to make state enterprises (notably railroads) self-supporting. Both actions predominantly Holland's decision.

Virtual removal of subsidies, April 1950, consequent rapid increase in living costs, augmented by inflationary wool boom, forced concessions along lines demanded by Opposition: freezing of portion of wool check and reintroduction of subsidies. In other respects Mr. Holland has frankly admitted that some 1949 campaign promises could not be fulfilled or that experience had led him to change his mind. Result is that although many price and import controls have been removed, not altogether abandoned. Taxation virtually same high level as under Labor. Except for vain attempt to dispose of Government-owned airlines to private purchasers, and restoration to private insurance companies of right to underwrite workers' compensation, National Government has done virtually nothing to denationalize state-owned enterprises, has not materially altered comprehensive system of social security but somewhat extended benefits, to keep pace with increase in living costs.

In standing firm against left-wing dockers leadership in a strike that lasted from February through June of last year, and cost country untold economic loss, William Sullivan, Minister of Labor and Immigration, (and Mr. Holland) achieved what Labor Government never quite accomplished in own struggles with same recalcitrant union. Docks now for most part under moderate and cooperative leadership and work rate of loading and discharge has visibly improved. Political differences confined to



domestic --mainly economic--issues, though even here there is uncommonly wide area of general agreement on objectives. Foreign policy not issue in past two elections. Suspicion of Japan and possible Japanese rearmament slightly stronger among Labor than National supporters.

Both parties traditionally devoted to Britain, but National Government seems more disposed than Labor to take tough line in bargaining on bulk contracts for meat and dairy products. Similarly, National has been more interested in developing non-British markets, particularly in North America.

New Zealanders are tribunal-minded--establishment of a judicial body, the Board of Trade, to make essentially politico-economic decisions is in keeping with their tradition. In field of industrial relations, Arbitration Court and similar special industry tribunals almost eliminated normal collective bargaining as known in U.S.

Merit system in civil service + capable leadership in Government Departments - a permanent head "Secretary" with tenure unaffected by changes in Government provides continuity in administration. Ministers able to handle four or five departments because so much work delegated to permanent heads.

Almost pathological fear of dependence on foreign capital--largely because of pre-1935 experience with London banking houses. Great Depression caused by collapse of international markets for meat and wool and dairy products. Deflationary policy of Government of early thirties (which led to Labor landslide in 1935) blamed on London banks - hence general public approval for Labor Government's policy of rapidly repatriating London debt--hence suspicion of Bretton Woods and opposition to subsequent suggestions to dollar loan from Ex-Im or the Bank (raised tentatively by Nash and later by National Government).

GOVERNOR GENERAL - Lieutenant General Sir Bernard Cyril FREYBERG,  
V.C. 1916; G.C.M.G., K.C.B., K.B.E., D.S.O.

Age 62 - born London - married, one son; Wellington College, New Zealand, St. Andrews (LL.D.) and Oxford (D.C.L.); European War, including Dardanelles, Brigadier, mentioned in despatches six times, wounded nine times, D.S.O. and two bars, C.M.G., V.C. General Officer Commanding New Zealand Forces, 1939-45; Commander-in-Chief of Allied Forces in Crete, 1941; Major General and third bar to D.S.O. 1945 (Italy); Governor General of New Zealand since 1946.

#### PRIME MINISTER AND CABINET

Prime Minister, Minister

of Finance - The Right Honorable Sidney G. HOLLAND

Age 58 - married, 2 sons, 2 daughters - high school education; successful businessman, hardware firm then father's engineering business; overseas service 1915; formed Midland Engineering Company; Manager, Director and Chairman several business organizations; amateur farmer; National Party M.P. since about 1935. Chosen party leader about 1940 in belief would give party more liberal, youthful and energetic aspect. Intensely devoted to U.K., nostalgic about Empire--term which he prefers to "Commonwealth". Equally keen on US-Commonwealth cooperation, enthusiastic about visit to U.S. last year. Advocate of private enterprise and less Government control than prevailed under preceding Labor Government. Actions of National Government re import controls and subsidies predominantly his decision.



Unquestioned leader of National Party and of Cabinet, brims with energy and apparent self-confidence, presumably increased by recent election; at same time less doctrinaire as result of experience in administration. Recreations - deer stalking, golf and gardening.

Deputy Prime Minister and Minister of  
Agriculture and Marketing - Mr. Keith J. HOLYOAKE

Age 47 - married, 2 sons, 3 daughters. Prosperous sheep farmer - little formal education. A trace of hauteur in manner--probably quite unintentional--sometimes gives offense in democratic New Zealand. Appears the country gentleman--closest New Zealand approach to landed aristocrat. Extremely self-confident and ambitious. Considered on conservative side of cabinet, when it took office in 1949, has shown flexibility of outlook which makes him hard to classify. Appears convinced of desirability of government marketing boards, bulk contracts with Britain, and crop stabilization pool accounts--all Labor Government innovations. Commands respect among his advisers; reputation of being good administrator and adept at grasping complex economic problems. Good debater, given to ironic repartee. Represented New Zealand farmers at World Conference in London 1946. Recreations: tennis, gardening.

Minister of External Affairs, Island  
Territories and Attorney General - T. C. WEBB

Lawyer, liberal outlook, probably most broadly educated and cultured member of Cabinet. Feels strongly on subject of civil liberties. At outset Labor regarded as only true liberal in Cabinet, now some feel has moved to right. Less identified with traditional Empire-worship of Beaverbrook brand than his National Party predecessor in External Affairs post (Mr. Doidge, now H.C. in London). Sympathetic to Asiatic nationalism, has wholly modern concept of Commonwealth relations. Well disposed to U.S. but inclined to feel Chinese Communist regime should have been recognized (before Korea) as the de facto government despite objectionable behaviour. Friendly, even-tempered, well-regarded in own department and by general public. Less of public figure than Goosman or Sullivan.

Minister of Railways, of Works, of Civil  
Aviation, the Hydroelectric Department  
(and several other portfolios) - Mr. William GOOSMAN

Age 61 - self-made man par excellence. Rose from poverty--farmer, timber worker on sheep station--to be one of richest men in New Zealand. Primary school education--lack in cultural background made up by considerable administrative ability, remarkable drive and stamina. Building contractor; Managing Director of W.S. Goosman Ltd., Director of other companies; has made tidy sums in horse-racing; keeps one of largest stables in Dominion. Carries one of heaviest loads in Cabinet. Considered on right wing of party. Driving ambition to put railroads on self-supporting basis reversing Labor policy of using them as instrument of income redistribution (through special reduced fares, necessitating subsidy from general funds). Keen to push forward with present hydroelectric development program.



Minister of Labor and Immigration - Mr. William SULLIVAN

Prosperous contractor - more genial than Mr. Goosman, on better personal relations with Opposition members. Achieved success in fight with Communist-influenced Waterside Workers Union. Has managed to keep on fairly good terms with moderate leadership of N.Z. Federation of Labor despite its formal link with Labor Party--dominant leaders of FOL have more esteem for him than for Mr. Nash, leader of own Labor Party, having seen issues of waterfront dispute in same light while Mr. Nash appeared to be sitting on fence.

Minister of Industries and Commerce - Mr. Jack WATTS

Age 42 - lawyer - M.P. 1943; one of youngest members of Parliament; started as Minister of Health - gained reputation as one of best administrators in Cabinet. Minister of Industries and Commerce since early 1951. Handles most international economic problems of Government (including some functions performed in U.S. by Department of State) although Prime Minister undoubtedly makes major decisions.

Department responsible among other things for the programming and control of raw materials requirements, licensing of industries and of such imports as still controlled. Board of Trade, reviewing viability of various secondary industries and their claims for continued protection, functions within the Department. Trade Commissioners abroad report to it. GATT questions handled jointly by Industries and Commerce and Customs Department.

Minister of Customs,

Associate Minister of Finance - Mr. C. M. BOWDEN

Prosperous Wellington importer and accountant. Right wing of Cabinet. Former Minister of Industries and Commerce; his weak administration seen by political commentators as reason for transfer of that Department to Mr. Watts. Has not proved one of the more distinguished and able cabinet ministers.

Minister of Education - Mr. R. M. ALGIE

Minister of Internal Affairs and Social Security - Mr. W. A. BODKIN

Minister of Lands, of Forests, and in

Charge of Maori Affairs - Mr. E. B. CORBETT

Minister of Defense and of Rehabilitation - Mr. T. L. MACDONALD

Minister for Welfare of Women and Children - Mrs. G. H. ROSS

OTHER NEW ZEALAND PERSONAGES

Ambassador to U.S. - Sir Carl August BERENDSEN, K.C.M.G.

Married, 2 sons, Victoria University, Wellington; Civil Service since 1906; Secretary of External Affairs 1928-43; Permanent Head, Prime Minister's Department, Wellington, 1932-43; High Commissioner



in Australia 1943-44; Minister to U.S. 1944-48, Ambassador 1948-.  
Chairman U.N. fourth (Trusteeship) Committee for Palestine.

Leader of the Opposition - The Right Honorable Walter NASH

Age 68 - married, 2 sons - educated England and U.S. - M.P. since 1929; Finance Minister 1935-49 (entire reign of Labor Government), and Deputy to late Prime Minister Fraser with whom he worked as exceptionally harmonious team 1940-49; delegate to various international conferences including Bretton Woods. Since death of Fraser 1950, less adept in keeping party together, especially in 1951 waterfront strike when tried to keep foot in both camps (leftist Waterside Workers and right-wing leadership of N.Z. Federation of Labor) with result a dismal failure--perhaps overestimated support in labor for recalcitrant watersiders.

Brilliant speaker, recites statistics from memory. Poor administrator, insisted on holding all strings of economic control--essential administrative functions (import licensing, e.g.) stalled. Firm champion of U.S. role in world affairs though believes supported Chiang too long - does much to offset anti-U.S. suspicions in party's left wing. Shares National Government's enthusiasm for Anglo-American cooperation in world affairs. Warm in praise of Marshall Plan and Point 4. Thinks National Government should do more to support Colombo Plan, that New Zealand should make real sacrifices to raise living standards in Asia, supports NATO and ANZUS Pact, but feels military approach should be subordinated to positive economic aid measures.

Overruled on entrance into Bank and Fund by majority of Labor caucus which preserved traditional fear of international financial dependence.

DIPLOMATIC AND CONSULAR REPRESENTATIVES

UNITED STATES

Ambassador - Robert M. SCOTTEN

Age 60 - born Michigan - married - Yale, Harvard; Foreign Service since 1916, mainly European and South American posts. Retired July 1947; appointed Minister to New Zealand December 1947, Ambassador, November 1948.

Counselor of Embassy - Sidney H. BROWNE

Age 50 - born Maryland - married - Harvard, Columbia University; clerk steamship company 1923-24; Foreign Service 1927, at Antofagasta, Rotterdam, Batavia, Medan, Buenos Aires, Genoa, Saigon, Accra, London, staff of U.S. political adviser to Supreme Commander, Allied Forces, Tokyo, 1946.



Attaché (Head of Economic Section) - Roy I. KIMMEL

Age 50 - born New Mexico - married - Colorado College. Yale; Farm Security Administration and Department of Agriculture 1935-42. Head of Lend-Lease Mission to New Zealand, 1943; Army, overseas service; Combined Working Party on European Food Supplies, London, 1944; Foreign Service, London, 1945; Berlin 1947.

Agricultural Attaché- Meade T. FOSTER

Age 51 - born Pennsylvania - married - Penn State and University of Missouri; associate professor, 1923-30; Department of Agriculture 1930-44; attaché, Rio de Janeiro, Buenos Aires and Ottawa, 1944-46; present post since August 1947.

UNITED KINGDOM

High Commissioner - H. E. Sir (Charles) Roy PRICE, K.C.M.G.

Age 58 - married - Educated Wellington School, Somerset; University College, London. Military service 1915-18. Colonial Office, 1921; transferred to Dominions Office, 1925; Assistant Secretary, Imperial Wireless and Cable Conference, 1928; U.K. Delegation to London Naval Conference, 1930; Disarmament Conference, 1932-34; League of Nations Assembly, 1928, 1932-34, and 1939; Joint Secretary, Oversea Settlement Board, 1937-39; Assistant Secretary, Dominions Office, 1939; Deputy High Commissioner for U.K. in Union of South Africa, 1940-42, Australia 1948-49; New Zealand since 1949.

Deputy High Commissioner - Mr. A. F. MORLEY, C.B.E.

Economic Adviser - Mr. R. B. WILLMOT

Information Officer - Mr. K. C. F. DAVIES

CANADA

High Commissioner - Alfred RIVE

Age 52 - married, 4 children; overseas service 1917-18; Universities of British Columbia, California and Cambridge (England); Professor, Yale, 1926-29; Department of External Affairs, 1930; Staff of Canadian Delegation to League of Nations, Geneva, 1935-40; Represented Canada at numerous other international meetings; Secretary to High Commissioner for Canada in U.K., 1945; Adviser to Canadian delegation to U.N. Assembly; present post since 1946. Recreation: fishing. Author of several articles on economic history.



# BASIC STATISTICS

Area: 103,736 square miles    Population: 1,939,702

National Income: Year ending March 1950 - £507.9 million

Currency: Unit - New Zealand Pound

Exchange Rate - £1 = U.S. \$ 2.80

## External Trade

	<u>Exports, 1950</u>	
	<u>£ Million</u>	<u>%</u>
Wool	74.6	40.7
Dairy Products	53.5	29.2
Meat	32.2	17.6
Others	22.9	12.5
	<u>183.2</u>	<u>100.0</u>
Exports to:	121.7	66.3
U.K.	121.7	66.3
Rest of Sterling Area	8.1	4.4
United States and Canada	22.0	12.0
Other	31.4	17.3
	<u>183.2</u>	<u>100.0</u>

Prices (first quarter 1949 = 100)

Consumers price index: 1939 = 74.8  
1950 = 106.6

## Foreign Exchange Reserves:

Gross overseas assets - June 1939 = £ 12.7 million  
                                   " 1945 = £ 83.9    "  
                                   " 1947 = £ 116.2    "  
                                   " 1949 = £ 88.4    "  
                                   " 1950 = £ 95.9    "  
                                   " 1951 = £ 123.0    "

## Public Debt

Total public debt - £670 million  
 External debt (all in London) - £104 million

Contribution to Colombo Plan - £ 1 million



Government Budget 1949-50

£ Million

Receipts

Direct taxation	86.8
Indirect taxation	48.8
Other income	<u>8.0</u>
Total	143.6

Expenditure

General Administration	11.1
Social services	23.5
Defense	10.3
Public works	5.1
Development of industry	4.9
Interest on overseas debt	2.7
Social security benefits and pensions	42.6
Interest on internal debt	14.0
Transfers to local authorities	7.5
Subsidies	<u>14.6</u>
Total expenditure	136.3

Surplus

7.3



## ECONOMIC BACKGROUND

Frequently described as a "dependent economy"; a very large part of the total income of the island is derived from exports. In 1949-50 exports were equal to about 33% of the national income; this compares with about 28% for Australia and 16-17% for the U.K. Moreover, is itself small (the total population being only two million) and thus it cannot exert any appreciable influence on the world economy; its exports are almost entirely agricultural products, of which it has by no means a monopoly so that it can do little to control their prices. It is not surprising that most economic problems and many of the important topics of political debate revolve around the question of the best policy for a country in such a position to pursue.

With a per capita income of about \$660, or slightly more than that of U.K. (\$600), has a standard of living which is among the highest in the world. This has been made possible by an intense specialization on the production of those commodities for which the country is most suited, i.e., dairy products, meat and wool. Altogether about 60% of the total value of production is derived from farming and about 70% of all farm income is derived from exports.

About 20% of the total labor force is engaged in farming and about 25% in manufacturing, although many of those in the latter category are engaged in the processing of primary products. The war provided a marked stimulus to employment in manufacturing by curtailing the supply of manufactured imports but this tendency was distinctly less than in some other countries similarly affected such as Australia, South Africa and Canada.

The total volume of primary and secondary production (farming, mining, fishing, forestry, building and factory production) has increased by about 36% between 1938-39 and 1949-50. When allowance has been made for the increase in the working population, this gives an average increase in output per worker of 1% to 1.5% per annum. Such a rate of economic development is not high when compared to other highly developed economies (in the U.S. the corresponding figure is estimated to be over 2% per year over the last 15 years) but too much weight should not be given to such comparisons in view of the nature of the available statistical material.

Dairy production has increased rapidly since 1946 partly representing normal recovery from the effects of the war but also partly the result of important new discoveries in the control of dairy cow disease. Meat production has been fairly steady since the war although it is substantially above the prewar level. The high wool prices in 1950-51 caused a sudden decline in mutton production but this will be temporary for there is a limit to the possibilities of increasing sheep numbers in the short run. Wool production in 1949-50 reached a record level of 390 million lbs. (greasy basis) and the continuation of good wool prices should bring about a steady increase in sheep numbers.



### External Trade

Almost 90% of exports consist of dairy products, meat and wool. The U.K. alone has normally provided the market for about three-quarters of the country's exports. In 1950 the rise in the price of wool increased the relative value of exports to other countries, particularly to the dollar area and consequently the U.K. share was reduced to two-thirds.

In 1950 the value of wool exports reached £75 million, or 40% of the total value of exports of £183 million, and for the first time exceeded the value of dairy exports (£53.5 million). In all previous postwar years, the value of dairy products has slightly exceeded that of wool exported while before the war wool proceeds were only half those from dairy produce and less than those from meat.

Almost the whole exportable surplus of dairy products is sold to the U.K. under long-term contracts. The present contract was concluded for the 1948-49 season and is to run for seven years. The proportion of the surplus which is to be sold to the U.K., and the price, are fixed every year. The contract provides that price changes are not to exceed 7.5% of the previous years price. A similar contract is in force for the sale of meat. The price received by producers is not, it should be noted, the same as the export price. In line with the government's economic stabilization policy the export proceeds from meat and dairy products are paid into special stabilization accounts and the price paid to producers is fixed by reference mainly to costs of production. As a consequence of the upward trend in prices during the postwar years, these accounts have now accumulated substantial surpluses. By 1951 the balance in the Dairy Stabilization Account was £23 million and that in the Meat Account was £36 million.

Since 1946 wool has been sold by public auction. When the sudden rise in prices occurred in the 1950-51 season, the government instituted a wool retention scheme whereby one-third of the gross receipts was paid into frozen accounts in the growers' own names. About £32 million was retained in this way and the growers may withdraw the money gradually over a period of five years.

### Dollar Position

In 1948 and 1949 incurred substantial dollar deficits; \$44 million and \$53 million respectively. These deficits were financed by recourse to the sterling area central reserves. In July 1949, at the Commonwealth Finance Ministers Conference, the Government in common with other Commonwealth governments undertook to restrict dollar imports and the measures subsequently introduced, together with the effects of sterling devaluation and the rise in wool prices, transformed the country's dollar position and produced a surplus of \$20 million for 1950.



### Public Debt

Total public debt on March 31, 1951 was £693.4 million of which £104 million was held in London and the remainder in New Zealand. The total indebtedness to London has been reduced substantially since the end of the war, from £159 million in 1945 to the present figure. Included in the total of £104 million is £26 million of debt upon which interest payments have been suspended by agreement with H.M. Government in the U.K. The interest payable on the remainder is £2.6 million (or less than 1.5% of New Zealand's receipts from exports).

### RECENT ECONOMIC DEVELOPMENTS

In 1945 like most countries, faced the problem of catching up on an accumulated deficiency of capital investment. In New Zealand's case war expenditure had been financed out of taxation to the extent of about 65% of the total. Hence the general liquidity position at the end of the war did not contain such a large potential inflationary threat as it might have done. Nevertheless, it had been necessary to establish a comprehensive system of wage and price controls during the war which succeeded in keeping the rise in retail prices from 1939 to 1946 down to less than 20%. Behind these controls a considerable latent inflation was built up.

In a country with such an important stake in world trade it is not easy to say whether the rise in prices is primarily the result of domestic inflation or whether it has been "imported" from abroad. Investment has been at a high level. Since 1946 gross capital formation (excluding changes in stocks) has increased from 12% to 19% of gross national product. The government has estimated that, assuming it is necessary to spend 15% of the national product on investment in order to maintain the productive capacity of the country, the accumulated backlog of investment was equal to 30% of one year's national product. Only about 40% of this amount had been made up by 1951 so that if this calculation gives a correct picture, investment is likely to continue at a high level for some years more. But in spite of the necessity for a high level of investment, the government has not resorted to external borrowing nor has there been any significant inflow of private capital. In 1946 there was a surplus on the current balance of payments of around £30 million which was utilized for the repayment of overseas debt. In 1947, 1948 and 1949 the combined deficit for the three years was less than £13 million and in 1950 there was a surplus of about £18 million. Consequently the movements of New Zealand's foreign exchange reserves have not been marked. During the war reserves rose rapidly from only £12.5 million at the end of 1938 to £90.6 million at the end of 1946. They declined to £70 million by 1949 and, as a result of rising export prices, they have increased to £123 million by June 1951. The sum of £1 million has been earmarked as a contribution to the Colombo Plan.



### Revaluation of the New Zealand Pound

On August 19, 1948 the New Zealand pound was appreciated by 25% to bring it back to parity with the pound sterling. This move was of much greater importance to New Zealand than the later devaluation against the dollar in September 1949 because of the much greater role played by the sterling area in New Zealand's trade.

The principal motive for this move was the desire to prevent rising prices in the rest of the world from forcing an equivalent rise in internal prices. As a result of policy of price control, the New Zealand pound had become "undervalued", as measured by wholesale prices, in relation to both the pound sterling and the U.S. dollar. This undervaluation was removed by the appreciation.

The appreciation, by bringing about a sudden reduction in the prices, as measured in New Zealand pounds, of both imports and exports, had important effects on the distribution of income. Farmers' incomes from exports were reduced although to some extent this effect was mitigated, except in the case of wool, by the operation of the dairy products and meat stabilization accounts. On the other hand, the prices of imported consumers goods, and of producers' goods and raw materials for domestic industry, were reduced. During the Parliamentary debate on this matter one member of the opposition said, "You won't get any farmers' votes that way." The Minister of Internal Affairs replied, "We have got the city people. That's enough." But it wasn't. The Labor Government was defeated the following year.

### CURRENT AND FUTURE ECONOMIC PROBLEMS

Short-Term Problems - The short-run economic problems are of the same kind as those in Australia and in other countries suffering from postwar inflation. They are, however, not nearly so acute. Various factors, including the revaluation of the currency, the wool retention scheme, and the operation of the dairy industry and the meat stabilization accounts, have combined to restrain the inflation problem to manageable dimensions. There has been no rapid wage price spiral as there has been in Australia; nor has there been a difficult foreign exchange crisis as there was in South Africa. The Budget closed with a surplus of nearly £10 million on March 1951 and the estimates for the current year forecast a further surplus of £6 million. Nevertheless some troubles remain. The National Government has been forced to abandon its policy of decontrol over the economy and its ambitions to reduce cost of living subsidies. Subsidy payments were reduced from £14 million to £5 million in the first year of the new government's tenure of office but they have since risen to £18 million, which is at least £3 million greater than their peak under the Labor government. There have also been signs that the farmers are beginning to demand more control over their reserve funds and some reduction



in their amount. Import prices are still rising and the future of wool prices, upon which so much depends, is still uncertain.

There was a prolonged strike of the waterside workers last year. While the strike was on, a degree of bitterness developed which gave rise to much world publicity, some of it exaggerated. There were sporadic outbreaks of violence and accusations of totalitarian methods were levelled at the government. But in the end the government's successful handling of the strike was one of the most important factors which encouraged the Prime Minister to hold the 1951 election which returned him with an increased majority.

Long-Term Problems - There are certain long-term questions concerning future economic policy which are of interest because they have a bearing on New Zealand's somewhat suspicious attitude towards the International Monetary Fund and therefore, by association to some extent, to the Bank. These problems have their roots in the kind of economic policy which developed as a result of the depression. In the 1938 election, when the Labor Party came to power, some people believed that the Party had a plan for "insulating" the country against slumps. There has since grown up a sort of economic philosophy which is known as "insulationism", a term which is used to describe the kind of counter-slump policy which it is hoped, might be successful in New Zealand. Broadly speaking, such a policy would consist of "guaranteed prices" for farmers along the lines previously described, counter-cyclical public works, the fostering of domestic industry and exchange and import control.

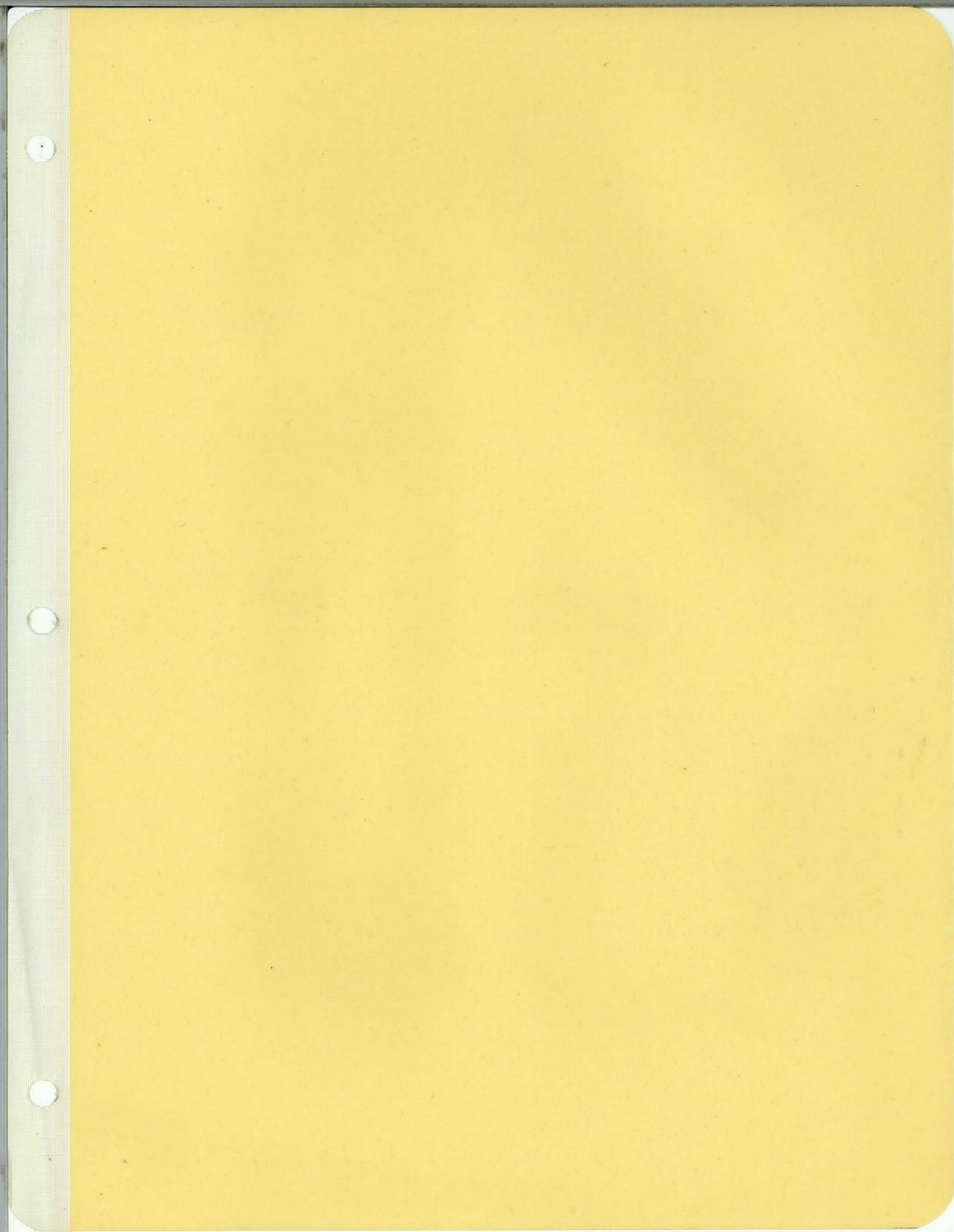
While a coherent policy on these lines would almost certainly be beneficial for New Zealand and any government would be forced to pursue it in some degree, it must obviously be applied carefully; for any idea that there is a way in which a dependent economy such as New Zealand's could be completely protected from economic forces in the rest of the world could only be disastrous. In an emergency, "insulationism" could only provide the time during which other more fundamental changes might be carried out.

But it can easily be seen that New Zealand, greatly influenced by "insulationist" ideas, is unlikely to be overly enthusiastic about a program for "free, unfettered, non-discriminatory multilateral trade". At the Havana Conference, New Zealand was foremost among those countries which desired to make trade restrictions permissible in the interests of economic stability. It is also as a result of this attitude that the Fund has come under suspicion in New Zealand. It has been regarded as a device of the United States to impose upon the world the kind of international economic policy which is desired by the U.S. Treasury. This attitude may have been modified, however, by the change in government.



Underlying the question of New Zealand's attitude in the matter of international trade policy is the problem presented by the changed position of the U.K. in world trade. There has been some discussion of the wisdom of attempting to broaden the country's export markets but it does not appear that any firm policy on this question has yet been decided.







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Date:

11/15/2010 EAW

HONG KONG

(Crown Colony)

GEOGRAPHY

Located off the Southeast coast of China. Includes the Islands of Hong Kong and Stonecutters and Kowloon Peninsula. Hong Kong Island is about 11 miles long and 2 to 5 miles wide; about 90 miles Southeast of Canton separated from mainland by a channel about one mile wide. Primarily because of fine natural harbor, only deep sea anchorage between Shanghai and Indochina, became entrepot for trade throughout South China and Western Pacific.

GOVERNMENT

Structure resembles other British Crown Colonies. Governor assisted by Executive and Legislative Councils. Main administrative function under Colonial Secretariat coordinating some 30 departments. Governor, appointed by the King in Council for term limited to 5 years, constitutionally responsible only to Secretary of State for the Colonies.

Governor

- Lord Alexander GRANTHAM

Age 52 - married Maurine Samson of San Francisco 1925. Wellington School and Sandhurst Royal Military College, and Pembroke College, Cambridge. In Hussars in World War I. Colonial Service in Hong Kong 1922. Called to Bar, Inner Temple and attended Imperial Defense College before being appointed Colonial Secretary, Bermuda 1935. Subsequently also served in Jamaica, Nigeria and Fiji, and as High Commissioner for the Western Pacific. Present post since 1947.

Colonial Secretary

- John Fearn NICOLL

Age 51 - Carlisle Grammar School and Pembroke College, Oxford. Military service in World War I. Colonial Service in British North Borneo 1921 and West Indies. Administered Government in Fiji and acted as High Commissioner for the Western Pacific on several occasions prior to present assignment May 1949. Worked with Grantham two years in Fiji and together make an efficient team, Sympathetic and considerate chief.

Political Adviser

- Geoffrey W. ALDINGTON

Age 44 - City of London School and Magdalen College, Oxford. China Consular Service 1929-39; Acting Consul General Tsingtao, 1939-41; Ministry of Information, London, 1943; Acting Consul General at Hankow 1945 and later Senior Consul in Shanghai; Foreign Office in charge of information services 1947. Present post since 1950.



Commissioner of Police

- Duncan William MacINTOSH

Age 47 - Inverness High School (Scotland).

Colonial service Straits Settlements, Inspector of Police, 1929-42; interned at Singapore 1942-45. One of the best officers in Colonial Police Service. Excellent record in Singapore and Malaya for efficiency and organization. Since war built up, consolidated and strengthened Hong Kong Police Force until comparable to best in any British colony. Present post since 1946.

POLITICAL SITUATION

Overriding political problem created by potential threat of Chinese Communist aggression which vitally affects all government decisions re: (1) Combatting threat of Chinese Communist sabotage and subversion in Colony, (2) Adopting local governmental practices and policies which tend to lessen the provocation for Chinese Communist aggression against Colony, and (3) Creating facilities for handling a tremendously complex refugee problem.

ECONOMY

Flourishing post-war industrial growth can be traced to political and economic stability which attracted considerable amounts of capital and industrial personnel from China. Excellent geographical location and port facilities afforded easy access to raw materials and markets for finished products. Sound currency system, adequate electric power, plentiful labor supply, and established credit facilities all contributed. Participation in the Imperial Preference System which facilitates export of locally manufactured products to the British Empire and other sterling area markets is further attraction.

Economic Problems

Traditionally an entrepot for China, as Colony of Great Britain, which is cooperating in UN effort in Korea, limited in exchange of goods with mainland. Chief economic problems: (1) How to maintain employment levels in face of limitations on its industry which has formerly found its principal market in China, (2) Attaining raw materials to continue to carry out role as fabricator for Southeast Asia in face of (a) world-wide shortages and (b) U.S. insistence that trade activity in Hong Kong shall not subvert U. S. and UN security controls over exports to China, and (c) Dependence on China mainland for substantial requirements of food and water.

DIPLOMATIC REPRESENTATIVES

UNITED STATES

Consul General

- Walter P. McCONAUGHY

Age 48 - born Alabama; married; Birmingham-Southern College and Duke University; high school and university professor; Foreign Service 1930, with posts Far East, South America; Consul General at Shanghai 1949.



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Date:

BURMA (Union)

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### GEOGRAPHY

Area and Boundaries - Forms westernmost part of Peninsula of Southeast Asia. Total area about 262,000 square miles or roughly the size of Texas. Bounded by China in north and east, India and Bay of Bengal in west and Thailand in southeast.

Natural Regional Division - Three regions: (i) Arakan Yoma (with the Chin Hills region), long, narrow mountain range, forming barrier between Burma and India; (ii) Shan Plateau in the east including Salween River Basin, extending southward into Burma-Thailand peninsula; and (iii) Central Plateau running down to the fertile delta of Irrawaddy River in the south. Irrawaddy, navigable for over 600 miles from the sea to Bhamo, is important link of "back door approach" to China. Together with chief tributary Chindwin, provides 900 miles of natural waterways.

Climate - Monsoon rains from May through October; rest of the year dry. Rainfall - annual average: 100 inches at Rangoon, 33 inches at Mandalay. Temperature - annual average in south 80°. Annual ranges: Moulmein 8°, Rangoon 10°, Mandalay 20°.

### POPULATION

Total about 18 million, of which 13 million Burmese, about 4 million other indigenous including Karens (almost 3 million) in south, and Shans (over 1 million) in east; balance - Indians (800,000) and Chinese (300,000). Most of the people live from agriculture, primarily in Lower Burma where wide low river basins make an ideal rice country. Literacy rate and scale of living high compared with other Asiatic countries. Burmese and Shan chief languages, Buddhism principal religion. Buddhist monks spiritual leaders, monasteries center of communal life and chief source of education.

### PRINCIPAL CITIES

Rangoon - Capital and chief port, located on Rangoon River about 21 miles from sea. Population has swollen to about 750,000 as compared to 500,000 in 1949, due to political instability in the countryside. City contains Shwe Dagon Pagoda, a much venerated Buddhist shrine.

Mandalay - (200,000) Chief city and river port of upper Burma.

Moulmein - (70,000) Seaport

Bassein - (46,000) River port

Pagan - on Irrawaddy, southwest of Mandalay, contains many sacred treasures and objects of interest to antiquaries.



it extremely unlikely that it will satisfy the Karens sufficiently to result in a negotiated settlement of the Karen insurgency. Traditional hatred and mutual suspicion between the two races make any satisfactory settlement of this problem extremely difficult.



Voting in 1st general election started in June 1951 but because of guerrilla warfare has not yet been completed -

### POLITICAL PARTIES

Anti-Fascist Peoples Freedom League (AFPFL) - Leader: Thakin Nu. Coalition of independent nationalists and the Socialists, now in control of Government. Professes to be Marxist-Leninist, and in its domestic policies stresses rehabilitation along Socialist lines. Its foreign policy may be described as "neutralist" in character, and includes cooperation with the U.N., maintenance of close ties with India, and above all, avoidance of antagonizing Communist China. In general, Prime Minister Thakin Nu and a number of his supporters who are Independents favor a more pro-West and slightly more conservative policy than do the Socialists.

Burma Workers Peasants Party (BWPP) - Leader: Thakin Lwin. Formed in December 1950 when the extreme leftists split with the Socialist Party which was accused of deviating from Marxism and Leninism. Stands for termination of "expansionist capitalism" in Burma, abolition of landlordism and utilization of local private and national capital financing economic development. The Communist peace appeal has been backed by the Party, which has supported the foreign policies of Communist China and the USSR. By espousing the Communist cause on almost all issues the Party virtually serves as an overt arm of Communism in Burma.

Burma Communist Party (BCP) - Leader: Thakin Than Tun. One-time member of the Anti-Fascist Peoples Freedom League, has been in armed rebellion since March 1948. Has relations with the international Communist movement and reportedly has been seeking assistance from Communist China. At one time proclaimed a Peoples Democratic Government in Central Burma but military successes of the government forces have reduced the area under its control. Other insurgent groups have been exhorted to join a Peoples Democratic Front dedicated to resistance to the "Anglo-American imperialists", overthrow of the Thakin Nu Government and revolutionary land reforms.

Communist Party (Burma) (CP(B)) - Leader: Thakin Soe. Splinter group of Communists which split with the Burma Communist Party in 1946. Has been conducting insurgent operations in Western Burma. In January 1951 it was announced that the Party had agreed to military cooperation with the Burma Communist Party but there has been no statement on the merger of the two Communist parties.

The Karens - In January 1949, the Karens, an ethnic minority, went into open revolt against the Government in an attempt to win for themselves an independent, autonomous state within the Union of Burma. Since the Karens are basically anti-Communist, they have not up to now cooperated with the other insurgent groups, although there have been recent indications of limited cooperation with the Burmese Communist Party in order to get arms and supplies. In October 1951, Union Parliament approved an act to amend the constitution, establish a Karen State, but the nature of this act makes



## HISTORY

Ancestors of present inhabitants, basically of Mongolian stock, entered Burma from Highlands of Tibet and eastern China during ninth century. Completed settlement by middle of eleventh century, with Buddhism unifying link. Brought under single rule by King Anawrahta (1044-1097), who established center of power in the city of Pagan, which remained until 1287, when hordes of Kubla Khan destroyed all political order. Next four and a half centuries marked by disorganization and latter part by ruinous wars with Siam.

Britain first entered political picture through activities of British East India Company (1755). Annexed Burma in three stages between 1826 and 1885, progressively replacing short-lived rule of local dynasty founded in 1826. Administered Burma initially as a province of India until 1937, when it became a separate unit, with a considerable measure of self-government. Japan became vitally interested in 1938 due to Allied arms shipments over Burma road, invaded the country in December 1941. Until October 1945 émigré civil government functioned in India.

In 1946 interim government was formed by coalition of main political parties and in April 1947 Constituent Assembly elected, which subsequently voted in favor of declaration of full independence. Treaty making Burma independent state outside the British Commonwealth signed in London, October 1947, effective January 1948. In March 1948 Communist Party instigated widely spread insurrection and Karens in southeast Burma and Irrawaddy Delta applied pressure for autonomous state, entering into open revolt in January 1949. In spite of serious depletion by desertion of Communist sympathizers and Karens, who joined Communist "Democratic Front", government forces managed to withstand pressures and finally to break back of insurrections by end of 1950. Communists split into two groups, but help for the "White Flag" (Stalin) Communists from outside was a dangerous possibility. Effective administration in large areas nominally under government control is still lacking, and insurgent groups have still considerable strength and are capable of causing the Government serious embarrassment.

## GOVERNMENT

Constitution of September 1947 provides for:

(i) Union Parliament, consisting of President, Chamber of Deputies and Chamber of Nationalities, latter comprising 125 members (53 for central unit, 72 for states and special areas), Chamber of Deputies, about twice as many. Both elected for 4-year period;

(ii) President, elected by both Chambers for 5-year term. Summons, prorogues and dissolves Chamber of Deputies on advice of Prime Minister. Has no veto right;

(iii) Shan, Kachin, Karen and Karenni States, each represented in Union government by a minister chosen from members of own parliaments and all have large measure of administrative authority.



### POLITICAL SITUATION

Internal security conditions appear to have deteriorated in the past twelve months, although not as critical as early in 1949. There are clear indications that the Burma Communist Party (BCP) is succeeding in its efforts to organize closer cooperation among the various insurgent groups, including the Karens, who appear to be weaker than the Communists, in contrast to two years ago. This development follows the plan of action outlined by Thakin Than Tun, BCP leader, in his March 1951 speech in which he subordinated doctrine and compromised on the differences among the various insurgent groups in an effort to win their support. While the Government claims that it has succeeded in driving the Communists out of south-central Burma, it is probable that they moved northwards in order (a) to be closer to possible sources of supply in China, (b) to extend government forces as much as possible and (c) to facilitate consolidating a thoroughly BCP-controlled area which could eventually be the nucleus of a Communist government.

The underground Burmese Communist Party may be expected to attempt to reach a working agreement with the Burma Workers and Peasants Party (BWPP), the above-ground Communist front, which has recently developed into the only significant legal opposition party. The BWPP is having some success in its drive to absorb or otherwise control various elements of the above-ground Leftist opposition. Increased peasant agitation by the BWPP organizers well may prepare the way for BCP "liberation" of large areas around Mandalay without any open alliance being revealed between the two groups.

Although the elections now in progress undoubtedly will result in strengthening the Socialist Party's control of the governmental machinery, there are indications that a showdown may be brewing between the extreme leftists in the Socialist Party, led by U Ba Swe, and the moderate Socialists backed by the independents under the leadership of the Prime Minister. Although some important government leaders, including the Prime Minister, are strongly opposed to Communism and are anxious to cooperate with the West, by their own admission the degree of cooperation is strictly limited by internal political considerations. At present these considerations prevent them from accepting any economic aid with "strings" attached, to say nothing of effective military assistance. Thus, although the trend toward cooperation with the West has been heartening, it must go considerably further before it will be possible to give Burma the kind of help it will probably have to have in order to meet the growing Communist challenge.

With the rising tempo of Communist activity, it seems probable that within a year or two the Government will have lost all effective control over the northern half of Burma. In its struggle for survival, the Government will probably be drawn to the right. It is likely that any such move will be accompanied by rising tension between the moderates and the leftists. Should an open split occur and should control remain with the Prime Minister and his moderate associates, the resulting government would find itself faced with the following alternatives: It could try to defeat the Communist menace, while still following a policy of neutrality, or it could align itself openly with the Western bloc for the purpose of receiving military aid. In neither case would an easy victory over the Communists be assured.



Prime Minister and Acting Minister - Thakin NU  
of National Planning

Age 47 - educated Rangoon University. Headmaster National High School, Pantanaw; returned to University to study law, but entered politics before completing course; led students' strike 1936; sentenced to imprisonment at outbreak of Second World War; released after Japanese occupation; served in puppet Government as Minister of Foreign Affairs; Minister for Publicity and Propaganda 1944-45; elected Vice President (AFPFL) after Allied reoccupation; Speaker Constituent Assembly 1947; Deputy Chairman Governor's Executive Council 1947. Succeeded Bogyoke Aung San as Prime Minister after the latter's assassination in 1947.

Speaks English, but especially noted for masterful command of Burmese. Excels both as orator and writer. Perhaps most striking characteristic is his devotion to Buddhism—has several time announced intention of retiring to a monastery. More friendly to West than many Burmese leaders, has been characterized as man of high ideals, great charm of manner, unquestioned integrity, and lacking in political ambition. Though not a member of a political party, respect for his ability and integrity has given him a considerable following, especially among the minority peoples of Burma. Great admirer of Nehru.

Minister for Education, Relief - The Honorable (U) THAN AUNG  
and Rehabilitation

Minister for Defense, Home Affairs - The Honorable (U) WIN  
Public Works, Rural Admin & Social  
Services

Educated in Britain and India, has been teacher, diplomat, politician and labor leader. Burma's first Ambassador to India. Belongs to more moderate wing of Socialist Party. Appears quite popular with general public and has complete confidence of Thakin Nu. Main strength said to lie in popularity with rank and file of Burmese labor - his appointment to ministries of Home Affairs and Defense was described as challenge to extremist labor leaders and a strengthening of position of Socialist Party in central administration. Has been one of West's staunchest friends within Government and his influence has done much to advance its more moderate elements. Opinions as to his ability range from those considering him Burma's top administrator to those picturing him a front behind which actual work of his ministries is carried out.



Minister for Forests and Agriculture - The Honorable Bo Khin Maung Gale

Minister for Public Works and Labour - The Honorable Bo Min Gaung

Minister for Finance and Revenue - The Honorable (U) TIN

Age 54. Bill clerk of daily New Light of Burma Press, rising to manager and publisher. Joined prewar Government as Minister of Commerce and Supplies, subsequently Minister of Industry and Mines. Mayor of Rangoon during Japanese occupation; President Rangoon Peace Preservation Committee, 1942; Vice President Burmese Chamber of Commerce, 1944; since 1945, Honorary Treasurer of AFPFL, member Executive Committee and Chairman of Finance Committee. In 1947, deputed by Government to study newspaper and printing work, visited U.K., U.S., Norway, Sweden, Denmark, France and Holland. Connected with Ministry of Finance since 1947. Vice President, Thathana Noggaha Association and Buddhist Council.

Politically has always been an independent but has cooperated with and been supported by AFPFL, due probably to his personal friendship with Thakin Nu and his own industry and ability. Reported to be strict disciplinarian in matters of finance. His financial policies are said to be not too popular with certain groups desiring more liberal dispensation of government funds. Speaks English. Well-meaning and personally honest. Some doubt as to degree of control he exercises over his ministry's administration.



Minister for Commerce, Industries & Mines - The Honorable (U) KYAW MYINT

Member of Industrial Commission which toured U.S. 1948; member of Burma National Economic Council; politically a leader among the more moderate elements of the Socialist Party.

Minister for Foreign Affairs - The Honorable Sao Hkun Hkio, K.S.M., M.A.

Age 39 - Government English High School, Maymyo; Framlingham College, England; Magdalene College, Cambridge; married - two daughters, two sons; 1937, succeeded to Sawbuship of Mongmit State, Northern Shan States, on death of father; Constituent Assembly 1947; Counselor for Frontier Areas to Governor of Burma until January 1948. During 1947 served as Representative for Burma on Defence Mission and as delegate to Burma Financial Mission to U.K. to negotiate Anglo-Burmese Treaty. Since January 1948 Minister for Shan State and Head of Shan State. Head of Burmese Delegation to ECAFE Session at Ootacamund 1948, was elected Vice-Chairman of Session. July 1948 visited Thailand as leader of the Goodwill Mission while acting as Foreign Minister in addition to his own portfolio. Led Burmese Delegation to Fourth Session of ECAFE in Australia, November 1948, and acted as chairman.

Considered one of most progressive of all the Shan Sawbwas. Remained in Burma during war, probably in hiding because of his pro-British attitude and his service with British Army prior to war. Considered to have minor role in formulation of Burmese foreign policy. Formerly very pro-western, has tended towards less favorable attitude in past two years. Possibly this is related to return of his British wife to England in 1949. Shy, but friendly and talkative on occasion. Has been cordial to most Americans.

Minister for Information - The Honorable (U) TUN PE

Age 51 - Rangoon College. Active part in University Boycott movement 1920 and later, when National Education Movement initiated, became first Assistant Honorary Secretary. Staff of Burma Observer, English language newspaper published by Burmans; later chief reporter and then Night Editor of the Sun, well-known Burmese daily. During war appointed by puppet government as Editor of the Bama-khit, (Burmese daily). After war Editor of the Hanthawaddy, (Burmese daily). Constituent Assembly 1947; President, Burma Journalists' Association, headed Press Delegation to U.K. and U.S. Minister of Information since September 1948, portfolio of Education added later.

Publications: An Introduction to Burmese Literature (Burmese); and The Voice of Young Burma and Sun over Burma (English)



Minister for Judicial and Public Health - The Honorable (U) Khin Maung Lat

Minister for Cooperatives - The Honorable (U) KYAW NYEIN

First came into prominence as strike leader in country-wide student strikes in 1935. During Japanese occupation served in puppet government; later turned against Japanese, becoming a leader of the resistance. After <sup>war</sup> served as Deputy Prime Minister and Minister of Foreign Affairs. Attended various international conferences. Master strategist of the Socialist Party. One of the most powerful men in that group and on the Burmese scene in general. Member of Foreign Affairs Advisory Committee, has consistently supported Burma's policy of neutrality and has been proponent of policy of non-alignment with outside power blocs. Extremely ambitious. Foreign observers have labeled him an opportunist and there is considerable question as to his political scruples.

In delicate health but seems to be playing as active a political role as even. Speaks English.

Minister for Minorities - The Honorable (U) Ba Saw

Minister for Kachin State - The Honorable Sama Duwa Sinwa Nawng

Son of Chief of Kachin States. Educated at Buddhist Monastery. First worked on own sugarcane plantations but later entered political arena as opponent of imperialism and capitalism and organized the Burma Proletariat Association composed of Kachins and Burmese of poorer classes. Later organized the Myitkyina-Bhamo-Momeik Youth with same aim. Appointed Minister of Kachin State, 1948.



Minister for Chin Affairs - The Honorable (U) Vum Thu Maung

Age 51. Government School. Subadar, Burma Rifles 1917, resigned from Army 1925. First Headmaster of National School. Member of Chin Hills Buddhist Mission for eight years. Took leading part in the Resistance Movement against the Japanese and joined the AFPFL when country liberated. 1946 successfully cemented Chin-Burmese goodwill ties. Member of Parliament 1947. Minister for Chin Affairs 1948.

Minister for Karen Affairs - The Honorable Mahn Ba Saing

Age 46. Seventh son. Judson College, University of Rangoon 1929 - 1932. Principal and English Teacher in important primary school. Constituent Assembly 1946. Portfolio of Karen Affairs since September 1948.

Minister for Transport and Communications - The Honorable (Mahn) Win Maung

Age 35. Judson College. Clerk in B.O.C. and Government Office. Army 2nd Lieutenant till British Evacuation 1942. Joint Anti-Fascist Revolutionary Organization led by the late General Aung San, 1943. Training in ~~guerrilla~~ warfare in India, 1944. 1945 parachuted east of Toungoo. Although leg severely injured, took command of guerrillas consisting of Karens and Burmans against Japanese for two months until taken out by plane for medical treatment. Vice-President of Karen Youth Organization and Editor of Taing-Yin-Tha Journal. Constituent Assembly 1947. Has held portfolios of Industry, Public Works and Karen Affairs; attended various ILO conferences; member of Burma Finance Mission to London 1947 and of Burma Council of Ministries.

As a Christian Karen who remained loyal to Government of Burma, unpopular among great majority of Karens who consider him traitor to their interests. Formerly friendly to westerners, now considered unreliable with possible close connections with communist elements. Cabinet position shaky.



TUN (HTOON) AUNG GYAW, Sir

Arakanese. Lawyer educated in Burma, India, and Britain. Widower. Related by marriage to one of the wealthiest and most prominent banking families of Akyab. From 1937 to 1942 served in every cabinet as Finance Minister and during war he accompanied the British administration into exile in India, serving as Finance Minister and as trusted and influential adviser to Governor of Burma. Represented Burma at Commonwealth Conference in London 1945 and in 1946 at reparations conference in Washington. Currently Chairman of the Central Commercial Bank of Burma, Ltd., organized May 1951.

Not well known in Burma, Gyaw was of conservative views but decided ideas on nationalization of certain industries and on excess profits of certain large corporations. Convinced, even during the war, of danger of post-war China to Burma and has been friendly to both Americans and British, although not hesitating to criticize the latter. Has favored the bringing of American capital into Burma. Is likeable, a good conversationalist and both honest and able.

M.A. RASCHID.

Burmese citizen, brother of Dr. M. A. Rauf, Ambassador of India to Burma. Personal friend of Thakin Nu and leader of Moslem community in Burma. Widespread activities in business. Chairman of the Court of Industrial Arbitration, Chairman of the Labour Legislation Committee, member of the Oil Fields Enquiry Committee and of the Committee to Draft Rules for the Rangoon Chamber of Commerce. Member of the National Commission for UNESCO, Secretary of the Burma Council of World Affairs, former President of the All Burma Indian Congress, and President of All Burma Indian Youth League. Fluent English.

(Bo) NE WIN

Commander-in-chief of the Burma Armed Forces, in 1941 one of the famous "Thirty Heroes" who received military training in Japan. Toward end of war fought against Japanese with the late Bogoyoke Aung San's National Liberation Army. In post-war years has risen rapidly in military rank and has held cabinet positions of deputy Prime Minister, Defense Minister, and Home Minister. Intelligent, energetic, and of good appearance and pleasing personality. Although has cooperated with Socialists, has made no politically committing statements other than pledging to stamp out lawlessness and insurrection. Considered a political enigma. Speaks English.

Extremely temperamental, has been most difficult to deal with, though in past has shown greater cooperativeness towards Americans than towards representatives of most other countries. Personal life regarded by Burmese as improper for man of his position and has been the object of extremely heavy criticism. Though rumors of his replacement, no suitable successor of his stature and influence yet found. Formerly commanded a large and loyal following in the army and was powerful figure. Undoubtedly some sections still remain loyal to him, but his popularity has fallen in past year. Considerable speculation about his loyalty to government if crisis should develop. Many people regard him as a complete opportunist.



(Bo) SET KYA (also known as (U) AUNG THAN, or JAMES ARTHUR BRUCE KLUSEMAN)

Former colonel Burmese Army. One of leading industrialists, controls, among other concerns, Air Burma. Also one of most important political figures, right-wing faction of the Socialist Party. Close to the Prime Minister, Thakin Nu, and accompanied the latter on his most recent trip to India to confer with Nehru. Bo Set Kya has been friendly and helpful to American diplomatic representatives in Rangoon and has visited the U. S. Speaks fluent English.

Has been considered by foreign observers and by Burmese as a very real power in the government. Closely associated in the past with Bo Ne Win (he has been called Ne Win's "alter ego") he served in a liaison capacity between the General and the Socialist Party. Lately an almost complete break occurred and Bo Set Kya's influence said to have been lessened by this. Has a large number of personal friends and contacts and has been able to amass a considerable fortune in recent years as a result of very profitable business ventures.

(U) HLA MAUNG

Schools in Burma and Britain; and travelled extensively.

Experienced civil administrator. Entered Indian Civil Service in 1920's. Currently Secretary to the Ministry of National Planning, Secretary to the Ministry of Finance and Revenue, Chairman of the Burma Economic Aid Committee, Director of the National Development Trust, member of the Economic Council and a member of the Airport Construction Committee. Has attended a number of UN conferences in the economic field and is intensely interested in industrialization of Burma. Being of Indo-Burmese extraction considered an Indian by some Burmese. Is charming, cultivated and well-educated. Most friendly to Americans and has visited the U. S.

Mistrusted and disliked by large segments of the Socialist Party. Has been connected with some unsavory business deals in the past. In particular, his favoritism has benefited his close friend Y. H. Kwong, leading Chinese businessman in Burma said to be exporter to communist China. One editor of a leading Rangoon newspaper is devoting a greater part of his time to acquiring enough derogatory information about U Hla Maung to oust him from his government posts.

(U) AUNG SOE

A professional civil servant; before the war Under Secretary of the Financial Department, Rangoon; since then served in number of administrative posts. Represented Burma at various FAO conferences. Secretary in the Ministry of Agriculture and Forests, Chairman of the State Agricultural Marketing Board, a member of the ECA committee and a member of permanent committee to handle the STEM program. A friendly, pleasant person; rather pro-western in his outlook; speaks English.

LIU Sek-Chong

A Chinese, born and educated in Burma; trained economist. General Manager of the Inland Water Transport Board since 1948 when that group took over control of Irrawaddy Flotilla Company (with which Liu had formerly been employed) for Government of Burma. Speaks fluent English.



General Manager, Union Bank of Burma - (U) SAN LIN

Attended 6th Session of ECAFE at Bangkok as an alternate representative. February 1951 came to U.S. to assist Burmese Ambassador in negotiations connected with Burma's application for membership in Fund and Bank. Speaks English.

President, Union of Burma Chamber of Commerce - (U) THA TUN AUNG

Successful lawyer; educated in India and England; related to wealthy and prominent banking family of Akyab. Has, for the past several years, held office in the Union of Burma Chamber of Commerce and is currently president of that group. In public addresses expressed himself in favor of entry of ECA into Burma and of Burma's application for entry into Fund. Speaks English.

President, Burmese Moslem Chamber of Commerce - (U) AUNG SEIN

Active generally in Burmese Moslem circles. As head of Burma Trading Corporation has visited various countries in the Near and Far East to make trade arrangements.

Director of Union Bank of Burma - (U) SEIN

Deputy Controller of Exchange for Union Bank of Burma - (U) KHIN MAUNG GYI

Has visited both India and England to study exchange control methods and policies.

DIPLOMATIC AND CONSULAR REPRESENTATIVES

UNITED STATES

Ambassador - The Honorable David McK. KEY

Age 52 - born Tokyo; Harvard, Cambridge (England) and Georgetown Universities; Marines 1918; Foreign Service 1925, at Antwerp, Berlin, London, Ottawa, Rome, Barcelona and Rio de Janeiro; U.S. Representative, Final Meeting of Permanent Committee of International Institute of Agriculture, Rome, 1948; Minister to Burma, 1950, Ambassador March 1950; Broad knowledge of Burmese affairs. Now in Paris at U.N. General Assembly.

Counselor - Henry B. DAY

Age 46 - born Connecticut - married; educated Yale, Berlin and Paris; Foreign Service since 1930, Naples, Singapore, Manila, Sydney, Edinburgh; Counselor of Embassy, Rangoon since 1949. Acts as Chargé d'Affaires ad interim during the absence of the Ambassador.

Head of ECA Mission - The Honorable Abbot Low MOFFAT

Personal rank of Minister. Has been in Burma for over a year and has had considerable previous experience with Southeast Asia, formerly as Chief of the Division of Southeast Asian Affairs in the State Department.



Political Officer - Albert B. FRANKLIN

Age 42 - born Massachusetts - married; Harvard, Ph.D; College Professor; Foreign Service, 1946 - Havana and Buenos Aires; although in Burma for less than a year, has acquired a broad knowledge of Burmese political affairs.

Economic Officer - James H. BOULWARE

Mr. Boulware is a Foreign Service Staff Officer whose specialty is agriculture. Is in charge of Economic Section and is in close touch with economic developments in the country.

Public Affairs Officer - George W. EDMAN

Age 50 - born Massachusetts - married. Has been a newspaper man for many years and was assigned as Public Affairs Officer in Copenhagen and Athens before going to Rangoon in 1950.

UNITED KINGDOM

Ambassador - His Excellency Richard Langford SPEAIGHT, C.M.G.

Age 46 - Oundle and Merton College, Oxford; Foreign Office, 1929; Budapest, Warsaw; British Council 1940; Cairo, 1945; Ambassador since 1950.

Counselor (Financial) - H.G. CURRAN

First Secretary - E. F. GIVEN

CANADA - not represented

AUSTRALIA - not represented

FRANCE

Minister - M. Raymond PLION-BERNIER

Age 49 - Graduate Ecole des Langues Orientales vivantes (Siamese); Student-Interpreter, Bangkok, 1925; Acting First Secretary, Bangkok, 1946; Counselor, Far Eastern Service, 1946; Minister since 1950; Chevalier of Legion of Honor, 1947.



#### RELATIONS WITH BANK

On January 3, 1952, Burma became member of Bank with \$15 million subscription to Bank's capital.

Already during period of formal procedures involved in acceptance of Burma to membership, Government had indicated interest in early Bank assistance. On October 25, 1951 Ambassador informally advised Bank that Burma, shortly after admission to Bank, intended to request Bank Mission "to study and report on Burma's general economic development".

November 6, 1951, Bank promised careful consideration of request but raised question whether Bank mission appropriate at a time when ECA project is in operation.