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Conference of the Working Group for Asia and the Far East
Sub-Commission of Economic Reconstruction of Devastated Areas

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1. Origin of the Conference: A Sub-Commission of Economic Reconstruction of Devastated Areas was established by the United Nations in June, 1946, under its Economic and Social Council. The First Session was held in London from 29 July to 13 December, 1946, and a Report of the Working Group for Europe and Africa has been submitted. On 11 December, 1946, the General Assembly of the United Nations passed a resolution "to give effective aid to the countries devastated by war and to give prompt and favorable consideration to the establishment of an Economic Commission for Europe and an Economic Commission for Asia and the Far East", so a conference of the Sub-Group for Asia and the Far East was called.

2. Representation at the Conference: Thirteen countries were represented, namely, Australia, Canada, China, France, India, Netherlands, New Zealand, Peru, Philippines, Siam, United Kingdom, United States, and the U.S.S.R. Besides, observers from the following eight Special Agencies were present, FAO, ILO, UNESCO (United Nations Educational, Scientific and Cultural Organization), WHO (World Health Organization), International Bank, International Monetary Fund, Far Eastern Commission of Reparations, and the International Emergency Food Council.

3. Geographical Units Covered: Eighteen geographical units were included in the discussion, China, Indochinese Federation, Philippines, Malayan Union, Singapore, Siam, Hongkong, Netherlands Indies, Burma, New Guinea, Papua, British Borneo, India, Korea, Gilbert Islands, Ellison Islands, Solomon Islands, and Portuguese Timor.

4. Duration of the Conference: The conference was held from February 14 to March 6. It actually met on 14 working days, and took up more time than was contemplated.

5. Procedure: A Draft Report was prepared by the Secretariat of the UN to serve as a basis for discussion. This report was in turn based on the country studies of background materials submitted by the various countries.

In the opening session the Assistant Secretary General of the UN, Mr. A. D. K. Owen, made an official statement, emphasizing the magnitude of the devastation of the area and the importance of its reconstruction to the world.

The conference was divided into two sub-groups. Sub-group One was to review the economic data presented by the various countries and to draft a chapter on "The Impact of the War and Extent of Recovery". Sub-group Two was entrusted with the work of analyzing the reconstruction problems, the needs, nature of the aid, and existing sources of outside aid. After these two groups presented their respective reports, plenary sessions were again called to draft recommendations.

6. Final Report: The final report to be submitted to the Social and Economic Council in session immediately after the adjournment of the conference consists of five chapters:

- (a) Introductions and Procedure
- (b) Factual Survey of War Devastation and Reconstruction
 - (1) Importance of Asia's Economy to the World
 - (2) Impact of the War and Extent of Recovery
- (c) Analysis of Reconstruction Problems
 - (1) The Nature of Reconstruction
 - (2) Crucial Problems and Needs
 - (a) Political and Social Unsettlement
 - (b) Personnel, Training and Education
 - (c) Provision of Capital
 - (d) Foreign Exchange Resources
 - (e) Equipment
 - (f) Materials
 - (g) Monetary Disorders - Inflation
 - (h) Basic Consumer Goods and Services
 - (i) Application of Technology and Research
- (d) Methods of Organizing International Aid
 - (1) Comprehensive Nature of the Aid Required
 - (2) Development of Regional Cooperation on Common Problems
 - (3) Existing Sources of Outside Aid
- (e) Recommendations

7. Recommendations: It was recommended that the Economic and Social Council establish an Economic Commission for Asia and the Far East. The guiding principles for the Commission are summarized as follows:

- (a) The Commission should, in agreement with the Governments of the countries concerned and in cooperation with the organs of the United Nations and Specialized Agencies, subject to the control and continuing review of the Council, and having regard to existing machinery for international economic cooperation in the area, (i) make or sponsor investigations and studies; (ii) furnish information; (iii) make recommendations, regarding the provision of technical assistance, to appropriate organs of the UN or any of the Specialized Agencies; (iv) initiate and promote measures for facilitating concerted action for economic reconstruction.
- (b) The Commission should give prior consideration to the devastated countries.
- (c) The Commission may make recommendations to the Governments of the countries concerned and the Specialized Agencies.
- (d) The Commission should submit a report to each session of the Council.
- (e) The Commission should be empowered to establish subsidiary machinery.
- (f) The Council should establish liaison between the Economic Commission of the Far East and other International Organizations.
- (g) The Secretary General should be requested to furnish the Commission with a suitable staff for its Secretariat.
- (h) The Commission should invite any member of the United Nations not a member of the Commission, and representatives of any specialized or inter-governmental agency to participate in its consideration of any matters of particular concern to that non-member or agency.

8. Important Issues Brought Up in the Course of the Conference:

There were many important debatable issues brought up in this conference. The opinion of and the remarks made by various delegates concerning any one problem were widely scattered throughout the various sessions. It was rather difficult to trace their trends of thought. Herewith I attempt to enumerate and summarize what seem to me to be the most important issues touched upon here and there through the course of the conference.

- (a) Definition of Devastation: At first sight the term "devastated areas" seems to be self-explanatory. As soon as the discussion began, the question was brought up as to whether the destruction subsequent to V-J day which was brought about either by political uprisings or some other indirect consequences of the war should

be considered as devastation for the purpose of the conference. Opinion was greatly divided. The data concerning the degree of damage are not uniform for all countries. China, for instance, limited its estimate up to V-J day, while other countries included losses subsequent to that date.

- (b) Definition of the term reconstruction: It was first decided that rehabilitation should be ruled out from the consideration of reconstruction, but another question remained as to whether by reconstruction is meant a mere reversion of a nation's economy to its prewar norm. Some countries objected to the idea of such a mere reversion on the ground that without the war they would have advanced further in their economic progress, so that reconstruction projects should be able to take care of their loss of speed in economic progress.
- (c) Long-term Development vs. Immediate Needs: The opinion was also divided as to whether attention should be concentrated on the immediate needs of reconstruction or consideration should be given to the long-term development as well. The final resolution on this point was that "This working group is primarily concerned with the short-term problems of economic reconstruction, and measures for meeting these problems should be so weighed and adjusted as to interfere as little as possible and help as much as possible towards the attainment of the vital longer-term objectives".
- (d) Industrialization and Population: In the first Draft Report it was pointed out that, whereas it is desirable for the Far East to be industrialized, there are two particular dangers which should be faced frankly. The first is danger of excessive population increase. A second danger is that the economic and political power generated by rapid technological power may be usurped by anti-democratic and militaristic groups, as was the case in Japan. This statement invited a storm of protest from China, India, Philippines, and the U.S.S.R. Some of them thought that new development of the postwar world must be able to change the course of historical events while the delegate of another country just did not accept this population theory at all. So the Final Report was made to read that a rapid extension of popular education should be emphasized to ensure that the application of modern technology be accomplished without the friction and abuses which accompanied industrial revolution in the past.
- (e) Investment: In several places in the Draft Report, it was pointed out that increase of foreign investment in Asia will expedite the economic reconstruction of that region. A hot debate was aroused especially between the U.K. and the U.S.S.R. delegates. The latter group bitterly opposed such a course of

action by elaborating the evil consequences of previous foreign investment in these under-developed countries. They would agree only to the use of the term "loan", which, on the other hand, was not acceptable to the U.K. group. After a long, long debate, without the slightest sign of yielding on the side of either party, a compromise was suggested, that both terms "investments and loans" should be used. This did not satisfy the U.S.S.R. side either. The debate hung on. I ventured, with the approval of the Chairman, to make on this point an observation that the term "inflow of capital" has been a generally accepted expression in international financing, it covers both investments and loans and is also devoid of any possible bad connotation. The U.K. delegate was quite willing to accept that suggestion but the Soviet side was still very much afraid that inflow implies a large scale operation. The final result was that both terms--investments and loans--were used with a reservation made by the Soviet delegates and inserted as a footnote to the Final Report that they would prefer the text to read "foreign assistance through international financial cooperation".

- (f) Regional Cooperation: Some countries are quite in favor of regional economic cooperation and supported the idea of regional conferences such as the South Pacific Conference, Inter-Asian Conference, and so forth. This idea was much to the dislike of some other countries for fear that it savors of an economic block and that they do not fall within the scope of United Nations activities.
- (g) Way of Stating the Economic Needs: At first some countries estimated their economic needs in monetary terms. This expression was later on ruled out and only quantitative terms were allowed to be used. Furthermore, as many of the quantitative data are subject to challenge, it was decided that qualitative statements are always preferable.
- (h) Functions Which the Proposed Commission is to Perform: The exact nature of the commission to be set up for Asia and the Far East has been an object of long discussion. Some countries would like to make it only a consultant body while on the other extreme some would like it actually to participate in the economic reconstruction work. A middle channel was decided on. Still some other countries entertained the fear that with the proposed Commission existing side by side with the Commission for Europe it might compare less favorably insofar as its claims to aid and assistance are concerned. One country (India) insisted that the Commission "should, *mutatis mutandis*, perform the same function for Asia and the Far East as the Economic Commission for Europe". This was not accepted by the conference but the Indian statement was accorded the privilege of being inserted in the report as a footnote.

- (i) Political Bearing of the Economic Issues: Although the conference was essentially economic in nature, it could not be completely divorced from political implications. On the one hand, doubt was shown whether economic reconstruction was at all possible in the face of political unsettlement. On the other hand, it was pointed out that political instability in some parts of some countries would never prevent them from doing reconstruction work in the unaffected parts, and that in the history of many countries great economic progress did occur during periods of civil wars. Another instance of unfortunate political implication arose when the delegate of one country tried to introduce a statement into the chapter on Recommendation of the Report that "the final purpose of the United Nations Organization for the economic development of the dependent countries of Asia and the Far East is the self determination of the peoples of these countries." In spite of objections by other countries the sponsor of that statement did not give in. As a compromise a mention of the term of "self-determination" was inserted under the section on "The Importance of Asia's Economy."

9. Remarks at the Conference on Behalf of the Fund:

- (a) When the question was put to the International Monetary Fund as to what it has done in the past relating to economic reconstruction and what it is likely to contribute in the future in this regard, I made the following remark: "Among other things, the most important piece of work which the Fund has performed is the passing on the initial par values of 32 countries. When these countries have fulfilled their obligations toward the Fund in other aspects, they are eligible to avail themselves of the Fund's resources. As to the question in what way the Fund will contribute to the economic reconstruction of member countries, we can say that the Fund, by stabilizing exchange and promoting foreign trade, will place its member countries in a better position to execute their economic reconstruction plans, and will facilitate the transfer from country to country of financial resources available for economic reconstruction purposes. As far as dealings between the Fund and its individual member countries are concerned, they are subject to certain quantitative and qualitative limitations. The use by any member country of the Fund's resources is limited to a certain proportion of its subscribed quota and to the particular purposes set forth in the Fund Agreement.
- (b) There was included under the section on "Sources of Outside Aid", (pg. 42) in the first Draft Report a statement concerning the Fund as follows: "The International Monetary Fund was created to facilitate the expansion and balanced growth of international

trade by promoting exchange stability and by assisting in the establishment of a multilateral system of payments. Its function is to promote international monetary cooperation by providing machinery for consultation and collaboration on international monetary problems. These purposes are important for the economic reconstruction and development of Asia, and the advice and assistance which the Fund can offer are needed in overcoming the acute monetary disturbances which are seriously hindering reconstruction in a number of countries." After consulting with Mr. E. M. Bernstein, Mr. Gordon Williams, and Mr. Allan Fisher over the telephone, it was decided that the two words "are needed" were a little too strong and that their change into "would be useful" would be more appropriate. I brought this up at the conference and our request was complied with.

- (c) The above statement occurred side by side with statements on some other Specialized Agencies, namely, ILO, FAO, and UNESCO. Inasmuch as the other three agencies have already concluded agreements with the United Nations while the Fund has not, I pointed out to the conference that the insertion of a remark to that effect in the report would be appreciated. So in the Final Report there has been inserted a sentence before introducing the several Special Agencies as follows: "The following is a brief note on these bodies, mention being made first of three specialized agencies which have been brought into relationship with the United Nations under Articles 57 and 63 of the Charter."
- (d) In the first Draft Report (p. 42) it was recommended that the international body for Asia and the Far East should serve as a forum and a channel for the interchange of ideas, information, policies and projects of the Specialized Agencies. I called the attention of the conference to the fact that as the Fund is an operating agency, quite different from other consulting bodies and as its policies and projects, if revealed in their premature stage, might have undue influence on the world financial market, their communication should be as direct and prompt as possible. It would be very inconvenient to transmit them through some other channel. As a result, this channel idea was dropped out of the Final Report.
- (e) Referring to the third item under the final Recommendations, namely: "The Commission may make recommendations on any matter within its competence directly to the Government of the country concerned, governments admitted in a consultative capacity, and the Specialized Agencies concerned" I made the remark that the term "Specialized Agencies" is a very broad one and they occupy

different status toward the United Nations. The propriety of making recommendations to them depends on which of the special agencies is concerned. We hoped that to the term "special agencies" could be added some modifying clause such as "within the terms of the agreements entered into between such specialized agencies and the United Nations." This request was not granted. This being so, I went on to make the following reservation: "While it would be very valuable for the proposed Commission for Asia and the Far East to make recommendations to the special agencies, it could do that not without its possible untoward consequences. Any recommendation which a specialized agency is not in a position to fulfill is not only an embarrassment to the agency itself but also a reflection on the prestige of the Commission. We should like to see any such recommendation made with great caution."