

*Sugar.*—Production in the Indian sub-continent has been increased, but in Indonesia, where wartime disruption brought exports to a complete standstill, it still remains far below the pre-war level and is barely sufficient to meet domestic consumption. Over the whole area the output of sugar had just about recovered in 1949 to its pre-war level.

*Tea.*—Although Ceylon and India have substantially increased their production, this has been partially offset by the slowness of recovery in Indonesia. As late as 1949 Indonesian production was only one-third of pre-war.

*Jute and cotton.*—India and Pakistan, the main producers of these commodities in the area, have found it impossible to restore pre-war levels of output because of continuing demands on cultivable land for other purposes. Present plans provide for increased production of both materials.

*Tin.*—The tin mines of Malaya and Indonesia suffered heavily from the 'scorched earth' policy during hostilities and from neglect during enemy occupation; in Thailand the mines were kept short of fuel. Since the war new dredges and pumps have been put into operation and the supply of engineering materials, coal and electric power improved. By 1949 the production of tin had been almost restored to the pre-war level, from the very low level of 1946. This was mainly due to rapid improvements in Malaya and Indonesia. Production of tin in Burma and Thailand remains low.

*Crude petroleum.*—Production in Indonesia, which ceased almost entirely after the war, was restored by 1949 to 80 per cent. of the 1938 level. In Brunei, however, production has greatly expanded since the war and is now nearly five times as great as in 1938.

*Electric power.*—Industrial expansion during the war led to an increase in the output of electric power in the sub-continent of India and this has been continued in post-war years. It is now almost twice the pre-war level, although still insufficient to meet demand.

11. Against this background of dislocation and uneven recovery in South and South-East Asia it is possible to distinguish certain broad financial effects. First among these was the inflation of prices and costs caused by the shortage of supplies and unbalanced Budgets. In the Indian sub-continent the increase in the supply of money to finance war production and the accumulation of sterling credits against wartime exports led to an increase of 150 per cent. in wholesale prices between 1939 and 1946. In the occupied territories of South-East Asia the enemy financed himself by unrestricted creation of paper money. Over the whole of the area the increase of wholesale prices between 1939 and 1947 was nowhere less than 150 per cent. and was as great as 1,000 per cent. in Indo-China. During the five years since the war the inflationary pressure has slackened, but the upward movement of prices did not show signs of halting until 1949. At the present time, however, account must be taken of the probable long-term effects of the devaluation of sterling and of the rearmament policies recently decided upon.

12. The effects of inflation in South and South-East Asia have been mitigated by the provision of external finance and by using up external assets. The process of rehabilitation has been assisted by import surpluses financed by these means. The attempts by some countries to increase production in various sectors of the economy have, during the past five years, involved increased imports of machinery, vehicles and constructional materials, which domestic industry was unable to provide. Moreover, emergency imports of grain and textiles in the period immediately after the war were made possible only by incurring substantial trading deficits which were financed by drawings upon accumulated reserves of sterling. In addition, import