

Public Disclosure Authorized

File Copy

FILE COPY

No. E 68-A
RESTRICTED

RETURN TO
REPORTING OFFICE
WITHIN
ONE WEEK

66975

This report is restricted to use within the Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

SURVEY OF BRITISH COLONIAL DEVELOPMENT POLICY

November 9, 1949

Economic Department

Prepared by: B. King

Public Disclosure Authorized

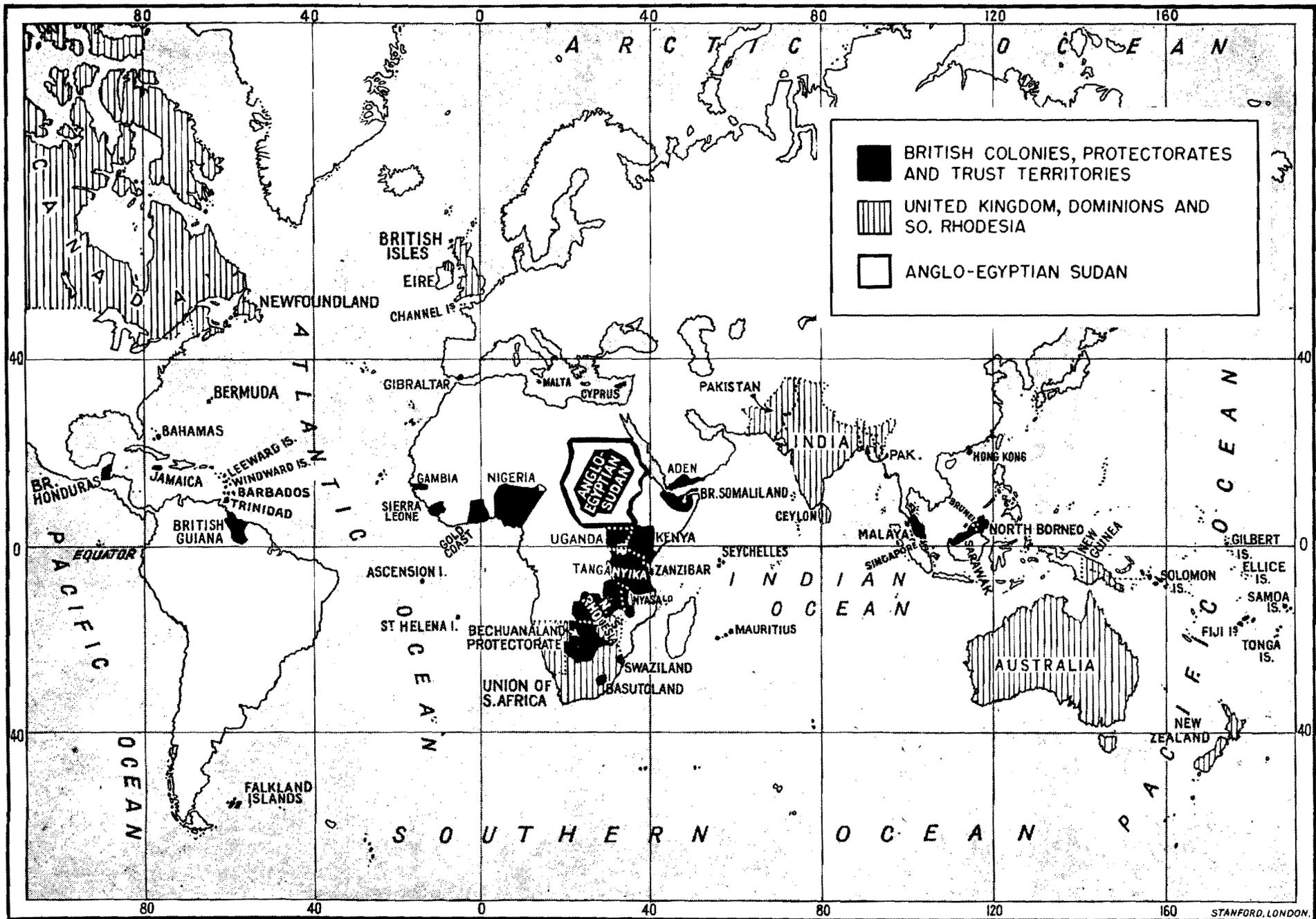
TABLE OF CONTENTS

	<u>Page No.</u>
I. <u>PREFACE</u> (and Map)	i
II. <u>SUMMARY</u>	iv
III. <u>THE COLONIES UP TO 1940</u>	1
<u>TABLES I & II</u>	8
IV. <u>THE COLONIES SINCE 1940</u>	10
<u>TABLES III to VI</u>	29
<u>APPENDIX - THE CURRENCY SYSTEMS OF THE</u> <u>COLONIAL EMPIRE</u>	34

I. PREFACE

The British Colonial Empire is a somewhat loose expression embracing some forty dependencies of the United Kingdom. For the purposes of this paper the term will be used to cover all dependencies administered through the Colonial Office on December 31, 1948 and, in addition, the three South African High Commission territories, which are under the control of the Commonwealth Relations Office. This definition is adopted, since its scope is the same as that of the various Acts of Parliament passed since 1940 to promote colonial development, including the Overseas Resources ^{Development} Act which established the Colonial Development Corporation. A full list of these territories will be found in the list following. It should be noted that in conformity with the provisions of the recent Acts which apply only to "colonies not possessing responsible government," ^{1/}the definition given above excludes the self-governing colony of Southern Rhodesia, whose relations with the United Kingdom are conducted through the Commonwealth Relations Office. It also excludes the Condominium of the Anglo-Egyptian Sudan and the independent states under British protection in Arabia such as Kuwait. Relations with these territories are conducted through the Foreign Office,

^{1/} Colonial Development and Welfare Act, 1940, paragraph 1. (5)



SOURCE: The Crown Colonist

The British Colonial Empire

<u>Area</u>	<u>Territory</u>	<u>Status</u>	
<u>Africa</u>	<u>West:</u>	Gold Coast)	Colony and Protectorate
		Togoland)*	Trust territory
		Gambia	Colony and Protectorate
		Nigeria)	Colony and Protectorate
		Cameroons)*	Trust territory
		St. Helena	Colony
		(including Ascension I and Tristan da Cunha)	
		Sierra Leone	Colony and Protectorate
		<u>East:</u>	British Somaliland
	Kenya		Colony and Protectorate
	Tanganyika		Trust Territory
	Uganda		Protectorate
	Zanzibar		Protectorate
	<u>Central:</u>	Northern Rhodesia	Protectorate
		Nyasaland	Protectorate
	<u>South African High Commission Territories:</u>	Basutoland	Protectorate
		Bechuanaland	Protectorate
		Swaziland	Protectorate
	<u>East Asia</u>	Brunei	Protected State
Hong Kong		Colony	
Malaya, Federation of		Protectorate	
North Borneo (incl. Labuan)		Colony	
Sarawak		Colony	
Singapore (incl. Cocos Is. and Christmas I.)		Colony	
<u>Indian Ocean</u>		Aden	Colony and Protectorate
		Mauritius	Colony
	Seychelles	Colony	
<u>Mediterranean</u>	Cyprus	Colony	
	Gibraltar	Colony	
	Malta	Colony	

* Common administration

Pacific Ocean

Fiji	Colony
Western Pacific:	
Gilbert & Ellice Is.	Colony
New Hebrides	Condominium with France
Pitcairn I.	Colony
Solomon I.	Protectorate
Tonga	Protected State
Canton & Enderbury Is.	Condominium with U.S.

West Indies and Atlantic

Bahamas	Colony
Barbados	Colony
Bermuda	Colony
British Guiana	Colony
British Honduras	Colony
Falkland Is.	Colony
Jamaica (incl. Turks & Caicos Is. and Cayman Is.)	Colony
Leeward Is. (Antigua, Montserrat, St. Kitts, Virgin Is.)	Colony
Trinidad and Tobago	Colony
Windward Is. (Dominica, Grenada, St. Lucia, St. Vincent)	Colonies

Notes:

- a) Geographical classifications of the colonies are very loose, e.g. East Africa is frequently used to include Central Africa. The classification used here broadly follows that in the B.I.S. publication "The British Colonial Empire in 1948" (I.D. 907)
- b) It should be noted that the South African High Commission Territories do not come under the Colonial Office, but are included here for the reasons stated in the preface.
The Condominia, while administered by the Colonial Office, do not appear to be covered by the provisions of the 1940 Act.
- c) The meaning of the different statuses is described in the following quotation from the B.I.S. publication, "Towards Self-Government in the British Colonies" (I.D. 598): "There are certain legal differences in the status of Colonies and Protectorates. Thus while a Colony is British territory under the Crown, in a Protectorate the Crown exercises authority without annexing the territory. In Protected States authority is vested in the sovereign of each State, and not in the Crown which derives its functions from treaty agreements conferring certain powers and duties upon it. For administrative purposes, however, the general framework is very similar."

II. SUMMARY

1. The greater part of the British Colonial Empire, as at present constituted, emerged from a primitive condition only about 70 years ago and its economic development has therefore not proceeded far.

2. Before 1940 the colonies were regarded, in principle, as financially self-sufficient entities and were granted financial aid by the British government only in cases of particular need. The colonial governments were thus dependent largely on their own local revenue, a large part of which was required for administration and the service of debts incurred for expenditure on railroads, ports and other public works. Apart from some assistance to peasant agriculture most colonial governments had not the resources to undertake any other economic activity; nor, in fact, was it regarded as their function.

3. The colonies did, however, receive certain benefits from the British connection. For example, loans could be raised on the London market on advantageous terms. British trading companies and investors were encouraged by the existence of a British administration and its consequences: political stability, common laws and, in effect, a common currency. The influence of the trading companies stimulated production for the world market and exports of such commodities as rubber, tin, cocoa and vegetable oils increased rapidly. In some cases, notably mining, this was achieved with the aid of private capital, mainly British, but a substantial part of the exports came from peasant agriculture. In the Far East, another important source of income was the large entrepot trade which flowed through Hong Kong and Singapore, amounting to perhaps two fifths of all the trade of the British colonies.

4. At the beginning of the 1930's there was some change of policy. The Colonial Development Act of 1929 granted some financial aid to the colonies and the Ottawa agreements of 1932 introduced a degree of tariff preference that had previously been largely excluded by the prevailing policy of free trade.

5. The first major change in policy, however, took place in 1940, when it was decided that "the principle that a colony should have only those services which it can afford to maintain out of its own resources..... now calls for revision." To implement the new policy a Colonial Development and Welfare Act was passed in that year. This Act, as amended in 1945, now provides for a total assistance of £120 million over the ten years to 1956.

6. This assistance to colonial governments was augmented in 1948 by the formation under the Overseas Resources Development Act of a Colonial Development Corporation with long-term borrowing powers up to £100 million. This Act also created the Overseas Food Corporation, which operates the East African groundnuts scheme, but this Corporation is likely to be of less importance to the colonies in the long run than the C.D.C.

7. Broadly speaking, the functions of the colonial governments are: "to obtain adequate knowledge of the resources of each territory; to maintain and improve the basic economic services, especially railways, roads, ports and other means of communication; and to secure improvements in the health and education of the people, which can only be sustained by rising productivity but are equally the essential conditions of expanding economic development." Those of the C.D.C. are: "to maintain and improve existing industries; and to develop the most promising new sources of production and new forms of wealth." The latter is also the field of private enterprise.

8. Besides the legislative measures mentioned above the British government has by administrative action encouraged greater economic stability in

the colonies through long-term contracts and price stabilization schemes for producers and by insistence on the importance of local secondary industry which hardly existed previously.

9. An important aspect of the development of the colonies is the manner in which it will affect and be affected by the current dollar shortage of the sterling area. Malaya particularly, and to a lesser extent West Africa, have long been important dollar-earners from the production of rubber, tin, cocoa and gold. This fact is now, of course, of great significance to the sterling area. Efforts are being made to increase the net dollar earnings of the colonies, which are currently running at about \$150 million p.a.

10. In terms of the current dollar deficit of the sterling area as a whole it is unlikely that much can be achieved quickly by an expansion of colonial exports to the dollar area, although some savings of imports, particularly of textiles, is still possible. The most important colonial contribution to the alleviation of the dollar problem is likely to be the increased production of commodities for consumption within the sterling area, thereby saving imports from hard currency areas. The principal commodities in this category are sugar, fats and oils and copper.

11. Official British estimates earlier this year put the expected increase in dollar savings and earnings at about \$300 million by 1952/53. Whether this is possible naturally depends on how far the increased production in the colonies will be absorbed by increased consumption in the United Kingdom and how much will actually represent a saving of current dollar imports. This is especially true of fats and oils, the output of which is a long way behind schedule.

12. Although the colonies now have at their disposal more capital, greater continuity of initiative in its investments and more favorable economic conditions, the pace of development is still restricted by the

(vii)

inevitable difficulties that face all underdeveloped countries in some degree -- for example, the shortage of skilled labor and the heavy cost of opening up new land. Expectations of rapid future progress should not therefore be pitched too high.

III. THE COLONIES UP TO 1940

13. The British colonies can without question be classed as under-developed areas. It is only 70 years since the greater part of the Colonial Empire -- the tropical areas of Africa, Malaya and the Pacific -- came under British authority. Before that time their inhabitants were for the most part engaged in subsistence agriculture and their contacts with the Western economic world were limited to a small amount of crude barter trade on the coast.

14. Their problems were those of other under-developed areas in a more elementary form. They had no capital to exploit their resources and no skill to use capital if they had had it. To enable methods of production to improve and so to provide an income from which the process of improvement might be continued, large amounts of capital were necessary, particularly for transportation. The need was most acute in Africa with its great distances and formidable natural obstacles.

15. In most colonies the basic needs for transportation were provided by the local British governments soon after their assumption of authority, but they were financed for the most part by loans raised in Britain from public or private sources.

16. Debt charges together with administrative expenses for the maintenance of law and order inevitably weighed heavily in the colonial budget with its limited sources of revenue. Only a small residue was available for education, health, economic services and the service of any additional capital expenditure. The British Treasury granted relief in exceptional circumstances, but except at the outset, no other aid. The colonies were, in principle, financially self-sufficient entities.

17. In these circumstances development depended on the usual set of conditions: the suitability of soil and climate to the production of agricultural commodities in world demand; the natural aptitude of the inhabitants; the density of population on usable land; the opportunities for external private investment in mines and plantations; the inflow of immigrant capital and skill; and the degree of productive local saving in whatever form.

18. According to the accidents of circumstances the colonies prospered or stagnated. At one end of the scale was Malaya, which with the injection of British capital and the enterprise of the local Chinese became the largest tin and rubber producer in the world. Its government was able to pay off almost all its external debt and to undertake new public works by raising local loans. At the other were struggling colonies like Nyasaland with its natural disadvantages of distance from the sea and lack of minerals. But the differences were mainly ones of degree. In general, there was little local industry, whether manufacturing for local consumption or processing for export. The occupation of the vast majority of the inhabitants was still agriculture and for many of them it had changed little from its former primitive pattern. The income of each territory and the revenue of its government depended on the export of a few primary commodities, produced by a small nucleus of the population.

19. When the depression of the 1930's drove world prices down, the colonies were faced with the common problem of all under-developed countries with external debts. Their debt charges remained fixed and their revenues fell. Those governments that had succeeded in building up economic services such as agricultural departments were forced into severe retrenchment. At the same time the flow of private investment from outside fell abruptly.

20. Although British policy was somewhat modified during the 1930's and some extraordinary aid was extended to the colonies, the amount of aid was hardly comparable with the emergency. The colonies had to struggle out of the depression largely on their own resources. The economic progress of the colonies up to 1940 was, therefore, broadly similar to that of other countries at a similar stage of development.

21. Although the problems of development before the colonies were essentially no different from those of other countries, the fact of colonial status introduced a number of elements which strongly affected the manner in which those problems were met. In most cases any statistical assessment of the effect is impossible, but this does not mean that these differences are any the less important for being imponderable.

22. The existence of a British administration was, of course, the primary difference from which all the other differences spring. The immediate imposition of law, order and continuity of government by a competent administration was by itself of undoubted value. The general economic effects were those that follow from being part of a large economic unit rather than a small one. The existence of common laws, customs, language and, in effect, a common currency made for an easier flow of trade with Britain and greater security for the British investor. The Colonial governments, for example, were able to raise loans on the London market on much the same terms as British municipalities, because it was inconceivable that the British Treasury would allow them to go into default. The sense of security meant that large manufacturing interests in Britain were encouraged to invest capital in technical assistance to native farmers from which the returns could only be distant and indirect. This was particularly true of the cotton and tobacco industries.

23. In addition certain central organizations for research -- in tropical agriculture and medicine, for example -- were set up by the British Government. Another central organization of interest is known as the Crown Agents for the Colonies. This body performs many useful services for the colonial governments; the most important is the purchasing of machinery and raw materials on their account, but their operations include such financial services as the investment of surplus funds and the flotation of bond issues.

24. The aid to the colonies provided by the Colonial Development Act of 1929, while small, should not be discounted. Its ostensible objective was as much to relieve unemployment in the U.K. as it was to develop the colonies, but in practice the latter was made the main purpose of the Act. The total amount disbursed over the following decade was only £9 million, but this does not tell the whole story, since the greater part was distributed to the poorest and most distressed colonies.

25. The depression of the 1930's introduced an element into the colonial relationship that was more controversial than those hitherto discussed, namely, tariff preference. Before 1930 there had been a growing tendency to give preference to certain colonial products in the U.K., but protection did not extend to many commodities nor was it particularly high. The influence of the 19th century free trade policy was still strong. On the other side, there were scarcely any instances of tariff preference to British products by the colonies.

26. As a result of the Ottawa agreements of 1932 a regime of imperial preference was instituted, primarily at the instance of the Dominions. The colonies both received and granted preferences, but the effect varied greatly from one colony to another. The main beneficiaries of empire preference were the West Indian sugar producers. It was of no value to producers of commodities

such as cocoa, rubber and tin that were in surplus supply within the empire. No preference was given on some other commodities -- cotton and iron ore, for example -- where it would have benefitted the exporting colonies.

27. Preferences granted by the colonies also varied. The major part of Africa, for example, was prevented by international treaties from giving any preference at all. The complicated political relationships between the various states in Malaya made it difficult to impose differential tariffs. Other colonies, however, suffered from the loss of cheap sources of supply, especially Japan.

28. One measurement of the results of the colonial relationship is possible; the proportion of the trade with Britain in the total trade of the colonies. Here global figures are quite misleading, since they throw together the large entrepot trade of ports such as Hong Kong and Singapore and the more direct trade of most other colonies. As Table I shows, for the latter -- or non-Asiatic -- group, British trade in 1938 accounted for 40-45% of the total. The proportion varied somewhat from one area to another, being higher in West Africa and lower in East Africa, but broadly speaking this is a typical figure. It may be noted that this is much less than that of French trade in the trade of her colonies. It is also less than the share of U.S. trade in the trade of some independent areas with which commercial relations are particularly active such as the tropical countries of Latin America.

29. The trade of the Asiatic group showed a very different picture. The share of the U.K. in this trade was less than 15%. Only about a third of this trade of this group consisted of exports of domestic produce or imports for local consumption; the remaining two-thirds was entrepot trade with the local merchants acting as intermediaries between producers in neighboring countries and the rest of the world.

30. The trade of the whole colonial empire with the U.K. was, in fact, only a small part of the U.K.'s total trade. From 1934 to 1938 less than 6% of British imports came from the colonies and 8% of British exports went to the colonies. The value of the colonies to the United Kingdom did not lie in their exploitation as exclusive markets or sources of supply. In the main the colonies were developed for the world market.

31. The list of commodities exported by the colonies (Table II) shows that three of the most important were rubber, tin and cocoa. These were produced far in excess of the United Kingdom's -- or indeed the Commonwealth's -- requirements. The British colonies were the major world suppliers in each case^{1/} and large quantities were shipped elsewhere:

Destination of Major Colonial Exports (1939)

(Percent)

	<u>U.K.</u>	<u>U.S.A.</u>	<u>Elsewhere</u>
Rubber	18	52	30
Tin	14	57	29
Cocoa	36	33	21

Source: IMF Memorandum RD-643.

32. The advantages to the U.K. came rather from production under the control of British capital and the amount of trade that passed through the hands of British merchants. Proportionately, both were certainly much in excess of the trade with the United Kingdom alone. For example, it has been

^{1/} Percentages of world production:

Rubber	43%	(1938)
Tin	46%	(1938)
Cocoa	54%	(1939)

estimated that 70% of equity investments in Malaya were British. In Africa the proportion was probably higher.

33. The concentration of trade with British merchants was also heavy. In West Africa, for example, the United Africa Company alone controlled one-half of the exports of agricultural produce (or 30% of all exports) and sold a third of all imports. Except for a few French, German and Indian firms most of the other trading companies on the West Coast were British.

34. West Africa is probably the outstanding example of trade concentration, but large trading companies like the United Africa Company operate in other areas -- Mitchell, Cotts and Company in East Africa and Harrisons and Crosfield in the Far East, for example.

35. From the colonies' point of view, the effect of colonial status is a matter of judgment. There seems little doubt that economic benefit was derived from the particular attractions offered to investors and traders and imperial preference certainly shielded some colonies from the full impact of the depression. However, any discussion of such matters has been rendered academic by the events that have taken place since 1940.

Table I

(i) Trade of the Colonies with the U.K. 1938

	<u>Total</u> (£ m.)	<u>With U.K.</u>	
		(£ m.)	(%)
<u>Colonies other than Asiatic</u>			
Exports (domestic)	65.2	28.5	44
Imports	72.3	29.2	40
<u>Aden, Malaya, Hong Kong</u>			
Exports (incl. reexports)	101.0	10.9	11
Imports	107.8	15.8	14-1/2

Notes:

- a) Reexports of the first group of colonies, which are not included here, were hardly more than £2.5 million. In the Asiatic group, about one-third of the exports were exports of domestic produce -- almost all from Malaya, about another third reexports from Singapore and Penang, the remaining third being reexports from Hong Kong and, to a small extent, Aden. The trade of Brunei, N. Borneo and Sarawak is omitted altogether since their trade passes mainly through Singapore.
- b) Gold is excluded.

(ii) Comparative Trade Figures for Other Areas: 1938

	<u>Total</u> (Fr. b)	<u>With France</u>	
		(Fr. b)	(%)
<u>French Colonies</u>			
Exports	6.82	4.44	65
Imports	5.98	3.22	54
	<u>Total</u> (\$ m.)	<u>With U.S.A.</u>	
		(\$ m.)	(%)
<u>Tropical America</u>			
Exports	791	368	47
Imports	787	348	44

Notes:

- a) French Colonies exclude North Africa.
- b) Tropical America includes Mexico, all the Caribbean Republics, Ecuador, Colombia, Peru and Brazil. Venezuela is excluded owing to the complications caused by petroleum.

Sources: Statistical Abstract of the British Commonwealth 1936-45, H.M.S.O., Cmd 7224. Bulletin Mensuel de Statistique d'Outre-Mer, I.N.S.E.E., The Network of World Trade, League of Nations, 1942.

Table II

Main Exports of British Colonies - 1937

	Total		Source		
	(£ m.)	(Percent)	Africa	Malaya (£ m.)	Other Areas
Rubber	57.2	30	0.2	57.0	-
Tin	24.8	13	2.7	22.1	-
Vegetable oils & fats	18.3	9-1/2	12.7	4.3	1.3
Cocoa	14.5	7-1/2	13.6	-	0.9
Copper	11.1	6	10.7	-	0.4
Sugar	9.4	5	0.2	-	9.2
Gold	6.6	3-1/2	5.6	0.7	0.4
Cotton	5.8	3	5.7	-	0.1
Others	43.7	22-1/2	8.9	20.5	14.3
Total	192.4	100.0	60.3	105.6	26.6

Notes:

- a) Reexports have been left out as far as possible. Exports from Hong Kong, which are virtually all reexports, have been omitted entirely.

Unfortunately, it has not been possible to separate the very large reexport trade (about £50 million) that passed through Singapore. Consequently the figures for rubber and tin are much exaggerated, perhaps by as much as 25%. Those for vegetable oils and fats and for gold are affected but much less so. As the exports of Brunei, N. Borneo and Sarawak mainly pass through Singapore, they have been omitted from the table.

- b) The category vegetable oils and fats is not completely comprehensive, but the omissions are unimportant. The principal commodities are: palm oil and kernels (£7.8 m.); groundnuts (£5.0 m.); copra and coconut oil (£4.8 m.).

Source: Statistical Abstract of the British Commonwealth 1936-45, H.M.S.O., Cmd. 7224.

IV. THE COLONIES SINCE 1940

36. The 1930's produced a crop of riots, strikes and similar evidence of dissatisfaction. The most turbulent area was the heavily populated West Indies which had little tradition of subsistence farming. Unemployment there consequently caused great hardship. In August 1938 a Royal Commission was sent there with the broadest terms of reference: "to investigate social and economic conditions and to make recommendations". Their recommendations, published in February 1940, revealed a new approach to the problems and coincided both in time and in spirit with a new "Statement of Policy on Colonial Development and Welfare" issued by the Colonial Secretary on the same day. In this statement it was laid down that "the principle that a colony should have only those services which it can afford to maintain out of its own resources now calls for revision". The era of financial self-sufficiency thus came to an end.

37. The new policy was put into effect by the passage of the Colonial Development and Welfare Act of 1940 which provided for an expenditure of not more than £5-1/2 million a year for 10 years "for any purpose likely to promote the development of the resources of any colony or the welfare of its people", and which also remitted certain outstanding Treasury loans to the colonies. The war naturally imposed limitations on the implementation of the Act and only £10 million was actually disbursed during the period. In 1945 a new Colonial Development and Welfare Act raised assistance to a total of £120 million for the next 10 years and permitted expenditure up to £17-1/2 million in any one year, thus giving more scope for raising the level of annual expenditure gradually.^{1/}

^{1/} An amending Act raised this limit to £20 million in July 1949.

38. Soon after the passage of the Act, the Secretary of State for the colonies outlined the principles on which he expected to operate. Each dependency was asked to draw up a broad 10-year development plan for the approval of the Colonial Office. To assist in the preparation of these plans a new step was taken. An allocation was immediately earmarked for each dependency, the total of these initial allocations being £85-1/2 million out of the total of £120 million. £23-1/2 million was allotted to central schemes and research and the remaining £11 million held in reserve.

39. No single criterion was used to determine the sums to be allocated to each territory. Factors taken into account included "the size and population of the territory, its known economic resources and possibilities, the present state of development, the development schemes known to exist or to be under contemplation and the financial resources likely to be available locally." The colonies were urged to help themselves, firstly by reviewing their tax rates particularly on higher incomes and secondly by not undertaking projects which they would find it difficult to maintain. Development plans were not to be confined solely to territorial limits, but the importance of regional schemes -- particularly in the West Indies, East Africa and Central Africa -- was stressed, some of the allocations being made on a regional basis.

40. Twenty-one plans have now been approved; the sums involved vary from the £55 million, which Nigeria proposes to expend, to £200,000 for St. Helena. As Table IV shows, there is also a great variation in the proportions in which the total expense is to be borne by local revenue, loans, and the Colonial Development and Welfare Vote.

41. Besides these important legislative measures, the general change of policy was reflected in various administrative actions. Efforts were made

to reduce the dependence of the colonies on a few commodities vulnerable to world prices, plant disease or technical obsolescence. And great importance was attached to increasing participation in economic affairs by the native inhabitants.

42. The shortage of imports during the war had greatly stimulated local industry in many colonies. In a memorandum of the Colonial Economic Advisory Committee circulated in February, 1946 industrial development was established as a matter of the first importance in diversifying colonial economies. Government departments or semi-independent boards were set up in many colonies for promotion of industry. A new policy towards mining was also adopted, the Colonial Secretary urging colonial governments to take steps to ensure that mining was carried on in the interests of the territory and, where necessary, to undertake mining operations themselves. It was further suggested that taxation of mining companies should be modified according to the phase of the business cycle in order to maintain a steady level of production and employment.

43. In agriculture definite steps were taken to erect new defenses against the vagaries of world prices. Even before the war, the undesirable effects of price fluctuations were underlined in the report of the Commission appointed in 1938 to enquire into the marketing of West African cocoa. In 1944 it was decided that marketing boards should be established after the war in the Gold Coast and Nigeria to purchase the entire crop at uniform prices and resell it, any proceeds being used for price stabilization funds and research.

44. Nigerian and Gold Coast Cocoa Boards have accordingly been set up and also oilseed Boards in several Western African colonies. The assets

of these organizations are probably not less than £75 million.^{1/} Similar schemes are in hand in Uganda and Nigeria for cotton and in Jamaica for bananas. The local producer boards set up for the stabilization of prices or general improvement of marketing have pressed for the security provided by long-term contracts with those departments of the British government which make bulk-purchases.^{2/} In various official publications the importance of stable markets for the producer, particularly of tree-crops, has been stressed. In September 1948 the Chancellor of the Exchequer stated the policy of the British government on long-term contracts. He reaffirmed the need on both sides for such contracts, but doubted the practicality of a term exceeding 10 years; furthermore, prices would have to be subject to periodic negotiation or a formula based on world prices. The principle has been carried into effect in the case of all colonial sugar, Jamaican bananas, West Indian orange-juice and some oilseeds. And contracts with British manufacturers have encouraged greatly increased production of tobacco in Central Africa.

45. In February, 1948 a new Act, the Overseas Resources Development Act, was passed. This created two new corporations, the Colonial Development Corporation and the Overseas Food Corporation; the first, with borrowing powers up to £110 million and the second up to £55 million, of which £10 and £5 million respectively are short-term only. The association of these two corporations in the one act is apt to be misleading, particularly since their one purpose in common, the increased production of dollar-earning or dollar-saving commodities, obscures their differences.

^{1/} The magnitude of this sum may be gauged from the fact that it is not much less than the total exports of the Gold Coast and Nigeria in 1947.

^{2/} Agricultural commodities subject to bulk-purchases are: cocoa, tea, coffee, sugar, oranges, grapefruit, bananas, oilseeds, tanning materials, some hides and skins and some timbers (as of January 1949).

46. The Overseas Food Corporation is responsible to the Ministry of Food and has as its object the production, processing and marketing of agricultural products anywhere outside the United Kingdom. It so happens that the first project to be undertaken, and so far much the biggest, is the well-known East African groundnuts scheme, in which some £30 million has already been invested and whose eventual cost is expected now to be at least £50 million. Although the project will have a profound effect on the Territory of Tanganyika, the Corporation may not in the long run be of great importance to the colonies as a whole, since it will in future only operate in the Colonies at the invitation of the Colonial Office and there has been widespread criticism of the wisdom of allowing such action by an "alien" ministry.

47. The Colonial Development Corporation, on the other hand, is responsible to the Colonial Office, which has stated that it is "to encourage enterprise, strengthen the colonial as well as the United Kingdom economies and to stimulate production for internal needs and for supplies wanted externally."^{1/} The need for such a Corporation to supplement the 10-year plans arose because these plans were concerned largely with the expansion of basic public utilities, social services and such economic services as agricultural research and geological surveys. The sums devoted to direct productive enterprise were small. The division of responsibility is shown by the list of functions that the Colonial Office has defined for the application of capital to colonial development:

- (i) to obtain adequate knowledge of the resources of each territory;
- (ii) to maintain and improve the basic economic services, especially railways, roads, ports and other means of communication;

^{1/} The Colonial Empire 1947-48, Cmd. 7433.

- (iii) to secure improvements in the health and education of the people, which can only be sustained by rising productivity but are equally the essential conditions of expanding economic development;
- (iv) to maintain and improve existing industries;
- (v) to develop the most promising new sources of production and new forms of wealth.

In general, the 10-year plans are responsible for (i) to (iii), the C.D.C. (and presumably private enterprise) for (iv) and (v).

48. The C.D.C. has, in fact, the broadest scope and may be considered as taking on any role that colonial governments and private enterprise are unable or unwilling to fill. It is not intended to supplant either public or private enterprise. On the contrary, in a number of its projects it has attracted the participation of private enterprise, both British and foreign, and in several others it is cooperating with colonial governments: for example, in its financing of the East African Industrial Management Board.

49. The colonies are now, therefore, in a much better position to face their problems of development than they have ever been before. They have been assured of capital on advantageous terms, with which continuity of research and enterprise can be maintained. They are being afforded more secure markets for their export product and, thus, more stable incomes. It is now more possible to plan for the long-term without regard to temporary setbacks.

50. However, there is one matter of great importance that impinges on the whole future of colonial development -- the dollar shortage of the sterling area. Since the 1940 and 1945 Acts were passed with the main object of raising the standard of living of the colonial peoples, it has caused a shift of emphasis in colonial development,

51. The need to explore the possibilities of the colonies in order to increase their already substantial dollar earnings was officially recognized in May 1947 with the creation by the Colonial Office of the Colonial Primary Products Committee with these terms of reference: "To review, commodity by commodity, the possibility of increasing colonial production, having regard on the one hand to the interests of the Colonial Empire and, on the other hand, to the present and prospective world needs and the desirability of increasing foreign exchange resources." The C.D.C. undoubtedly has a close connection with the Primary Products Committee, since a number of its projects spring directly from the Committee's recommendations or those of the missions sent out to the colonies on its initiative. Examples are the groundnuts schemes in Nigeria and the Gold Coast and, probably, the rice scheme in Gambia. Increased production of tung oil, which the C.D.C. intends to promote in Nyasaland, has also been recommended by the Committee.

52. An examination of the dollar-earning possibilities of the colonies is, therefore, called for.

53. The colonies as a group have for many years had a favorable balance of trade with the United States, but their dollar-earning capacity is highly concentrated. Before the war only a few colonies were among the small group of tropical countries having such a favorable balance, the outstanding one being Malaya. Malaya, in fact, normally had a larger trade surplus with the United States than any other country in the world:

Leading Countries Having a Favorable Balance of Trade with the U.S. - 1938

(\$ Million)

	<u>Exports</u>	<u>Imports</u>	<u>Balance</u>
Malaya	116	10	106
N.E.I.	69	28	41
Brazil	98	62	36
Cuba	106	76	30

Source: League of Nations, the Network of World Trade: Annex IV
(using U.S. figures).

54. The only other colonies having a favorable trade surplus of any importance with the United States were the Gold Coast and Nigeria; the Gold Coast, in addition, was the principal source of gold in the colonies. However, the favorable balance of these two colonies approximately offset the deficits of the remainder.

55. While it was still possible for the rest of the world to balance its accounts with the United States without stringent monetary restrictions, the significance of Malaya was no greater than that of any other source of dollars. In the postwar era of the dollar shortage it has assumed great importance as being the largest of the few dollar-earning units in the sterling area. West Africa has also attained greater prominence as a dollar-earner,

56. The order of magnitude of the colonies' contribution may be seen in Table V which shows the trade balance with the United States and Canada of various groups within the sterling area. Exports of the U.K., the colonies and the other commonwealth countries were each between \$500 and \$600 million in 1948. The colonies had a surplus over imports of some \$250 million, while the U.K. had a deficit of \$750 million and the trade of the remainder was about in balance. The major change in the first half of 1949 is the emergence

of large unfavorable balance for the Dominions (principally India); the colonies actually appear to be improving their position.

57. It should be emphasized that these figures are purely illustrative. For one thing they are based on United States and Canadian statistics, which differ considerably from British sources. They exclude trade with other countries that is financed in dollars or other hard currencies; examples are dollar payments to Indonesia on reexports through Singapore and to Venezuela for imports of petroleum into Trinidad. They also exclude payments for services of which tourism in the West Indies is the largest item on the positive side, offset somewhat by dollar freight charges on colonial trade in general.

58. In addition, the gold production of the colonies amounts to some \$30 million a year.

59. An official British estimate has put the net dollar earnings^{1/} as running at a rate of \$150 million p.a. in the first half of 1948. They were probably no higher a year later, both exports and imports having been reduced. Whatever the precise position, it is clear that the contribution that the colonies make to the central reserves of the sterling area is a substantial one.

60. This contribution is, however, a vulnerable one. Colonial exports to the United States and Canada are heavily concentrated on rubber, cacao and tin; in 1948 these three accounted for 85% of the total. Natural rubber is threatened by synthetic, whether the latter is produced in the United States for purely economic or for strategic reasons. Tin prices are notoriously sensitive to changes in world demand. And both these commodities

^{1/} No definition of this term is available. It is not certain, though it is likely, that it includes gold production.

are produced mainly in Malaya, which has already suffered the effects of the postwar political ferment in Eastern Asia. Cacao, which is produced in the Gold Coast and Nigeria, faces a different problem, namely disease. The effects of "swollen-shoot", which is currently ravaging the Gold Coast and is also present in Nigeria, are expected to cut output from 350 ^{thousand} million tons in 1946 to 285 ^{thousand} million tons in 1952-53. New plantings are being made or are envisaged in the Far East and the Caribbean, but the trees take four to five years to start bearing and several years more to reach full production.

61. The report of the Overseas Territories Committee of O.E.E.C. puts no great hopes on the expansion of these traditional exports to the United States and Canada. On the whole, a fall in dollar earnings is more likely, although the long-run prospects for rubber are more favorable. The report does envisage some increased exports from the British colonies of certain minor commodities such as sisal and hemp, hardwoods, bauxite, manganese and a few other minerals. E.C.A. has, in fact, financed plants for the increased production of cobalt and kyanite. In addition, gold production, which was declining under the influence of the fixed price, may be expected to receive a powerful stimulus from the recent devaluation of sterling.

62. Immediately after the war the colonies' needs for textiles and cereals, two of the main import categories, had to be imported from North America to such an extent that for some time they were running a dollar deficit. Although supplies from this quarter have been much reduced, there is still room for further saving of dollars; in 1948 imports of textiles into Malaya alone totalled \$50 million and imports of cereals into the West Indies, \$25 million. Supplies of textiles from inside the sterling area have improved considerably of late and a trade agreement between the United Kingdom and Japan made in November 1948 provided for the supply of considerable quantities

of textiles to the colonies. The world supply of rice is likely to become much easier in the next few years. In the colonies themselves a number of projects for rice production are in hand and there are also plans for production of textiles from locally grown cotton in Nigeria and Uganda. Some possibilities for reducing colonial imports from North America exist, therefore.

63. The British Government estimates that the net effect of these increased exports and reduced imports will raise the net dollar earnings of the colonies from the current rate of \$150 million to \$300 million per annum by 1952/53, a figure which appears to be somewhat optimistic, in view of the limiting factors mentioned above.

64. Perhaps the most important new contribution that the colonies can make to the alleviation of the dollar shortage is to increase their production of commodities now imported by sterling area countries from the dollar area. Sugar and vegetable fats and oils are important agricultural commodities in this group. The quantity of sugar produced within the sterling area is small compared with the requirements and any conceivable increase in colonial supplies could be absorbed. The target for colonial sugar exports in 1952/53 is slightly over 50% more than the 1947 figure; estimates of the 1949 sugar crop are already one-third higher.

65. Before the war the commonwealth was a net exporter of fats and oils (other than drying oils), but exports of groundnuts from India, which were very large before the war, have since fallen to quite small amounts. There is currently a deficit, which in view of higher consumption in India is likely to continue. In the colonies the greatest attention has been given to groundnuts, which have the advantage of being an annual crop. The well-known Tanganyika project of the Overseas Food Corporation can be expected to overcome its early difficulties and, in due course, to bear fruit. Currently,

however, more important results may be expected from Nigeria, where large crops have been held back from export by insufficient motive power on the railways; this is already largely remedied and the large backlog of stocks should be cleared early in 1950. The C.D.C. also has schemes for putting new areas under production in several West African colonies. A considerable increase in palm oil output is expected from Nigeria through the introduction of new oil mills giving a much higher yield than the traditional peasant methods of production. Increased production of other oils and oilseeds -- e.g. cottonseed, tung, linseed -- is also anticipated, but these are relatively unimportant. The British Government expects that by 1952/53 the United Kingdom will no longer need to import any fats and oils except linseed oil from the Western Hemisphere. In view of the fact that the Tanganyika scheme is now much behind schedule, this may only be achieved by slowing up the rate of increase in consumption.

66. Copper is the outstanding mineral from which increased output is hoped. Production in Northern Rhodesia, which was about 220,000 tons before the war, and somewhat less in 1948, is expected to exceed 300,000 tons in 1952/53. Current performance suggests that this is well within the realm of probability. The United Kingdom could absorb this amount by reducing imports from the Western Hemisphere even without increasing its current consumption. Compared with copper, other minerals such as iron ore and lead are unimportant.

67. With this increased production the proportion of British imports from the colonies now running at 10% of the total as against less than 6% before the war, may rise to as much as 12% in 1952/53. The order of magnitude of this increase in imports is probably around \$150 million. Part of this

will go to increased consumption but the remainder should represent a saving of imports from the Western Hemisphere.

68. For the first few years after the war the development of the colonies was held up by a shortage of supplies of all kinds, e.g. steel, machinery and textiles. As there were competing claims for reequipment of existing installations, particularly railways, new projects were held up. In addition, there were insufficient consumer goods to absorb the purchasing power accumulated during the war and the period of high prices immediately after it without a substantial degree of inflation. Labor costs were consequently high. The immediate effect on production in general was a substantial drop from postwar peaks.

69. The position is now greatly changed. Supplies are coming forward much more rapidly and there have even been local gluts of consumer goods. Although the colonies have sterling balances amounting to nearly £400 million over and above the necessary backing for their currency issues, the prime need may soon be for financial capital. On July 20 the Secretary of State for the Colonies stated: "The indications are that we shall have allocated all the money which was provided by Parliament under the 1945 Act within a comparatively limited time ahead. That will probably mean that urgent projects which the Colonies want may not be possible because there are no funds available, thereby creating a situation in which the Government will need to consider whether a new bill should be asked for."

70. The pace of investment is thus accelerating fairly rapidly. A list of long-term investments in hand or likely to be in hand shortly was recently submitted by the British Government to O.E.E.C. The cost of the projects on this list, which may very well not be exhaustive, is over £400 million.

71. It should be understood that these projects do not fit into a closely knit plan. The Colonial Office has stated that there is a plan only "in the sense that Government provides a certain general framework which may be very sketchy or very comprehensive, but which still leaves a more or less substantial residual of decisions about both production and consumption to the private planning or initiative of individuals." Its principal concern has been to make sure that a proper balance is maintained between economic development and the improvement of welfare services. Otherwise the initiative is left largely to the colonial governments, private enterprise and the C.D.C.

72. In these circumstances, it is to be expected that the nature and the scope of the projects would vary widely. Those undertaken by colonial governments range from a few large public utility schemes to a multitude of small projects designed to ameliorate living conditions or to improve present methods of peasant cultivation. One example of the first type is the East African railway link from Kenya to Northern Rhodesia which is under consideration. Another example is the Owen Falls dam and hydroelectric plant on the Upper Nile in Uganda, which will help to control water for irrigation in Egypt; a contract for the construction of this dam has recently been signed.

73. Projects of this magnitude in primitive territories are necessarily a gamble, since they are undertaken in the expectation but without the certainty of a growing demand for their services. In the past the fixed interest and amortization payments on capital borrowed for similar expenditures often cut heavily into a colony's revenues until the project became self-financing, which often took many years. Although the colonies are now in a much more flexible financial position, there is clearly a limit to the number of such projects that can be safely undertaken. In this field, therefore, international cooperation through such organizations as O.E.E.C. is particularly

important. Efforts are already being made to establish closer coordination of transport plans in Africa.

74. A large part of the investment by colonial governments will necessarily be of the second type, which is less spectacular but no less important. As an example of this the proposals for water supplies in the Cyprus development plan may be cited. The plan includes a minimum 150 small gravity irrigation schemes and the piping of domestic water to 550 villages at a total cost of some £1-1/2 million.

75. The bulk of investment by private enterprise is unlikely to be much different from what it was in the past. A large part will certainly be devoted to expansion or modernization of existing mines and plantations.

76. The new ventures, however, have certain interesting characteristics. Firstly, there appears to be a tendency for British companies already operating overseas to shift to the colonies as sources of supply.^{1/} While exchange or other difficulties continue to intervene elsewhere, this tendency is likely to prevail.

77. Secondly, more investment is taking place in industries producing for local consumption such as cement, soap and textiles. Although in some cases such enterprises are being undertaken by the local governments or the C.D.C., private enterprise is taking a more noticeable part in this kind of investment than it has in the past.

78. The field of operations of the C.D.C. can be described -- very roughly -- as falling midway between that of colonial governments and private enterprise. Its annual report points out that "the Corporation must more often (than private enterprise) go into new areas which require expensive

^{1/} e.g. from quebracho in the Argentine to wattle in East Africa.

clearing operations for an agricultural scheme, or which, owing to inaccessibility or other adverse conditions, are sparsely populated or unprovided with public services", and that "the Corporation has frequently to include in its project costs the provision of housing, public services and communications." The project for raising tung oil in Nyasaland is a typical example.

79. Even though capital is now more plentiful, the colonies still face the same limitations to their development as other under-developed countries. Skilled and semi-skilled labor are very scarce and in Africa unskilled labor is very largely migrant labor. There is thus a need to build up a sufficiently skilled and stable labor force in order to avoid the inefficiencies of the present system. If this is not done, demands for labor from new industries and construction may merely be inflationary and endanger the well-being of existing industries. There is also the possibility that domestic food supplies may be reduced to the point where imports are necessary, if agricultural productivity does not increase at the same time.

80. In many colonies, however, the opposite problem exists. There has been a marked fall in mortality rates -- so far as they can be measured -- since the beginning of the century and although the census figures in the past were unreliable, there is no doubt that there has been a considerable growth in population, causing great pressure on the land. This excess population will have to be absorbed elsewhere if there is not to be hidden unemployment on the land or overt unemployment in the cities. The domestic market clearly puts a limit on the scale of domestic industry and, although there is now a growing tendency to process export commodities instead of shipping them as raw materials, there is obviously a limit to this, too.

81. One solution of the population problem, where it is possible, is to open up new land. In the islands of the West Indies, an acutely over-populated area, no new land is available and the problem is to be tackled by migration to the mainland colonies of British Honduras and British Guiana. In an elaborate plan outlined by a Royal Commission^{1/} it was estimated that the capital cost of providing housing and employment for 100,000 immigrants over a period of 10 years might be in the region of £20 million even without actual transport costs. And this would hardly relieve the islands of the natural increase in that period.

82. In Africa population densities, taken over the whole area of each colony, are in general very low, but locally they may be extremely high. This is partly because large areas are dry and unproductive, but there are, in addition, vast areas that are scarcely inhabited because of infestation by the tsetse-fly, the carrier of trypanosomiasis.^{2/} This disease can be controlled in human beings, but could not, until recently, in cattle. The discovery of a new drug, antrycide, whose effectiveness is by no means yet determined, holds out greater promise. Eradication of the fly by clearing bush is, however, the only satisfactory cure and this is a costly and tedious process.

83. The opening up of new land is thus a distinct possibility in Africa. The Tanganyika groundnut scheme must be regarded as a desirable move in this direction, although it illustrates at the same time the difficulty and the cost of bringing under cultivation areas which are remote and whose physical and climatic characteristics are imperfectly known.

^{1/} Report of the British Guiana and British Honduras Settlement Commission, H.M.S.O., Cmd. 7533.

^{2/} In Africa as a whole, the area is said to be much larger than the U.S.

Schemes of a less ambitious kind are being undertaken by the C.D.C., in Nigeria for example, and by colonial governments. On whatever scale they are undertaken, they must be expensive owing to the high overhead cost of installations in hitherto uninhabited land. The problems of over-population and under-population thus exist side by side.

84. Settlement on new land has one great advantage in the development of the colonies. It makes possible the organization of the economic life of the new communities on entirely new lines without the barriers to greater productivity that land tenure systems and social customs have erected on the old land, especially the highly populated land. It is, for example, a widely held view that Southern Nigeria would have derived great economic benefit from the introduction of oil-palm plantations instead of having this branch of agriculture as a simple collection of wild fruit. The grant of land for this purpose was refused to a British company because native land rights had to be respected, but attempts to encourage plantations by the natives have met with meager success. There are similar difficulties with forest conservation and utilization. It is even more difficult to persuade primitive peoples to give up existing rights in favor of long-run benefits than it is to persuade more advanced peoples.

85. It is not surprising to find that the habit of saving is hard to inculcate. The principal source of saving is taxation, which without extraordinary administrative expense can only follow a policy of rough justice. As it is inequitable to tax the normally small cash incomes heavily, the larger ones tend to escape. Perhaps the most promising source of saving is voluntary labor for small local projects. An outstanding example can be found in Uganda, where a first-class road system has gradually been constructed with little capital cost to the colony through the medium of the local native

administration. On a smaller scale, this method has had encouraging success in Southern Nigeria. Nevertheless, even such saving as exists still takes unproductive and even destructive forms, such as the keeping of cattle merely as a token of ostensible wealth and consequently the over-stocking of land.

86. Expectations for the development of the colonies should not be pitched too high. For many years to come, the principal source of new income will continue to be exports. It is unnecessary to repeat the frequent warnings of the time that must elapse before new tree-crops and forests begin to bear. The potential results of more extensive efforts to carry out geological surveys are not calculable. As a noted authority on African affairs has stated: "The lesson which other African territories can learn from the economic history of the Union is that, in the last resort, economic progress depends on the aptitude effectively to organize the efforts of the population and to educate and train its backward members, and that there is no real substitute for this slow and difficult task."^{1/}

87. Not only is development bound to be slow, but also to be uneven. It will clearly be more advantageous to push forward with investment in undertakings in places and in fields where the greatest return is likely. Although it may appear a policy of neglect, it may be necessary to leave other areas to profit only from the indirect consequences of success elsewhere and particularly from the gradual penetration of example.

88. The important difference between the future and the past is that the new measures taken by the British government to promote colonial development and the tightening of the United Kingdom and its colonies into a closer economic unit should provide greater continuity of initiative and more stable conditions for its exercise.

^{1/} S.H. Frankel, Capital Investment in Africa, p. 148.

Table III

THE COLONIAL DEVELOPMENT AND WELFARE ACTS

(£ million)

	Assistance Approved under:			Total 10-year Allocations under 1945 Act
	1929 Act	1940 Act	1945 Act (3 years)	
West Africa	1.19	10.13	6.97	30.60
East Africa	1.65	4.21	10.50	16.25
Central Africa	1.34	0.74	2.00	5.50
S.A.H.C. Territories	<u>0.66</u>	<u>1.18</u>	<u>1.52</u>	<u>2.50</u>
Africa	4.84	18.28	21.00	54.85
Mediterranean	0.28	1.37	0.84	2.85
Asia and Indian Ocean	0.29	0.11	2.69	10.30
Pacific	0.06	0.12	0.50	1.80
West Indies and Atlantic	2.18	11.05	4.52	15.65
Miscellaneous <u>a/</u>	1.10	0.16	0.02	0.05
Central Schemes	<u>0.14</u>	<u>0.92</u>	<u>3.48</u>	<u>34.50</u> <u>d/</u>
Total	<u>8.88</u>	<u>30.02</u>	<u>33.15</u>	<u>120.00</u>
Of which: Grants	5.67 <u>b/</u>	27.48	32.52	...
Loans	<u>3.20</u> ^{b/}	<u>2.54</u>	<u>0.63</u>	...
Actual disbursement	<u>c/</u>	<u>10.37</u>	<u>15.24</u> <u>e/</u>	...

Note: The 1929 Act covers the period 4/1/29 to 7/17/40, the 1940 Act to 3/31/46 and the 1945 Act to 3/31/56. The £120 million allocation is to cover all expenditure during the last 10-year period including schemes approved but not executed under the 1940 Act.

- a/ Newfoundland, Ceylon, Transjordan, Palestine; all of which are now excluded.
- b/ £1.25 million of the loans subsequently converted to grants under the 1940 Act.
- c/ It is presumed that virtually all the approved sum was disbursed, though some much later.
- d/ Central Scheme figure includes £11 million for reserve.
- e/ By years (in £ million): 1946/47 - 3.55; 1947/48 - 5.34; 1948/49 - 6.35.

Sources: Colonial Development Advisory Committee, Eleventh and Final Report.
H.M.S.O., Cmd. 6298, 1941
Colonial Development and Welfare Act, 1940, Return of Schemes 1945/46.
H.M.S.O., H.C.R. 150, 1946
Colonial Development and Welfare Acts, Return of Schemes, 1948/49
H.M.S.O., H.C.R. 211, 1949
Colonial Development and Welfare Act, 1940

Table IV

ESTIMATED EXPENDITURE UNDER TEN-YEAR PLANS OF COLONIAL TERRITORIES APPROVED

AS OF JUNE, 1949

(i) By Colonies

(£ million)

	Total Expenditure	Source of Funds		
		C.D. & W. Vote a/	Loans	Local Funds & Revenue
Nigeria	55.00	23.00	16.00	16.00
Sierra Leone	5.26	2.90	1.40	0.96
Cambria	1.98	1.30	0.25	0.43
Kenya	22.00	5.10	7.00	9.90
Uganda	13.86	2.50	2.00	9.36
Tanganyika	18.01	7.15	6.88	3.98
No. Rhodesia	17.00	2.73	9.00	5.27
Nyasaland	8.26	2.30	2.50	3.46
Cyprus	6.35	1.75	3.00	1.60
Br. Guiana	6.65	2.50	2.76	1.39
Jamaica b/	23.18	6.50	5.28	11.40
Barbados	3.41	0.80	1.00	1.61
Aden	2.50	0.80	0.66	1.04
Mauritius	7.70	1.79	3.75	2.16
N. Borneo c/	3.47	1.15	1.30	1.02
5 small colonies d/	<u>4.81</u>	<u>1.93</u>	<u>1.11</u>	<u>1.77</u>
TOTAL (21 plans)	199.4	64.2	63.9	71.3

a/ Includes in some cases central research or regional allocations.

b/ Including Turks and Caicos Is.

c/ Excluding reconstruction.

d/ Zanzibar, St. Vincent, Grenada, St. Helena and Seychelles.

Source: The Colonial Territories 1948/49, H.M.S.O., Cmd. 7715

TABLE IV (continued)

(ii) By Type of Expenditure

<u>Type</u>	<u>(£ Million)</u>	<u>Percent</u>
Communications & Power	36.9	18½
Industry	1.6	1
Agriculture	36.4	18
Social Welfare	85.2	42½
Miscellaneous	<u>39.3</u>	<u>20</u>
	199.4	100

Notes:

Agriculture includes not only direct expenditure for agriculture, animal husbandry, fishing and forestry, but also irrigation, land settlement and soil conservation. Miscellaneous includes administration, reserves, interest charges and unclassified schemes.

Proportions vary widely from territory to territory. Details may be found in the source.

Source: The Colonial Territories 1948/49, Cmd. 7715

Table V

Sterling Area Trade with U.S.A. and Canada

(\$ Millions)

<u>Area</u>	<u>January-December 1948</u>			<u>January-June 1948</u>			<u>January-June 1949</u>		
	<u>Exports</u>	<u>Imports</u>	<u>Balance</u>	<u>Exports</u>	<u>Imports</u>	<u>Balance</u>	<u>Exports</u>	<u>Imports</u>	<u>Balance</u>
United Kingdom	582	1331	-749	275	673	-398	275	727	-451
British Colonies (ex. HongKong)	515	265	250	270	146	123	242	110	133
Other Commonwealth (ex. S. Africa)	595	591	4	317	282	35	283	393	-109
Non-Commonwealth	34	122	- 88	10	55	- 45	25	74	- 49
Total	1726	2309	-583	871	1156	-285	826	1303	-477
South Africa	138	575	-437	68	277	-210	53	194	-141
Hong Kong	5	93	- 87	3	49	- 46	3	62	- 59
Grand Total	1869	2977	-1108	942	1483	-541	882	1559	-677

Notes:

- a) Figures are f.o.b. for both exports and imports and are based on U.S. and Canadian statistics.
- b) Hong Kong is excluded from the total for the colonies since its dollar deficit is mainly financed from local invisible transactions. Southern Rhodesia is included under "Other Commonwealth".

Source: U.S. Department of Commerce, Dominion Bureau of Statistics.

Table VI

U. S. Imports from U.K. Colonies, 1947-1948, by Principal Commodities
(U.S. \$ Million)

<u>Commodities</u>	<u>1947</u>	<u>% of Total</u>	<u>1948</u>	<u>% of Total</u>	<u>Main Sources</u>
Rubber and allied gums & manufactures	256.1	64.8	194.5	47.0	Far East
Cacao	72.5	18.4	94.4	22.8	West Africa
Tin	23.2	5.9	71.8	17.3	Far East
Wood & sawmill products	6.6	1.7	8.0	1.9	West Africa
Raw hides and skins	6.3	1.6	11.5	2.8	West, Central and East Africa
Vegetable fibers (mainly sisal)	5.3	1.3	3.8	0.9	East Africa
Ferroalloys (mainly manganese)	4.5	1.1	4.2	1.0	West Africa
Spices	4.1	1.0	2.4	0.6	West Indies, Far East and Indian Ocean
Copper	-	-	7.0	1.7	Central Africa
Other Commodities	<u>16.4</u>	<u>4.2</u>	<u>16.4</u>	<u>4.0</u>	
	<u>395</u>	<u>100.0</u>	<u>414</u>	<u>100.0</u>	

Note: Hong Kong is excluded.

Source: U. S. Department of Commerce. Imports f.o.b.

APPENDIX

THE CURRENCY SYSTEMS OF THE COLONIAL
EMPIRE

The basis of the typical colonial currency system is the sterling exchange standard. The local medium of circulation is interchangeable with sterling at a fixed rate quite automatically through an authority which usually has no power to refuse the exchange. Local currency is issued by the authority on demand against sterling and sterling against local currency; exchange is assured by the authority's holdings of sterling securities or cash, which are usually in excess of 100% of the issue. Thus, in effect, the local currency is sterling. This is only true so long as the fixed rate is maintained. There is, in fact, no legal reason why the rate of exchange should not be changed by the government establishing the authority, whether British or colonial, since it has the right to do so by legislation or other appropriate administrative action. In practice the chances of any variation are remote.

The prototype of all the currency authorities is the West African Currency Board established in 1913. This Board controls the currency system in a group of four colonies: Nigeria, the Gold Coast, Sierra Leone and Gambia. It is constituted with head offices in London by the Secretary of State for the Colonies, who governs its regulations. Through commercial banks as agents in the colonies, it performs the purely automatic function of exchanging the local currency for sterling; for this service it exacts a small charge. Its sterling assets are well in excess of the total circulation; there is thus a margin for contingencies. Its funds, apart from a small cash holding, are invested very conservatively in gilt-edged sterling securities other than their own, a list of which is published

annually with the accounts. Investments yield a substantial income, even after net running expenses have been subtracted. Only a part is added to reserves and the remainder distributed annually as a "dividend" to the four constituent colonial governments.

The East African Currency Board is in almost all respects similar to the West African, even to the point of having several common Board members. One practical difference has been the absence of "dividends"; until recently its investment income has been devoted to building up a 100% cover for the circulation, substantial losses having been incurred after World War I when the currency was switched from a rupee basis. In Central Africa, the Southern Rhodesian Currency Board, which also controls the currency system of Northern Rhodesia and Nyasaland, has a somewhat more independent character, befitting the self-governing status of Southern Rhodesia. The seat of the Board is Buluwayo, its members are appointed by the local governments and there is a certain latitude in disposal of available funds, a small investment in local securities being permitted.

In almost all the other colonies currency boards or commissioners have been established, responsible to the colonial governments but otherwise operating on lines similar to the East and West African Boards. In South-East Asia and the West Indies agreements have been or are being reached whereby one authority serves a group of colonies, but in most cases the authorities are limited to a single colony.

There are, however, a number of exceptions to the general rule. The cover for the local issues in a few colonies is not sterling but other currencies: Tonga and Solomon Is. (Australian) and British Honduras (U.S.). In others there is no local issue at all, other currencies being the normal

medium of circulation: St. Helena (British), Gilbert and Ellice Is. (Australian) and Aden (Indian). Formerly there were many more colonies using foreign currencies than there are now, the number of exceptions having been steadily reduced; the currency of British Somaliland, for example, has been transferred since the war from an Indian rupee to a sterling basis.

The natural corollary of the sterling exchange standard at present is the existence in each colony of some form of exchange control, similar to if not so complex as the metropolitan control. The issue of foreign exchange is controlled by a licensing authority and all foreign exchange earned is now turned over to the central pool of the sterling area. This is in most respects as true of British Honduras with its dollar-backed currency as it is of the colonies on a sterling basis.

Note: Since the above Appendix is intended to give only a general description of the "normal" colonial currency system, no attempt has been made to describe the system in Hong Kong, which differs from the others both formally and practically in a number of respects.

... (initial) ...

...

... (initial) ...

...