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A NEW DRIVE FOR DOLLARS

EVER since it became known, during the discussions on the three-year Sterling Debt Agreement, that India had not been using up the earlier releases of sterling, Government, importers and the inflation-stricken consumer jumped to the conclusion that the then prevailing import restrictions were too severe. Import restrictions have now been considerably relaxed; the Open General License for imports from soft and medium currency areas is now freely issued.

In foreign trade, as in finance, Government are now wiser by the experience of 194647; they are acutely aware that exports must expand if India has to import more for checking inflation and for stepping up output; export restrictions are being gradually modified. India's commodity balance of trade is still unfavourable, and the need for stimulating exports has recently been emphasiscd by the Sri Ram Committee,

India's export-import trade with soft currency areas is not unsatisfactory, although purists disapproved free imports of expensive ladies' wrist-watches from Swizerland and similar purchases from the medium currency countries. Sterling releases for the current and the coming two years are, if not ample, adequate; current exports are not far short of current imports from these areas; capital imports can be, and should be financed out of sterling releases.

So far, not so bad. What of India's trade relations with the hard currency areas? On private account, lndia is currently incurring a dollas deficit of Rs. 34 crores a year, moreover, food imports, on Government account, are estimated at Rs. 110 crores for this yea:; such imports are likely to increase substantially in the comipg fiscal year.

Under the Sterling Debt Agreement, £15 million, or Rs. 20 crores, will be made available to India for conversion into dollars. A more liberal release of sterling for conversion into hard currency is not likely until, at least, 1952; perhaps, not even thereafter. Therefore, it may be assumed that India will be running, on private trade account, an annual dollar deficit equivalent to Rs. 10 to Rs. 15 crores for years to come. It is being, and will have to be, met out of annual drawings from the International Monetary Fund against sales of rupees.

This pinpoints the Sri Ram Committee's main recommendation for stepping up exports to dollar areas. It is however, more easily said than done. Presumably, exports of mica, manganese and shellac to the U.S.A. con be improved. These are precisely the commodities whose production and export require much more Government planning and supervision than ever before. On the other hand, these are our precions is strategic raw materials, and it is highly problematic whether the exports of these commodities should be boosted up even if it be for earning the scarcest of scarce currencies,—the dollar,

This apart, India now sells tea, jute and jute goods, hides and groundnuts and oilseeds to America. Coffee is fast replacing tea as the favourite Anglo-Saxon drink; Indian prices for oils and seeds are too high. There is scope for expanding exports of raw jute, provided Pakistan's supplies are in excess of India's internal needs. Exports of seeds and oils arc almost at a standstill, and prices are not likely to go down to the world parity level unless the yield per acre substantially improves. Similarly, it may be unwise to rely on exports of jute and jute goods at the current levels unless the cultivation and production of jute within the Indian territory materially improve.

On the accumption that food imports on a large scale from the western hemisphere will have to be continued for years to come, there are three, and only three, ways in which India can bridge the wide dollar gap. Drawings from the International Monetary Fund are already at the permissible annual limit; such withdrawals cannot continue indefinitely, and the International Monetary Fund is not under any obligation to go on selling dollars to needy countries like India.

It is arguable that besides imports of plant and machinery, a major portion of food imports should be treated as a capital item, and, as such, should be financed out of dollar loans. More sensible is the suggestion that imports of agricultural machinery for increasing food and farm output should be financed out of loars. Such a loan is under Government contemplation; soon, the technical experts of the World Bank will be in New Delhi to study India's railway requirements and agricultural needs.

India is desperately in need of dollars; the expected dollar loan from the World Bank will be of immense help. True, too, that such financial assistance from the Brettonwoods twins has the double advantage that it is less costly than private lending and is not likely to have many strings attached to it. Even so, the World Bank is not a philanthrophic institution, and Bank loans cannot be had without a price. India has surplus sorting resources which can be converted into dollars, provided Britain can ensure such convertibility, Britain pleads her inability because she is debarred from diverting ERP dollars for such purposes. Is not that all the mo. reason why America should decide to lend dollars to India on a Government-to-Government basis? This is the cheapest and safest way whereby America can sell more to India, and the latter can satisfy the urgent requirements from the former.

The Asian Conference

THE muse of history is some times ironical. If the Asian Conference which is meeting in Delhi next week succeeds in achieving even a fraction of what it intends to achieve, Asia may yet restore to the Security Council and to the U.N.O. the prestige and faith which both have lost so grievously on the Asiatic soil; For all the major issues which tested the strength of the Security Council during the last year and exposed the utter ineffectiveness of this body were in regard to the Asiatic peoples,—even if the cause of action, as in South Africa, did not always lie on the Asiatic soil. Father the issues were shelved or evaded,—and in this the complicated procedure and the legal codes both provided very convenient excuses, or when the Security Council has been forced reluctantly to face the issue squarely, its authority has been openly flouted and no action has been taken or could be taken to implement its decisions. This happened in the case of the Indians in South Africa, and of the Arabs in Palestine. The Jewish State of Palestine is now an accomplished fact. Its existence is not only securest has been helped on to the stage where it can carry aggression with impunity into the neighbouring states.

It is only in the case of Kashmir that the United Nations Commission may claim laurels but for various reasons the question of Kashmir belongs to a special category. Here the Commonwealth loyalties cut across and infringed upon the wider and vaguer loyalties of the U.N.O, and it is certainly not yet time to disentangle the part played by Whitehall from that played by the U.N.O,

Indonesia presented the issue squarely enough and without the least chance for equivocation or 'legal quibhlimr. And it is in Indonesia that the authority of the Security Council and everything that it stands for has been most flagrantly and unmistakahly touted by the agsrressor newer. Not that the Security Council did what could justly be demanded of it. Its directive of "cease fire" did not demand the withdrawal of the Dutch forces to the positions held by them before the latter started the "police action". Even so. the Dutch Representative had the audacity to say that his Government would go ahead, irrespective of the consequence and subsequentlv the Dutch Ambassador if Washington has questioned the right of the United Nations to intervene in the affairs of Indonesia, iustifying: the right of his Government to hold what they have.