Our Delhi Letter

Bilateral Agreements

THE Commonwealth Finance Ministers' statement calling for a "pattern of world trade in which dollar and non-dollar countries will operate together in a single multi-lateral system" has been characterised here as an economic "hyperbole". In the context of the present world shortage of one currency, the goal set forth by the London conference is so patently unrealisable that no serious attempt is expected to be made anywhere to reach it. Our Commerce Ministry would be hardly deflected from their policy cf entering into bilateral trade agreements with as many countries as possible. At the moment, negotiations have been going on as a matter of fact with as many as twelve countries. Those with Russia, France and Italy have already reached an advanced stage.

India launched on the present policy about a year ago and bilateral trade agreements have been .so far entered into with 11 countries which fall into two categories. Firstly, there are the totalitarian states of eastern Europe, including Hungary, Poland and Czechoslovakia. Then there are the "free economy" countries like Egypt, Pakistan and Switzerland.

The main object of these agreements has been to procure for India certain essential commodities like capital goods, minerals, fertilisers, foodgrains, chemicals and cotton, which are in short supply in the world. In return, India has offered fixed quotas of her exportable items including tea, oilseeds, raw jute and jute manufactures, cloth, and various other manufactured goods.

A peculiar feature of these agreements has been that they have placed the trade between India and the "Iron Curtain" countries on a surer footing than the one between us and the States where commerce is conducted through private channels. Thus while the eastern European countries are practically certain to lift and supply the stipulated quantities of goods, the trade with other states depends to a great extent upon the vagaries of demand in either country. The planning and control of production in totalitarian states lends this certainty to these agreements.

A study of the 11 agreements arrived at so far reveals that almost in every case India has agreed to import goods far in excess of her exports. Thus India will have an adverse trade balance with Pakistan of the order of Rs. 49 crores, wih Czechoslovakia of Rs. 1.6 crores, with Switzerland of Rs. 6.1 crores, with Japan of £2.4 million and with Egypt of Rs. 33 crores. This, however, does not give a full picture of the trade between India and the contracting countries as the agreements, in all cases, are without prejudice to trading in other commodities not mentioned in their schedules. For instance, on overall reckoning, India's adverse balance of trade with Germany under the agreement, would be converted into a small surplus.

Taking all the countries together, however, India will have a trade deficit which is expected to be met from current sterling released by London.

* * *

Professor Gadgil, Director of the Institute of Politics and Sociology, Poona, speaking here at a meeting of the Indian Council of World Affairs, recently, said that something should be done to bring down the prices and costs of a number of commodities like vegetable oils, cereals, pulses, cotton, jute, cloth and sugar. It was not impossible to do so, he said, if Government made up their mind. The statement, if taken seriously, will mean that the Professor can be expected to pull his full weight in the Exports Promotion Committee, of which he is a member, in recommending to the Government concerted measures to bring down the production costs of these commodities. It is doubtful, however, how far the Professor will be successful in his attempt, if he makes one. I am told on good authority that the Committee will content itself with the immediate aspects of the exports drive pnd deal mainly with measures of quality control, distribution of quotas and readjustment of export and import duties.

The Committee is expected to meet here over the week-end when it will have the benefit of office memoranda on the position of India's major exports, including jute and jute manufactures, tea, oilseeds, minerals and cloth. Mostly these documents are likely to make dismal reading. Though there has been an overall increase in the value of our exports, it is well known that the quantum of exports has declined Our markets in the Middle East have shrunk, our oilseeds and edible oils are facing crippling competition from foreign countries, and the U. S. dollar is shy. In the face of these formidable facts, the task of the Exports Promotion Committee must be unenviable