

The Economic Weekly

A Journal of Current Economic and Political Affairs

December 2, 1950

Eight annas

EDITORIALS

For American Consumption Only 1129

The Crisis Deepens 1130

WEEKLY NOTES 1131

FROM THE LONDON END

Britain on the Crest 1136

SPECIAL ARTICLES

Australian Budget, 1950-51 1132

The Colombo Plan 1134

Wanted A Stable Our Policy 1137

Crisis in the Jute Industry
— G. C. Sen 1140

The Economic Basis of
South African Racialism
(From a South African
Correspondent) 1144

Report on Ceylon 1145

COMMODITIES

Twin Scare of War and Export
Duty 1146

MONEY MARKET

Clouded Outlook 1147

STOCK EXCHANGE

Slump in Tata Steels 1148

CURRENT STATISTICS 1150

FOR AMERICAN CONSUMPTION ONLY

IF Mao still gives him a chance, President Truman may yet make amends, and gracefully pay to contain Communism in South-East Asia. This is the purport of the Colombo Plan which was finalised at the London meeting of the Commonwealth Consultative Committee held in September, and which has now been presented to the Parliament by Shri Chintaman Deshmukh. After all. America is not being asked to pay very much. The demand for external finance to rehabilitate South and South-East Asia is modest enough, for India, Pakistan, Ceylon, British Borneo and Malaya between them need only £1,085 million, of which A/240 million will be available from sterling balances, and US is being asked to put up the balance of £830 million. This is a trifle, \$2350 million in six years, as compared to \$5000 million US spent on putting Western Europe on its feet in the first year of Marshall Aid!

When the Commonwealth Conference met in London, one naturally wondered, was it going to be a meeting of church mice? For none of the Commonwealth countries, at least none of those directly interested in the development of tins area, had surplus resources. Britain had done what she could in paying out sterling balances, and could not do any more; even to maintain repayments at rates lower than those in recent years will be a problem for her. What was the point, then, in drawing up plans and setting out the minimum requirements of foreign capital necessary for their execution? At that time it looked as if Britain was going to underwrite the Colombo Plan in some manner or other. Actually all she did was to extend her moral support to it. Hut even that was not necessary. The most important person present in the meeting of the Consultative Committee was not any of the representatives of the Commonwealth countries, but the observer from the American Embassy in London. Neither is Britain going to underwrite, nor is the US Treasury going to take over the responsibility for the sterling balances as had been proposed and discussed some time ago. US would like to deal directly with those who want loans for financial aid.

False hopes had been raised on so many occasions in the past that the possibility of American aid to these, countries for economic development will remain in doubt until it materialises in reality. This time it is considered a certainty; Cray's report leaves no room for doubt about it. But is it not already too late?

Anyway, demands have not been pitched very high. The plans have been stripped to the bare bones and look practical enough if one is prepared to assume that the administration of the countries concerned would be able to execute them. Demands have been deliberately toned down to induce America to part with her money more easily, in fact toned down so much that the threat-cum-appeal with which the Government of India conclude their observations on the report sounds pathetic in the extreme. It is not a loaded revolver which

Subscriptions post free to
India and Pakistan

Twelve months—Twenty-four rupees

Six months—Twelve rupees

Volume Two Number 46

India is pointing against Truman, but only a pop-gun. Unless foreign capital flows in adequate quantity, India will have to face the problem of counteracting inflation, and the necessity of carrying out a modicum of development within the resources she has. This will inevitably entail a drastic curtailment of imports, and possibly, the 'abandonment' of some development projects already under way. Then follows the spectre of higher taxes, deficit finances, all sorts of rigours, mounting unemployment and reduction in foreign trade, and finally, the unfavourable reaction on the "economic and political conditions of the country," of withholding such aid, "specially in the prevailing social and political atmosphere in South and South-East Asia."

This six year programme must have been specially prepared for American consumption. It has little in it to enthuse those who are to work it and benefit by it. If successfully implemented, it will not raise the *per capita* national income in the countries concerned. Whatever increase is affected in production will be eaten up by the expected increase in population during these six years. We must keep on running, not in the hope of going ahead any further, but in order to avert going back.

If the plan succeeds in convincing the Americans of the necessity of such aid and also conveys the more

comforting assurance to them that the amount of such aid will not be heavy, it would have served its purpose. How best to bring round American public opinion in favour of such aid is another problem which is, of course, not the primary concern of the planners. Whether on paper the expected results look attainable, or even plausible will depend on closer expert examination to which the projects will no doubt be subjected by a parallel organisation to the OEEC in due course. They have been made to look plausible enough on paper, in proof of which one single example may be cited. The target for food production in the development plan for India has been put at three million tons. This is to be attained in another six years, if the programme goes through successfully, that is by the end of 1957. But are we not supposed to attain this target of an additional 3 million tons by March 1952? Are these 3 millions then further additions to the country's food supply after it has already attained self-sufficiency, to feed the new mouths that would be born?

Framers of the report, however, do not concern themselves with such issues, and wisely, too. The main selling point for the plan for the Americans is not the solution it offers for restoration of freer trade or multiple convertibility, but the one chance, perhaps the last chance, it offers, of staving off Communism.

the member-States to contribute armed forces to fulfil the mission of repelling the Chinese troops from out of Korea.

That may doubly re-affirm, what Moscow openly accuses, the American-dominated United Nations' decision to resist "aggression" by an international force, but will not, in fact, change the fundamentals of the grave situation in the Far East. For, technically, Chinese troops—though Peking calls them 'Volunteer brigades'—are now lighting the United Nations army in Korea. Thus viewed and interpreted, neither the developments in Korea in the past few days nor the frantic activities of world diplomats at Lake Success seem to have created any fresh complication. The situation is instinct with sinister possibilities. But the grave possibilities have been created by, and existed since, the crossing of the 38th Parallel by the United Nations Unified Command under General MacArthur.

On this interpretation, it is arguable that the gloomy speculations and the fatalistic acceptance of the inevitable calamitous repercussions of the Chinese stand in Korea seem exaggerated and unwarranted. America and China have been accusing each other as guilty of acts of aggression for some weeks. The Chinese delegation to the Security Council has repeated the allegation against America. On behalf of the United States, Mr. Warren Austin has not only refuted the allegation but has, on the other hand, accused China of aggression in Korea. The matter stands where it was some weeks ago. "

Only, the military aspect of the situation in Korea has changed for the worse. What was expected to be the last and the decisive push by the United Nations army to bring the war in Korea to a successful end would seem to have changed into a rout by General MacArthur's forces. It was, it is apparent in retrospect, highly impolitic for General MacArthur to have launched the drive while the Chinese delegation was on its way to Lake Success at the invitation of the Security Council. It was this drive that nipped in the bud the proposal for a "buffer strip" along the Korean-Manchurian border aimed at assuring China that neither America nor the United Nations army harboured any design against China or had any intention to violate China's territorial integrity.

Immediately, it was not the Chinese forces but General Mao

The Crisis Deepens

PEACE-LOVING peoples throughout the world had devoutly hoped that the anxiously awaited policy statement on the Far East by President Truman would yet avert a world-wide conflagration. President Truman could undo what America's representatives to the United Nations seem determined to do. The greatest need of the time is for sane judgment and wise statesmanship in not goading the United Nations to take steps from which there can be no turning back. Yet, Mr. Warren Austin's insistence that the Security Council should take up the Six-Power resolution demanding withdrawal of Chinese troops from Korea indicates that political leaders in the United States are prepared for a show-down. Let there be no mistake about what Mr. Austin's insistence means and implies. Nor can there be any doubt that Mr. Austin, is not acting on his own initiative. He was asked by the State

Department to take up the issue in the Security Council. And the State Department is not likely to issue a directive to the American Representative to the Security Council without the prior knowledge and approval of the President of the United States of America.

Discussions and deliberations of the Security Council are likely to follow the expected pattern. Moscow is not going to commit a mistake for the second time. The Six-Power resolution will, of course, be vetoed by the Soviet Union, America is conscious of the certain veto by Russia. Then, under the plan recently adopted by the General Assembly, the issue will be transferred to the veto-less Assembly for discussion and for steps to be taken by the United Nations. Empowered to take the initiative in defence matters, the Assembly may—it is not inevitable that it will—request