Our Delhi Letter

The Favourable Climate For Dollars

SECRETARIAL level talks were held in the capital during the week on President Truman's proposed Point Four aid to under-developed countries. Officials of the ministries represented on the Economy Committee of the Cabinet, who discussed the subject, appear to have proceeded on the assumption that India would be among the countries to be helped. However, they, like others, were handicapped by the lack of precise information about the intentions of the U.S. Government.

The delay in the introduction of the bill to give effect to President Truman's proposals in the U.S. Congress is regarded here of hardly any significance. It is expected that the bill would go to the Congress in a few weeks.

What is doubtful, however, is whether the U.S. legislature will be able to take final action on the bill during its current session. While some members of the House of Representatives feel that legislation on the Point Four programme can be pushed through this session because the amount asked for (45 million dollars) is comparatively small, the majority are reported to be of the contrary opinion. They point out that action has still to be taken on the North Atlantic Treaty, on foreign military assistance and on a heavy agenda of domestic legislation.

No indication is yet available as to how the 45 million dollar aid will be disbursed except for an official statement that, if the Congress authorises the funds, some of the money would go to the United Nations in support of its programme, some for direct aid to under-developed countries and some to promote agencies whose work in the latter areas is considered useful.

The United Nations has its own plans to spend 35 million dollars during the first year and 50 million dollars during the second for technical and other aid to the backward nations. The U.N. programme, which will be executed by its specialised agencies, will come up before the General Assembly in September.

The United States Government, in effect, have yet to decide whether they would administer the Point Four aid directly or through the United Nations. In any case substantial sums may be available for the export of American "know-how" to the less advanced countries before the year is out. India will, of course, claim a share in them.

Perhaps more significant from our point of view is President Truman's announcement that "novel methods" might be adopted to encourage the export of private U.S. capital to under-developed countries. This, he suggested, could be done by making the Export-Import Bank underwrite private investors against risks of loss through expropriation of properties, rebellion or war.

Mr. S. K. Patil, Prof. Ranga and Mr. Birla, who have been recently to America, have echoed Truman's voice and stressed the importance of the creation of a "favourable climate" among the dollar-leedy backward countries to encourage private investors to come forward and help them.

If by 'favourable climate", the President meant that there should be a stable Government, stable currency and guarantees to the investors regarding conversion of their earnings into dollars, conditions in India can be said to be salubrious for the U.S. dollar.

. If on the other hand, the "climate" is to depend on political weather-gods, India will have her difficulties. As Pandit Nehru has already made it clear, the country will not have foreign capital with political strings attached to it. His pronouncement in Parliament is, in fact, considered yet the last word on the subject in authoritative circles here. If the statement has not received enthusiastic response in the United States, it has not evoked adverse comments either. It is therefore felt that India's considered policy, together with facts and figures about her economy and plans to develop it, should receive wider publicity abroad. This is the task that Mrs. Pandit will presumably take up during her lecture tour of the U.S. towns which she has just begun.

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Negotiations between India and U.K. on India's offer to export sugar to Britain may be resumed in London in a few days after the conclusion of the dollar-crisis talks between the big three. It is stated that Britain may be prepared to buy a certain quantity of Indian sugar if she could have it at a competitive price. The selling price of sugar, according to latest advices, is Rs. 29-8 per maund in India, as compared with the price of Rs. 17-8 per maund at which Cuban sugar is available to Britain.

To bridge the wide gap, a number of steps may be taken by the

Government of India. Firstly, Government may forgo the central excise duty on sugar. This would bring down the price to Britain straightaway by about Rs. 6-8 as a maund. Secondly, in view of the large stocks of sugar that have been accumulating manufacturers might be persuaded to cut into their profits and sell sugar below the "cost" price of Rs. 22 a maund. On the other hand, it is hoped that Britain would be willing to buy Indian sugar at a slightly higher rate in order to conserve dollars.

It is officially pointed out that If Britain chooses to buy sugar from India at a price which is below the cost of the Indian manufacturer, there is no international agreement which would bar the transaction. The anti-dumping clause in the Havana charter operates only where the exporting country sells goods which compete with the indigenous products. In any case, the Havana agreement has yet to be ratified.

Weekly Notes

HYDERABAD SILVER RESERVES

WHILE silver sales have naturally led to a lot of speculation,—besides that on the bullion exchange—it is curious that so little information has been available that is not guess work about the possible volume of these sales. Since the Reserve Bank has only been acting as agents of the Hyderabad Government, the assumption is warranted that these stocks can come either from the currency reserves held by the Hyderabad State against its note issue or from the Nizam's private holdings. The situation is not yet quite clear regarding what are going to be the private property of the Rulers in the States, though a recent *communique* from the States Ministry stated that barring the title to some of the palaces, a decision has been reached on all other disputed points. Many of the States, in consequence, have taken over the security investments held by the Rulers, but nothing is said there about personal possessions of treasure.

It would be unlikely that the State Ministry would appropriate such personal properties. If this assumption is correct then a basis can be found for estimating the stock of silver in the currency reserve of the Hyderabad State which, according to the returns of August 1948, consisted of Indian coins valued at 987.93 lakhs, in terms of O. S. rupees and 360.59 O. S. rupees in Hyderabadi coins.

The silver content of the O. S. rupees before 1940 was 81.81 per cent as against the 11/12th fineness of the old India Government rupees. There is, however, a difference in weight. The Osmani Sieea coins adhere to the weight of the coins struck by the Badshahs of Delhi and weigh 172.5 gr. against 180 gr. of the Indian rupee. The rate of exchange of Rs, 116-10-8 O. S. equal to B. G. rupees 100 was originally based on the intrinsic value of the silver contents of the two rupees.

In 1940 when the centenary coins were issued in British India with a reduced silver content of 50 per cent, a similar reduction was also effected in the O. S. rupees. Assuming that all silver reserves in Hyderabad are now held in coins of this reduced fineness, the total bullion obtainable from them can be estimated at approximately 21,000 silver bars. This is, therefore, the outside limit to the silver sales that Reserve Bank can effect on behalf of the Hyderabad State.

There are, nevertheless, some technical factors worth considering. If these reserves are held in the form of coins, melting and refining would be a complicated process that would take a good deal of time. The capacity of the Bombay mint is put at 60 bars a day, provided it does not take up any other work, but there is always a lot of assaying to be done on behalf of the public. Moreover, the melting of the quarternary coins is itself a complicated job, calling for special processes, for which the mint is not equipped at the moment. In fact, a big plant for this purpose is shortly going to be set up, not for handling the Hyderabad coinage, but for doing a specific job, that is, to recover silver from the coinage issued from 1940 onwards which was obtained on lend-lease from the U. S. and has to be returned to the U. S. Treasury, according to the terms of the agreement,