Contrary to the dictatorial Anglo-French policy, Egypt's attitude is conciliatory. Or Fawzi, Egypt's Foreign Minister, has informed the Security Council that Egypt cannot accept the Anglo-French proposal as a basis for negotiation. But he has been wise in proposing a small negotiating body to devise the basis for a negotiated settlement of the Suez Canal issue. In endorsing Egypt's proposal, M Shepllov has elaborated the aims and objections of such a negotiating committee. Even those who may not accept all the detailed principles enunciated by M Shepllov will endorse the Russian Foreign Minister's plea that the composition of the proposed negotiating body should be balanced in such a way "as to forestall the prevalence of one point of view". Even as Mr Dulles has shown diplomacy in his attitude to the Suez Canal problem, acknowledgement, is due to him for inducing Britain and France to start direct negotiations with Egypt. Such an opportunity will arise during the secret session of the Security Council. If "cold war" experience be any guide, there are reasons to hope that secret diplomacy may succeed where open diplomacy has failed to bridge the gap.

One of the conditions of a negotiated settlement is that both sides must agree to the basis for negotiation. Dr Fawzi is not wrong in complaining to the Security Council that Egypt has never yet been asked to negotiate, but has been offered an ultimatum. By calling upon the Security Council to recommend that Egypt negotiate on the basis of the 18-nation proposals, Britain and France are only insisting on a dictated basis for negotiations to solve the crisis. Broad objectives and principles will have to be enunciated. M Shepilov has elaborated the general aims and objections of an agreed solution of the crisis. Mr Dulles is more diplomatic in his reference to "the heart of the Suez problem". An agreed solution of the problem must be based on the "acceptance of the principle that there should be a system to ensure that the Canal could not be used by any country as an instrument of its national policy". Britain, which along with France, now demands international control of the Canal, has not always honoured the basic principle enunciated by Mr Dulles. In wartime, freedom of navigation through the Canal has never been ensured or accepted by Britain. Nor has Egypt ever accepted Israel's right of freedom of navigation through the Canal. Despite the 1888 Convention, the international character of the Canal has not always been accepted when it has clashed with "national policy" of the authority which has so long been in control of the Canal. This calls for certain modifications in the Convention as to ensure freedom of navigation through the Canal for all time and under all circumstances. Egypt will not accept any plan for international control of the Canal. But she does not *seem* unwilling to accept, some arrangement, under the auspices of the United Nations, which can ensure the rights and interests of the users. Fears of war on the Suez Canal issue still persist. But there is a faint ray of hope that, at the instance of America, Britain arid France may yet adopt a conciliatory attitude. Egypt has indicated her willingness to accept a compromise solution. There will be hope that such a compromise formula will be evolved as a result of discussion during the recent session of the Security Council.

On the Carpet

THE Second Plan did not start under the same happy auspices as the First Plan. This might sound paradoxical when everyone agrees that the First Plan has been a great success and all foreign observers, experts as well as lay. have expressed their admiration for the progress that India achieved. The World Bank Mission which visited India some time ago said that and Mr Eugene Black, the President of the World Bank, has been fulsome in his praise "for solid achievements In the economic field which have been recorded in India during the past five years." The First Plan achieved what it set out to do viz lay the base for further development by improving agricultural production, removing transport bottlenecks and large scale power production. Now these are the very things on which a more ambitious programme of development can be firmly based. This Is precisely what the Second Plan proposes to do. Where, then, is the catch? Why should the Second Plan have to start under less favourable auspices?

There are critics, of course, who complain that the progress achieved during the first five years was not really as solid as it appears to be, because in an agriculture based economy, agriculture is the foundation of all development and it is not possible to say definitely how much of the improvement in agriculture was the result, of permanent improvement and how much of it was fortuitious, being the gift of favourable monsoons. That the crops this year have not been so pood or that even last year they were not as good as in the previous year lends point to what they say. A sizeable decline in foodgrains production is a fact that, cannot be denied; it has created some difficulties which happily have now been met through arrangements concluded for substantial imports. This will enable us to build up strategic stocks and on present showing, these stocks should be able to counter the consequences of fluctuations in food supply.

Freer sales from stocks, whenever the situation warrants it, it is hoped, will keep food prices in check. The target for foodgrains production in the Second Plan has also been stepped up in order to eliminate all possible risks of a food shortage. It has been possible to remedy what might have turned out to be vital deficiency through imports of surplus wheat and grain from U S which will not cause a drain on *our* foreign exchange resources. In the case of cloth also, the economy has shown some signs of strain, but the situation is somewhat different in that there has been no decline in cloth production. On the contrary, production has substantially increased, and something is being done to step up production even further, by a rebate of excise duty on mill production which has been just announced on the additional production above , that in the base period, by introducing power looms and by organising handloom production.

By and large, therefore, the inadequate supply of basic necessities is no longer a crippling handicap for launching a big programme of development. How big that programme could be, however, is a different matter. Here the question is not only how big we want it to be or the people think it should be, but how big we can make it which will depend on our ability to mobilise resources in men, money and organisation. To the latter, naturally there could be no definite answer. No one has yet said that we are incapable of the needed effort or that we are not trying hard enough, though naturally there may be criticism both about the aims and policies as well as performance in particular fields.

From an assessment of the situation in real terms, therefore, there is no reason to think that the Plan has been launched under unfavourable auspices. The situation differs, however, sharply in two vital respects. Though the Planning Commission was apprehensive of the existing inflationary pressures in the economy when the First Plan was launched and proceeded with extreme caution—the target of investment was first put at the modest figure of 1493 crores, to be supplemented by a programme of investment of another 300 crores, if the situation should so warrant inflationary pressure did not prove baffling in this period. More detailed examination of the projects included in the First Plan raised the figure of investment to some 2,069 crores when the final Plan was published. The Planning Commission had been apprehensive of the inflationary pressures in the economy but it could not ignore the popular pressure in the country for a larger Plan. As a result, the target was no longer broken into two parts, one of which was a 'must' and the other optional. By the time the plan got half way through, far from inflationary pressures presenting a severe handicap there were signs of recession which had to be met and a supplementary programme was added in October 1953 of Rs 185 crores. The popular pressure for a larger Plan is much stronger today than it was five years ago. And as the Plan is built up from the botton, it grows in size and as coordination is effected at the top and gaps are filled in to give structural unity to it, the Plan grows even bigger.

The difference between the first and the second plan, however, is that in addition to the popular pressure for a bigger plan, because of the phasing of the first, much of the Investment had to be incurred in the last two years. Therefore in addition to the popular pressure, there is also some inflationary pressure in the economy which unfortunately cannot be ignored. Not that remedial action is impossible and is not under contemplation but such action will take time and political conditions, such as the re-organisation of the States, stand in the way of such measures being pushed through speedily.

There is another difference compared to the situation when the first plan was launched in the matter of foreign exchange reserves. The First Plan did not have as large a foreign exchange component, and accumulated sterling balances which we could not spend quickly enough in the beginning, provided a comfortable cushion which we lack today. In fact, we have begun with an acute foreign exchange shortage, which must be worrying the Finance Minister no end. In the first six months of the current financial year, we have drawn down our foreign balances by Rs 130 crores which is not an inconsiderable amount, since the total drawings on sterling releases during the entire Second Plan period are not to exceed Rs 200 crores. At this rate of withdrawal, the economy is bound to experience a severe jolt unless foreign assistance is obtained and obtained on a substantial scale.

For external finance, the Government had banked on substantial assistance from the World Bank. It had in fact expected, on what basis it is futile to ask today, a loan of at least Rs 200 crores or 400 mn dollars. The World Bank some years ago seemed to be interested in helping our development though the loans it had approved in the first plan period did not exceed Rs 12 crores of which only Rs 9 crores were actually utilised. Following the report from a World Bank Mission which came out to make a preliminary survey, there has been some correspondence between the Finance Minister and the President of the World Bank which suggests that our chances of obtaining assistance from this source may not be very bright.

There were many points of criticism in the Mission's Report, some of which are undouotedly both cogent and valid. Of these however, Mr Eugene Black has taken up India Government's attitude to private enterprise as the one most open to objection and while doing so, he comes periliously near to passing political judgment, which the Bank is debarred from doing while considering grant of loans. On the other points, as for example, reservations on deficit financing, and the need to push exports, etc there can bo no disagreement, though the Government may be in no position "to resist the pressure in the tea estates for higher wages, bonuses and social advantages" in order to push tea exports, as advised by the World Bank Mission nor even to remove the restrictions on replanting, that are enforced under the international Tea Agreement. Whether this agreement is any longer beneficial or not, of course, is another question. Similarly, neither is the Government in a position to bow to the Mission's judgment that "restrictions on exports of commodities such as groundnut oil, in order to conserve supplies for domestic consumption, is generally a misguided one". A democratic Government has to maintain certain minimum standards of consumption for the people.

Week after week, Delhi reports negotiations with foreign firms for collaboration in the development of industries for the fulfilment of the industrial targets in the Plan. The inflow of foreign capital from capital participation in schemes of collaboration does not amount to any large figure. It cannot contribute much to our foreign exchange budget. Substantially larger capital participation may be possible, if development is left to the free judgment of the investor. Indian of foreign, and the latter is given a free hand, but that is simply not possible.

Much depends on the World Bank whether India's Plan succeeds or not. By withholding the measure of foreign assistance it is in a position to give, the Bank may force India into a direction which will be still less acceptable to the American protagonists of free enterprise. It may not be such a bad thing after all, for self-reliance is the best tonic for individuals as well as for nations. If India has to fight with her back to the wall, she will do it. But in the process, the social structure will undergo a much greater change than India had bargained for when she joined the Fund and Bank, offering at least formal adherence to a system of international exchange and economic co-operation. But would Mr Eugene Black like that? One cannot help sympathising with the Finance Minister who is, in position to "tell the truth and shame the devil".