

Reaffirmation of Neutralism

FOR the first time since independence, critics of Pandit Nehru's foreign policy seem to have succeeded in making an impression on New Delhi. Non-involvement in the cold war remains the essence of India's foreign policy. This policy of non-alignment with power blocs is, approved by critics. Those who wish for some attachment with either side of the rival camps are in a minority. But even responsible Critics, have expressed dissatisfaction that India's foreign policy has been "pursued in such a that India has few friends about powers. No such dan foreign as-ence is justifiable. Not is per appraisal of India's foreign policy. But even New Delhi now seems to concede that a policy of even positive neutralism need not necessarily be aggressive. Realism is a diplomatic virtue. Credit is due to critics in persuading New Delhi about the need for realism in foreign policy.

There has been no major change in principle. But there has been a shift in the implementation of India's foreign policy. Both a personal issue and a problem of a realistic application of the policy are involved. Shri Krishna Menon is an able diplomat. His familiarity with world affairs is widely appreciated. He does not lack urbanity; in fact he can be affable, even charming but he has also a rare gift of rubbing people the wrong way and his aggressive attitude on such occasions has provoked uncharitable comments and has earned him the reputation in some quarters of being the best hated diplomat in western capitals. There had been occasions on which he had seemed to misinterpret instructions and directives and to exceed his authority as a roving diplomat. It would be ungracious to harp on all this. Krishna Menon still functions as a personal envoy of the Prime Minister. But Pandit Nehru has shown wisdom in assuaging critics appointing him as the Defence

, Egypt and Kashmir are the three major issues which are supposed to have revealed the inadequacies of India's foreign policy. Because of India's attitude to the Soviet policy to Hungary, both Britain and America, it is alleged, have

become more hostile to India. Because of India's active role in the Suez Canal crisis, London is alleged to have adopted an unfriendly and unsympathetic attitude to New Delhi on the Kashmir issue. Pakistan's supposed triumph in the United Nations on the Kashmir problem shows, the argument runs, how friendless India is in the comity of nations. In the West, India's stand on Kashmir and on Hungary has been decried as New Delhi's "double standard" foreign policy. Within the country, Britain's hostile attitude to the Kashmir problem and ,savage personal attacks on the Prime Minister in a section of the British Press hay provoked a clamant quitting the Com-com-monweath.

City E tain and France, two of the aggressors 'Egypt, are angry with her stand on the suez Canal Most of the member-States of the United Nations, including the United States, have actively endorsed India's policy to Egypt. Throughout the Canal crisis, New Delhi and Washington had acted in close cooperation. It is not India's fault that Britain and France are in a mood to take revenge on India because of her Suez policy. Nor is it any valid criticism of India's foreign policy that Washington is irritated over New Delhi's attitude to The Eisenhower Doctrine. On these issues, India's foreign policy has the support of the* people. Because India's foreign policy may clash with the interests of this or that Power, it is ridiculous to suggest that the policy has failed. No responsible nation can pursue an opportuned foreign policy.

Just as it is absurd to argue that India should change her policy to Kashmir because Britain and America do not support it, or that India should have pursued a different policy to the Suez Canal in order not to antagonise Britain and France, it is unwise to agitate for withdrawing from the Commonwealth because of Britain's and of some other Commonwealth members' unfriendly stand on the Kashmir issue. This latter demand may no longer be clamant, but it persists within the country. On second thoughts, informed Opposition leaders have emphasised the inadvisabi-

lity of any such hasty action. India decided to remain within the Commonwealth not in the hope that other Commonwealth members will always support her foreign policy, but because the Commonwealth represents certain principles which are valued by this country.

India's Commonwealth link has advantages which cannot be seriously denied. To remain within the Commonwealth is not to be inimical to other associations and affiliations which are likely to further the cause of world peace. India's membership of the Commonwealth is no bar to her active association with Bandung nations or with the United Nations. Nor does it militate against her efforts towards a better understanding between East and West. Responsible elements within the country do not endorse any hasty decision to sever the Commonwealth link. There is, however, a growing feeling that measures must be initiated to lessen India's dependence on Britain and the Commonwealth on certain crucial industrial and defence matters. This is not an irrational demand. Too much dependence on any one country or Power must necessarily restrict India's choice and manouever-ability.

On the Hungarian issue, New Delhi's policy has been severely criticised both within and outside the country. India's uncompromising hostility to the Anglo-French aggression against Egypt has been compared with her hesitant attitude to Hungary to substantiate the allegation about her "double standard". New Delhi has gradually shifted its ground on Hungary. At an earlier stage, and without adequate knowledge of the full facts, New Delhi was reluctant to brand Russia as an aggressor. But, with the re-entry of the Russian troops to Budapest after their first withdrawal, New Delhi's attitude had stiffened. In subsequent policy statements in Parliament, Pandit Nehru has gradually shifted from Ms original stand. Over and over again, the Hungarian tragedy has been deplored. In his latest statement on the Hungarian issue, during his recent Scandinavian tour, Pandit Nehru emphasised that the Hungarian resistance to the Soviet Army was In the nature of a national

movement. India has always been adamant about the occupation of any country by foreign troops, or even by the forces of the United Nations. This explains India's vote during the Hungarian debate in the United Nations.

While much has been sought to be made about India's predicament in the United Nations during the debate on Kashmir, domestic criticism of India's foreign policy is mainly concentrated on the effects of India's foreign policy on foreign aid in her hour of need. It is now better appreciated that Pakistan has gained only a pyrrhic victory in the United Nations on the Kashmir issue. But, within the country, the belief is widespread that India's Second Plan is going to be the major

casualty of New Delhi's foreign policy. India's need for foreign aid is so urgent and vast that some irritation on this issue is understandable. But a closer examination suggests that this critical assessment of India's foreign policy has no solid basis. With the exception of Britain, no other country has received as much credits as India from the International Monetary Fund. Among Asian countries, India has been the major beneficiary of World Bank loans. Current negotiations with the World Bank do not indicate 'any discriminatory attitude to India's by this international institution. Washington may not like the look of India's foreign policy. But New

Delhi's foreign policy, of non-alignment and the Soviet aid in men, money and equipment have, in no way, affected Washington's "aid policy to India. America's aid to India compares favourably with that to any other Asian country. It has been substantial. Prospects of American aid are no less bright. Both in London and in Washington, the gigantic Indian experiment with economic planning is widely appreciated. Issues at stake in India are fully revised in both Britain and America. But in so far as critics within and outside the country have in making New Delhi's con-

me of the unrealistic foreign policy, they seem to have" achieved their purpose.

Credit Restraint

'TMIE Reserve Bank has requested all scheduled banks to carry out a general reduction of bank advances during the current slack season. This is largely, though not entirely, an essay in persuasion' at least for the present. The banks have been used to directives for "selective credit control". This is the first time that they have been given a general direction about their lending operations. How is it to be reconciled with the argument which the Finance Ministry appears to have accepted, but on which it has slackened somewhat under pressure, that restriction of credit through the bulldozer method of higher bank rate is to be ruled out while planning development? Conditions which a rational credit policy have to satisfy in the present situation can be simply stated: adequate credit has to be supplied for implementing the Plan projects as also for the complementary investment necessary to implement such projects. While satisfying these two needs, a right credit policy should scrupulously exclude financing of transactions which fall outside the first two categories. How is this to be secured, short of detailed rationing, which would be impossible to administer?

The experience gained in the operation of selective control could be of some value, even if largely negative. To what extent application for advances can be shifted readily from one head to another, it is important to know, to begin with. The rest of it can be guessed,

though very vaguely from the fact that borrowers get any some access to funds other, than what is directly supplied by the banking system.

Banks have in fact been asked to bring down their advance-deposit ratio without reducing their assistance to the essential sectors of the economy. What is the test of this essentiality? Over the years the general level of bank advances has steadily risen, the slack season decline has been less and less marked and the level from which the busy season rise begins has gone up. But has the expansion been unrelated to the genuine needs of bank finance to keep in step with the development that is undoubtedly taking place at a fast rate? The directive suggests a credit and price build-up which has unsavoury association with speculative holding of stocks. For example, at the end of December, the latest period for which such breakdowns are available, bank advances to engineering industry amounted to Rs 58 crores, while commercial concerns dealing with hardware, machinery, engineering and metal products obtained advances to the extent of Rs 48 crores. This alone might enable dealers to build up speculative stocks to the detriment of industry and consumers. But snap judgements in such matters have little value, since there are no standard ratios between credit requirements for production and marketing even for the same set of commodities.

True, agricultural credit is being made available more liberally but is it being supplied too liberally to enable speculative stockholding? If the farmers holding capacity has improved, there is little that the Reserve Bank can do about it directly. Data on advances do not suggest to what extent bank finance assists the process of storing up of agricultural produce but even if it does, this should be the special province of selective control.

To enforce a general directive, however, certain operational devices can be easily thought of and it would be surprising if the test of essentiality does not lead, after a time lag, to stiffer screening of loans under the bill market scheme. Perhaps its operation in the case of each bank would be put on a two-tier basis, different limits being set up for industrial and commercial advances. The former will necessarily have to be for a longer period while the limit for the latter may be subject to more frequent and seasonal variation. But unless the Reserve Bank is prepared to give some serious thought to tests of essentiality and works out an operational device for enforcing it through marginal adjustments in its lending under the bill market schema, general directive will only aggregate the stringency without doing "thing to curb it at the source, which may be broadly described as unplanned investment" and the failure of a proper monetary policy for implementing the Plan.