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## Up the Garden Path

THERE is a story going round in the corridors of the North Block that when the present Finance Minister took over, he called the Secretary In charge of foreign exchange and asked him what checks the Finance Ministry had, over the foreign exchange spending of the Ministries. To this question, 'so rans the story, the official replied in correct manner, by scratch-in head and mumbling some-the' He had yet to size up his new boss and was naturally cautious. But the reply, whatever it was, did not satisfy the Finance Minister who snapped back at him rather sharply and said, whatever the rules were, the must be. pretty slack for

be knew for certain that the Ministry of Commerce and Industry was squandering a lot of foreign exchange. Since the Finance Minister had himself been handling that other portfolio, there was no reason to doubt; that he knew what he was talking about. The story is apocryphal, but it may well be true. And the truth of the story has been blazoned forth, week by week, for a whole year through the weekly returns of the Reserve Bank.

However much self-deprecatory the Finance Minister may have been, it would not be fair to say that the Ministry of Commerce and Industry had been squandering foreign exchange That it had never done.

True, there were some Imports we could have done without. But whatever one may think of the logic of token imports for raising the stand-and of internal production or for providing incentives to greater effort, such as nylons or haberdashery, too much can be made of these minor things or of occasional slips, if they were slips. Broadly, the import policy has been unexceptionable, for it has been a policy of fostering industrialisation. If luxury cars got through or domestic production was stepped up, with imported raw material, of non-essential but highly profitable consumer goods, well, the fault was not of import control. Cars were not allowed to be Import-

ed at all, only the parte, and In completely knocked down condition; if rayons and such things got through, it was only because they were raw materials of industry. Imports were mainly of capital goods and raw materials; even for these, the licensing was on the recommendation of the various Development Councils or of the Development Wing of the Ministry. There was no lack of scrutiny.

Today the then Commerce Minister is a Member of the Planning Commission but how can he disown his own baby? He has to take care of it and nurse it, however exasperating the demands it may make on the country's resources. How extravagant these demands are can be easily gauged from the present state of our foreign balances and the value of Import licences that are outstanding. The figure which has been given out of the liability on account of import licences issued but not yet utilised is only that of projected imports of the private sector. It is subject to some, perhaps minor, modification, because imports on Government account are sometimes indented through private importers and vice versa. But the figure by itself, compared to that of the remaining sterling balances, would be an adequate commentary on the foreign exchange situation.

Development has been scrappy; the necessity of revising the target for food production upwards and the haste with which food imports had to be rushed before shipments of American loan wheat and rice could arrive testified eloquently to its lopsided nature. But in the sphere of industries, particularly in the private sector—and this needs to be emphasised—development has been substantial, notwithstanding the general impression created by interested propaganda that the private sector was being very nearly wound up. Its volume has been impressive judged by any standards, and judged by the standards of yesterday, it is almost staggering. Our Delhi correspondent quotes Rs 763 crores as the estimated figure of investment made or committed for development of industries in the private sector in the first fifteen months of the Second Plan period. Whether this estimate is also subject to modification as in the

case of sector-wise distribution of Imports or not, it is not quite clear. Nevertheless, this estimate may be compared to the total of Rs 570 crores set for the private sector for the whole of the Second Plan period. The import content of this development for which the country has to pay, it had not bargained for. Much of the withdrawals from the foreign exchange resources which have already taken place and the further calls on such resources which have to be honoured are unauthorised withdrawals. They lack popular sanction.

If the above figures meant that the private sector had already met the bulk of its import requirements, this would be a silver lining in the cloud. It is an altogether different complexion on the foreign exchange losses what are recognised today as largest single factor threatening the success of the Plan. Unfortunately, so optimistic an interpretation would be hardly warranted, in the absence of some definite knowledge about the actual allocation of these resources. On the contrary, there is evidence in plenty, advanced and elaborated by several contributors in this issue, that a part of it represents investments outside the Plan. But how large a part, no one knows for certain, least of all the Planning Commission, judging from the Progress Report which it has just put out. The conclusion is inescapable that the development that has taken is not of the type intended in the Plan, which had been approved by Parliament and solemnly accepted both by the Congress Party and the Government.

The desire to find a scapegoat is difficult to resist when things have gone so far wrong as to precipitate a foreign exchange crisis. The pursuit, however, is likely to be unprofitable and more than a little hazardous. It is no use trying to find the guilty men: all are tarred with the same brush and accomplices, knowingly and unknowingly, in leading the country up the garden path. It is not that one Ministry was trying to scuttle what the others were trying to build up. It is not a case of failure of co-ordination. On the contrary, behind the development that has taken place, co-ordination has been very

effective indeed. The coin may have accepted the Plan, but judged by their individual performance, none of the Ministries did. It is not the States alone which have been backsliding; all agencies of the Government have been playing the same game.

Who killed the red robin? There will be the inevitable wited-hunt much acrimonious controversy and mud slinging; particularly if the foreign exchange situation continues to worsen and no ready relief comes in sight as a result of Pandit Nehru's persuasive diplomacy. For Pandit Nehru is determined to put on his Broad to raise foreign the Plan, while the systematically scuttled at home. For scuttling it is; the development that is in owing cannot be self-sustaining. Nothing could be better if a different pattern of development and a vigorous one, too, could be superimposed on the one that is being slowly, haltingly and inefficiently pursued, through the agency of the Government functioning along the lines that it has laid down for itself. But this would require an order of investment beyond the capacity of the economy to sustain. Public attention is fixed more easily on conspicuous consumption and waste, but what is even more tragic is not so much the lack of saving but the use to which we are putting our limited savings.

Primarily, it is policy making and administration which will come under fire, though one is not so sure that public resentment will necessarily result in the association of some expertise, not only at the stage of formulation, but also the execution of policies, particularly those concerned with the allocation of resources. Will the Planning Commission, which could not do the planning, will it be stirred into some activity? Not likely, until its composition and set up is changed wholesale. The situation presents a choice of alternatives and one may choose according to one's taste and predilections. Several possibilities stand out: a new genie that has been called being, will it come into class the steel frame? Or will that frame be so chastened by the sheak that it could be welded into expertise? The degree of popular pressure from below alone can provide the answers.