

Weekly Notes

Unrest in the Maldives

THE Maldives—a group of Islands to the south east of India—are certainly not Cyprus, though the British may have grounds to view them with the same eye for strategy as characterised their approach towards Cyprus. Now that there is unrest in the Maldives, however, the nature of British diplomacy in the Maldives is slowly coming to light. The Maldives were to provide Britain with an RAF base, but the negotiations towards constructing an RAF staging post at Gan were recently suspended—according to the British government—on the initiative of the Maldivians themselves. In the House of Lords. Lord Home, the Commonwealth Relations Secretary told a questioner that the Maldivians had raised new matters unrelated to the agreement and he added: "Although Britain went as far as possible to meet them, this is suited only in the Maldivians producing further and unacceptable demands". The noble Lord did not deem it necessary to clarify his remarks and we are at a loss to know what those "unacceptable" Maldivian demands could be. Does the Maldivian Government have second thoughts in regard to the question of letting Britain have an RAF base in Gan? What is the truth in the official Maldivian allegation that Britain is employing "insidious methods to engineer the downfall of the lawfully constituted government" by free distribution of money in the various atolls? Is the unrest in the Maldives induced by British bribe money? The official Maldivian communique also maintains that a British man-of-war is cruising in the Indian Ocean close to the Maldivian islands apparently in the hope of giving aid to elements in the southern atolls rebelling against the Government.

The United Kingdom Government would have the world know that the rebellion against the duly constituted government results from famine conditions in some of the atolls that have already taken a large death toll, placed presently at eighty. The Maldivian answer is that British "agents" have bought up all stocks of rice available, thus creating artificial conditions of famine in the islands; having creat-

ed a famine, apparently, the self same British agents are now busy magnanimously distributing food-grains to the starving people "despite the violent protests of the Maldivian government". Surely there is a way out for the British that does not involve gun boat diplomacy of a kind long outmoded?

India's Hoarded Gold

COMMENTING on India's foreign exchange position, the Chairman of the Chartered Bank has made an important observation on how best India can safeguard her future in the matter of getting adequate foreign exchange. Referring to the arrangements that have been made to secure foreign assistance to complete the essential features of the Plan, Mr Grantham points out that "the extent to which the Government has resorted to deferred payments, has left a burden, to be shouldered in the years to come, which will leave little margin for additional foreign exchange expenditure during the third five-year plan, even allowing for possible savings on exchange which are likely to accrue when the new steel works, and heavy industries, set up under the present plan, commence operations" Mr Grantham suggests, first, that India should improve her relations with Pakistan and thus cut her defence budget. Second, that gold in the hands of the people should be made available to the Government.

Mobilisation of India's hoarded gold, various suggestions for which have emanated from time to time from different quarters, can no longer, therefore, be dismissed as entirely impractical or unrealistic. That it has to be effected some day, is now being recognised more widely, but how it is to be done, however, still remains as much a matter of speculation as before. Mr Grantham suggests 'bearer loans against gold' as one of the possible solutions. If bearer loans mean bearer bonds redeemable in gold, will they not provide a means of making black money white and thus condone tax evasion? This course is obviously ruled out on grounds of larger social policy. Government has also been reluctant so far in assuming responsibility for repayment in gold when it is in no

position to discharge it. But this reluctance it may get over, and should get over, if it believes, as it must, that the development it has launched upon will, in the not too distant future, relieve the balance of payments problem to the extent of enabling it to honour its foreign commitments and also to discharge its obligations to the bond holders should they demand repayments in gold, the reasonable expectation being that they would not. The problem of mobilisation of gold stocks, as Mr Grantham rightly points out, is basically 'a psychological problem, depending on confidence,' but it would be unrealistic to assume that a measure of compulsion can be altogether avoided. That a combination of compulsion and incentives will be necessary to mobilise gold stocks is by now widely accepted, but which particular combination of the two will do the trick still remains anybody's guess.

City Banker Wants Mobilisation

THE other suggestion which Mr Grantham puts forward, however, is not easy to follow. In fact, it is bound to arouse considerable perplexity when he says that "it might be possible to introduce... even free imports and allow an economic rate to be found and confidence restored in that way". The suggestion that imports of gold should be freely allowed is, of course, nothing new. The immediate advantage claimed for it is that it will put an end to smuggling and prevent loss of foreign exchange which, it is further claimed, will offset or very nearly offset the foreign exchange cost of gold imports. This, in the last analysis, is a matter of judgment on which informed opinion has so far been heavily against as a risky venture. It is in any case ruled out by India's membership of, and obligations under the International Monetary Fund. There can be no two opinions, however, about Mr Grantham's main contention that mobilisation of gold hoards could go a long way towards solving India's foreign exchange problem. And it is highly significant that the suggestion for it should have come from a City financier who has perhaps been the first to express forcefully what many others, who have taken an active part in helping this country