Weekly Notes

Resources for I M F

EVEN the modest proposals for adding to the resources of the International Monetary Fund presented to the Board of Governors of the Fund by Dr Per Jacobsson did not exactly find ready acceptance at Vienna. Opposition came mainly from the countries of Western Europe, led by France. These are the countries which would be called upon to make their currencies automatically available to the Fund when needed by it and had. therefore, a greater right than others to scrutinise the proposals a little more critically. In spite of the strong backing from the U S delegation, therefore, Dr Jacobsson's proposals received only qualified support from the meeting.

The French delegation had made it clear even before the Vienna meeting began that they would extend support to the proposal only if the use of the borrowed currencies under the scheme was restricted to protecting the major reserve currencies. The delegation was opposed in particular to the Fund making the borrowed currencies available to the developing countries, which might tend to be less careful in husbanding their own resources if this sort of assistance was available to them.

The broad support for the official proposals— though subject to Home qualifications — does mean that the Fund can now proceed to set up the necessary arrangements for automatic credit arrangements with the major industrial countries. Even if these arrangements cannot be used directly for providing assistance to the developing countries in terms of the French objections to the original proposals, the underdeveloped countries have undoubtedly much to gain from the stability which the scheme will ensure in the positions of the major reserve currencies.

Without denying the usefulness of the new scheme, however, it could be argued that the limitations imposed on the relatively conservative proposals put forward by the officials of the Fund at the Vienna meeting reflect the extent to which orthodoxy in the international monetary field still prevails throughout the world. It is certain that the more radical proposals put forward by Triffin, Stamp and others would have been summarily rejected by the Board of Governors if any attempt had been made by the officials to present it al the Vienna meeting. The opposition to Dr Jacobsson's proposals does not, however reflect merely monetary orthodoxy. It also reflects the growth of regional feelings. One of the important reasons for the French opposition to an increase in the powers of the Fund is reported to be connected with American domination of that organisation. France was strongly in favour of solving the currency problems of the major industrial countries through various organisations of Western European nations rather than through the International Monetary Fund. It is to be greatly regretted that this attitude towards one of the most important international institutions should have begun to find support in other European countries as well.

Export of Marine Products

IT might be questioned whether the various export promotion councils that have been set up in the last few years have functioned in a really effective manner. There can be little doubt, however, about the usefulness of these councils in principle. Concentrating on the scope for increasing the exports of commodities in particular groups each of these councils could certainly do a very useful job in building up the export market for Indian products. In principle, therefore, the formation of the Marine Products Export Promotion Council must certainly be welcomed. With a vast coastline and innumerable internal waterways, the potential production of marine products of all kinds is immense. The existence of a large and expam ding domestic market for these products provides the basis for the expansion of the marine products industry and it is in this light that the Plan considers programmes for this sector.

The Marine Products Export Promotion Council was inaugurated at Ernakulam by the Union Minister for Commerce and Industry, Shri K C Reddy, who expressed the Government's intention to double the earnings from the exports of marine products by the end of the Third Plan. With the present level of exports of these products at Rs 6 crores per annum, this implies a target of Rs 12 crores per annum by 1965-66. This should not be difficult to achieve; the demand for sea foods in the advanced countries is expanding rapidly as the affluent consumers in these countries look around for more delicacies to consume. India is in fact finding that there is a demand for items which have been completely neglected as a source of food in the past. An interesting example of this is provided by the demand for frogs legs, which are considered a luxury food in the West,

This example is particularly useful because it draws attention to the danger of unplanned exploitation of the existing resources of certain marine products. The demand for frogs legs has. for instance resulted in a steadily expanding each of frogs from the marshes of Kerala. which is lending to disturb the normal life cycle of the frog population and is depleting many areas of frogs altogether. If the country is to maintain its level of exports of frog's legs, it will be necessary to set up frog farms as has been done in the United States. Efforts will have also to be made to ensure that proper methods are developed for the utilisation of bye-products find wastage is reduced to the minimum.

The Third Plan has made provision for new freezing and cold storage facilities which are essential for most marine products. Shri Reddy pointed out that extensive research programmes in exploratory fishing and processing techniques are to he undertaken. He also spoke of various schemes, like mechanised fishing vessels, which were being undertaken to expand the output of marine products. If the Export Promotion Council that has now been set up undertakes market research, and carries on sustained publicity in foreign countries in addition to taking steps for the development of domestic production and the maintenance of quality standards, it will undoubtedly be able to succeed in the task which it has been set

It is to be hoped that the new Council functions more effectively than some of the other Export Promotion Councils in the country.

Well-Meant Step Fails

THE judgment of the Constitution Bench of the Supreme Court, declaring the Newspaper (Price and Page) Act, 1956 'ultra vires' of the Constitution and accordingly, the order passed under it void, has a significance that goes beyond the limited dispute over pages and prices. That a verdict of such great import to the basic rights of citizenship guaranteed in our Constitution, and particularly to freedom of the press should have been evoked by an issue in the economics of publication, over which opinion is sharply divided, may not appear self-evident. But it. had to come some time or other, with basic freedoms facing threats from various quarters; and perhaps it is as well that it has come now though the cause of it, provoking conflicting reactions in the newspaper world, may rob it temporarily of some of its larger significance.

What is that cause ? The forbidding capacity that the higger and better-established journals with immense resources, have of squeezing out smaller publications by a generous allowance of newsprint and offer of relatively cheaper rates. Government's intention in issuing the Price-Page Order was to restrain this unequal competition by making it obligatory on all newspaper enterprises to price their publications uniformly according to the number of pages they publish. It was a laudable step to protect smaller and financially weaker, though not less valuable or less useful publications. Through the Order Government sought also to prevent or at least curb the emergence of monopolistic tendencies in the newspaper world which were bound to lead to a situation where a few in control of big papers would fashion public opinion as they wished — by suppressing reports, giving them a convenient angle or altogether distorting them.

With the invalidation of Government's well-meaning Order, that danger continues, and with it also the threat to the smaller, independent journals run by companies or individuals to whom newspaper enterprise is still more of a mission than a commercial undertaking like the manufacture of jute bags, soap or cosmetics. And the irony of it is that a judgment which goes all out in support of basic rights and particularlv the right of expression should imperil to some extent the scope of intrepid little journals, the salt of the profession, to express themselves, undeterred by the flourish of printed area which the bigger paper- can not only afford, hut find highly profitable. That was of course no concern of the Court which had before it a purely constitutional issue though the judges, by no means unaware of it have suggested that Government must devise other ways to protect weaker sections of the press. It is left now to Government to do what it can in the matter.

Industrial Finance Corporation

THE extent to which programmes of industrial development have become dependent on external assistance is strikingly evident from the latest report of the Industrial Finance Corporation. During the year ended June 30 it sanctioned loans amounting to Rs 21 crores, of which dollar sub-loans out of D L F credits accounted for Rs 1 crores. As the terms and conditions of the sub-loans sanctioned are in the course of finalisation. no disbursements have been made so far in respect of these sub-loans. The agreement with the D L F. announced as early as April 1960, was not concluded until December last and the I F C's balance sheet shows that this credit had not been availed of till the end of June. As a result of this delay, the I F C loans actually disbursed amounted to less than Rs 7 crores, which is not even one-third of the amount sanctioned against nearly one-half during the previous year. The delay in the disbursement of the DLF credit must have resulted in a corresponding delay in the disbursement of rupee loans also, since six out of the fourteen concerns which were sanctioned dollar sub-loans also received rupee loans.

Since its establishment, the 1 F C has sanctioned loans aggregating Rs 106 crores. of which Rs 57 crores have been disbursed. Net of Rs 15 crores repaid, the loans outstanding come to Rs 12 crores. The loans sanctioned have financed approximately 14 per cent of the total cost of the schemes assisted. Since disbursements have been only about one-half of the loans sanctioned it would have been interesting to know the proportion of the loans disbursed to the cost actually incurred on the schemes financed. The report does not provide any information on this point.

The Corporation has so far guaranteed 20 proposals for deferred payments amounting to Rs 25 crores. The number of applications for guarantees and the amounts involved registered a marked increase during the year. This figure, however, tends to be somewhat deceptive, since many applicants make alternative arrangements before or after receiving IFC guarantees. The Corporation also underwrote during the year public issues of share capital amounting to Rs 160 lakhs consisting of Rs 100 lakhs of preference and the remaining of equity. One of the preference issues was fully subscribed by the public, but the Corporation has had to take up shares of the total value of Rs 107 lakh-, consisting of Rs 67 lakhs of preference and Rs 40 lakhs of equity. The total amount of underwriting approved by the Corporation so far comes to Rs 120 lakhs.

Repayments received from borrowers and the Rs 9 crore loan received from Government out of P L 480 funds sufficed to meet the limited commitments during the year and the 1 F C did not, therefore have to enter the market with any fresh issue of bonds. Actually, it repaid Rs 7 crores to the Central Government reducing the outstanding loans to Rs 6 crores.

While the rate of interest on the borrowings from the Government remains unchanged at 4½ per cent, the Corporation continues to charge 7 per cent on its rupee loans with a rebate of ½ per cent for punctual servicing. The rate of interest on foreign currency loans has been fixed at 8¼ per cent, less a rebate of ½ per cent for punctual servicing, plus an extra ¼ per cent for incidental expenditure; the effective rate for such loans thus comes to 8 per cent.

As almost the entire amount of the D L F credit stands committed, negotiations for an additional loan of $ 20 run from the D F F haw- been initiated. The Corporation is also exploring the possibilities of securing credits in the currencies of