

# Weekly Notes

## **Export-Oriented Import Policy**

THE formal recognition in the latest import policy statement of the importance of stepping up export-oriented industries in the country must be considered its most important feature. The Red Book says that special priority will be given to applications for the import of plant and equipment required for the setting up of an industrial unit mainly devoted to developing the country's exports. Import of plant and equipment required for the expansion of the capacity of existing units to enable them to build up export markets is also to be given special consideration. For the grant of import licences under this head, however, the Government has to be convinced that "there will be continuing export earnings from the project apart from the financing of the cost of the equipment and raw materials." These provisions of the import policy thus recognise that the achievement of our export targets would require a suitable export-orientation in the country's pattern of investment. This should be carried further; the pattern of investment, so far directed to import substitution, will have to be suitably modified so that resources are allocated to export-oriented industries all along the line.

Apart from this important departure, the import policy statement follows the pattern which by now the country has come to expect. With the foreign exchange budget as tight as it is, no relaxation in import restrictions in general could have been expected. At the same time there is general recognition of the fact that there is little scope for cutting imports further to any significant extent without very serious repercussions on the country's productive capacity. An attempt has nevertheless, been made to cut imports—mostly in items in which domestic production has been developed, thus carrying a stage further the process of import substitution initiated some years ago. That the saving in foreign exchange obtained by the imposition of total bans on three items and "substantial" cuts in 117 items should result in a saving of

only one crore of rupees on the aggregate shows how little can be gained by further efforts in this direction.

## **Britain Lowers Bank Rate**

THE half-per cent cut in British bank rate has not come as a surprise. In fact, even the exact timing of it had been correctly forecast by the City. Despite everything — the known and continuing weakness of Britain's balance of payment and the inability of the Tories to hold wages and thus attack the factor behind it which they consider to be basic — sterling still attracts short-term funds when conditions are favourable. And with bank rate at 7 per cent, the conditions were favourable. In fact, they were proving a source of embarrassment.

Whatever may be the effects of the other austerity measures which Mr Selwyn Lloyd introduced on July 25 last, the raising of the bank rate sharply to 7 per cent began to have its effect almost immediately, and sterling which had been well below par for quite a long time regained par pretty soon and it has tended to rise steadily ever since, largely due to the flow of funds London-wards.

Long before all these happened, however, a rescue operation for sterling had been started in the form of inter-central bank support. Sterling is now 'in commission' and the Continental central banks are in a position to demand that Britain carry out the policies they like or accept the consequences of an immediate and drastic loss of reserves which Britain cannot possibly face.

Against this background, particularly in view of the newly-evolved technique of inter-central bank support to sterling, it is no longer possible to interpret recent developments as a confirmation of the well worn dictum that the bank rate at least in Britain is still effective in regard to movements of short-term capital; its effect on the other aspects of the economy and particularly balance of trade is not that clear or easily predictable.

The Chancellor's other prescriptions — wage freeze, tariff reduction and some sort of planning — have not made any headway so far. There

is strong resistance to wage freeze and any way the Government themselves are aware that they cannot enforce wage restraint so long as the loophole of high tariffs are not sealed, loopholes which make the protected industries yield too readily and easily to any wage demands. This has been left to the Common Market to tackle, for once Britain joins, a round of tariff reductions is the first item on the card. On economic planning, however the ideas are still too vague. The French type of planning is in great vogue in Britain today; but nothing concrete has emerged yet. Now that Britain is out of immediate foreign exchange difficulties, a gradual reduction of the bank rate to something nearer normal than 6½ per cent is also on the cards. It is only the basic problems, which cause these balance of payment crises from time to time, that still remain to be tackled.

## **Commission, but No Suba**

IT would be idle to pretend that Master Tara Singh has achieved nothing by his fast. It is true that the offer to appoint a commission to enquire into allegations of discrimination against the Sikhs—the acceptance of which by the Akalis led to the end of Master Tara Singh's fast—was mentioned by the Prime Minister quite some time ago in his talks with Sant Fateh Singh. What the fast has achieved is to speed up the appointment of the commission and to wear down potential opposition to the idea of a government-sponsored enquiry into the grievances of the Sikhs. If the Government had agreed to appoint the commission before Master Tara Singh's fast, it would certainly have been accused by the opponents of the Akalis of having given in to Akali pressure. Now, however, the government's announcement has been received almost with a sigh of relief. Things could have been so much worse!

On the other hand, having accepted the Government's offer and having given up his 'fast unto death', it is doubtful if Master Tara Singh will again be able to use this ultimate weapon effectively in the cause of the Punjabi Suba. At the same