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EDITORIALS

India and IMF	1031
Coordination in Air	1032

WEEKLY NOTES

Dr B C Roy — Independent Algeria — Central Loans — Shipping Headaches — Sweeter Cane?	1035
--	------

CAPITAL VIEW

Kashmir Realities under Debate — Romesh Thapar	1039
---	------

OUR DELHI LETTER

Assam Oil Royalty Dispute	1041
---------------------------	------

LETTER FROM ANDHRA

Opposition to Land Revenue Bill	1043
---------------------------------	------

FROM THE LONDON END

Clashing Cotton Interests	1045
---------------------------	------

LETTER FROM CALCUTTA

New Look in Coal	1047
------------------	------

OFFICIAL PAPER

No Further Curbs	1049
------------------	------

SPECIAL ARTICLES

A Big Man Goes — <i>Flibbertigibbet</i>	1034
--	------

Formulation of a Stale Plan — Rajasthan : A Case Study — Yoginder K Alagh	1051
---	------

Concentration of Production in Mining — S Narayanaswami	1057
---	------

Economic Growth and Inequality Revisited : A Reply — Ramgopal Agarwala	1061
--	------

AROUND BOMBAY MARKETS

Weather Ideas Dominate	1063
------------------------	------

COMPANY NOTES

Mukand Iron — Tata Oil Mills	1066
------------------------------	------

CURRENT STATISTICS

1068

India and I M F

IT would be idle to deny that there is an under-current of anxiety in the public mind about our position vis-a-vis the International Monetary Fund in particular and the members of the Aid-India Club in general. By appearing to hesitate to approach the Fund until now for credit, New Delhi has, unintentionally perhaps, given cause for anxiety. The recent changes in monetary policy do have the appearance of further trimming the strength of our need for assistance, following, as they do, stringent restrictions imposed on foreign travel, further tightening of the restrictions on foreign studies, and so on. And further cuts—all *od hoc*—can be a little bit discriminating on maintenance imports which have already been cut down to bare bones. All these have an appearance of advertising to the outside world that our situation is very desperate and that we are doing all that we can so that others may not question our *bona fides*.

There is no necessity, however, or there should not be any, for window dressing if the object is to strengthen our case before the Fund, under the Articles of the Fund, India can draw to the maximum of \$ 677.5 million which is equal to her full quota of \$ 600 million plus her gold subscription of \$ 77.5 million. India has already drawn \$ 250 million which means that she has exhausted her gold tranche and the first credit tranche (25 per cent of her quota) and a part of the second credit tranche. If allowance is made for service charges of about \$ 17 million, India should still be entitled to the balance of the second tranche, viz another instalment of \$ 110 million, provided she has sufficient grounds which, of course, she has. It is only when India reaches the third tranche, that is, if she wants more than \$ 110 million, that she enters the delicate area of the Fund's discretion. The fund may waive any of the conditions prescribed in its Articles for borrowing beyond the second tranche; it may waive, but it may ask questions and impose conditions regarding monetary and fiscal policies.

It is all left to the discretion of the Fund and there is nothing in the Articles, of course, to prevent India from getting a further assistance of \$ 300 million, that is, to the full extent of her quota,

India's hesitation, if any, to approach the Fund for this entire amount of \$ 410 million to which she is entitled is, nevertheless, not difficult to understand. The Fund was set up for most laudable purposes—among others, to contribute "to the development of the productive resources of all members as primary objective of economic policy". It is precisely on such development that India has bent all her energies. The full development of her productive resources requires considerable foreign aid. In the present international economic situation with stagnant or very slowly rising demand for agricultural and primary or semi-processed goods, it is not possible for India to make a big break-through in the export field until the programme of industrialisation which she has launched on can be pushed through to a successful conclusion. This is a problem common to all developing countries, the problem of emerging Japans, which is knocking at the doors of the West for a solution. If the Monetary Fund has to carry out the

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