

Other Side of Collaboration

NEXT to various kinds of engineering industries, chemicals are the favourite haunt of foreign collaboration. The Reserve Bank study of collaboration in and consequent remittances abroad by 86 chemical companies, including 16 subsidiaries, published in the November *Bulletin*, gives a rough indication of the cost of such collaboration. Over the seven years 1956-57 to 1962-63 the, value of shares held by foreign participants rose from Rs 3.37 crores to Rs 14.87 crores; dividend remittances increased from Rs 5 lakhs to Rs 2 crores, aggregating Rs 8.17 crores for the period. Royalty and technical service remittances, similarly, went up from Rs 18 lakhs to Rs 1.21 crores, aggregating Rs 5.29 crores in all. Total remittances, including dividend, royalty and technical service payments, thus, came to Rs 13.46 crores. The main burden of liabilities has yet to come, however, because most of the collaboration agreements were concluded after 1959 and many have still to ripen fully.

It is always difficult to establish a precise cost-benefit ratio, especially in a new industry where the intangibles of know-how and research are more important than even money and equipment. Pharmaceuticals bring their own problems of patents and insistence on majority, if not complete, control. Granted all this, one cannot escape two facts: one, the import of capital (even allowing for ploughbacks) is not significant, and two, the foreign exchange liability incurred offsets the little import that takes place. These are not revelations to shock the innocent. They have been known for long but could not be substantiated in quantitative terms so far. The point in stressing them now is not to play down foreign collaboration or to suggest that it brings no benefits but to remind ourselves that this is part of the price we are paying for aid on soft terms from the West as well as for continuing to respect the patents held by the international companies. There may be no escape from "opening the doors a little wider" to foreign investment and "improving the climate" for private investment in general, if these are the conditions for soft aid; but the additional burden on the balance of payments and the domestic cost structure, quite apart from the tying down of what little domestic technological development there is with foreign companies through the patent system, cannot be ignored either.

On a rough average, for investment of Rs 5 crores in pharmaceuticals from 1956-57 to 1962-63 (excluding ploughed back earnings), foreign investors earned in all Rs 3.86 crores as dividend plus Rs 49 lakhs as royalty plus Rs 29 lakhs for technical services or a total of Rs 4.64 crores. No allowance is made here for benefits accruing to foreign principals in the form of assured markets, and whatever prices they can charge for intermediates. Clearly, these figures are not the best advertisement for foreign private investment nor for the benefits supposed to flow from it.

By Courtesy of the C P B !

BY their actions and statements, a number of the top leaders of the Congress Party have demonstrated often enough that an excessive concern for constitutional and democratic propriety is not among their weaknesses. Now here is Atulya Ghosh, Congress boss of West Bengal and Treasurer of the Party, seriously telling us that the so-called little AICC' organised at Ranchi last month decided (*sic*) that the Central Bureau of Investigation should not be allowed to enquire into charges against Congress Ministers unless the Parliamentary Board of the Congress Party first examined them and satisfied itself that there was a *prima facie* case.

The Central Bureau of Investigation is under the Home Ministry. So even now the decision to refer charges against members of the Central or State Governments to it for investigation is that of the Home Minister who, no doubt, consults the Cabinet. The decision is thus political: Congressmen decide whether allegations against one of their colleagues should be investigated. Human nature being what it is—not to mention the peculiar compulsions of politics—this procedure has been sufficient to ensure that no investigations are launched against Ministers except when the Government's hands are absolutely forced by public opinion. Under the circumstances, the concern of those who have been seeking a solution to the problem of deteriorating standards of public morality in the country/including among members of the Central and State Governments, has been with devising procedures and institutions which will make investigation of charges against Ministers to an extent automatic and independent of political pulls. The Santhanam Committee on Corruption, for instance, suggested that specific allegations of corruption against any Minister made by

at least ten legislators should be compulsorily referred to an *ad hoc* committee to be appointed by the President of India from among the members of a national panel. This committee—and not the Central Congress Parliamentary Board!—was to have the power to direct the Central Bureau of Investigation to enquire into the charges and report to it

It is one thing for the Congress to prescribe, as a part of party discipline and code of conduct, that charges against Congress Ministers by members of the party should be sent to the Parliamentary Board. But to hand over to the Parliamentary Board the power of deciding whether *any* charges against a Minister should be investigated by the Central Bureau of Investigation or not would be to ensure that such investigations would be indeed few and far between. More than that, the cavalier manner in which the suggestion disregards all distinction between the Congress party and the Government and administration is breathtaking. The Central Bureau of Investigation is part of the administration whereas the Parliamentary Board is purely a Congress Party organisation with no official *locus standi*. To give the latter the power to direct when the CBI will carry out its responsibilities and when it will not, is to sanction the most blatant political interference with the administration—at a point where such interference can have the most disastrous consequences for democracy.

Exchange Worries Again

W H A T has again gone wrong with the foreign exchange situation? Reserves are falling once more, though exports are consistently touching higher levels and, at first sight, even invisible earnings (mainly shipping) seem to have gone up. Exports rose from Rs 682 crores in 1962-63 to Rs 802 crores in 1963-64; the figure for April-June 1964, a traditionally slack quarter, was Rs 203 crores. Invisibles turned from a net payment of Rs 13 crores in 1962-63 to a net receipt of Rs 15 crores in 1963-64 and Rs 22 crores in April-June 1964. Leaving aside errors and omissions (minus Rs 47 crores in 1963-64 and minus Rs 29 crores in April-June 1964 against Rs 4 crores in 1962-63), increased food imports (mostly on Government PL 480 account) and banking outflows, there are three reasons for the adverse turn. One is the repayment of Rs 12 crores per quarter