Weekly Notes

World Bank and Haldia

Our Shipping Correspondent writes:

THE World Bank seems to have once again irked the Government of India by its advice. The Minister for Transport, Raj Bahadur, informed newsmen on lues-day that the Government took exception to certain suggestions made by the World Bank because they impinged on the Government's authority. Apparently the suggestions that have upset the Government so much are about the administration and accounting systems to be followed at Haldia. The World Bank wants the Haldia port to be separate from the Calcutta port. The Union Government does not know what it wants, but as the Calcutta Port Commission wants to have Haldia firmly under its thumb, the Government is unwilling to agree to the World Bank's suggestion for independence.

Without going into the merits of the problem the first point to consider is whethe the Bank has exceeded the norms governing the relationship between it and its debtors, The administration of a port is of course the business of the Government but this does not mean that the Bank has no right to make suggestions. The Bank is a lender and any lender has the right to make suggestions to ensure that his funds are utilised in the best manner. The normal banker concerns himself primarily with the safety of his funds and therefore limits himself to making suggestions which will ensure this safety, but it is a well-known fact that American banks have always taken a far wider interest in their borrowers and have certainly felt themselves at liberty to advise on the management of a project to which they are substantial creditors even when they are fully satisfied with the security of their funds.

The World Bank may think its case for interference to be even stronger; the safety of its funds depends on good administration by the Government for it does not rely on ordinary securities; it relies much more on political considerations and on its assessment of a government's ability. In India's case the Bank has made substantial loans on scarcely evaluated projects and as not all the projects have been uniformly commended by their success, the Bank has increased its vigilance, not always to the resentment of the Government which has in the past ofen been grateful for this free and competent watchdog. The trouble is that the Bank's relationship with the Government seems to fluctuate with the Finance Minister in saddle; the last one did not think himself much of an economist and was therefore glad to have the Bank's assistance; the present one does not think he needs any one to tell him how to run the economy. The rest of the Government takes its cue from the Finance Ministry and not many Indian Ministers have yet developed enough maturity to discern advice from a foreigner which will genuinely improve the working or implementation of a project from advice of the other type. The Bank however is unlikely to forgo its privilege of giving advice as a creditor. The sooner we learn the hard fact that if you don't want advice, don't borrow, the better.

Calcutta Not Given Fair Chance

AS for the project itself neither the Government nor the Bank has performed creditably. The Government has never quite known what it wants except that it wants something and the Bank has never known whether the Government should have it or not. lu the teams of officials that have come from the Bank to evaluate and consider this project not one has heen able to express clearly what the Bank's view is of the project. Every now and again some mighty man of that organisation comes here and assures everyone that the project is through, only to be followed by another team to evaluate the project- Not that a decision on the project is easy. The present writer has been a consistent opponent of it on the grounds that if the Indian Government wishes to spend Rs 30 crores on ports it could do it in many better ways. Indeed, it could spend it all on Calcutta to much greater advantage- The more general view, and incidentally that of the Port Commissioners of Calcutta, is that the Hooghly .must have a port at the mouth of its estuary because Calcutta can never be turned into a proper deep draft port. This is perhaps the more reasonable view, but one can still argue that the need for a port on the mouth of the Hooghly can only be determined after enough money has been spent to restore Calcutta to its former vigour. It is still the considered view of this writer that the protagonists of Haldia do a great disservice to Calcutta and this view is shared by many who have spent their lives serving that great Port.

The Port Commissioners' views are born of despair that nothing can be clone for Calcutta. Therefore, like school girls wanting a new pen in order to write better, the Commissioners want a new port away from the historical problems of Calcutta, Yet if this is so, why all this objection to having a different administration? Surely the logic of a new port is that Calcutta cannot be improved; the despair can only stem from a lack of confidence in Calcutta's present set up. Would it not therefore he better to have a new administration? Although why the World Rank is insisting on this is another mystery. Surely, they know by now that however new the pen the school girl will be the same?

Small Drug Makers in a Quandary

THE revised import policy for drugs and pharmaceuticals has now been published. Established importers were till now allowed to import about 200 items of essential drugs and medicines falling in list III of Appendix 19 of the Red Book. This list has now been drastically cut and only 47 drugs will be allowed to be imported. Licences already issued to established importers against their consolidated quota for the year 1965-66 will also be valid only for import of these 47 drugs.

The impact of this restriction will mainly fall on the small manufacturers, The 125 or so big manufacturers have their actual users' quotas, but the 2,700 smaller ones depend mainly on established importers for their raw materials. They are bound to be hard hit under the new dispensation, In fact, the impact is already being felt. If manufacturers intend to continue their normal manufacturing programme, they will have to buy the raw materials at enormously high prices. The only materials available now are either those imported against export incentive licences which are sold at 300-350 per cent premium or those smuggled. Smuggling is very likely on the increase since the risk involved in smuggling costly drugs is perhaps less