Weekly Notes

New Import Policy

WlTH all its defects and limitations, our import policy has succeeded in achieving its main objective, which was to cut down imports to size -When it was realised during 1956-57 that imports were going up at too rapid a rate and had already precipitated a foreign exchange crisis, steps were taken to restrict non-essential and even some essential imports. It was feared at that time that the number of outstanding licences was so large that cuts effected in the new import policy would not prove effective into bringing down the total of imports very appreciably for a long time. These fears turned out to be exaggerated. Private imports went on declining continuously quarter after quarter during 1957-58. If in spite of this decline, total imports were larger at Rs 1174 crores during 1957-58 as compared to Rs 1075 crores in 1956-57, it was largely due to imports on account of the Flan. The performance in 1958-59 has been even more revealing. Private imports during this year, it is estimated, have come down from Rs 682 crores to around Rs 550 crores, though Government imports at around Rs 500 crores are nominally higher, compared to Rs 492 crores in 1957-58.

All these go to show that the amount of outstanding licences during 1958 was either over-estimated or that these licences were largely on account of the public sector imports needed for implementing the 'core' of the Plan. It is true that there has not been much of a time-lag between the adoption of stiffer import policy and actual reduction in the next import period. But this has been largely due to luck—shall we say?—because the authorities were in no position to be reasonably sure how much of the licences outstanding at the beginning of a licencing period were 'live' ones and, what is more important, how much of these would be actually utilised during that period.

Now that import restriction, and fairly strict restriction, has come to stay, and is bound to remain in force not only for the rest of the Second Plan, but also for the Third Plan period, is it not surprising that no adequate study should yet be available of the import licences outstanding at a particular date? Or that so little should be known about the proportion "of these licences which are likely to be utilised during any particular licensing period? Without such information, it may be possible for omniscient Government Departments to plan imports ahead and to phase them in such a way that foreign payments due approximately equal the foreign exchange resources available, period by period. But lesser mortals would shrink from the task.

In view of the general foreign exchange situation, it is but proper that the import policy for April-September should be no different, however much importers and users of imported materials may feel the pinch. Within the prescribed limits, however, some welcome and very intelligent adjustments have been made In the new policy which gives it an unwonted air of liberality. This has pleased the market, judging from its initial reaction. The policy, however, still remains to be announced for a number of items such as betel nuts and cloves which command premia of 500 per cent and 350 per cent respectively. In this list, curiously enough, printing paper of all sorts also occupy a prominent place. So the prayer of the paper trade may yet be answered.

But more important than what the market thinks or feels is the effect of the changes on industrial production. The freedom now allowed to actual users of imported raw materials to buy their requirements for nine to twelve months instead of for the next six months as hitherto, appears to be eminently sensible. Broadly, there has been a slight liberalisation in items in which shortage was most acute—particular items of chemicals and dyes, some engineering items like fractional motors, raw films and a number of motor vehicle parts. Also significant is the issue of licences to established importers of non-ferrous metals- hitherto a banned item albeit with price control on their sales. This may not mean the withdrawal of the State Trading Corporation from this particular field, but it certainly advertises its failure to distribute successfully, at least to the small users.

Hussein's Visit to the States

KING HUSSEIN of Jordan's visit to the United States a fortnight ago was not impelled by any pressing circumstances such as those few dramatic weeks last year when both his life and his throne seemed at stake. All is quiet in Jordan, apparently. The Jordan-Israeli front, especially, has been very quiet latterly, despite the fact that over a million Arab refugees from Palestine live in Jordan and are a perennial source of trouble. These refugees, of course, are presently being supported by United Nations aid of which seventy per cent comes from the United States alone. Jordan itself, as is well-known, is completely and hopelessly non-viable from the economic standpoint and there is no foreseeable possibility of there being a change in the situation: for its very existence it will have to play ball with the United Kingdom and the United States and go round with begging bowl in hand.

Commenting on his visit to the States, the 'New York Times' said obliquely: "The atmosphere he (King Hussein) has found at the White House and elsewhere in Washington is indicative of the desire to be as friendly and helpful. as possible, which is as it should be". It might be asked: for whom? For the vanity of King Hussein who rules over a kingdom that has no income save what is provided to it by international dole? For the strategic needs of the West which wants a foothold in the Middle East, apart from Israel? And Jordan is as useful a piece of real estate as one can wish. Or is the friendliness and help for the million odd displaced Arabs who cannot go back to Israel and do not want to remain in Jordan?

That King Hussein should be playing the Western game for a mess of pottage, needless to say, Is one of the saddest chapters of Arab history. Perhaps, at some future day, this young man who has been catapulted to his throne will see the utter senselessness of stopping the surge of Arab nationalism in a Canute-like gesture. For the time being, however, he seems to be safe. Perhaps promise of American dollars has temporarily kept the Fatestinlan refugees from exploding. Perhaps President Nasser finds it expedient to hold his tongue; Jordan, certainly, has got a breather, which King Hussein seems to be anxious to cash in on with a quick visit to the States.

The United States would need Jordan as never before; Iraq has finally backed out of the Baghdad Pact. Iraq's tenuous link with the West has now been finally broken. Iraq now insists on being completely neutral, but whether this is dictated by enlightened self-interest or is a direct result of the murderous cross-fire from two sides, the Soviet Union and the United Arab Republic, only time will tell. But while President Nasser continues sniping at Iraq, Jordan is taking time off to mend its fences—and these, the world knows, needed some mending. Kassim's misfortune is providing to be Hussein's opportunity, though, where the Middle East is concerned, no one dare make any claims with any degree of certitude.

Export Promotion & Co

EXPORT promotion is very much in the air, But export incentive schemes having temporarily suffered an eclipse, what is going to be the new formula to infuse fresh life into export promotion? Ever since Shri Lai Bahadur Shastri's loud thinking at the last meeting of the Export Advisory Committee that industries will have to export 10 per cent of their products, there has been mild speculation as to how this was to be achieved. That Industry might itself take the lead had more than once been hinted, but nothing has come off yet. Heavy increases in excise duties to make the domestic market less attractive to manufacturers are not likely to be popular. Worse still, the limited experience that we have dos not suggest that they can be effective either. An alternative to excise duties could be an agreement among manufacturers to raise prices internally and to use the extra profits to subsidise exports at a loss. There is no reason to suppose that collective action, even for so laudable a purpose, can succeed any better

A hand-out issued by the All-India Exporters' Chamber about the formation of an Export Corporation as a limited liability company "to cover all functions of foreign trade with emphasis on exports of non-traditional items" Is, therefore, bound to arouse keen curiosity about the possible modus operandi of the proposed Corporation. The sponsors are two non-trading bodies, the All India Exporters' Chanmber and the Africa and Overseas Exporters' Chamber, and the proposed Corporation, it is now known, will have the support of the Indian Council of Foreign Trade, which also belongs to the same category. Being non-trading bodies, engaged presumably in advising traders and rendering the usual services which Chambers of Commerce are supposed to render to their members, the sponsors seem to have been fired both with enthusiasm and an idealism befitting the times. The Corporation which they propose to float, it is advertised, "will try to subsidise exports of some commodities out of the profits made in exports of traditional items." This is high idealism indeed and it is not surprising that the proposal as reported from the same source, should have received the blessings of the Minister for Commerce and Industry. Idealism, yes, but is it also practical commonsense to use the profits on traditional exports to subsidise exports of new items? A trading firm which makes money on some exporting lines would surely have other Ideas and better outlets for spending the money? No, this could not be the solution to the puzzle presented to the industries by Shri Lal Bahadur Shastri.

Amalgamated Exports Corporation Ltd is a private venture, albeit altruistic. Its aims and objectives in some ways seem to be very similar to those of the State Trading Corporation One wonders how the sponsors view the division of functions between the two. Is it that the Government body is to confine itself to dumping exports at a loss on the planned economies with which it Is better equipped to trade, while the new Corporation takes up economies of free enterprise?

Coal: the Soft Spot ?

TO the extent that the different parts of the Plan, or even the hard core of it, are interdependant, the slackening in the rate of increase of coal production and the certainty that the target will not be attained according to schedule, will naturally raise grave doubts about the fulfil ment of the other parts of the Plan. Then there is the slow progress in the erection of the washeries which are primarily to feed the steel plants. On present showing, steel mills may go into commission and yet not be able to produce to anywhere near capacity, because enough coal would not be there to fire the blast furnaces. The picture may not be as gloomy as all that; for steel will get priority allocation, but depriving the other industries, or the other schedules may also be similarly delayed. Moreover, since the shortfall has so far been largely in the public sector, and the public sector has on hand a big programme of development which will take time to get into stride, the schedule of coal production may be delayed, but eventually it will be accomplished. The prospects may not be entirely dark, but they are certainly not very bright and the Ministry of Steel. Mines and Fuel could have been a *little* more informative in its annual Report than it has been, in view of legitimate public misgivings on the subject.

Although coal production in 1958 was higher than in 1957, the rate of Increase dropped precipitously from 4 million tons to 1.7 million tons. With only two years on hand, it would be impossible to step up production from 45.2 million tons to reach the target of 60 million tons by 1960-61. The private sector has achieved more than half the target set for it with an increase of 5,6' million tons to 39.4 million tons. But the public sector production has recorded an increase of only 1.5 million tons against its target *of* 12 million tons. If the bulk of the increase in 1957 was in the private sector 3.4 million out of 4.5 million the slowdown of the rate of increase in 1958 has also been in the same sector.

What led to the slowing down? The Chairman of the Indian Mining Federation, Lala Inder Mohan Thapar, puts the blame on safety measures, and on the uneconomic price of coal. (A committee was appointed to go into the question of prices about two years ago. its report is now overdue.) The safety measures, he said, were responsible for low productivity, and uneconomic price was the main disincentive to rehabilitation and expansion. All this, however, has not deterred the industry from going ahead with its plans for expansion. What did retard production were 'inordinate delays' in sanctioning opening and re-opening