comment that it was in the field of aid, not trade, that the Conference had achieved something. There may have been just a touch of sarcasm in this, since the promise of the rich to devote one per cent of their national income to international aid is not a new achievement; it is four years old. Its acceptance by the UN General Assembly in 1960 has hardly had a marked impact on the aid efforts of developed countries with the exception of a few.

Unable to agree on any definite proposals for expanding trade, the confrontation between the developed and the developing countries turned on the machinery to carry on the unfinished work of the Conference. The compromise between the developing countries, despairing of any fruitful initiative from the GATT, and the developed countries, determined to protect the 'rich man's club' against any loss of influence, took the form of the 55-member Trade and Development Board to be created under aegis of the United Nations. Having grudgingly conceded a majority of the seats on the Board to the developing countries, the West wanted special .privileges for it worked into the procedure for arriving at decisions. As a result, the Board's voting procedure has been left to be worked out by a conciliation committee to be appointed by the UN Secretary-General.

Taken aback by the unity of the developing countries, the West tried to make out that by pressing their demands in spite of the opposition of the developed countries, the developing countries were injuring their real interests. Any proposals on international trade, they pointed out, must have the acceptance of the developed countries which account for three-fourths or more of total world trade. This is, of course, true, but the problems of the developing countries are too pressing to await the temperamental charity of the rich for their solution. What will shake the developed countries out of their self-satisfied attitudes and force upon them an awareness of the needs of development is organised pressure from the developing countries which is possible only on the basis of realistic and well worked-out proposals. The UN Conference on Trade and Development showed the developing countries far better prepared and able to pursue such a strategy than many, even in these countries, had imagined them to be. The work begun at Geneva must now be continued at the United Nations, in the newly-formed Trade and Development Board specifically.

Weekly Notes

India and the IMF

WHAT started with a bang seems to be ending with a whimper! Much attention has been focussed on the problems of international liquidity ever since the dollar ran into heavy weather four years back. The first systematic attempt to tackle the problem was made by Prof Triffin. The Triffin plan, which differs only in some details from Keynes' famous proposal for a Clearing Union first put forth at the Brettonwoods Conference, has never looked like winning the acceptance of world statesmen and economists. Yet the existence of the problem which the plan is intended to solve has been recognised. Subsequently various proposals have been put forward which are essentially variations of Prof Triffin's plan—the so-called Bernstein plan and its revised composite gold exchange standard version, the Posthuna Plan, the Stamp and Roosa proposals and the eventual product that was laboured out by the IMF.

Ail this, however, led nowhere. Therefore, two committees were appointed at the last annual conference of the IMF, one the so-called Paris Club of ten and the other consisting of officials of the Fund. While nothing is known about the results of the labours of the latter, the former is Reported to have submitted its report. Though the contents of the report are yet secret, the substance has leaked out in the world financial press. It seems that the political battles between the United States and the United Kingdom on the one hand and Gaullist France on the other have been carried into the sphere of international finance. As a result, nothing more than an increase in quotas is recommended and that too of a small order. Nothing is so far known about the form in which subscriptions are to be made. Hitherto 25 per cent of the quotas has had to be paid in gold and the rest in the local currency of the member countries. The details, it is reported, may be finalised at the next annual meeting of the Fund.

Modest though the increase in quotas that may follow the acceptance of the Paris Club's proposal -nay be, it would be certainly welcome. Still, compared to the grand schemes for reform of the international monetary system that were being mooted earlier, this is definitely a come-down. But more disquieting, particularly frotn the point of view of India, is the possibility that a part of her additional subscription may have to be paid in gold. India may have to argue for a reduction in her gold subscription, if her permanent seat on the board of directors of the IMF is to be retained. Article III, section 4, of the Fund Agreement allows the Fund to reduce the proportion of subscription to be paid in gold by any member country if its monetary reserves are less than the new quota, In the past the Fund has permitted some countries to pay their subscription in gold, when they were in difficulties, by drawing from the Fund. In view of her tight exchange position, India will have to take recourse to some such device.

The IMF now holds gold worth $2.4 billion which it uses to replenish its stock of currencies. This purpose is no longer as important as it used to be particularly because many of the leading currencies have become convertible. India should try to convince the Fund that the gold subscription of 25 per cent of the additional quota should not be insisted on; the proportion could be reduced to, say, 5 or 10 per cent. Otherwise, India's permanent seat on the board of directors may be lost—and that at a time when India's and the other underdeveloped countries' voice has to be heard more often in the councils of the world monetary organization.

Manganese for Cash Only

THE Chairman of the Minerals and Metals Trading Corporation is reported to have stated in New Delhi last week that the Government had decided to throw open the export trade in manganese ore to the private sector "in a bid to step up exports". This is intriguing. Since when has the export trade in manganese ore been closed to the private sector?

It was precisely because manganese exports were falling preciptously that the State Trading Corporation stepped in at the beginning of the Second Plan, Originally one-third of the exports were canalised through the STC, but from July 1957 the Corporation's quota was increased to 50 per cent. In 1960-61 and 1961-62, it is true, the STC's share rose to about 75 per cent but that was because private exporters were not forthcoming. In any case in 1962-63 the Corporation's share again declined to about 55 per cent. And, according to the Estimates Committee's latest report on the State Trading Corporation, "the entire quantity of export of manganese ore has been declared free since October 1962". Thus at no time have private traders been excluded from manganese export. How then does the question of the trade being again thrown open to them now arise?

No less intriguing is the MMTC Chairman's announcement that the Government propose to discontinue export of manganese through barter deals. It is well known that a very large proportion of our current manganese exports is sustained by barter dea!s. This, it is to be supposed, is out of necessity, not choice. Even after the STCs entry, manganese exports have declined erratically from about 14.8 lakh tons in 1956-57 to 9.5 lakh tons in 1963-64. This decline is attributed to (i) development of new mining areas in the proximity of consuming areas; (ii) operation of captive sources of supply by the foreign buyers; and, (iii) high cost of Indian ore.

Barter deals, then, had to be entered into because cash sales were not possible. Why, even as recently as in this March the MMTC concluded barter contracts for the export of some 1.3 lakh tons of ore, mainly to the US, the UK, Japan and Switzerland. And the Minister for International Trade has more than once defended barter agreements for manganese ore in Parliament on the ground that since Indian prices were out of line with international prices, India could hope to exploit her earlier connections and secure a sizeable share of the world market only through barter and link deals.

How has the situation changed? True, the world market has firmed up somewhat recently and prices have risen by some Rs 25 per ton. Even so, Indian prices are said to be a good Rs 50 per ton higher. This is a measure of the loss which has to be borne on every ton of export. If the MMTC is going to ease itself out, who is going to bear this loss?

Petro-Chemicals; Another Report

IN the last two years the Government has commissioned no less than three different reports on petrochemicals. The first was that of the Development Committee on Petro-Chemicals (the Kane Committee); the second was by the French Petroleum Institute (the Henny Committee) after a survey carried out at the request of the Oil and Natural Gas Commission. And now the Planning Commission's working group on the petro-chemical industry has submitted its final report.

The three reports, not surprisingly, differ widely on the estimate of demand for different intermediates and final products as well as on the availability of different raw materials such as natural and refinery gases and surplus naphtha. Similarly the pattern of development of the petro-chemical industry as well as the phasing of the projects suggested in the reports are also different. However, the latest report, from the Planning Commission group, seems to have covered some important aspects related to the development of the industry not fully covered in the earlier reports. It has recommended a mixed pattern for petro-chemical complexes, emphasising the importance of proper co-ordination between the private and public sectors in view of the fact that the petro-chemical industry will improve the economics of oil refining which is at present mostly in the private sector. Another point stressed in favour of this pattern is that even the smallest economically viable complex would involve investment not normally within the capacity of many industrial houses in India.

Two alternative patterns have been suggested. First, all the primary processing, that is, the processing of the natural or refinery gases and the cracking of the naphtha, could be in the public sector, while the manufacture of the ultimate products such as synthetic rubber, plastic, synthetic detergents, etc, could be left to the State. Alternatively, the State could develop certain fully integrated petrochemical complexes and also allow the private sector to build some on "a near identical basis" *side* by side. The first pattern has been successfully tried out in Italy and Japan.

The Planning Commission group has also suggested major changes in the phasing of different petrochemical complexes. The French team had suggested the following priority for setting up fully integrated complexes: Bombay, Gujarat, South India, Barauni and East India. In the latest report this has been altered to Bombay, Gujarat, Barauni, Calcutta area and South India. The schemes for manufacture of different items in these complexes are also substantially different from those in the previous reports.

The planning group has recommended that the petro-chemical complexes should be regarded as bonded warehouses with duties payable on the finished marketable products only. This will prevent the pyramiding of multi-point taxes and reduce the cost of the end-products,

Maphilimbo

IT is difficult to know why the heads of State of Malaysia and Indonesia decided to waste presumably valuable time at considerable foreign exchange cost kicking their heels in Tokyo last week to absolutely no avail. Tunku Abdul Rahman is a sensible man, even if a right-wing neo-colonialist, and he was fully aware before he left for Japan that Indonesia's acceptance of the 'principle' of evacuating its troops from Sabah and Sarawak was in fact an explicit rejection of the practice of such a withdrawal. It was quite clear that Indonesia would not give up this, its trump card, for the sake of some pious formula from Malaysia that 'one day' the British would be told to leave. On the other hand, why should President Sukarno, a joke if he had not wrought such terrible havoc on the Indonesian people and threaten to do the same to the Malaysians, have been suddenly so keen merely to talk to an imperialist flunkey? Indonesia is too complex to detect from the outside the precise mechanics that changed the President's mind, after extending himself so far as to promise to 'smash Malaysia be-