The recent story of Bokaro is strange becaus both the Indian and Soviet bureaucrats involved in the negotiations appear to be cooperating in the attempt to reduce our contribution to that of contractors and coolies. The Indian negotiators maintain that their Soviet counterparts do not want any 'interference', while the Soviet negotiators reveal somewhat gently that it is their Indian counterparts who have encouraged them to insist on 'non-interference'. Where the truth lies, no one will ever know.

This much is clear — that the Soviet steel delegation, which was here for several weeks, refused even to meet the experts of Dasturco, steel consultants to the GOI and the men who have been working on the Bokaro project since its inception, and nobody in the GOI insisted that they do so. It is a performance which will have to be explained, for even courtesy demanded that this meeting take place. Obviously, the Soviet delegation was confident that its inexplicable attitudes would be understood in the right places.

The silence which prevails over this deliberate, crude wrecking of the coordinated attempt to establish an independent Indian firm of steel consultants — so vital to the growth of our planning and implementation machinery — is a pointer to our present opportunist attitudes. The so-called friends of the USSR are silent because they foolishly believe that criticism damages relations. The West-oriented industrialist collaborators are silent because they can now insist on similar 'non-interference' which ensures larger profit for their collaborators and for themselves. The politicians are silent because they have lulled themselves into the fantastic belief that the Russians do not compromise. The 'theoreticians' are silent because mechanically they see Dasturco as 'private sector', forgetting that an offer to make it an autonomous corporation has been made. An unprincipled consensus — and in the process a vital national interest is sacrificed.

Whether we discuss the results of the Cairo Conference or strange developments like the Bokaro compact or the handling of the food famine and the price spiral or even the release of the men who were part of the conspiracy to kill Gandhi, the conclusion is inescapable; we lack dynamic organisations to create sanctions for policies which are being surrendered by a bureaucratic-political apparatus out of touch with the perspectives we had sketched for ourselves. All the subtleties of the present political set-up cannot hide this vacuum in our democratic system.

From the London End

Import Now, Pay Later

ONE of the most striking features of the British economy in recent years has been the very poor performance in the field of exports; Britain's position in the world export league continues to drop. While little progress has been made in effecting the structural reorganisation of British industry, which is essential if the country is to move out of the slow-growing industries with a small demand abroad, and move into the science-based automated industries whose products are required all over the world, in the field of export credit Britain is now able to offer terms which are comparable, or nearly comparable, to those provided by other industrialised countries.

It is becoming increasingly obvious that in order to capture markets for their exports, the industrialised countries must be prepared to offer export credits. This applies particularly to markets in the developing world, where shortage of foreign exchange and the reluctance of the industrialised countries to accept manufactured imports from them means that, apart from financial aid, export credits are the only means by which these countries can pay for their imports, A recent example of how important export credits are was provided at the Third Atomic Energy Conference in Geneva when the United Arab Republic said that it was going to call for tenders for a dual-purpose nuclear power plant for desalination and power. The representative of the U A R said, quite candidly, that the provision of credit would be one of the most important factors to be taken into consideration in awarding the contract. In addition, it is being increasingly found that in order to sell to Russia and Eastern Europe and China, the provision of export credit is essential. Britain has recently arranged to extend a £24 million credito Russia, repayable over 15 years to finance the construction of a polyester fibre plant with British equipment.

Growing Reliance on Credit

Thus, more and more importers look to credit from exporters, and because of commercial risks, and also because of political and exchange risks, the exporters have come to rely increasingly on export credit insurance. Most European countries have Government-sponsored credit insurance organisations. In the U K, it is the Export Credits Guarantee Department.

The Berne Union, which is an association of export credit insurance organisations, has attempted to prevent member countries from entering into a "credit race" in order to capture the markets in developing countries whore importers naturally wish to buy in the country which can give them the longest credit terms, At one time, the members of the Berne Union entered into a "gentleman's agreement" to limit the provision of export credit to 5 years post-shipment (which works out to approximately 7 years), but the agreement has now become a dead-letter.

The steady pressure of importers in South America, Africa and Asia, has led to a lengthening of credit terms beyond the limits which the banks and insurers had previously considered desirable. Various devices were developed, ranging from the use of guaranteed suppliers' credit on longer terms than had ever before been contemplated, to untied lioans and tied finance credits guaranteed by Governments. The blurred lines of division between supplier of credit and financial aid have also played their part, and exporters in each industrial country have not been backward in lobbying for better terms to place them on the same footing as their rivals.

Either for political reasons, or for reasons stemming from under-production and underemployment in the credit-giving countries, the members of the Berne Union began to find that under the guise of development bans or other plausible reasons, breaches of its seven-year rule became increasingly numerous. At the meeting of the Council of Ministers of the European Economic Community in September, this question came up and the Ministers recognised that both Great Britain, Japan and, to a lesser extent, the U S A, have lately been more successful than the Europeans in finding their way round the 5-year credit limit. The E E C is actively consious of its decline as an exporter, and it can hardly be expected to tolerate any discrepancy in the ability to offer credit facilities.

Recently a British consulting engineer, Geoffrey Kennedy, claimed that Britain had lost more than £100 million worth of power plant contracts overseas in the last year, merely because of more favourable credit terms offered by competitor countries; this brought an immediate and well reasoned reply by Heath who pointed out that the Export Credits Guarantee Department's facilities matched foreign institutions on cost, length of credit and degree of cover provided.

The Export Credits Guarantee Department was established as an independent Department in 1930. The major development in the field of export finance in the U K since 1945, and particularly since 1960, when the range of facilities was extended, has been the insurance cover provided by the Export Credits Guarantee Department. The ECGD's function is to provide British exporters with finance for export trade. The main types of policy issued by the Department are "comprehensive guarantees" (mainly for consumer goods), "specific policies" (mainly for capital goods), "bankers' guarantees" and "financial guarantees" — the newest form of guarantee mainly for construction projects, ships, etc, which was first introduced in 1961 for business done on terms substantially in excess of five-year credit.

Medium-Term Credit

When credit is required for the export of semi-capital goods, such as trucks, diesel engines and agricultural machinery, the type of credit required to cover such purchase is medium-term credit which generally extends up to 7 years or so from contract date. Such credits are generally provided by joint stock banks. Under medium-term rredits, the UK manufacturer can offer deferred terms of payment up to 7 years to his customer following the commissioning of the plant. For commercial banks who undertake this financing, it was a somewhat revolutionary plan to tie up a proportion of their available funds for period of up to seven years as a contribution to the export drive of the U K. The banks placed a limit of seven years on their credits, which applied only to purchases of heavy capital equipment. The value of the order to be financed by this special method was originally required to exceed £250,000, but later the figure was reduced to £100,000. Once the exporter has come to terms with E C G D as to the amount and extent of credit which the Department will cover, he approaches either his own bank or where large sums are involved, requiring the services of a consortium of banks, a merchant bank to negotiate and manage the credit are rangements.

Where large amounts have been involved, syndicates have been formed to finance such operations. Also a new category of specialist export nuance organisations has been set up, financed largely by merchant bankers. These include Pergola, a subsidiary of William Brandt, the British Overseas Engineering and Credit Company, English Overseas Finance Company and Balfour Williamson, The purpose of these companies is to provide a way of finance from the supplier in the U K to the ultimate user overseas. This arrangement is based on the argument that it is not the function of the manufacturer to act as overseas banker, so the specialist export finance organisation takes over this function.

Financial Guarantees

The Radcliffe Committee found that there was, in fact, a gap in the provision of export credit, particularly between 8 years and 12 years — a period too long for the banks and discount houses, but too short for the insurance companies and pension funds to be interested. The Radcliffe Committee's recommendation that an Export Finance Corporation, on the lines of the International Credit and Finance Corporation, be set up, has not yet been implemented.

Some large capital projects abroad were financed by the establishment of special consortia for this purpose, as in the case of ISCON and the Durgapur Steelworks. But some further assistance was required, and pressure was brought to bear on the U K Government to help British exporters to compete with American exporters who, financed by the U S Export-Import Bank, were able to offer credits up to 15 to 20 years. Financial guarantees were introduced in the U K at the beginning of 1961 to meet this need. Under these, E C G D will guarantee a loan made by a British bank or financial institution, direct to an cveiseas buyer, to enable him to pay for British goods supplied and work done under a major project, for which the buyer would otherwise have required 7 to 12-years credit.

Transactions in which financial guarantees have played an important role are coming off the stocks in Britain at fairly frequent intervals. To take but a few examples. In July, a financial guarantee was involved in the sale of a fertiliser plant to Czechciovakia through a 12-year loan of more than £4 million provided by a London banking syndicate, headed by the merchant banking house of Lazard Brothers, in collaboration with insurance companies operating under the banner of the Insurance Export Finance Company. Then there was the sale of a textile plant to India, to be financed by a £5¼ million credit, repayable over 12 years, provided by the Midland Bank working in conjunction with the Insurance Export Finance Company.

Package Deals

One of the complaints made by the British exporters in the past has been the lack of facilities to help them to offer their customers a "package deal" including the appropriate credit terms. Generally speaking, E C G D is unprepared to offer its facilities in respect of potential orders. Competitors from other industrialised countries have been able to produce prior assurances from banks and credit insurance authorities in their own countries, and have, therefore, been able to carry off business which, according to the British, given equality of credit facilities, they would have been able to win. However, recently, constructors John Brown Limited were assisted in their £25 million contract for an oil pipeline in Algeria. E C G D came to its help with a financial credit covering a loan amounting to £18.6 million, which was arranged by Kleinworth Benson, and is to be provided by the National Provincial, Barclays, Lloyds and the Insurance Export Finance Company,

Since the introduction of financial facilities in 1961, the E C G D by the beginning of September, had signed fourteen financial guarantees relating to loans totalling £81 million and contracts worth £103 million.