 by Susan Maitra

Conable comes calling

With a "drought loan" in hand and soothing words about the world market crash.

There was something distinctly unreal about World Bank chief Barber Conable's week-long visit here Nov. 4-10.

On his maiden voyage to India, Conable brought a $350 million World Bank loan package to help meet the balance of payment difficulties heightened by the drought. That is a hefty sum by any standard, and was certainly welcomed. But the drought is relatively immediate. Looming behind it, with as-yet-unknown impact, is the unfolding world financial crisis—and Conable had nothing but sweet talk on that issue.

At a press conference on his arrival, Conable said the Bank estimated that the net cost of the drought to India over the next year would be $1 billion. The Bank, he said, was bent on assuring that India would not be forced to cut back on its development investment to meet the anticipated budget crisis. Some $250 million of the loan package consists of IDA credits on soft terms, and another $100 million in regular IRDB loans with commercial terms.

The World Bank president waxed eloquent on the Bank's long relationship with India, as some $27 billion has been pumped into the Indian economy over the last 30 years—and its continuing confidence in India's "success story." However, just before his arrival, Conable's advance men had announced that India's growth rate would be cut to zero this year, and the trade deficit would jump by $1 billion (from the normal $4 billion level). The setback is attributed to the drought.

His talk with Prime Minister Rajiv Gandhi, Conable said, convinced him that India would continue its policy of "liberalization" and opening of its markets. Gandhi also emphasized increasing efficiency in the Indian economy, said Conable, adding that though the Bank believed that deregulation was the way to go, the Indian government would have to determine its own priorities. "We will support what we consider to be contributing to growth," he said.

He boasted of the "capital headroom" the Bank has recently enjoyed and the doubling of resources that would result from the decision to increase the capital base. This would help to tide over the situation created by the fall in the value of the dollar, he claimed.

In fact, the dollar collapse and market turmoil of the past month only interrupted the festivities fleetingly. "This is not a helpful development, but I remain basically optimistic that the economic future is not depressing," Conable replied to reporters' inquiries about the impact of the stock market crash and dollar dive on the world economy. It might not have an immediate impact on India, Conable opined, since the markets here are not directly affected, but it was difficult to foresee the effect it would have in the international community at large.

Conable gave no reason for his "optimism," which does not appear to be shared in any case by Indian officials, if Finance Minister N.D. Tiwari is any indication. Inaugurating the seventh general meeting of the Association of Development, Research, and Training Institutes of India and the Pacific Basin on Nov. 2, Tiwari warned that the recent developments in world stock markets might destabilize the economies of the developing countries. In the existing world economic order, he said, the developing countries faced an unjust and uncertain export market due to selective restrictions and depressed prices. Unstable and misaligned exchange rates and high interest rates in international capital markets compounded the problem, he said.

According to reports, the prime minister himself had sought an urgent briefing from Reserve Bank of India officials as to the impact of the market developments, upon his return from the United States in late October.

Conable's visit had another "unreal" aspect: It coincided with revelations that the Bank was financing a lavish million-dollar study of India's poverty. Though Conable himself didn't mention it, he probably had the so-called poverty project in mind when he told the press that the World Bank had learned from its long association with India that growth alone did not ensure the alleviation of poverty.

Whether yet one more study of the appalling poverty in India can be justified when the requirements for breaking the cycle of stagnation are fairly obvious, is certainly debatable. The prospect of a million-dollar study "proving" that economic growth is no solution to poverty is downright obscene.

Adding to the bad taste of the whole thing is the fact that the World Bank's million is to be channeled to the "Policy Group," a new consulting firm run by recycled World Bank employees among the yuppie set in India who have gravitated around the prime minister's office.