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PREPARING INDIAN COASTAL METROPOLISES
FOR ACCELERATED DEVELOPMENT

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Any careful observer who crosses Asia from East to West at this time encounters the most astonishing economic boom in the history of Asia, and is forced to recognize that India is thus far missing out on it. Why? The reasons are buried in the events surrounding its emergence from colonialism, in complex ideological commitments, and in personalities. However, sharing out the blame is not really as important as a determination of what needs to be done in the immediate future if India is to participate in this bonanza. How should the policies be changed?

The Middle East also has small pockets of prosperity, but there the population pressures are less, and the stimulus is readily identifiable -- the black gold that lies beneath the sands and coastal shallows. India has found insufficient oil, so the Arabian or Iranian formulas for development are not open to any part of India. India's best hope lies in the grasping of opportunities in international trade stimulated by growth in Japan, the Common Market, and North America. The resources it must put to work are primarily "human capital."

The same "economic miracle" that is blooming in parts of Southeast Asia is expected to spill over and envelop new locales. A number of countries will strive to participate in this prospective growth, but each has certain inherent difficulties. The prizes will go to those that minimize the risks involved in (a) subcontracting the manufacture of sub-assemblies and (b) the provision of commercial services across international boundaries.¹ Such a program has a multitude of ramifications,

¹For a review of policy and procedure identifiable in the early 1960's to developing territories open to international trade see R. L. Meier,

some of which come as a surprise to national planners but the package of required planned change is at present completely outside the terms of reference of metropolitan planning and development bodies in India where much of the redirection of effort would need to occur.

It is possible that India is launched on a path of development that is focussed on opportunities and problems that are internally generated and, therefore, almost uniquely Indian, but let us imagine here that a division of labor can be agreed upon so that coastal metropolises may be reorganized to take advantage of the large scale opportunities in the future expansion of world trade, and the remainder can address themselves to resource development, industrialization, and the improvement of services. The problem must be taken up in all of its economic, social, cultural, and political dimensions, yet the discussion must be concise. This can be done by discussing a class of coastal metropolises -- Calcutta-Haldia, Matras, Bombay, Goa. Much more information will be needed to elaborate the implications for a specific locale.

General strategy is based upon the big opportunities. Since the opportunities of the mid-1970's and beyond are different from those of the 1960's, considerable attention must be paid to the difference, both in quality and quantity. How did they come about? Academic analyses do not help us here; they take too long to get into print. The argument must rest upon recent data and simple common sense models.

Developmental Planning (New York: McGraw-Hill, 1965). These planning techniques have been improved upon by agencies in Singapore, Taiwan, and, particularly, South Korea, but published sources are not readily available. A good, accessible review of the immediate prospects is found in Time, September 21, 1970, "The Global Scramble for Cheap Labor," (U.S. Ed. pp. 91-2).

The Opportunity in the East

Acceleration of economic growth in East Asia began with the "Japanese economic miracle" that took root in the Japanese coastal metropolises in the 1950's. It provided productive employment for millions of rural immigrants, but that supply was exhausted in their early 1960's. Jobs were redefined so that marginal elements in the labor force could be used. When the postwar baby boom cohorts had fully entered the labor force (about 1967) a major reorganization was forced upon the Japanese economy in order to meet the obligations to deliver to the export markets it had been developing. Semi-manufactures and subassemblies were contracted for in Taipei, Kaohsiung, Seoul-Inchon, and Hong Kong. These preliminary extensions must be expanded very rapidly in the next few years.

Prospective additions to the Japanese labor force are inadequate (Table 1). Japanese planners estimate that about 40 percent of the labor force is working in activities where increases in productivity will be slight, so that spectacular up-grading and structural reorganizations must be attempted with the remainder, if Japan is to continue to catch up with the leaders. The scarcities of labor are causing wage rates to escalate (13.5% increase in 1967, 15.6% in 1968, 16.9% in 1969), and the expectation is that the rate will be 17-19% per year in the 1970's. Increases in real wages of 10-12% per year are implied.

The recent past and the program for the 1970's has been carefully described by the Japan Economic Planning Board.² This organization has

²These materials have been reworked in English for many audiences. A source most readily at hand overseas is Industrial Japan, April 1970, No. 19. One of the principal original documents is The New Comprehensive National Development Plan, Development Bureau, Economic Planning Agency, Government of Japan, Tokyo, January 1970.

Table 1

Growth of the Japanese Labor Force

<u>Year</u>	<u>Employment (in millions)</u>	<u>Average Annual Increase</u>
1955	39.3	--
1965	49.6	2.0%
1968	50.9	2.2%
1975	53.5	0.7%

the reputation for setting the most ambitious growth targets in the world, and yet the economy consistently manages to overachieve them. Therefore one can have more confidence in Japanese projections than any others that are available. Depending upon various assumptions, one can infer that the Japanese will have to export 2 - 10,000,000 jobs in the 1970's at Japanese levels of productivity.³ The force that creates these jobs is the marketing effort undertaken in Japan's drive for exports.⁴

Japan must divest itself of much manufacture of components, semi-manufactures, and subassembly, holding on only to final assembly, quality control, and distribution. This will not be easy to work out because Hong Kong is already over-employed, Taipei and Kaohsiung have reduced unemployment to North American levels, and Singapore expects to reach them shortly -- all are adding to personal income at record rates. The first transfers are likely to be concentrated in goods valued at more

³An intermediate figure of 3,000,000 jobs was offered without explanation in the Economist, July 4, 1970, p. 67.

⁴Louis Kraar, "How the Japanese Mount that Export Blitz," Fortune 82, September 1970, pp. 126 ff.

than five dollars per kilogram, which go economically by air freight -- semiconductor electronics, fashion clothing, cosmetics, fabricated plastics, precision-machined components, instruments, appliances, job printing, etc. Later bulkier intermediates will be moved. Thus metropolises with international airports will be nominees for the Japanese overspill, and the greatest impact is expected for those cities that have complete harbor facilities and political systems favoring unimpeded international exchange. The possible extensions include Manila, Kjakarta, Saigon, Bangkok, Calcutta, Madras, Dacca, and later Bombay, Karachi, Goa, and Cairo. At the moment none of these is as satisfactory as the original set, but when we allow 2-3 jobs for achieving the production of one Japanese job (currently averaging \$200 per month, but \$600+ by 1980) one can see that the prospective supply of jobs could transform all metropolises capable of reorganizing themselves for such trade and begin to affect a number of urban centers less well connected to the trade routes.

Southcast Asia has another large, but less dependable, stimulus to its future economy. The impending world energy shortage has led to an intensive search for petroleum, primarily in estuaries and shallow seas. Whatever oil is found will be more valuable than elsewhere due to the proximity of Japan and other rapidly growing economies. Singapore provides the center for managing the huge and rapidly expanding exploration and drilling effort now under way. The expectation of corporation planners is that \$50 billions will be invested in this region during the 1970's even if only moderate discoveries are made;⁵ this sum is

⁵"Singapore: the Robust Waif," Business Week, December 6, 1969, pp. 66-7.

larger than all other resource development and industrial investment in the area put together.

The Opportunities in the West

Western Europe, most particularly the Common Market countries, has been living with a labor shortage for about fifteen years. The first adaptation to the shortage was the same as Japan's -- managers revamped the jobs to fit rural immigrants. They deviated later, however, when workers from outside the country, primarily peasants from the Mediterranean regions, were accepted. Hundreds of thousands more came from Pakistan, India, Africa, and the West Indies.

The typical pattern is for the young men of the villages who are either ambitious or desperate to take jobs for two to ten years. They return with enough savings to buy land or go into business in a small way. Families without sons send daughters to work in restaurants and hotels, but the sex ratio heavily favors the male. Some marriages are arranged that bring the wife to the growing industrial region. The most successful workers -- those who acquire a high level skill or start a business -- are likely to stay. Thus many permanent ethnic colonies are forming in Western European cities, quite a few of them highly resented by working class Europeans.

Political pressures and problems of maintaining public order are together causing a reduction in the net flow of immigrants. In a few countries, Switzerland particularly, a reversal has begun. Therefore, the formula for expanding production must be changed.

Projections for further economic growth in Western Europe are highly optimistic. The national economies, except for the British and

and Italian, are over-employed. Therefore the firms are increasingly forced to contract out and to form joint enterprises in or near the customer nations which use the technological experience developed in Europe. Almost all the mobile, expanding firms prefer a free trading climate when they operate outside the home country. The list of firms already established in the Bahamas, Kaohsiung, Hong Kong, Malta, and similar locales strongly supports this argument, but they also need economical labor, and there are very few free ports left that can supply it. Bombay and Goa would be of interest to these firms, particularly if the Suez Canal should reopen. The growth of trans-national corporations based in North America is larger than the Japanese and the European put together.⁵ The principal source of growth is the variety of new products and services made possible by advanced research and carefully organized development. Continuing expansion is made possible by a remarkable capacity for creating new institutions and new techniques for social organization. However, less than a tenth of the American society is engaged in innovation of one sort or another; the remainder is employed at jobs that have been standardized for a period greater than ten years. In America one finds a strong trend to transform or export the "dull" and "dirty" jobs, because even the minority populations are becoming too educated to accept them. They are either converted to mechanized (therefore higher status and technical) tasks or contracted out to places where wage scales are lower. Thus utility garments, shoes, rugs, cheap radios, cheap cars,

⁵ An inspection of the scale of operations of the top five hundred firms, as published annually in Fortune, suggests that this may not always be true for rate of growth, but remains so for the absolute amount. Cf. E. Carruth, Fortune 81, May 1970, 182-218; also J. Cameron, "Fortune Directory: 200 Largest Industrials outside the United States," Fortune 82, August 1970, 142-7. See also the Special Report in Business Week, October 17, 1970, 65-192, especially the portion entitled "Selling to the Hottest Market Ever," (p. 124).

portable typewriters, cameras, small machine tools, fabricated steel, and standard ships are largely imported. In the future the list will include electronic circuitry, routine computer programming, style goods, heavy chemicals, and light machinery.

Methods for penetrating American markets are coming to be understood by the Japanese and the West Europeans. Their firms will subcontract out internationally in order to keep the cost of production low but still deliver on schedule. Observers of the process detect a familiar pattern: An acceptable formula for using low cost labor but maintaining quality of output is discovered earliest by small, mobile American entrepreneurs with excellent market contacts. They set up pioneer factories in open societies such as the islands of the West Indies, Mexico, Israel, and Hong Kong. More recently Singapore, Seoul-Inchon, Macao, Taipei, Kaohsiung, Ivory Coast, and Malta have been added to the list. They are followed by the large and well established firms using professional managers from almost any country. The prior existence of both types induces some supplier firms to set up operations close at hand, but many more indigenously managed enterprises are stimulated. As a result an increasingly integrated industrial complex comes into being, although the major inputs and outputs must flow through the channels of foreign trade.

Any free port metropolis with a supply of English-speaking bilinguals is likely to interest the American contingent. The first industries to move in are an assortment in the garment, leather goods, toy, plastics, optics, and small machine assembly industries requiring small outlays of capital, ordinary levels of quality control, and unspecialized managerial competence. If local conditions remain salutary, these early kinds are

followed by manufacturers of more complex machinery, electronics, pharmaceuticals, fine chemicals, and even oil refining, petrochemicals, and electric furnace steel. This following group employs Euro-dollar financing for the short term. It also requires a higher proportion of professionals on the payroll, uses more capital per job created, and depends upon the presence of a relatively sophisticated metropolitan infra-structure (telecommunications availability, dependable water and power, modern technical schools, international modern and primary schools, air-conditioned apartments, private clubs, international cuisine, etc.).

Developmental Performance

Over the past two decades the coastal metropolises of the world have been the principal foci of economic growth. The locational distinction has been even more important for Asia than elsewhere. Rates of growth and development maintained in Japan are of course unprecedented, but recently they have been exceeded by the South Koreans and matched in Hong Kong, Taiwan, and Singapore, perhaps also Saigon. It is still early to seek causes and unambiguously identify the policies that have led to these generally desirable conditions.

Those parts of Asia demonstrate once again that whenever a metropolis becomes intimately tied into growing international trade it can become a powerhouse that generates economic, social, and cultural development. These effects appear first within its own precincts, but they quickly spill over into other locales connected to it by migration and trade. Their growth in metropolitan income, as well as various non-market activities, runs two to four times the rates exhibited by Indian coastal metropolises.⁷

⁷R. L. Meier, "Exploring Development in Great Asian Cities: Seoul," Journal of the Institute of Planners (in press).

Interestingly enough the political ideology seems to have little effect upon development, since determinedly socialist Singapore does about as well as avowedly laissez faire Hong Kong or relatively authoritarian Kaohsiung on Taiwan. What is common about these cities is an insistence upon maintaining an open society with a "business climate." They are also remarkably free of the excessive conservatism of the countryside which in the past imposed severe constraints upon the circulation of cultural materials, the acquisition of secure water supplies, the teaching of languages in schools, the sale of alcoholic beverages, the freedom of women to work at many kinds of employment, etc. Tokyo and Osaka found elaborate, indirect, although often expensive ways of influencing rural legislative representatives; Hong Kong and Singapore are separated from their natural hinterlands by a national boundary, while for South Korea a special "capital region" was formed, and on Taiwan a special free trade zone was created. Thus some kind of semi-permeable political boundary separating a metropolis from neighboring rural areas seems to expedite modern development.⁸

Redirecting the course of development of Indian metropolises will require planning, administrative change, and political action carried out simultaneously. Fortunately some of the decisions implemented recently serve as a foundation for building an effective apparatus.

A metropolitan regional agency must be created that enables the metropolis to act as a unit when necessary. If a component of the overall infrastructure starts to lag, or it remains unintegrated, such an

⁸The rationale for this principle is offered in William L. C. Wheaton's "Sing Kong -- A Parable on Regional Development," Proceedings, Third International Symposium on Regional Development, September 1969, Japan Center for Area Development Research, Tokyo, Japan, 1970.

agency can move in and use influence, new sources of technical competence, or investment funds, to overcome the bottleneck. However, the principal task of such an agency is the midwifery of modern organizations that produce new goods and services, most of them in the public sector in the initial stages.

In India a forerunner of that kind of agency is the Delhi Development Authority. It became a land development organization with responsibilities for the management and improvement of a number of essential public services. Its official duty was to push Delhi forward toward a realization of the Delhi Master Plan. However the Master Plan contains many defects, one of the most serious of them being an unrealistically low population target. Successor organizations should find ways of reducing the contradictory actions which they pursue by avoiding the routine enforcement of an obsolete master plan.

During 1969-70 more advanced versions were formulated for Bombay and Calcutta. The State Industrial and Investment Corporation of Maharashtra took the initiative for Bombay, seizing upon some ideas put forward by the preliminary planning effort of the Metropolitan Regional Planning Board. Accordingly the City and Industrial Development Corporation was created to expedite the expansion of Bombay onto the relatively unpopulated coastal shelf across Thana Creek.

The immediate strategy of the Calcutta Development Authority is much less clear. Calcutta has a flexible, open-ended Basic Development Plan, but it was put forward immediately before the pause in industrial development (1967-8) due to drought and prospective famine. The frustrations brought on by that crisis added to an otherwise high level of political friction and the prospective divisions among the political leadership

are likely to postpone the formulation of an overall implementation strategy. The principal project that has gone ahead is the construction of the new harbor at Haldia by the Calcutta Port Commission; it will provide the capacity to overcome a serious potential restriction upon the growth of the Calcutta Metropolitan District, but only if further major modifications in administration and infrastructure are achieved, because at present Haldia appears to be accumulating a series of separate, unintegrated industrial townships, each of them representing a responsibility met by the firm at standards close to the minimum set by the law. Calcutta needs a number of successfully completed projects before it can function properly as a coastal metropolis.

Madras and Goa, being lesser ports, have yet to experience this kind of developmental concern on the part of the Centre. Goa's present city-state status should make it possible to proceed more quickly toward a parallel development authority.

It should be pointed out that the methods of metropolitan development are still at a low level in India. Conservative projections of population growth are projected into the future and matched against the present supply of housing and public services. The deficiencies, as judged by accepted minimum adequate standards, are to be made up by the Plan. This approach is guaranteed to produce serious and often disastrous shortfalls. The international opportunities enter the calculations very indirectly only in the projects put forward by airport officials and the port commission staff, possibly also in the allocation of sites in the industrial estates. Organized industrial promotion backed up by carefully designed projects for improving local infrastructure, such as has been evolved by the Economic Planning Board of

Socialist-governed Singapore, has not yet been tried. Virtually all negotiations with overseas enterprises are conducted in the interior metropolis of New Delhi and they are completed with only minimal routine checks on the physical planning.

Social planning is equally deficient in India, because it has been addressed to building up a welfare state even before increases in productivity and income have generated and has not reduced the vulnerability of essential institutions to foreseeable stresses. For example, elsewhere whenever the coastal metropolis has focussed upon opportunities for world trade and incomes have risen appreciably, the metropolis is threatened by a flood of immigrants. The city is forced to protect itself by means of food rationing, an internal passport system, a head tax, or other more indirect means that maintain a labor force that is only 5-10% greater than the level of employment. Some kind of politico-administrative boundary must buffer the metropolis from the huge underemployed populations in the countryside.

The other aim of such plans is the encouraging of new development in the hinterland induced by urban prosperity. Interestingly enough, these induction effects are able to penetrate the most carefully policed boundaries and the greatest contrasts in politico-economic organization. For example, the 4,000,000 residents of Hong Kong inject U.S. \$300,000,000 annually into the Chinese communes and national treasury, much of it actually taking the form of gold bullion. The level of organization of the affected communes, as evidenced by delivery performance, cleanliness, packaging, quality control, product differentiation, and pricing policy, has advanced markedly ahead of the national average. Parts of Taiwan, Tanzania, Uruguay, and Cambodia have been reorganized and enriched through

the promotion of the Hong Kong market.⁹ Most of the parallel induction effects stimulated by Singapore's recent growth are found in nearby Malaysia and Sumatra, but Israel is also benefitted. Thus a metropolis that gets constructive growth under way at a rapid rate, and manages to maintain its momentum, pulls along an ever-extending train of enterprises and communities located within several hundred miles as well as a few locales scattered throughout the world.

Comparative study of the worldwide processes of urbanization shows that these instances drawn from contemporary Asia are not unusual cases, but seem only to be accelerating the standard transformations. John Friedmann and coworkers have recently very elegantly summarized the empirical evidence in four different dimensions:¹⁰

1) Spatial structure evolves from relatively isolated islands of innovation into major corridors expediting communication and finally to a continuously urbanized surface, although the latter would be uneven in intensity and contain pockets of retarded development together with locales exhibiting post-industrial patterns.

2) Economic activity proceeds from a concentrated metropolitan focus to one that sets up industrial outposts at points of primary production and at market centers. Economics of scale both in manufacturing and services lead to even heavier investments in the central business district and the growing edges of the metropolitan area.

⁹Richard L. Meier, "The Performance of Cities: An Assessment of Hong Kong and Its Future," in preparation. University of California, Berkeley, 1970.

¹⁰John Friedman, Eileen McGlynn, Barbara Stuckey, and Chung-Tong Wu, "Urbanization and National Development: A Comparative Analysis," School of Architecture and Urban Planning, University of California, Los Angeles, June, 1970, mimeo.

3) Settlement patterns shift away from the primacy of a metropolis serving 10-100,000,000 people to a distribution of sizes of urban centers. Satellite cities and well-located sub-centers experience great spurts of population growth. Later many of the life styles of the population are reinforced by specialized community development plans which produce suburbs on commuter routes.

4) Political power becomes less centralized as the influence of the metropolis-based elites is diffused through a set of interdependent authorities. Thus a kind of informed oligarchy is displaced by a polyarchy, each political focus of which is likely to possess a territorial base.

When one or another feature lags, or is frustrated by outside forces, it is anticipated that the production of economic, social, and cultural values by the metropolis will be inhibited. In order to get the best results, extra autonomy is needed to allow the acceleration to get under way.

How to Protect a Metropolis for Growth

A path must be found from the present state of affairs to a more nearly optimal openness to world opportunity and some insulation from surrounding rural political and demographic pressures. Each step must have a low political cost or a significant immediate reward, if such a proposal is to be taken seriously. Therefore the political assessment is crucial, and it must be made from several points of view. An appraisal by a non-Indian lacks the fiery qualities of involvement; at best it can use sympathy and perspective.

The first move in India might well be that of creating a free trade zone in all million size metropolitan areas with harbors. It should

incorporate a dock, at least a corner of the airport, an industrial estate and godown facility, marshland suited to chemicals or other heavy industry development, well-drained land for dormitories and higher grade housing, and some opportunities for recreational facilities that may even be floating on a platform out at sea.¹¹ Their existence would force firms to evaluate the possibilities of creating a branch enterprise that employs Indian labor to take advantage of overseas markets. Rapid, well-coordinated action on the part of the Indian Government might well capture a million or more jobs that would otherwise not accrue to India, with most of the capital supplied from outside sources.

One difficulty here is that the Indians have had some unfortunate experiences with free trade zones. The first such arrangement was for Kandla, a new facility in Gujerat at the eastern end of the Gulf of Kutch. It was expected to serve many internal purposes, such as a bypass from crowded Bombay, an entry point for military equipment, a source of employment for the expatriate Sindhis of Ghandigram, and an opening up of the relatively depressed area of the Kutch. However, the dredging was more expensive than anticipated, the border of Pakistan was too close, and the industrial labor supply virtually non-existent. No top rank manager would tolerate isolation in such a backwater. Add to all of this a low rate of expansion in coastal shipping because it did not bring in hard currency and competed with apparent surplus capacity in the rail lines. So the Kandla project has not been an early success; it has raised anxieties concurrently about free port proposals in general. Curiously enough, even

¹¹ An example of such a platform for marine resource development has been worked out by Jack Green, "A Self Contained Oceanic Resources Base," Marine Technology Society Journal 4, No. 5, pp. 88-101. Costs elsewhere are estimated at around \$20 per sq. ft. when services are connected with a metropolis, which is getting close to the present cost of land reclamation in Bombay.

if a free port had been put in one of the most promising locations, say Madras, at that time every harbor metropolis in Asia was suffering from massive unemployment and India would have had no real labor cost differential in its favor. Therefore the idea had little chance of being strongly developmental until the past five years, when some freeports reached full employment.

The fact that labor is now so much more important than warehouses and equipment for repackaging suggests that quite different rules should be laid down for drawing a boundary around a free trade zone. Perhaps in the future it should be a whole metropolitan district, as with the octroi, the internal tariff adapted from historic times in India, which collects taxes from internal shipments for metropolitan development purposes. The barrier is a significant one, because Calcutta merchants estimate that the new imposition of octroi will add 3% to the cost of doing business inside the district as compared to the outside. Superimposing a free trade zone structure has economic effects that are virtually impossible to calculate at this stage because contracts for the inflow of water, fuel, and foodstuffs should then be charged at whatever the traffic would bear -- approximately the same pricing policy as that employed by Communist China when supplying Hong Kong.

An interesting extension of the free port idea is to be found in the recent "dry port" proposals. The rapidly growing manufacturing enterprises around Delhi have been agitating for a simplified procedure for dealing with the export market. They have proposed a means of going through customs in Delhi and sealing the cars for transshipment at a harbor. The idea needs to be expanded to take advantage of the increasing economy of air freight, particularly since Palam is scheduled to have

the best air connections with the rest of the world. Free ports at Bombay and Calcutta would be backed by the states of Haryana and Uttar Pradesh if a dry port extension could be arranged. It might be followed by similar depots at Bangalore and Ahmedabad.

In India a further metropolitan consolidation of the functions of state Government is likely to be useful. A precedent already exists in the Federal district for the national capital. Goa had once been a virtual free port enclave, that now exists provisionally as such a unit. A workable solution, with provisions for moving the boundaries outward with the improvement of transport, may be devised after some experience has accumulated with the working of the octroi and the opportunities that present themselves in the industrialization of a free trade zone and in the attraction of tourists.

A regional unit authorized to regulate its own industries, supervise the flow of personnel and tourists from elsewhere in the world, finance its public services, and negotiate with trans-national firms would be able to compete with Kachsiung, Singapore, Seoul-Inchon, Cyprus, and their future competitors in Thailand, Viet Nam, Indonesia and the Philippine Republic on approximately even terms. The bulk of the new employment in Asia is likely to be organized by such trans-national firms, their fore-runners readying themselves to break out of national boundaries, and their suppliers. They tend to settle where the dead hand of bureaucracy is least heavy, where harbors and airports are least prone to strikes, where English is spoken by the educated classes, and where Euro-dollar (now also Asian dollar) financing is feasible. Since all the competing locales are deficient in some important respects, Indian metropolises still have an excellent chance for advancing to the preferred inner circle. Calcutta-Haldia

could become a new Hong Kong, Madras a new Singapore, and Bombay an extension of an expanded Common Market. Economic growth rates in these metropolises could easily be doubled.

The stages for protective envelopment of a growing metropolitan region are now evident: A free trade zone can be acted upon fairly quickly; it will generate administrative experience in dealing with trans-national corporations. The Development Authority with land and utility development capabilities and octroi financing has already been launched for Calcutta, Bombay, and Delhi, but a reorganization may be needed within a few years to take advantage of the experience. Later comes a formulation of the model law for regional government aimed at getting maximum participation in the international economy. This reorganization must be negotiated out with the existing states. The regional agency must attract some of India's best all-around minds and get them into industrial promotion activities. The outcome should be a series of export-oriented industrial complexes.

Principal Issues in Reorganization

No program for the development of a productive metropolis is simple or easy. Even the technology of the utility systems is complex as compared to say, a hydroelectric installation or a railroad. Nevertheless such projects are worth undertaking, risking expensive failures the first or second time; because the returns in the form of welfare are so very large. At present it appears that the most sensitive issues will be

- a) the control of the foreign currency generated in trade,
- b) access to surface water collected by watersheds in the hinterland,
- c) additional controls over people and goods crossing the boundary between a free trading metropolis and the rest of India, and

d) questions of security of life and property that are guarded both by police and the military.

Most other inter-state and state-Centre relationships can be guided by the sequence of precedents already accumulated in India.

Foreign Currency

If a free port is to be successful it cannot impose any greater constraints upon the free flow of funds than exists in other locales. The benefits from the functioning of a market accrue only when transactions are fully voluntary and all parties and their intermediaries remain trustworthy, legal and free of coercion. This means that the commodity markets would remain in equilibrium with quotations elsewhere in the world and free port banks would deal in discounted rupees (if currency controls remain stringent for the rest of India) rather than the official exchange rates, much as the money-changers of Southeast Asia and Africa do now. Any accumulation of foreign currency and gold in the free port financial institutions would be a function of their success in international trade and manufacturing, and these funds must remain under the full control of private parties, firms, and public corporations, with a fair tax (mostly upon "value added") collected by the state to pay for collective services. The dimensions for what is "fair" are likely to be set by the socialist city state of Singapore, since its organization most nearly resembles that found in India. One reform of capitalist practices that can be imposed by the government, because it is in line with reforms in North America, Europe, and Japan, is a requirement for much more complete reporting of transactions, and auditing of books, so that businessmen operate in the same kind of "goldfish bowl" as public servants, and standards of conduct

would thereby be raised to higher levels than are current in India today. Such free ports would buy food, building materials, water and industrial commodities from the rest of India with hard currency at world market prices. Being Indian citizens, rather than some alien culture, it is much easier for Indian artisans in the hinterland to acquire the skills of marketing goods for hard currency in such a free port than in Iran, Arabia, or Japan, as under present export incentive plans.

The greatest worry the Indian government would have is that its border controls would develop huge leaks. Smuggling and currency control evasion would predominate. The answer to this is that conditions could hardly be worse than they now exist for the watch industry or for "bootlegging," if the truth were let out. Enforced openness of trading within a well administered metropolis helps track down the gold, silver, and dollar smugglers, probably forcing the latter group to continue operating through the small ports of Gujerat and Andhra Pradesh.

Water

Water supply across state boundaries has been virtually impossible in India for decades. No state is willing to trade off a vital natural resource on a fixed price long-range contract. It is too easy for either side to find itself in a position which it regrets. Therefore the metropolis must be prepared to pay a very high price whenever water is scarce and pay a low price when the monsoon is beneficent. This means that the metropolis would have to create a procedure for varying internal water charges according to supply. In addition it would have to provide most of the capital required for developing the watersheds, probably in the form of bonds. In this way the rural districts could maximize the

returns upon the water resource. Moreover, they would make more money from the sale of water in a dry year when the crops may have failed in non-irrigated areas, thus cushioning the blow. With these kinds of arrangements it would not be surprising to see Bombay's bulk water price vary from Rs.0.25 per metric ton to Rs.2.00 or more.

Passport and Customs

It would be to the advantage of both a free port and the rest of India to maintain close supervision over the flow of people and goods. The city wishes to prevent the flow of unemployables into its slums. Therefore some kind of bona fide must be given at the time one buys an air, rail, or bus ticket that crosses the boundary. It could, for example, be a refund available upon return, or the showing of a passport.

The customs are primarily collected upon leaving the free port and entering the remainder of India, and their collection could become a troublesome bottleneck. The Indian government would need to determine for itself at what point strict and comprehensive controls become self-defeating and reduce net revenue rather than add to it, just as has been recently worked out for tourist inspections at international airports.

The costs of maintaining such controls will be minimal if the boundary of the free port is drawn properly, i.e., where very local traffic is at the lowest level. Of course, the metropolis would induce urban growth immediately outside its main gates, just as Mexican and Canadian cities were created immediately across the border with the United States and Southeast England grew just outside the boundaries of Greater London, so that over the long run significant amounts of very local demand for the movement of people and goods will be stimulated. The local effects

could be reduced by the establishment of "dry port" extensions into the interior, as proposed in Delhi. On the whole the losses in revenue due to increased difficulties of border controls are likely to run only a few percent of the net gains that would result if the metropolises could acquire their share of the productive jobs available in the international sector.

Security of Life and Property

It is generally believed in India that Calcutta is a dangerous place to live, while Bombay and Madras are relatively safe. This should show up in insurance claims in a more reliable way than from the tabulation of police reports or interviews of citizens. There are many reasons for believing that the "feeling of security" is a property of the rumor network and an outcome of the formula for deciding what is worthy of being printed in the newspaper.

Nevertheless a growing metropolis heavily engaged in international trade is the target for international gangs of racketeers wishing to corrupt it to their own ends, of anarchist political groups, of juvenile street gangs, of unscrupulous groups willing to use goondas, and of many confidence men who hope to disappear from the scene before they are found out. Therefore it will need a large and extraordinarily well-trained police force that cooperates directly with Interpol as well as with State and Union forces in India. Both Hong Kong and Singapore have built up considerably larger police forces than is common inside America or European countries for cities their size, and they have more varied duties.

Summary

The overspill from Japanese economic development has already caused strong income growth effects in Hong Kong, Taipei, Seoul, and Singapore. In the 1970's several million new jobs must be created via sub-contracting in nearby countries, because the cohorts being added to the Japanese labor force are small, while the orderbooks and long term sales commitments are large. Therefore the possibilities of using labor in a number of "higher risk," but accessible, metropolitan areas with substantial unemployment levels will be explored actively. Lesser, but still quite large, opportunities exist for serving the Western European and American markets. Indian coastal metropolises can be made as eligible as any for these opportunities.

The most qualified cities are open to the free flow of world trade, such as those with a carefully planned free port. The metropolis should not be inhibited by the viewpoints of provincial back country politicians, and should therefore be insulated from their vetos. From external observation it appears that a possible solution is to extend the perimeter at which the octroi is collected, using that boundary also to protect the metropolis from waves of rural immigrants attracted by the rumors of prosperity. The administrative challenges inherent in the strategy for setting off very rapid economic growth in a coastal metropolis appear to be soluble within the present Indian administrative system, since no unprecedented action could be identified in the course of removing bottlenecks. Nevertheless very little action has yet been undertaken in this direction.