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ONE RUPEE

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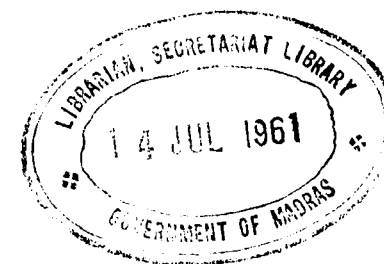
India and ECM: The Hour of Decision

THE visit of Mr. Peter Thorneycroft, a senior representative of the United Kingdom, in connection with the European Common Market, brings to us effectively the hour of decision on the European Common Market. This has been generally recognised and the Federation of Indian Chambers of Commerce and Industry have come out with a timely assessment of the disadvantages of British participation on our current trade. The Press has been quick to take the same line and the public has been led to believe that the first-round effects of Britain's possible entry into the Common Market will be very damaging to Indian trade. The fact that the leading elements in our exports to the United Kingdom, predominantly tea, and next, cotton textiles and jute, will come under pressure, has been read in isolation. The fact that once we jump the initial hurdle of higher duties on our imports into the U.K. we are in a vastly expanded market, of which the U.K. is only a small part, has passed unnoticed. Therein lies the danger of a static assessment of the operation set in train by the Treaty of Rome. This is a continuous and on the whole, a future, rather than a present, challenge. The question for India to consider is whether or not in the longer term her trade will be better if the United Kingdom is a portion of this market or if it is outside it. In *The Eastern Economist's* view, apart from a transitional stage in which many of our current markets will be disturbed, notably that for tea and cotton textiles, India will reap the benefits of enhanced trade via the United Kingdom, if Britain should join the Common Market.

On the face of it, the initial hurdles are grave. Of India's total export of tea in 1960 worth Rs. 120.06 crores, Rs. 75.40 crores went to the U.K. If in place of duty free treatment, the Common Market rate is 18 per cent for loose tea and 23 per cent for packaged tea, obviously prices in the United Kingdom would rise by this amount. Since, at the same time, it is likely that real incomes will be held for at least a year in the U.K. by the fact that real wages are likely to decline in competition—reports say that the trade unions have agreed to a 5 per cent cut—it is extremely unlikely that the market for tea in the U.K. can be maintained. On the other hand, it is probably a mistake to suppose that, because prices are up and incomes down, the whole of the impact will fall on tea. It is part of a customary ritual in the U.K. to drink tea at stated times, and while there may be some resistance, there is no indication that fluctu-

ations of tea prices have had proportionate effect on tea consumption in the United Kingdom. It is probably true in somewhat different terms and perhaps with less certainty that this applies to jute cloth and to cotton textiles. Here, however, we must be prepared for a setback of a somewhat different order because there is no built-in customary use of Indian textiles or Indian hessian as there is of tea. All in all, one would expect a decline in the U.K. market in terms of the consumption of Indian goods.

The error that has constantly made us to confine the discussion to the U.K. on which undoubtedly, on balance, we will be losers, has made us oblivious of the larger issues. The essence of the European Common Market opportunity is different. Firstly, it is the most rapidly growing market in the world. Between 1950 and 1958, national income at constant prices of the European Economic Community rose by 53 per cent, as against all Europe which rose by 42 per cent while that of the United States rose by only 26 per cent and that of the U.K. merely by 22 per cent. If we look in terms of real per capita income, the figures are somewhat similar to West Germany, Italy and France which are well ahead of the U.K. and the United States. It is this basic factor of growth (reflected also substantially in industrial production and productivity) which is the most vital factor in India's future prospects which has been unduly ignored by both the Federation and by current Press assessments. Getting into the European Common Market via the U.K. might well be one of the most important shots in the arm that Indian exports will receive over the next decade. It is clearly necessary that we should get into this market and build in it since it is likely to be the greatest market in the world, once the U.K. has joined it, as it is extremely probable that it will. Within two decades from now the European Common Market might well be equal to the United States market and the Commonwealth markets combined. Mere safeguards to protect existing trade in this direction might well be a bar to participation in the market. Secondly, while higher prices will have to be paid for Indian goods in the United Kingdom, it is to be remembered that, once these added duties are paid, Indian processed material can move duty free subject to the clauses of the Treaty of Rome, into the vast potential of the European Common Market. In other words, what we lose on the swings we may gain on the roundabouts.



The mere fact that this market exists does not imply, of course, it is ours for the asking. Indian salesmanship has been notoriously weak in both Western and Eastern Europe, particularly in the latter. Those who have recently seen these parts of the world can well realise the shocking inadequacy of Indian export promotion in these areas. Surely it has not been appreciated that this is the greatest potential market in the world and, indeed, for certain commodities already.

It is right that India should place before Mr.

India and East Africa

THE news from Kenya this week should mean for India much more than seems to have been currently recognised. The decision to constitute a common services organisation is an obvious preliminary to a federal entity which will soon include Kenya, Tanganyika and Uganda. Those who have recently been in Kenya have now — after many excursions and alarms of the last six months — taken the view that the political odds are in favour of Kenya's reaching independence within six months as part of a federal unit in which it will have an equal partnership with Tanganyika and Uganda. The great fears that the European settler population of 60,000 in Kenya would weigh against an easy transition, such as is forthcoming in Tanganyika with its small settler population, would appear now to need modification. A large number of the English settlers are still recalcitrant, but the die seems to have been cast in favour of a pattern of self-government which will bring peace to Kenya on very much the same terms that Tanganyika has envisaged. Whether it will bring equal statesmanship on the African side and whether Jomo Kenyatta's release, which is expected, will contribute to tolerance and understanding of the European point of view may be another matter. But, at least, one should recognise that a new entity of considerable importance to India is likely to emerge.

For a long period East African markets have not been adequately studied or nursed by Indian exporters. Even in Kenya the best known export efforts have been half-hearted. While imperial preferences last, imports from the Commonwealth have been based largely on preferential treatment. Should an African federation decide to raise import duties against Indian goods, the need for manufacture inside the new federation's territories will become important. Are Indian settlers

Thorneycroft its own fears and press for as many safeguards as are possible. But too much has already taken place in the realm of discussion for the United Kingdom now to hold back on joining the European Market. The die is not yet cast, but it is almost certain to be thrown on the side of entry. It is much more important, instead of our resisting an inevitable event, that we should plan our thinking spaciously to secure every advantage that it presents. That, and no other, is the challenge of this hour of decision.

in the federation aware of the opportunities that this will present? Conversely, if the opportunities are not likely to be as great, because of preference given to African manufacturing interests — which can only emerge slowly — do Indian traders in Kenya consider investment in the Indian Union not a practical possibility? Both ways, whether to stay and develop under the federation's new perspective political alignments or to transfer capital to the Indian Union, are currently in animated suspense. Several Indian traders have looked upon Zanzibar as a possible additional opportunity for investment, but recent riots there have belied their hopes. All in all, what is required is that the sights of business men in India and the Indian business men in the new likely federation of East Africa should be raised to the development of trade between India and the new territories organised under African leadership. There is room for development of our markets in these territories which are making good progress and there is room for Indian investment from these territories in the Indian Union. There is need for much more organised thinking on the pattern of development and perhaps the Ministry of Commerce and Industry should send a powerful delegation to these territories to report on the most likely pattern of development in the very near future.

This development must take account of the instability of the Central African Federation. It is now more than likely that Nyasaland, rejecting Sir Roy Welensky's rigid proposals, will in time join an East African federation. When Zanzibar joins, a population of something over 40 million people and a rich agricultural area may make early investment very profitable. This is the time for imagination on both sides of the Arabian Sea.

Oil: Why Two Standards?

MR. K. D. Malaviya's statement at an informal meeting with the Press on Tuesday that the Government had decided to put the Koyali refinery, proposed to be set up to process Cambay, Ankleshwar and Kalol crude, under the charge of the Oil and Natural Gas Commission instead of under the control of the Indian Refineries Limited has not attracted the notice it deserved. In view of the practice followed by the Union Ministry of Oil in the recent past in seeking collaboration from foreign interests for prospecting of oil in the country on the condition that refining of crude will be separated from prospecting, the statement of Mr. Malaviya is of wide import.

Setting up of the Koyali refinery by the ONGC, of course, may not, on the face of it, be in conflict with the Government's declared policy of reserving all future oil refining rights for the public sector only; the ONGC is a public sector undertaking and its statute provides for combina-

tion of exploration and refining operations. But the reasons put forth by Mr. Malaviya for taking this decision are astonishing indeed. The ONGC, according to Mr. Malaviya, by setting up this refinery will be able to offset its losses on oil exploration. Exploration and marketing of crude by itself is a fairly profitable proposition; this was the basis on which the Government of India negotiated the recent agreement with the Burmah Oil Company. Why a different standard should be applied in the case of the ONGC is something which passes one's comprehension.

The insistence of the Oil and Natural Gas Commission on having the refining rights for the crude discovered by it is obviously an indication of the fact that the ONGC's operations are not upto the required standard of efficiency. The ONGC has been singularly lucky in striking oil at Sibsagar, Cambay, Ankleshwar and Kalol without much expenditure. At some places oil has

been struck by it even at the first attempt at drilling. But if with all this luck, it cannot make both ends meet — not to speak of its making any profit on oil prospecting — there should be something grievously wrong with its working. The proposed reorganisation of the ONGC with a view to giving to it greater autonomy, and its integration with the other public sector undertakings dealing with oil is a step in the right direction and should help in effecting appreciable economy in its expenses. But there is obviously need for injecting greater efficiency into its operations.

The combining of exploration and refining rights in the case of the ONGC will undoubtedly weaken Mr. Malaviya's hands in negotiating further deals with foreign oil companies for exploration of oil in India. Separation of prospecting rights from the refining and marketing privileges has stood in the way of greater inflow of foreign capital into this country for the development of the oil industry. Will Mr. Malaviya extend the treatment accorded to the ONGC to the private sector as well?

The Kuwait Imbroglio

GENERAL KASSEM'S announcement of June 25 affirming a subordinate status for Kuwait as an integral part of Iraq was the product of a brainstorm rather than a brainwave. This description may sound harsh, but it reveals the tragic reality of the situation. Not only was the world taken aback by his fantastic move but his cabinet ministers too, including, notably, Dr. Hasham Jawad, his Foreign Minister. Dr. Jawad's sober influence has always produced a moderating effect on General Kassem's policies. It is incredible that he would have been a consenting party to the General's new-found claim, if he had been consulted. His reported resignation on the Kuwait issue (and its withdrawal under pressure) cannot be discounted as fictions of imagination. Iraq's novel claim has been flatly contradicted by her own conduct in the very recent past. Only on June 13 last she gave her unqualified support to the admission of Kuwait as a full-fledged member of the International Labour Organisation. Two years ago in 1959 she voted for Kuwait's membership of the International Telecommunications Union.

Throughout the six decades that the treaty of 1899 between Britain and Kuwait has been in operation, Kuwait's position as a separate entity has never been challenged, it has been expressly recognised and her participation in her own right with the status of a member in a host of international organizations has been accepted by fellow members not excluding Iraq. General Kassem has now rescued a map of the Ottoman Empire from the dusty archives showing Kuwait as a part of the Basra province. It is on the basis of this shred that he is asserting his claim. But this pretension cannot cover up his real ambition to annex the sheikhdom for no other reason than its enormous resources of oil; the leading Arab countries in particular and the non-Communist world at large reacted promptly to Iraq's threat of annexation and unequivocally recognized the sovereign status of Kuwait. But however hollow General Kassem's pretensions may be, they cannot for that reason be regarded as devoid of a potential for creating an international crisis. At the Security Council's meeting on Sunday last, the Soviet representative picked up a deliberate phraseology in designating Kuwait as the "Kuwait area". The

It is indeed heartening to know that Mr. Malaviya after his recent tour of Europe has realised the imperativeness of moving faster towards developing the oil industry in the country. Imports of petroleum products in future are going to be a heavy drain on India's foreign exchange resources. The sooner this drain is stopped — or at least reduced to the bare minimum — the better will it be from the long-term interests of the country. Having become more conscious of this fact, will Mr. Malaviya now bestow second thoughts on the question of allowing expansion of the private sector refineries? Even after setting up the three public sector refineries and effecting their proposed "marginal" expansion, there will remain a substantial gap between the country's refining capacity and the requirements during the Third Plan period. This gap can be filled to some extent by allowing the private sector refineries to expand, especially when they themselves will be arranging for all the foreign exchange required. The point that a more rapid rate of growth is required and that growth tends in democratic societies to be the greatest of all levellers has still to be appreciated in this Ministry.

prospect of extending the cold war where oil overflows in profusion could hardly be allowed to go by default.

The swift action taken by Britain in dispatching her troops by sea and air in response to the Sheikh's appeal is nothing more than the discharge of an obligation cast on her by the agreement of June 19 to protect Kuwait against external aggression. There was no escape from it, when a real threat of attack, backed by massing of armed forces in the Basra province, made precipitate action by Iraq imminent. But the British troops were deployed along the frontier with such promptitude that an effective deterrent has been built up against any rash military move by General Kassem. The defence which has now been erected will be indispensable until the threat of attack disappears. That is the plain justification of the presence of the British troops and Sir Patrick Dean's categorical assurance to the Security Council that his country's forces would not be kept on Kuwaiti soil longer than the existence of the threat of aggression should suffice to set the point at rest. In this decision the Sheikh of Kuwait's voice must, of course, prevail. While the defensive forces were being deployed, Britain issued appeals to the Arab countries in the first instance and others including India to exercise their influence and use their good offices in persuading Iraq to settle the dispute peacefully. At the Security Council's meeting Dr. Pachachi, Iraq's representative, denied any intention on the part of his Government to impose a solution on Kuwait by military action. If the warlike posture is abandoned by Iraq, the tension that has been raised to such a high pitch can be eased.

It is inside the Arab League that the Kuwait imbroglio has created a crisis of the highest order. Kuwait cannot be expected to sign her death warrant and in the result a face-saving formula for Iraq remains the only alternative. At its meeting of July 4 the Arab League postponed consideration of Kuwait's application for membership by eight days. The Secretary-General, Mr. Abdel Khalek's mediatory mission in Kuwait and Baghdad is expected to create a climate for conciliatory talks and in the intervening span Arab diplomacy will meet one of its severest tests.

A DELHI DIARY

RIVAL CITIES!

HOW happy could I be with either, were the other far away! Only, on this occasion the source of attraction is not sweetly feminine, but the compelling memory of two great cities, Berlin and Warsaw. I have still, after nearly three weeks, got them indelibly in mind—the powerful terminals of an air journey, which is memorable like no other. A fortnight ago I said a word or two about Berlin from where I set out. Here it is only necessary to say that this seems to be the most fateful city in the world. The Fall of Berlin effectively ended World War II. A change in the status of Berlin may well be a precedent for World War III. Few of us living far away from this tragic, yet proud, and almost incredibly divided city, can appreciate the extent of the danger that any change in its current status implies. Those of us who have been recently in West Berlin know how passionate is the belief of the West Berliners in their own way of life. In some respects, it is an artificial way of life. The Berlin Hilton Hotel, for example, with its splendid show and extraordinary comfort at what must be deemed a moderate price (judged by the great hotels of the world) is maintained, in part, by the city authorities, who meet losses but do not, for some abstruse reason, take profits. In turn the deficit on Berlin is borne by West Germany, and over the years—including those of the airlift—Germany has cost the Free World on an average a billion dollars a year. This is not, in terms of politics—or at least Cold War politics—a prodigious sum. But it is a measure of the price that is placed by the Free World on this city—gay and yet depressing, brave and yet uncertain, deeply human in its tragedy, yet in many respects artificial and unreal.

IN SPITE OF FREEDOM

Not the least of the signs of the unreality is the extraordinary difference between the current rate of wages in West Berlin and East Berlin. I take a single instance, of which I have personal experience, in two restaurants singled out as being about the best in West and East Berlin. A waiter in West Berlin would make, with his tips, at least seven hundred marks a month; a waitress in East Berlin at a large restaurant told me that she was earning only 310 marks which with (low) tips might come to 500 marks. In theory the marks are equal; in practice, as I have mentioned before, the West German mark exchanges in West Berlin for 4.87 East German marks. How do the differences remain? Amidst the great buildings that are coming up in West Berlin and the massive but plain edifices of Stalin Allee in East Berlin, one has a picture of tragedy awaiting a great day of judgment. When will it come? All I can say at the present time is that knowing how passionately their way of life is held by Berliners, I would never (as a Berliner!) agree to assign my future to East Germany. Therein lies peril. For if an irresistible force meets an immovable object, how great will be the nuclear detonation?

WARSAW

I leave Berlin with hesitation to throw myself into a tribute to another city, in some respects greater in its power to rise again from disaster than any city in the world. I refer to Warsaw, built again with great beauty and with an investment in human and spiritual resources which surely can have no equal in the world. I know of no area damaged by war which has accomplished a similar resurrection. The terrible marks can still be seen here and there, and sometimes the memories are kept alive as in that powerful memorial in the Ghetto with the facade of the Gestapo office still standing. But it is not to that almost incredible period of insanity that Warsaw owes her unique claim to fame.

Resistance and death can be supremely heroic things, but they are not necessarily as abiding as the romantics would have us believe. The new Poland, of which Warsaw is a great symbol, is a superb reflection not merely of survival; it is a symbol of the amazing capacity—artistic, architectural, economic and industrial—of the Polish nation. Here, if ever, is the Phoenix, the bird that can never die, because it rises from its ashes to live again with almost all its pristine purity!

THE NEW POLAND

In the new Poland, the buildings, and all that buildings connote, occupy a special place. I was told by an economist—one guess is as good as another!—that between one-third and a half of Poland's saving in the last decade must have been committed to a building of some kind or another. But for the demands for building, industrial progress, which is already making such a splendid showing, would have gone faster. The conclusion that I draw is now that the building programme is declining somewhat and the rate of accumulation remains 20 per cent, that industrial production will receive a new shot in the arm. This is what might be called the law of conservation of energy in Poland's new plan. The greatness of Poland is that its passion for building, and even for industry, is tempered by superb perspective in her cultural life. A very large number of people have been drawn into the arts. There are sixteen theatres in Warsaw alone and the Palace of Culture donated by the Russians contains exhibitions of books which show how eminently book-minded the Poles remain. Men and women are to be found in almost equal number in medicine and in architecture and music. The great parks and theatres are always full. So indeed, as I discovered, was a little Royal Theatre, set in the old Royal Park, built some centuries ago, where now Sheridan's School for Scandal is playing (in mediaeval costumes) to full audiences of 500 only.

THE AFFLUENT SOCIETY?

Greatly daring, I claim that here women are increasingly well-dressed and that perfume on the streets is as noticeable as in Paris, though the names are not those of Chanel or Carmen or Christian Dior. A powerful flavour of affluence is entering the Warsaw scene. After the years this is in no way resented in spite of the extreme passion for equality which Polish planning has decreed. An eminent economist mentioned to me that this very passion for equality had produced not a little resentment. I prophesy that some little inequality will enter the Polish State with the new affluence one sees making its way slowly, but surely, in all directions!

Affluence in Warsaw does not, however, mean an absence of dedication to the major objectives to which the Polish nation is committed. I remember well that Professor Oscar Lange, the great economist, who presides over the Council of States on economic affairs, told me he would have to go to Poznan to see some of the new machines being produced in his country for export, for if he does not see them in the Poznan Fair he would see them nowhere. He added that Poland's plan is directed, indeed, to raising the standard of living of the people, but its first priority was not employment, although that was desired, but investment in the export industries to solve, once and for all, the current payments problem. With what I saw in performance at Poznan and single-mindedness in Warsaw, I can think of no nation, except Yugoslavia, which fights the balance of payments problem with the same certainty of success. How one can wish and wish that India had the same philosophy and the same single-minded dedication!

ARGUS.

THE WEEK'S NOTES

A Great Leader

SIR PURUSHOTAMDAS THAKURDAS

THE PASSING on Tuesday night at the age of 83 of Sir Purushotamdas Thakurdas marks the end of a great chapter in India's commercial history. There was no figure which more symbolised the link between the old and the new systems, between the strings of Indian nationalism expressing itself in economic terms and the dead philosophy of the ancient regime. In a great sense, he represented in one committee after another—and particularly on the Royal Commission on Banking—more India than himself. A trenchant critic, he had the wisdom often to hold his fire. He could combine supreme tact and friendliness with firm negotiation. Curiously, not all these qualities were appreciated after Independence came. He seemed to lose more and more touch with Delhi, and, in one or two cases, an open rupture unfortunately occurred. All this, however, did not prevent, while life lasted, a great dedication to duty. Ailing and sometimes in severe pain, Sir Purushotamdas dragged himself both to company meetings and to his office work. It was part of his life that he should not surrender to death even when its victory was near.

Chambers of Commerce throughout India should feel the loss of this elder statesman keenly; there is no one who has done more for their creation and their independence. Almost every institution in Bombay has at some time benefited from his mature wisdom and generosity. And India will mourn the loss of a great leader of her commercial community, independent, courageous and patriotic in the finest sense, to the core of his being.

Assam

A HAPPY UNDERSTANDING

IT IS a matter for gratification that the leaders of the Sangram Parishad in the Cachar district have eventually found their way to the happy understanding with the Home Minister. This attitude has a powerful element of the unexpected in view of the fact that the Sangram Parishad had declared its opposition to the Shastri formula and its determination to continue its struggle by peaceful means to win recognition of the status of a parallel official language for Bengali in the entire Assam State. It is true that it had suspended the agitational approach to create the right type of atmosphere for conciliatory talks, but the subsequent utterances of some of its responsible leaders gave an impression that the suspension was declared with serious mental reservations. The credit for removing this attitude of scepticism should go in the first instance to Dr. B. C. Roy. He must have had a strenuous time in convincing the leaders of the Sangram Parishad that acceptance of the Shastri formula was essential for a return to normalcy. In this frontier province any indulgence in extremist claims in respect of language was certain to create a potential danger of civil strife, which was in the interest neither of the Bengalis nor the Assamese nor of India as a whole. As a result of the understanding reached by the Bengali leaders in Cachar, the Shastri Formula is to be given an unqualified trial and the demand for recognition of Bengali as a second official language of Assam is to be relinquished.

It is one of the vital conditions of the Shastri formula that the Government of India's memorandum of 1954 on the provision of safeguards to linguistic

minorities should be scrupulously observed not only in letter but in spirit. Much of the psychology of fear and suspicion which has been generated among the Bengali speaking population of Assam since the tragic riots of last year is based on the apprehension of unequal and discriminating treatment. It is possible to argue that in some measure a minority's psychology of fear is more self-imagined than real, but in the case of the Bengali residents of Assam, large-scale evacuation has given a substantial basis for the fear. Even now the grievances against unequal treatment in the matter of employment are voiced and the State Government certainly owes a duty to itself to investigate them sympathetically and provide the essential correctives. It is for the majority to show a spirit of generous attitudes, but before this can be shown in Assam tangible indications may have to be provided that the earlier chapter of intolerance is now a matter of the past. Hailakandi is a bitter and unfortunate reminder that the Assam Government and the Congress Party in Assam will have to undertake deliberate and sustained efforts to establish the atmosphere of goodwill and amity. In the organized attack at Hailakandi the presence of illegal entrants from Pakistan was a fact, although its magnitude has been exaggerated and an unfortunate attempt has been made to give a communal twist to this aspect. The Assam Government needs to take effective measures to put a stop to these infiltrations on a continuous and substantial scale. It is to be trusted that this latest phase in the language dispute will be a prelude to the return of permanent goodwill and understanding in this problem State.

THE CHALLENGE OF SEPARATISM

IF THE settlement with the Sangram Parishad in the Cachar district has enabled the Centre to cross one major hurdle in re-establishing accord and peace in Assam, this is by no means the end of the regrettable chapter of internal strife in this tormented border State. The hill districts constitute a major linguistic area where the grievances of the tribal residents and their fears of domination by the linguistic majority from the plains are yet to be resolved. There has been not the slightest lack of effort on the part of the Centre, and in particular on the part of the Prime Minister and the Home Minister, in going the farthest limit of accommodation. In spite of this the so-called All-Party Hill Leaders' Conference has chosen to stick to an attitude of intransigence. The conference has rejected both the safeguards provided in the Shastri formula and the Prime Minister's offer of the Scottish pattern of administration of a hill state for these districts. The conference has passed the extreme resolution that unless the Assam Official Language Act is repealed or a separate hill state is created, it will not stop its agitation and would even start a campaign of non-co-operation with the Government. This resolution sounds as pompous as it is extremist. But apprehensions need not be entertained that the hill districts are really on the brink of separation from the plains. The all-party character of the conference is in itself open to genuine doubt and it may even be questioned whether the leaders of the conference do really command the necessary following to give a concrete substance to their threats.

This is not in the least to suggest that a campaign of repression is the answer to these extremist demands. Repression has never succeeded in solving any controversial issues and repression is the one thing which the Government of India will scrupulously eschew. It is necessary to understand the spirit of accommodation and fair-mindedness which inspires both the Shastri

formula in its application to the hill districts and the Scottish pattern of internal autonomy proposed by the Prime Minister. In terms of the Shastri formula the linguistic grievance is to be eliminated by the provision that English, and not Assamese, should be the language for communication between the State Government and the local authorities of the hill districts until English is replaced by Hindi. In so far as the media of education and the use of language for inter-hill-district communications are concerned, the Shastri formula gives a complete latitude to the people of the districts to substitute any of their own languages in place of English or Hindi. Concession could not be stretched longer than this. It is difficult to understand how the demand for the repeal of the Assam Official Language Act can hold water in the face of this just offer.

The Prime Minister's formula of the pattern of the Scottish administration is even more generous and accommodating. It is calculated to remove even the slightest suspicion of any unfair treatment or imposition of decisions by the majority. A committee consisting of the members selected from the representatives of the hill districts in the Legislative Assembly is to be authorised to scrutinise legislation relating to the tribal people of the hill areas and the decisions taken by the committee are to have a binding effect as a rule. Thus it is that the committee becomes a legislature of greater competence than the State Legislative Assembly on local issues. In cases of differences of opinion between the State Government and the Committee, arbitration by the Governor is to be final. Grants for development made either by the Centre or the State for outlay are to be entrusted, to the extent of the allocation for the hill districts, to a special committee representing these districts and it is to be armed with a special secretariat as its administrative adjunct. The power of expenditure is thus to be delegated to the accredited representatives of the people and any responsibility for its use is to rest on their shoulders. This provision as well as the legislative provision are calculated to create a full sense of confidence about self-determination. Fortunately, there exist large sections of the hill population which are inclined to work out the Shastri formula in respect of the language issue and the Prime Minister's formula for legislation. It is for them now to show where the All-Party Hill Leaders' Conference really stands.

Vietnam

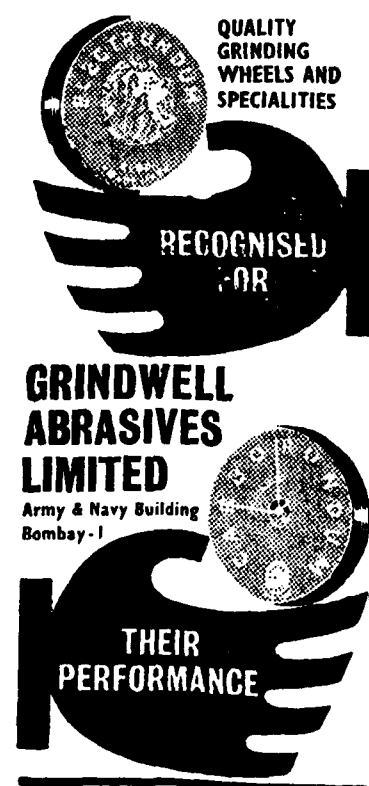
SIX YEARS OF PROGRESS

TODAY, JULY 7, Vietnam crosses the sixth milestone and starts her onward journey on the seventh mile. These six years have been crowded with considerable activity on the economic front. Prior to that, for full nine years, war and Communist strife had shaken the fabric of the normal economic life of the country and a huge backlog of rehabilitation accumulated on the eve of independence. But under the confident and far-sighted leadership of President Ngo Dinh Diem, Vietnam applied herself to the task of reconstruction and development with a determination to race ahead. But that was by no means easy. The partition of the country has deprived Vietnam of the rich mineral and industrial resources and left her with agriculture as her staple resource. President Ngo Dinh Diem combined in his personality the vision of a great national leader with the objectivity of a practical administrator. It was this rare combination which was mainly responsible for his pragmatic approach to the problems crying for solution.

Agriculture naturally demanded the highest priority in the developmental task and the conventional crops

received preference in the allocation of outlay. The production of paddy was stepped up during the last five years by 150 per cent, but exports which had been depressed and stagnating were increased from \$371,000 in 1956 to \$670,000 in 1960. Rubber came for prior attention and its output was increased to 78,000 tons in 1960 with an area of 100,000 hectares under cultivation. Between 1954 and 1959, exports of rubber rose sharply from \$24.2 million to \$46.9 million. New crops, kenaf and cotton, to mention the only two staple ones, were introduced to supplement the income from the traditional commercial crops. It speaks for the comprehensive view which Vietnam takes of the development of her economy that diversification was sought in the direction of industrial expansion. In this sphere notable mention ought to be made of the expansion of light industry at a rate which enabled her to create an exportable surplus of electrical bulbs.

In an era of economic expansion in the underdeveloped countries, with its conspicuous feature of the widening the gap of external payments, Vietnam found it feasible to reduce her trade deficit from \$208 million in 1957 to \$140 million in 1960. This had its impact on the overall payments gap. American assistance no longer remained the prop of the sustenance of the economy and it was scaled down from \$320 million in 1955 to \$135 million in 1961. The pattern of American aid was changed in a marked degree from emphasis on military equipment and stores as well as consumer goods to the main accent on supply of capital equipment. Once the reconstruction of the economy was over, President Ngo Dinh Diem found it practicable to give a concrete shape to a key sector of the economic policy. The policy on private investment was announced three years ago on a basis of non-discrimination and extension of equal incentives to the indigenous as well as the foreign investor. Private investment in new industries or in the expansion of existing industries rose to \$71.5 million last year out of which 45 per cent was indigenous and 55 per cent foreign. Along with France, Japan, the United States and West Germany, India ranks as one of the external investors in Vietnam. Social services received their due share in this crowded programme of expansion.



The World Abroad

NEW IDEAS ABOUT GROWTH

By

ODYSSEUS

IN THE PAST THREE WEEKS, I outlined Professor P. T. Bauer's constructive criticisms of Indian planning. Lest any think that the Professor is a crank, I propose now to try to show that, far from being alone in his attitude, he is but one among several leading economists who are advancing the frontiers of economic thought.

All over the world since World War II men of good will have been anxious to speed the advance of the under-developed countries. The trouble has been that too many planners have misapplied, in a period of over-employment and rising prices, a theory that Keynes designed to create employment by investment in years of depression, deflation, and chronic unemployment. Keynes himself foresaw this possibility. Professor Colin Clark in his first class, 60 pages booklet entitled "Growth-manship" (Institute of Economic Affairs, 66A Eaton Square, London, S.W. 1. Price 5sh.) quotes Keynes as saying to him in 1930: "I predict that by 1950 Treasury officials all over the world will be talking about savings and investment, by which time that issue will have ceased to matter; it will be quite different questions which will be important by then."

Colin Clark points out that economics as a whole is concerned with growth, that the agents of production (or growth) are land, labour, capital (or investment), and enterprise, that all these factors are of equal importance, and that investment does not take absolute precedence over the others. The prominence given to investment has arisen because the immediate post-war period was one of shortage in savings and capital. But the truth is not that capital alone creates growth, but that capital is created during growth.

KEYNES'S SHORT TERM AIM

Keynes propounded more investment as a short-term solution for the European unemployment problem of the 1930's. If his ideas had been applied then, unemployment would have been mitigated. His primary aim was to get masses back to work. Because he was not formulating a long-term view he did not think much about the kind of employment created, or the capacity or growth of the labour force.

Roy Harrod and E. D. Domar helped to build a general theory out of Keynes's short-term solution. They pointed out that capital investment, which Keynes advocated to create employment, also increased production and promoted growth. With this concept they linked some complicated ideas about the "multiplier" (whereby investment outlay increases spending power beyond the original amount), and the "accelerator" (whereby a rise in consumption expenditure induces fresh investment). The interactions of the multiplier and accelerator today loom large in standard courses for students of economics, but Colin Clark points out that already in the 1950's it had begun to seem doubtful whether the old-fashioned ten-year trade cycle was still a relevant idea. It seemed to be replaced by a shorter, less violent cycle, in which stock fluctuations, rather than investments in fixed capital, played the major part. Harrod and Domar then re-orientated their theories towards the problem of attaining and maintaining steady growth with full employment, rather than towards an analysis of fluctuations. They reasoned that every unit of investment must yield a regular addition to national output in the future, dependent

upon a "capital-output ratio." Capital investment was itself held to depend on the level of income, and its changes. The expansion of the labour force was expected to be slow and predictable.

On these assumptions, conditions for sustained economic growth were laid down, and the rate of growth calculated under various conditions. Everything, however, turned on the capital-output ratio, a dubious working concept now promoted to the status of a general economic law.

In the 1940's, valid estimates of the quantity of capital began to appear for the first time. The quantity employed per unit of labour, it was known, was tending to rise. But up to the 1940's, it had been assumed that the quantity per unit of output was also tending to rise. As, however, valid measurements of capital stock began to come in, they revealed that the amount of capital required per unit of output tended to remain constant. Detailed studies in various countries showed that while industrial techniques had changed beyond recognition, the ratio of capital (measured in current replacement values) to output had changed little.

Measured at current replacement value, the capital-output ratio has, in fact varied between 4 and 2½ in various countries, i.e., between four and two and a half units of capital correspond to about one unit per annum of national product.

Colin Clark stresses that although the capital-output ratio may be an accurate description of conditions at any one moment, it is not true if we add three units (or whatever the particular ratio is) to the stock of capital, output will necessarily be raised by one unit per annum. It may be raised by more, or by less. (In technical terms, the marginal capital-output ratio does not necessarily equal the average capital-output ratio, and, in fact, should probably be expected to differ from it).

TAKE-OFF THEORY CHALLENGED

Colin Clark cites these facts to show how firmly the idea of capital as the key to growth is embedded in today's popular economic thinking. He rebuts the proposition that the simple concept that more physical capital, whether accumulated in the American or the Soviet way, will solve all problems.

What about developing countries? Many have adopted W. W. Rostow's assumptions that economic growth is determined by the rate of investment, and that fulfilment of three conditions will ensure a "take-off", namely, (1) the rate of savings must be stepped up, probably doubled; (2) there must be people willing and able to invest; (3) there must be some mechanism whereby investible funds are transferred from savers to entrepreneurs.

Let us consider these three conditions against the background of "take-off." First, says Colin Clark, no convincing figures have been produced from any industrialised country which show that the rate of savings did, in fact, double at about the reputed take-off period. And, anyway, the mere fact of a change in the rate of saving (even granted conditions 2 and 3) is not in itself a guarantee that industrialisation will automatically follow.

The first question is: If people do not wish to save is it either practicable, or desirable, for the government of a democratic, non-totalitarian country to compel

people by taxation persistently to save much larger amounts than they would have been willing to save voluntarily? This is only justifiable if the country's long-term aim is the achievement of complete Socialism and the total elimination of private enterprise. Too great questions of principle are involved here to launch out on a discussion of them at the tail-end of an article, and we must reserve this for a future date.

Professor A. O. Hirschman has, however, a pertinent comment in his "Strategy of Economic Development" (New Haven, 1958): The ability to invest is acquired and increased primarily by practice and the amount of practice required depends in fact upon the size of the modern sector of the economy. In other words, an economy secretes abilities, skills, and attitudes needed for further development roughly in proportion to the size of the sector where these abilities are already acquired and where these attitudes are being inculcated.

This explains why growth may be self-continuing and cumulative, but Colin Clark observes that it does not explain a take-off. In an under-developed economy, the ability to invest is limited; it increases only through growth. As the ability to invest is essential to release Rostow's take-off, and to break the vicious circle of poverty, there is here a flaw in the logic of the argument.

Colin Clark submits that Rostow's third condition is also suspect. If, in a stagnant, pre-take-off economy, entrepreneurs do the saving all is well. But this would seem rarely to be true. What is needed is either a close liaison between saver and investor, which is unlikely, or else some sort of capital market. But developed capital markets do not exist in under-developed economies.

What, then, did happen historically? It would seem that the upper classes changed their attitudes towards industry, or were replaced, or that the government stepped in. The changing of attitudes is a slow process and it only happens when a certain amount of growth has already occurred and the upper classes see that they have something to gain by joining in rather than by standing aloof.

As for government intervention, there is a definite limit to what a government can do if it is trying to act against, and to break down, a traditional social structure. This was illustrated by the Soviet government's experience in trying to discipline the peasants in the twenty years after 1917. (In New Delhi's experience any more encouraging?) The milder and more cautious intervention by the Japanese Emperor in the earlier stages of Japan's development produced much more successful economic results.

Colin Clark suggests that since the conditions necessary to achieve Rostow's take-off can only be satisfied after a long period of time, and after an appreciable amount of already attained development, we must conclude that, while the idea of a take-off has some historical validity (though not as Rostow describes it), the concept is too vague to be of much help in dealing with the present problems of the under-developed countries.

I am conscious, as my space ends, that the ideas outlined here are so contrary to the prevailing fashion of economic thought that they are likely to arouse bewilderment rather than acceptance. I hope that their elaboration in future articles may make them clearer.

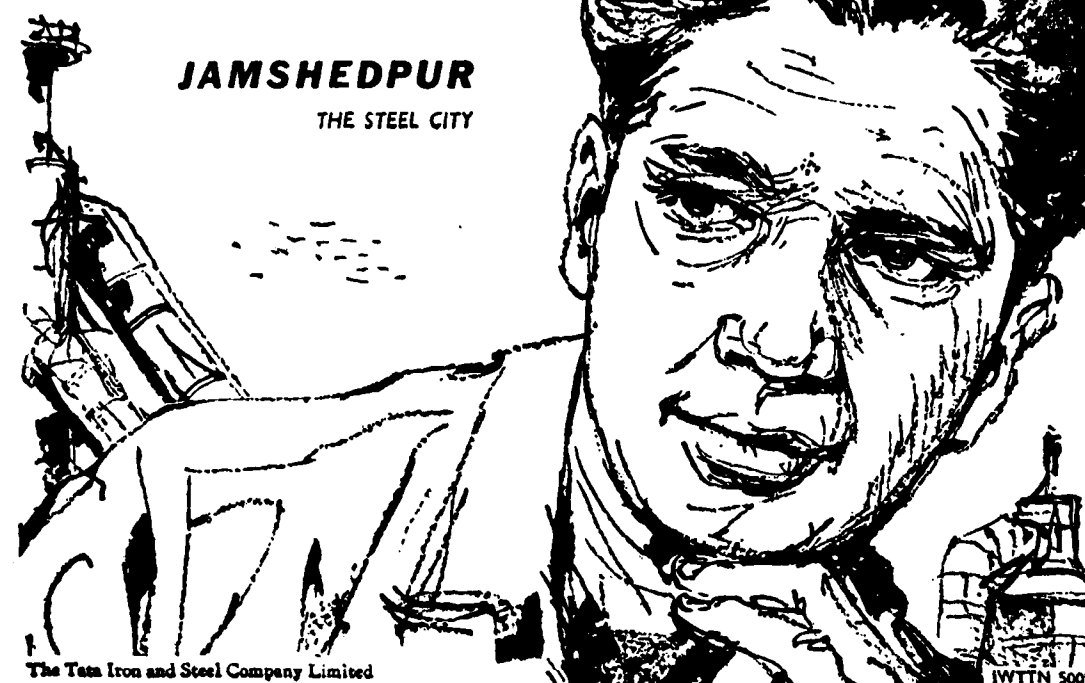
One who did not waver...

Jamshedpur's latest blast furnace needed a 'big bell'—a 20-ton component requiring highly skilled casting and machining. A difficult operation even if the right machine tools were available, but in 1958 they were not, and import seemed the only solution to all but one determined and resourceful young engineer, N. P. Naik.

Working on this problem in his leisure hours, Naik gradually crystallised his ideas into mathematical formulae and blue-prints. He developed, at the same time, a new machine tool to do the job by remodelling a small boring machine, stage by stage. Then started the casting and intricate machining, until, in a short time, Naik and his colleagues succeeded in producing a

'big bell', fully meeting the technical specifications to the last detail. As a tribute to Naik's fine endeavour, Tata Steel gave him an award of Rs. 10,000, the highest made under a ten-year old scheme to encourage initiative from the shop floor.

Men like Naik are carrying forward a fine Jamshedpur tradition, recalling Jamsetji Tata's exhortation: "Let the Indian learn to do things for himself."



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MPLCH 76

The European Scene

A REAL LEAP FORWARD

From Our Special West European Correspondent

PARIS, July 2.

WITH the usual delay of six months, the Italian economic ministries tabled their reports on the "miracle year", 1960, this month and at the same time the final figures on industrial production during the first quarter of this year became available. So late?, the impatient will ask. Better late than false — and almost all the spot indicators of industrial activity issued in the West today are false, i.e. they have to be seriously revised when full information becomes available with the inevitable delay of several months. There is nothing Chinese about this; far from inventing leaps forward that will not survive the statistics, the quick index numbers have lately been under-estimating economic expansion in Europe. The fact is that, despite advances in the art of economic diagnosis, it remains true (as we read in our economics textbooks) that no one really knows what is going on in a free economy until it is so late that the impatient are no longer interested. Yet the figures just issued in Rome will interest anybody who wants to know what a genuine leap forward looks like.

At the end of March this year, the Italian industrial production index stood at 207.4, which was 10 per cent above a year before. More important, since the base-year is 1953, it means that industrial production had been doubled in seven years. Industrial production in 1953 was already 65 per cent above 1938, the best year of Italian fascism. Activity has increased not only in manufacturing industry but in agriculture, commerce and other services, so the movement of revenues has been as follows:

	Net National Income (In thousand million Present-day Lira)	Income Per Capita (Present-day Lira)
1911 ..	5,500	150,000
1938 ..	8,000	250,000
1945 ..	4,000	125,000
1950 ..	8,000	250,000
1960 ..	17,000	340,000

Real income per head has tripled since 1861, but half of that increase was achieved in the short period, 1951-1960. Connecting these dates with the salient events of Italian history, we can say that the Risorgimento, the great movement of unification and liberation led by the liberal bourgeoisie, achieved a modest improvement which was not much exceeded by fascism in its reign of more than 20 years — and the collapse of fascism left the Italians poorer than they were at the beginning of the century. From the bottom of the abyss in 1945, the effort of post-war reconstruction backed with generous American aid had equalled fascism's best by 1950. From the following year, there began a leap forward that still shows no sign of falter-

ing. This was a period of technological progress, structural reform and industrialisation throughout which, far from relying on protection (which had been the policy of the first nationalists) or on autarchy (the policy of fascism), Italian industry was integrated into the free-trade channels of the West and accepted the competition of the Common Market.

We cannot ascribe these results to any one "system" because the Christian Democrats inherited from Mussolini a very mixed economy, with a substantial public sector, which they proceeded to administer in accordance with a rather dogmatic, sound-money liberalism, allowing free reign to private enterprise, with no national planning but a good deal of bureaucracy, with powerful private monopolies and equally powerful state monopolies. He would be an agile polemist who could extract from this a testimonial for any of the conflicting doctrines of political economy. The fact stands that this mongrel system has done more for the Italians than the liberals and the fascists rolled together, and that it has at least begun to make an impression on the country's basic social problems; unemployment and the unbalance between North and South.

Writing here a year ago on Italian economic progress, I pointed out that those two problems were so far untouched by a decade of rapid growth, and I suggested pessimistic conclusions to Indian planners about the quantity of investment that was necessary to reduce unemployment and equalise regional disproportions. In the intervening year — the "miracle year" — the Italian boom has suddenly bitten into these two hard cores of the country's ills. There are, of course, no miracles in economic life; what had happened was that a long period of massive investment bore fruit all at once. This tendency of economic advance to describe steps-and-stairs rather than a smooth curve is familiar, but just in case anyone imagines that it has anything to do with the notorious theory of the "take-off", I should emphasise that Italian experience tells against that myth in every particular. If aeronautical metaphor is really any use, one would have to say that Italy has "taken off" three or four times in her history, and has promptly belly-landed; she has been hovering uncertainly over the airport for a decade and only now seems to be set on free flight.

The turn of the tide on the employment front was probably the most important event in 1960. While 405,000 people found work for the first time, 31,000 people left the land to take up urban jobs; this total of 436,000 went into industry (296,000) and into tertiary employment (140,000). Not only was the normal increment in the active population absorbed, but the number of unemployed was actually reduced. Italy can now claim to have full employment in the sense that all qualified labour is at work. This only makes more urgent, of course, the task of qualifying for employment the unskilled (and often unlettered) mass, while behind the unemployment problem looms more clearly the question of the vast under-employment of the rural population. The terrible problem of Italy's idle millions is by no means resolved yet but the country is past the stage where no amount of economic advance seemed to make any difference to it.

Similarly with regard to the North-South division of the country, which really split it into two distinct

economies, a decade-long boom seemed only to have widened the gap between the industrialised North and the poor Mezzogiorno. But figures now in hand show that, as well as becoming richer in absolute terms, the South began to catch up during 1960. There is a long way to go yet, and this result has been achieved only after ten years of constantly increasing investment under the Vannoni Plan for the development of the South. From here on, progress will be faster because the direction of investment is changing: more capital is going to manufacturing industry in the South and less to public works. Indeed, the same phenomenon is to be noted for Italy as a whole: less money for the "infrastructure" such as public utilities and housing, and more for secondary industry and tertiary services. No doubt, this explains a good deal of last year's so-called miracle: previous costly investment in the infrastructure began to mature and funds flowed to activities such as manufacturing and services, which generate more revenues and provide more employment. Thus, in 1960 total investment increased by 16.5 per cent over 1959, but investment in industry rose by almost 23 per cent. Investment in housing, which had been 20 per cent of the total a decade ago, fell to 4 per cent of the total.

Admittedly, the country had several advantages to begin with, notably the transport network it inherited from Mussolini. Italy has not had to rebuild her rail system, and a series of recent train accidents has re-

called that rolling stock has scarcely been modernised since before the war when, as the fascists boasted, Il Duce made the trains run on time. To make up these arrears, Rome last week decreed a 15 per cent jump in rail fares. As for roads, the long (and still vigorous) motor car boom has only just brought the country to the point where it must undertake the construction of motorways ("autostrade"), which will be financed by tolls. Given the nation's present prosperity, this modernisation of the transport infrastructure can fairly easily be paid for by actual users, without the need for expensive and temporarily unprofitable works such as India must undertake.

Since it is a dogma in many Indian circles that progress of the sort the Italians have achieved cannot occur without price-inflation, it is well worth emphasising that since 1953 (in which period, I repeat, industrial production has been more than doubled) Italian prices have in fact fallen. Taking 1953 prices as 100, the general index of wholesale prices in March this year was 99.2, for consumer goods it was 97.8 and for industrial raw materials it was 98.2; for capital goods, after reaching a peak of 105.8 in 1957, it has been falling ever since and is now 103.6. I am not just choosing a favourable month to make this point: all these index numbers have been virtually stable, month in and month out, since 1958. This is the proof that production, national income and per capita revenues can all "leap forward" while prices fall back.

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PRIVILEGE IN THE CLOTH CAP

By WILLIAM REES-MOGG

IN all the Western European countries a new class of businessmen has grown up since the war, a class which almost amounts to a new bourgeoisie. In the continental countries the destruction of the old bourgeoisie by the events of war, and the rapid growth of the recovery and post-recovery period, has pushed a large number of the members of this new class into obviously dominating positions. In Britain things have been rather different.

Neither the war nor the period of Labour Government significantly weakened the influence of the people who were accustomed to run British affairs. High taxation shifted the balance in favour of the well-established businessmen, as against the professional classes. Professional men paid the same or higher rates of taxation on their incomes, without being able to accumulate capital sums.

In the 1950's, however, the new group of businessmen began to emerge. They were people who started without any advantages or special influence. They had built up their own businesses from small beginnings, sometimes to be really large concerns, but much more often to be substantial but not very large. Some of the businesses make £3,000 to £5,000 a year, and some £30,000 to £50,000, but very, very few make more. On the other hand, these are businesses which have been built up mainly or entirely since the war.

This group is particularly interesting from a political point of view. It presents problems for both major political parties. For the Conservatives the problem is that this group is both active and, on the whole, right-wing.

Certainly these new men feel no need to apologise for their own success. They feel that it is much to their credit to have made their way in a world of high taxation. They have an aggressive attitude to political problems, similar to their approach to business.

Above all, they lack the sense of guilt which is always attached to unearned privilege, and which has an acutely debilitating effect on the political actions of those who suffer from it.

The Conservative Party does not always know what to make of these men. Their attitudes are strong in

the constituencies, but much less strong in Parliament, and least strong of all in the Cabinet. Their vigour, the roughness of their approach, does not consort with the predominant tone of the Party. Neither their policies nor the way they pursue them are felt to be sympathetic. So far they are represented in the Cabinet only by Mr. Marples, though they have rather more impact on the backbenches.

The difficulties of the Conservative Party are, however, relatively minor. They present a much more serious threat to the Labour Party, and particularly to the effectiveness of a Labour Government if one were to be formed.

Even in the period of the last Labour Government it was obvious that this group, or what was then potentially this group, was highly effective in fighting the Labour Party. It was effective because it could not be accused of being upper-class privilege; if it was privilege at all it was privilege with a working accent; it was privilege in a cloth cap.

A further Labour Government would expect to have much more difficulty. For one thing just as the business atmosphere of the 1950's helped to create this group, so would one expect Labour policies to cut back their profits. These businessmen are not engaged in the main central activities of the economy, but in the main are filling in the gaps left by big concerns. They are particularly common in housing and road transport, both of which would probably come under closer control.

In terms of economic interest there would, therefore, be every prospect of a frontal conflict. Equally there would be every prospect of a major psychological conflict. Simply because this group represents a new and emerging class it does not feel any doubt about its right to expand its influence. Where the large businesses might accept a major extension of control—if grudgingly—these small businessmen would not.

It is very doubtful whether the Labour Party has recognised how great this social change of the last ten years has been. A buoyant modern economy has a momentum of its own which can only with difficulty be deflected by political action.

The Canadian Economy

SOLID FOUNDATION LAID

CANADA'S economy rests on a solid foundation, though economic trends in 1960 were less uniformly expansive than in the previous year. Higher export values, together with slightly lower imports, provided an element of expansion in the economy, while additional stimulus was supplied by the continuing rise in public and institutional investment and a further moderate growth in consumer purchases. Though capital expenditures on plant and equipment were on a large scale, they did not impose additional demands on the productive resources of the economy.

The annual levels of production, employment and incomes achieved new peaks moderately above those of 1959. Canada's Gross National Product recorded a further advance last year of about three per cent. Although prices were slightly higher on the average, the total output of the economy was larger than ever before. Total personal income rose by about three per cent, and real earnings on a per capita basis remained at the unprecedented level achieved during the previous year. Employment continued upward, and was higher on the average by 100,000 persons. The growth in job opportunities did not fully keep pace with the unusually rapid rise in labour supply, however, and jobless persons comprised seven per cent of the labour force, compared with six per cent in 1959.

Total capital outlays in the past year, both private and public, amounted to \$8,200 million. While this level of capital investment was slightly lower than the \$8,400 million figure recorded in 1959, it contributed 23 per cent of the Gross National Product and indicated an unusually strong pace of capital expansion by any standards. Large-scale programmes were under way in a wide range of industries, including primary iron and steel, nickel, pulp and paper, oil refining, rubber products, chemicals, electric power and air transportation.

Capital expenditure in 1961 for all sectors of the economy are estimated at \$8,336 million, which represents a continuation of the high and relatively stable level of capital spending realized in recent years. Of this figure, expenditures for new construction should be \$5,689 million, or four per cent more than in 1960. Both housebuilding activity and non-residential construction will share in this larger programme. Planned outlays for new machinery and equipment are moderately below the levels of last year, and call for outlays of \$2,647 million.

Expenditures for social capital purposes, including health and educational facilities and all types of government improvements, are expected to be about eleven per cent higher this year. New hospital construction, in particular, will be sharply expanded. Estimates from business firms suggest a moderate reduction in their capital spending this year. The reduction is largely concentrated in the transportation industry. Larger outlays by the natural gas industry are offset by reductions in certain other industries, notably iron and steel.

Among equipment producers, the farm implement industry was adversely affected last year by declining sales in the United States market. Producers of electrical and industrial equipment held their own against imports, however, and, with the support of additional export orders, the trend of total shipments was maintained.

Consumer-based industries benefited from a moderate rise in incomes, but in some instances faced intensified competition from imports. The share of the Canadian automobile market held by European-type cars edged a little further upward in 1960 to approximately 28 per cent of all vehicles sold in this country. Despite the continuing popularity of foreign cars however, production of motor vehicles in Canada rose by eight per cent. Higher sales abroad, as well as in the domestic market, contributed to a larger output in the automobile industry. Activity in the clothing trades was little changed, even though a larger share of the market for certain types of clothing was captured by imports. The output of synthetic textiles was maintained last year, but that of cottons and woollens was lower. Footwear production also declined.

Despite the continuation of divergent trends in various industries, general activity followed a firm course in the latter part of 1960. Nevertheless, conditions of ample supply and keen competition continued to retard the absorption of new productive resources.

CANADA'S FOREIGN TRADE

Canada's merchandise trade last year was characterized by a further growth in the value of her exports and a slight decline in the value of her imports. This divergence in trend reduced the deficit on merchandise trade to Can. \$97 million, which is the lowest figure since 1954. Export prices remained stable, while import prices increased slightly. The value of Canada's foreign trade, in 1960, compared with that in the previous years, is as follows:

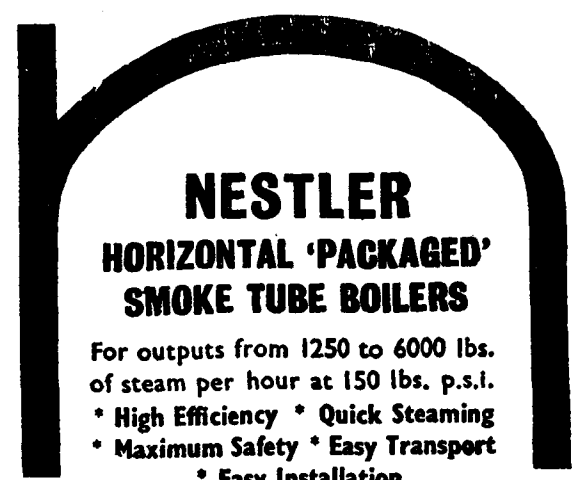
CANADA'S FOREIGN TRADE

	(Million)	
	1959	1960
Exports*	\$5,140	\$5,395
Imports	5,509	5,492
Balance of Trade	369	97

*Including re-exports.

An outstanding feature of Canada's export trade in 1960 was the increase in sales to overseas countries, shipments to which were approximately one-fifth of the total. Substantial advances were achieved in sales to the three largest overseas market areas, namely the United Kingdom, Western Europe and Japan. Most of this rise consisted of shipments of forest and mineral products, including pulp and paper, lumber, base metals, iron and steel, asbestos and chemicals. In addition, widespread increases were noted for various types of highly processed and manufactured goods. Rising incomes and consumer levels, together with the progressive dismantling of import restrictions throughout the trading world, opened up new market opportunities for this type of export. Despite the continuing world surplus, Canada's sales of wheat in commercial markets held up well. However, of the major agricultural exports, that of oil seeds was the only one to show a significant rise last year.

The proportion of Canada's exports to the United States declined from 61.9 per cent in 1959 to 56.3 per cent in 1960. Over the same period, the proportion



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going to Commonwealth countries rose from 20.8 per cent to 23.3 per cent, and to all other overseas countries, from 17.3 per cent to 20.4 per cent.

Meanwhile imports into Canada held about stable in aggregate, and changed little in either commodity or geographical composition. Machinery and equipment, together with manufactured consumer items, made up nearly one-half of Canada's total imports last year, followed by forest, mineral and chemical products. The proportion of imports from the United States held steady at 67.3 per cent for both 1959 and 1960. That originating in Commonwealth countries increased from 15.0 per cent to 15.8 per cent, and from other overseas countries declined from 17.6 per cent to 17.0 per cent.

Higher exports and slightly lower imports last year reduced Canada's merchandise deficit from \$369 million in 1959 to \$97 million last year. This substantial decline in the merchandise imbalance more than offset a continuing rise in the invisible deficit, and resulted in a reduction in the overall deficit on current international transactions. The current account deficit was covered in large part by a further inflow of long-term capital. The premium on the Canadian dollar declined during the past year, and was within one per cent of par with the United States dollar at the end of December. The lower premium, compared with the preceding year, enabled Canadian producers to compete more successfully in foreign markets.

EXPORT TRADE PROMOTION CONFERENCE

Although Canada is the fourth trading nation in the world, it is appreciated that every effort must be made to sustain interest in Canadian products throughout the world, and to explore avenues that may result in the development of new sales opportunities. To this end, an Export Trade Promotion Conference was held in Ottawa last December, and 110 trade commissioners from sixty-three posts in forty-nine countries were summoned home for interviews with representatives of Canadian firms. More than 1,300 businessmen sought 10,500 interviews with these officers, and obtained a wealth of information that might assist them in selling their wares abroad.

Many of the firms sending representatives to Ottawa had not previously considered the export field as a possible outlet for their products, owing to the difficulties

they thought existed. More than twenty per cent of those requesting interviews were in this class. Many of them are now enthusiastic about prospects. A good proportion of the companies concerned have been created since the Second World War, and are producing items never before manufactured in Canada.

Trade Commissioners returned to their posts impressed with the knowledge that a rejuvenated commercial community is prepared to take advantage of their services in securing agents to handle new lines or old lines that were either discontinued or never before offered in some markets of the world. They urged Canadian businessmen to travel abroad, where they would be warmly welcomed and learn much about the fine characteristics of prospective purchasers of their merchandise, and their particular requirements. They were convinced that new friendships would be created between satisfied buyers and sellers, which would tend to create a better understanding between Canada and the countries concerned.

While most Canadian businessmen at the Conference were primarily interested in exploring sales opportunities, they realized that trade is a two-way street, and that Canada must be prepared to buy the products of other lands. It is probable that greater diversification will result from the outward-looking consciousness created by the trade conference and reflected in the pages of newspapers, magazines and trade publications all across the country.

In commenting on the conference, the Hon. George Hees, Minister of Trade and Commerce, said: "We, in the Department of Trade and Commerce, are prepared to render all possible assistance to those businessmen who wish to sell their wares to people in all parts of the world, no matter what may be their race or their language. The reputation of Canada, as a progressive, peace-loving country, stands high, both in the larger and smaller nations, some of which have only recently achieved nationhood. But, the products we are able to sell are not as widely known as they should be. That is primarily the task of the individual producer in a free-enterprise economy, such as ours, but our trade commissioners will provide the necessary introductions and will work alongside the exporter and his agent, provided both are genuinely interested in pushing sales for their goods."

WORLDGRAM

India.

U.S. Donated Milk Plant at Trivandrum: Mr. V. V. Giri, Governor of Kerala, recently opened a modern milk processing and bottling plant at Trivandrum. The plant is a gift of the U.S. Government made through the U.S. Technical Co-operation Mission in India to the Trivandrum District Co-operative Milk Supply Union. With a capacity to pasteurise and bottle 1,200 gallons a day, the plant is the first major milk processing unit to be installed in the State. It is estimated to cost Rs. 4,50,000. Efficient and hygienic handling of the milk is ensured through the different stages of processing. From the reception platform, the milk moves in large cans to the weighing stand by automatic conveyor, and then the cans are tipped into the pipe system leading to a 1,000 gallon storage tank. The cans, meanwhile, are collected and fed into an automatic can washer. The milk goes to the pasteuriser and cream separator. The pasteurised milk goes to the bottling unit, and the cream is passed on to another unit where a butter churner and a ghee boiler convert it to these products.

United Kingdom

Record Sales of British Electronic Equipment: Total home and overseas sales of British electronic capital goods last year were worth more than £57,000,000 — some £4,500,000 up on 1959, says the Electronic Engineering Association in an announcement in London. Exports, at £29,000,000 showed an increase of £4,384,000 over 1959, and accounted for more than half the total sales. In the four years 1957-60 sales of British electronic capital goods have risen by more than a third, and exports have increased by nearly a half. The rising sales of electronic computers — worth more than £8,000,000 last year — reflect their growing and widespread use. Since 1957, the electronic-computer industry has more than doubled its total sales, and almost trebled its exports, which last year were worth £2,301,000.

High Speed Packaging Machine: A cartoning machine designed to meet the needs of manufacturers of powders, soap flakes, cereals, garden fertilizers and other granular products will be among a score of machines to be shown by a U.K. engineering group at the International Packaging Exhibition to be held at Olympia, London, in September. The machine erects, glues, fills and seals cartons at speeds of up to 55 per minute. Special attachments such as automatic weighers, volumetric fillers and vibratory conveyors can be fitted, if required. Also on show will be machines for wrapping bakery products, sweets and cigarettes. For the sugar confectionery trade there will be a machine which provides a twist or sachet wrap for various types of sweets of irregular shape. Output of double and twist wraps is up to 450 a minute and sachet wraps 350 a minute. The machine can use cellulose film with or without under strip, wax paper or foil. All that is required for alteration of sweet sizes is a change of one feed plate.

Another machine for the confectionery trade is for the high speed foiling of soft-centred chocolates of varying shapes. It is fitted with an automatic belt in-

feed so that it can take chocolate direct from an enrober belt, thus avoiding handling. The cigarette packing machine is designed to assemble, fill and deliver the slide and shell type of cigarette packet. The cigarettes can be packed with or without an interior wrapper. A vane type cigarette feed is used with a gentle oscillating movement which enables the cigarettes to be counted and fed without damage. The model can be built to produce any size of packet to hold up to 25 cigarettes.

Howard and Bullough's Modernisation Scheme: One of Britain's leading textile machinery manufacturing companies, which has been exporting its products to India since the 1880's, has recently completed a £7,00,000 modernisation scheme embracing every department in its main works. The firm, Howard and Bullough Ltd. of Accrington, Lancashire, which is well over 100 years old and is now a member of Textile Machinery Makers — the largest group of its kind in the world — launched this ambitious programme at its main works 2½ years ago. The reconstruction, planned by the firm's own drawing office, was carried out in five phases without any loss to production time.

France

Franco-Swiss Trade: Swiss exports to France totalled 51.6 million Swiss francs in April. This is an increase of 7.4 million Swiss francs compared with April 1960 and represents 7.7 per cent of total Swiss exports. During the same period, French sales to Switzerland totalled 119.1 million Swiss francs compared with 92.4 million Swiss francs in April 1960. This represents 13.1 per cent of total Swiss imports. For the first four months of 1961, Swiss exports to France exceeded the figures recorded until now with 213.7 million Swiss francs (177.8 million Swiss francs in 1960). French imports into Switzerland totalled 472 million Swiss francs for the first four months of 1961 compared with 354.9 million Swiss francs for the first four months of 1960.

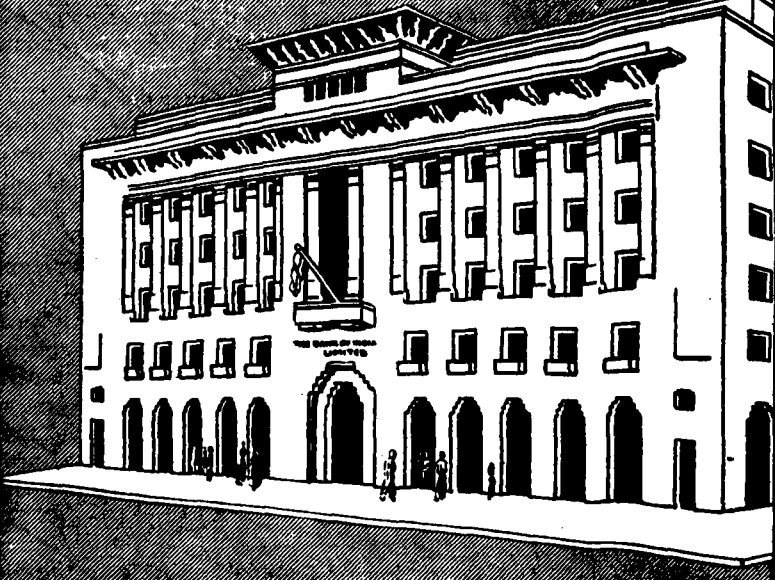
Ghana

New Fishing Industry: A string of 13 new fishing industries will go into operation in Ghana shortly as a result of the agreement signed between Ghana and the Soviet Union in Accra. The agreement provides for the selection of construction sites as well as the preparation of a memorandum for projecting a complex of fishing enterprises. A number of Russian technicians are expected to be engaged in the running of the enterprises. This is the second technical assistance agreement signed between Ghana and the Soviet Union.

Yugoslavia

New Ore Dressing Plant: A new ore-dressing plant was put into operation in Majdanpek, thus completing the second stage of reconstruction work in the Bor, East Yugoslav mining area, which will be ranked among the foremost world copper producers. The production process key points in this plant are followed up on television screens in a control booth com-

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T. D. KANSARA, General Manager

pletely outfitted for supervising copper deposits which have been originally estimated at 190,000,000 tons. However, recent prospecting raised this amount to 300,000,000 tons, sufficient for an estimated fifty-year exploitation. The new ore-dressing plant at Majdanpek, with an annual 25,000 tons output, is the major industrial project to have been put into operation in Yugoslavia this year. However, the capacity of the Bor smelting plants is to be expanded for another 25,000 tons by 1965. A sulphuric acid plant has been recently set up in Bor area.

Canada

Oral Polio Vaccine for India: In response to an appeal from the Director-General for Health Services for India, a shipment of 50,000 doses of Oral Polio Vaccine arrived by air from Canada in Bombay recently. It is part of a gift of 1,00,000 doses being made to the Government of India by Connaught Medical Research Laboratories, the well-known research institute in Canada associated with the University of Toronto. The vaccine is being put to immediate use in the State of Andhra Pradesh to complete a children's immunization programme begun several weeks ago to meet a threatened outbreak of polio in that area. Connaught Medical Research Laboratories, who are supplying this urgently required vaccine were closely associated with the programme which developed the now famous Salk Vaccine only a few years ago. They also produced a wide range of other vaccines and serums for the prevention of such diseases as diphtheria, rabies, small pox, typhoid fever and tetanus. Yet their most enduring claim to fame is the discovery of insulin for the treatment of diabetes.

Italy

Starfighter Production Agreement: Lockheed's California Division has reported signing of agreements with Italian Government and Industry officials establishing a super starfighter production programme in Italy. Italy last spring first revealed selection of the all-weather, multi-mission F-104 to re-equip its aerial defence force. Hundreds of the 1,500 m.p.h. fighters already are scheduled for production by manufacturers in Germany, the Netherlands and Belgium. The unprecedented project involves integrated production in all the four countries. Additional super-starfighters are scheduled for production in the United States, Canada and Japan. Although plans call for Italy to co-ordinate its manufacturing capabilities with the other European participants, a final assembly line is contemplated at the Fiat factory in Turin. Particularly close production co-ordination will exist between Italy and Belgium. Other Italian firms, besides Fiat, programmed to take part in the international production project are Aeronautica Macchi in Milan; Aefer in Naples; and Alfa Romeo, scheduled to participate in production of the F-104's J-79 engine in Milan under a General Electric Company license, probably with Fiat.

Norway

Import Surplus Up: According to figures issued by the Central Bureau of Statistics on Norwegian foreign trade in April 1961, the value of imports amounted to 841 million kroner (just over £42 million) and that of exports to 481 million kroner (just over £24 million). The figures for April last year were 764 and 488 million

kroner. (£38,200,000 and £24,400,000) respectively. The surplus of import of goods, excluding ships, was 361 million kroner (£18,050,000) in April this year, compared with 276 million kroner (£13,800,000) in April 1960.

*

Foreign Investment Establishes 120 New Companies:

It is reported that nearly 120 new companies were established through direct investment from abroad. The total capital of these companies amounts to 46.1 million kroner, equivalent to about £2,305,000, of which 27.7 million kroner (or £1,385,000) was invested by foreign shareholders. In addition, the foreign sources have contributed capital in other ways or granted loans which probably by far exceed the amount invested in shares. It is clear from these figures that businessmen abroad are interested in promoting industrial activity in Norway.

Mexico

Trade with Indonesia: Mexico may be able to expand its export trade with the Republic of Indonesia through the sale of two new product groups, steel pipes and paper and printed matter. There is also the possibility that the sales of cotton yarn and textiles to that market will increase to 400 million pesos in 1961. The above trade prospects are the result of the recent visit to Mexico of the President of Indonesia. 1960 exports of Mexican cotton yarn and cloth to Indonesia were of the value of 300 million pesos. One fact to be kept in mind in this respect is that the Indonesian market for foreign cotton textiles may dwindle to nothing in a year or two since important textile manufacturing installations are currently going up in the republic. If the steel pipe sales materialise, Mexico will very probably provide appropriate technical assistance to Indonesia.

Belgium

Exports of Linen Fabrics: Total production of linen fabrics in Belgium for the 12 months of 1960 amounted to 7,454 tons, as compared with 6,701 tons in 1959, an increase of 11.2 per cent. On the other hand, exports of Belgian linen fabrics during the same year came to 5,211 tons, as against 4,788 tons in 1959, an increase of 8.8 per cent. Of these totals, exports to the U.S.A. amounted to 3,670 tons, an increase of 6 per cent over 1959 (3,469 tons). This figure of 3,670 tons represents a hitherto unattained record.

World Bank

Loan for PICIC in Pakistan: The World Bank has made a loan equivalent to \$15 million to the Pakistan Industrial Credit and Investment Corporation Limited, (PICIC). Like two other Bank loans to PICIC aggregating \$14.2 million, this loan will be used to meet foreign exchange requirements of industrial enterprises financed by the Corporation. The Bank loan has no fixed schedule for payment and no fixed interest charge. Each part of the loan committed for a particular project will be repaid by semi-annual instalments according to a schedule to be determined at the time of the commitment. Interest will be applied to each portion of the loan at the Bank's current rate, when such portion is committed for one of PICIC's projects. The loan is guaranteed by the Government of Pakistan.

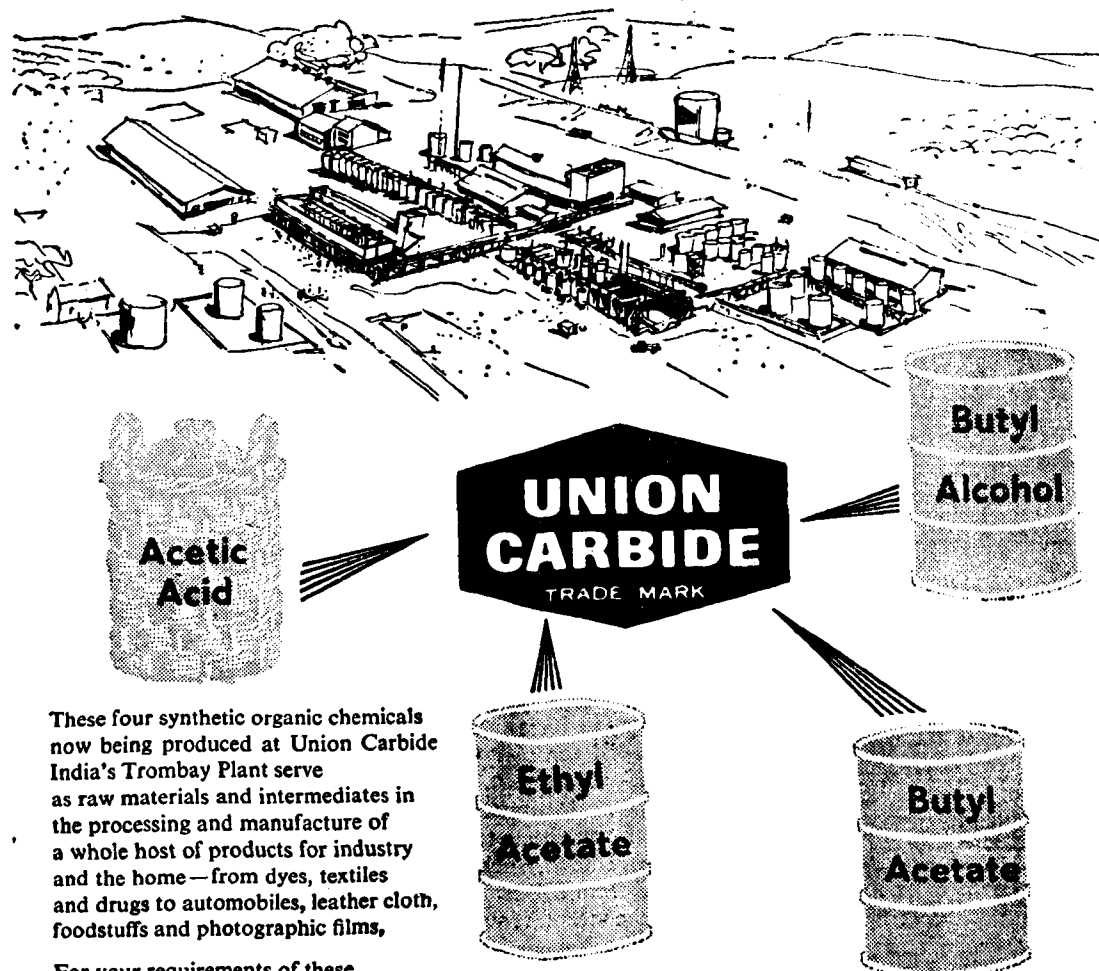
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NEWS IN BRIEF

INDIAN

Smokeless domestic fuel can be obtained from Neyveli lignite according to pilot plant studies carried out by the Lignite Project authorities.

The sugar mill machinery industry may now be considered to have been successfully established. It has achieved spectacular progress during the last five years and it has now reached a stage where it is now possible to meet the requirements of complete sugar factories for the whole country.

The National Shipping Board will review, at its next meeting to be held in Bombay on July 7, the general shipping tonnage position as well as the question of acquisition of additional ships for the coastal and overseas trade, particularly in view of the need for transporting an additional one million tons of coal on the coast and about eight million tons of foodgrains from the U.S.A.

Government is giving pig iron and steel at concessional prices for manufacture of goods which are exported. To ensure that only manufactured articles, and not merely pig iron or steel with a little processing, are exported Government have prescribed that the minimum value in the case of iron articles should be Rs. 400 per ton and the minimum value of steel articles Rs. 800 per ton.

Enormous potentialities for the cultivation of geranium, an important oil-bearing plant are indicated in a study carried out by the Essential Oils Research Committee of the Council of Scientific and Industrial Research.

The Tata Engineering and Locomotive Company Ltd. has been granted consent to the issue of 50,000, 5 per cent per annum debentures of Rs. 1,000 each, repayable on six months notice on or after 1st October, 1970, at the option of the company, but not later than September 30, 1975. The consent is valid for 12 months.

With the introduction of the three-monthly contract in bullion from June 26, in the Bombay Bullion Association, the Forward Markets Commission has relaxed the special margins payable by longs both in respect of gold and silver.

The President has given assent to the Lahaul and Spiti (State Aid to Industries) Regulation, 1961. The inhabitants of these areas will now be able to enjoy facilities provided under the Act in the shape of loans, subsidies, grants in aid etc. which are available to the people of all other parts of the State.

Under the First Plan, 14 national laboratories were established by the Council of Scientific and Industrial Research; under the Second Plan, nine more institutions have been established.

Provident Fund benefits were provided to 3.49 lakhs colliery workers during 1959-60 in Assam, West Bengal, Bihar, Madhya Pradesh, Orissa, Maharashtra, Gujarat, Andhra Pradesh and Rajasthan.

The Indian Standards Institution has prepared two draft standards prescribing methods for detection and estimation of damage to jute fabrics, jute yarn and cordages due to micro-organisms.

FOREIGN

Australia's wool exports dropped by £A51,300,000 in the first 11 months of the financial year, according to official figures released recently. The most significant fall was in exports to the U.K. Japan was again the best buyer.

Kaiser Aluminium and Chemical Corporation and a group of investors in Venezuela have organised a new company, Alumina Nacional S.A. (AL NASA) to establish the first aluminium foil production facilities in Venezuela.

Russia is to build more atomic-powered ships for peaceful purposes. The new programme would profit from experience gained with the Icebreaker Lenin (16,000 tons), which in 100 days of working at full capacity used only about six ounces of uranium.

A major expansion programme to cost £5 million over the next two years is to be carried out by Dunlop Japan at its Kobe and Nagoya factories. The plans include modernisation of existing works and the construction of new plant and buildings.

It is reported Ghana has banned the export of all Ghanaian produce to the Republic of South Africa and South-West Africa.

It is reported that the forthcoming \$25 million Argentine Government loan issue in Europe will be in the form of 12-year bonds at 6.5 per cent, not 7.5 per cent as had previously been believed.

The World Bank, with the participation of two private banks, has made a \$1½ million loan to British Guinea to provide the British Guinea Credit Corporation with additional resources for its lending programme, forestry, animal husbandry and fishing. The loan is for eight years and bears interest at 5½ per cent annually.

Construction work is about to begin on Israel's second crude oil refinery to be located at Eilat, the Finance Minister, Mr. Levo Eshkol, announced recently.

It is reported the U.S. will be associated with the British mission to the West Indies which is to discuss projects of special urgency.

The State-owned West German Railways are borrowing DM 100 million from the European Investment Bank—a specialised agency of the Common Market Organisation—to finance the electrification of a north-south trunk route.

Although world production of refined copper rose by 25,195 tons in May, stocks at the end of the month showed a decline of 18,075 tons.

The Norwegian Storting (Parliament) recently approved Norway's Kr. 69 million subsidy to the Scandinavian Airlines System for its refinancing scheme.

Special Article

DIFFERENTIALS IN ECONOMIC GROWTH: 1956-1976

THE Rockefeller Panel Reports highlighting the prospects for the U.S. over the next ten to fifteen years have now been published in one volume under the title "Prospect for America". The basic purpose of these reports was "to define the major problems and opportunities that will challenge the United States" and "to clarify the national purposes and objectives that must inspire and direct the meeting of such great challenges". The reports also attempted "to develop a framework of concepts and principles on which national policies and decisions can be soundly based."

More than one hundred distinguished Americans were requested to submit papers relating to these pressing problems and amongst the contributors may be named Mr. Chester Bowles, Mr. Arthur F. Burns, Mr. Dean Rusk and a number of other outstanding scholars. There were in all six panels which dealt with the following problems:

1. The Mid-Century Challenge of U.S. Foreign Policy
2. International Security: The Military Aspect
3. Foreign Economic Policy for the Twentieth Century
4. The Challenge to America: Its Economic and Social Aspects.
5. The Pursuit of Excellence: Education and the Future of America
6. The Power of the Democratic Idea

A report of major interest is the one dealing with the Foreign Economic Policy, with special reference to provocative statistical projections in economic growth upto 1976. In this report, an attempt has been made to project the population of the industrialised free world, the less industrialised free world and the communist countries to 1976 along with their growth in gross national product and per capita gross national product for 1956, 1966 and 1976. The results of their findings are set out in the table below.

The most striking fact brought out in this table is that the gap in the per capita gross national product between the industrialised free countries at 1159 dollars and the Communist countries at 312 dollars in 1956 is likely to widen in 1966 and 1976 instead of showing any signs of closing. While the difference between the per head G.N.P. of the industrialised free countries and the Communist countries was of the order of 847 dollars in 1956, it is estimated to increase to 1222 dollars per head in 1966 and to 1754 dollars per

head in 1976. It thus disproves the much publicised assertions of the Communist countries that they would soon overtake the industrialised free countries.

In terms of total gross national product as well, the Communist countries do not fare better. In 1956, the total gross national product of the Communist countries was about 38 per cent of the gross national product of the industrialised free world countries. According to the forecasts made by the panel, the gross national product of the Communist countries is likely to remain unchanged at 38 per cent of the industrialised free countries by 1976. These forecasts are based on an average rate of growth of 4.5 per cent per annum in the Communist countries and a similar rate for the free world industrial countries.

In the Communist countries, only the USSR has risen in the past at an average rate of 6 per cent per annum, but the satellites are estimated to have grown at not more than 3 per cent and Red China at not more than 2 per cent per annum giving an average of 4.5 per cent per annum for the entire bloc. The degree of variation in economic growth between the USA and the other industrialised nations in the free world is not very wide. Whereas the United States of America rose steadily at the rate of 4 per cent per annum, the other free world countries rose in the past at 5 per cent per annum. On the basis of these figures, it has been estimated that the free world industrialised countries will rise at an average rate of 4.5 per cent.

The fact that the report was published in 1958 and had based all its forecasts on the year 1956 does not alter the argument even when the trends during the last 4 years are taken into consideration. The fresh data in regard to population and rate of economic growth in all these countries has been utilised by the Research Section of "The Eastern Economist" so as to make fresh estimates of economic growth in these three regions during the last decade and new forecasts have been spelt out. It has been observed that in the case of the free world industrialised countries, there has been witnessed some slowing down in the case of the United States of America in particular; the overall rate of growth turned out to be 3.3 per cent per annum between 1950 to 1959 instead of the 4 per cent assumed in the calculations of the Panel. There is not much change in the case of other countries. Amongst the Communist countries China has proclaimed a rate of growth of 12 per cent per annum but because of the frequent violent revisions in its figures of agricultural output, in particular, some doubt has been cast on the

Area	Population (Mill.)			Total GNP (\$billions)			Per Capita GNP (dollars)		
	1956	1966	1976	1956	1966	1976	1956	1966	1976
Industrialised Free Countries	640	696	761	742	1152	1789	1159	1655	2351
Less Industrialised Free Countries	1132	1278	1451	134	172	220	118	135	152
Communist bloc	910	1018	1148	284	441	685	312	433	597

ASSUMPTIONS: GNP grows 4.5 per cent in the free world industrial countries, 2.5 per cent in less industrialised Free countries; and 4.5 per cent in the Communist bloc.

accuracy of their publicised figures and, therefore, much reliance cannot be placed on them. The new set of forecasts which emerged out of these revised considerations are set out in the table alongside. It will be seen that the argument in regard to the widening gap in the living standard between the Communist countries and the industrialised free countries of the world still stands and there seems to be no possibility of the Communist countries overtaking the industrialised free countries of the world by 1976 in terms of the standard of living.

While the less industrialised free countries of the world also are likely to improve their standard of living substantially by 1976, the hiatus between the industrialised and the less industrialised countries tends to widen at a much faster rate than the gap between the Communist and the industrialised free countries. Even when massive international capital is injected into the economies of these under-developed countries both through private and public agencies, it is not possible to accelerate the rate of growth in these areas which may come anywhere near the rates attained by the advanced nations. As the report states "these economies cannot be turned upside down overnight without creating stresses and strains. Any attempt to raise the rate of investment in the less developed areas by massive international loans or grants would very likely prove disruptive if attempted in too brief a period". Thus, the urgency of accelerating the processes of economic growth in the underdeveloped countries is stressed but it is believed that because of inherent difficulties, the rate of growth cannot be propelled so as to match the level prevailing in the advanced countries.

'THE EASTERN ECONOMIST' PROJECTIONS OF WORLD POPULATION & G.N.P.

1956-1976

	1956	1966	1976
Population (In Millions)			
Industrialised Free Countries	640	696	761
Less Industrialised Free Countries	1132	1278	1451
Communist bloc	910	1018	1148
G.N.P. (\$ Billions)			
Industrialised Free Countries	742	1109	1658
Less Industrialised Free Countries	134	189	267
Communist bloc	284	441	685
Per Capita G.N.P. (\$)			
Industrialised Free Countries	1159	1593	2179
Less Industrialised Free Countries	118	148	184
Communist bloc	312	433	597

ANNOUNCEMENT

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**THE
BUSINESS WORLD****Oilseeds Can Make It Too**

By CROESUS

ALTHOUGH reasonably higher targets have been set for agricultural products generally, in the Third Five-Year Plan, the oilseeds have been given only a slight increase of just two lakh tons over the Second Plan target of 95 lakh tons. Needless to say, the Third Plan target appreciably falls short of the target of 115 lakh tons proposed by the Bombay Oil Seeds and Oils Exchange Ltd. It is not that the B.O.O.E. is not aware of the absence of any fresh land that could be brought under cultivation for the purpose. But even while realising this, as Mr. Kilachand Ramdas, the President, observed in the course of his speech at its 34th General Body Meeting of that body last week, the association has felt it necessary to reiterate that, although there is not much scope to bring new land under the plough, the production of oilseeds could be increased by intensive cultivation as well as by scientific farming. What scope there is for doing so becomes obvious if note is taken of the fact that the per acre yield of oilseeds in this country is very much below that of other countries. Thus, our yield per acre stood at 645 lbs. in 1959-60 while in China it was 1401 lbs., in Brazil 1,137 lbs., in Nigeria 1,003 lbs. and in the USA 1,002 lbs.

There will always be serious differences of view on the question whether oilseeds deserve so much attention, especially vis-a-vis foodgrains. But even the protagonists of more foodgrains cannot object to more oilseeds being raised so long as the latter do not encroach upon the area under the former i.e. foodgrains. As any keen student of Indian agriculture knows, the conflict between food crops and cash crops is more a bogey than a reality, although interested parties may present the case in their own way to create such an impression. It is a pity that, in the bargain cash crops do not appear to be receiving a fair deal and this at a time when India needs to export as much as possible of every commodity that she can raise to rectify her balance of payments position.

True, the timely offer of aid by the Aid

India Club and the World Bank has enabled us to hope that we shall steer through our foreign exchange difficulties, but this cannot, and ought not, be a permanent 'dues ex machina'. Any long-term solution of our balance of payments difficulties must be found only in an all-out export drive. Given the chance, oilseeds could make their contribution, a sizeable contribution at that, even as other commodities have been able to make through their respective export promotion councils. Possibly, the absence of such a body in the case of oilseeds explains why the export position of oilseeds, oils and oilcakes has more or less remained static in recent years. Mr. Ramdas had ample justification, therefore, to characterise it as unfortunate that despite its repeated requests, the oilseeds interests had not succeeded in having an export promotion council of their own. The establishment of such a council will undoubtedly be of great use not only for detailed discussions of the trade's problems and constructive suggestions for their solution but also for a studied and concerted drive for promoting exports of oilseeds.

As in the matter of setting up an export promotion council for oilseeds and oils, the Government has yet to evolve a consistent policy towards exports of groundnut oil and salad oils. As Mr. Ramdas disclosed, the Government's experiments—by inviting tenders for export of groundnut oil and salad oils or making it obligatory on the importers of cassia, mace, cinnamon etc. to export groundnut oil against their imports—have not been successful. Similarly, the recent incentive scheme in regard to the export of cottonseed cake and vanaspathi were offered only to the manufacturers. According to Mr. Ramdas, this should be given to the exporters also. In the same context, the B.O.O.E. President further suggested that the Government of India also should adopt the methods followed by the advanced countries such as Japan and West Germany, namely relief in income-tax and super-tax on profits earned from export trade, foreign exchange retention scheme etc.

Business Notes**Industrial Finance****STATE FINANCE CORPORATION**

WITH THE rising tempo of industrialisation in the country there is an urgent need for institutional agencies to provide immediate as well as long term finance to industrial units — especially in less industrialised parts of the country. In fact, the commercial banks have been increasingly advancing money to industrial undertakings and between 1950 and 1960 the advances of the scheduled banks have increased by Rs. 650 crores, out of which Rs. 381 crores on account of industry. In 1950, scheduled bank advances to industry constituted nearly 32 per cent of the total. This percentage has

increased to 47.4 by the middle of 1960. The requirement of finance for industry increased at such a rapid speed that more similar institutions like Industrial Finance Corporation of India and Industrial Credit and Investment Corporation of India Ltd. have come into existence. The role played by the State Finance Corporations is peculiar in the sense that being in direct touch with the respective regions they can look into various industrial avenues to be exploited profitably.

Annual reports of three Finance Corporations in Mysore, Madhya Pradesh and Maharashtra States reveal that these Corporations are increasingly widening their spheres of activity. Increasing number of applications is being received and generally the Corpora-

tions examine the schemes in details on their respective merits and weigh the possibilities of success or failure on the basis of data submitted by the applicants. The corporations also take reasonable amount of risk because the purpose of their being constituted is to promote rapid industrialisation. Mr. Purushottam Kanji of the Bombay State Financial Corporation, for instance, indicated that if the Corporations were to adopt the same lines as the ones which make profits they would have failed in the very purpose for which they have been constituted. The Corporations, he added, should support and, if necessary, stand by the industrial units in times of need without fear of reproach.

The loans sanctioned by the Bombay State Financial Corporation during the financial year ended March 31, 1961 add up to Rs. 176.2 lakhs to 126 applicants. Of these 28 applications were sanctioned for new projects proposed to be taken up by existing concerns, 37 applications for setting up of new concerns and 61 applications for completing the programmes for expansion. Special care was taken by the Corporation to give credit to small scale producers.

Ever since May 1, 1960 when Bombay State was divided into Gujarat and Maharashtra, a new Corporation was constituted for Gujarat and the Bombay State Finance Corporation has been dealing with new applications from Maharashtra region only. There are certain parts of the State where adequate facilities for industrial undertakings did not exist. The Corporation has given special preference to the producers from these parts. It seems enough care has been taken to give loans to a diverse number of industries. The recipients include the manufacturers of chemicals, metal products, electrical machinery, textiles, engineering goods, paper and paper products, basic metals, food manufactures, rubber products and transport equipment.

The Madhya Pradesh Financial Corporation received 54 applications during the financial year ended March 31, 1961. Out of these and 18 brought forward from the previous year, 32 applications for a loan of Rs. 37.48 lakhs were sanctioned. Compared to the previous year, it was a fairly good record. Total loans sanctioned since the inception of the Corporation till the end of the year under review came to nearly Rs. 124.3 lakhs. Looking to the special needs of the small industries and medium industries, which are coming up, the Corporation decided to reduce the minimum amount of loan from Rs. 20,000 to Rs. 10,000. In this way units with small capital and modest schemes could approach the Corporation.

The Mysore State Finance Corporation received 60 applications for financial assistance of the order of Rs. 86.5 lakhs. The Corporation dealt with 91 applications including those pending from the previous year and sanctioned loans to 21 applicants to the extent of Rs. 43.5 lakhs. The chairman has indicated that the applicants did not furnish full information which resulted in unnecessary delay. The corporation has therefore printed a brochure for the guidance of the applicants. The industries which benefited by loan received from the Corporation include textiles, tile factories, metal engineering works etc. It seems that these Corporations are doing a major work by encouraging small and medium scale units engaged in a variety of industries.

Trade

AUSTRALIA'S FLOATING FAIR

THE EXPERIENCE of India's first floating fair, even after all the elaborate preparations that preceded it, cannot be said to have been very happy. But this does not mean that the idea has nothing to commend itself. Indeed, after seeing the floating fair that the Australian

Trade Mission has brought to India, one's faith in floating fairs as an effective means of fostering trade relations ought to be revived, if not increased. Also the way in which the floating fair was organised on board the M. V. Straat Banka, which was not after all a very huge vessel, should be an eye-opener to those in our country who may be contemplating a similar venture again in future.

The Australian floating fair certainly evoked considerable interest, thanks to the elaborate advance arrangements made by the representatives in India of the Australian Government. Besides carrying many exhibits, the M. V. Straat Banka had on board a number of leading industrialists who wanted to establish—and, according to reports, succeeded in establishing—preliminary contacts with Indian businessmen and explore opportunities of promoting trade with Australia. According to Mr. A. P. Whittington, Leader of the Trade Mission, the primary object of the Mission was to “further even more strongly two-way trade, and weld the bonds of friendship and cultural understanding which already exist between Australia and its northern neighbours.” At the same time, the Mission must have wanted to give a concrete demonstration, through the floating fair, of the extent to which Australia has advanced industrially and could help India and other countries of South-East Asia in their respective programmes of national development by supplying raw materials as well as heavy electrical and agricultural equipment.

The several exhibits—there were 115 of them—on the ship reflected the wide range of Australian primary and secondary industries, and included a number of interesting items from a carton-filling machine for liquids to power line switch-gear with live line testing and operating equipment. Our country has been exporting to Australia mainly hessian and other allied products, while, in return, we are importing wheat, pulses, milk and wool tops, among others. Mr. Whittington stated that our exports to Australia exceed our imports from that country by 50 per cent which has created an imbalance in trade, an imbalance which Australia is naturally anxious to rectify not only by increasing its traditional exports to India but also by seeking avenues for other items. Along with this, he said, his country wanted to collaborate with India in the pharmaceutical, chemical and processing building material fields, as also in the textile field, if possible. It is to be hoped that the visit of the Australian Trade Mission ship has not only created a tremendous amount of goodwill, but has also helped in laying the foundation stone for increased trade between the two countries, as was claimed by the Leader of the Trade Mission and the Union Minister for Commerce, Mr. Nityanand Kanungo, who specially came down to Bombay to welcome the Trade Mission.

New Issues

UNITED WIRE ROPES' OFFER

THE UNITED WIRE ROPES LTD. proposes to raise fresh capital to the tune of Rs. 54,08,000. The Company has an authorised capital of Rs. 1,00,00,000, of which capital worth Rs. 55,42,000 has already been issued and subscribed. Of the new issue, shares worth Rs. 17,08,000 will be taken up by the promoters, directors, their friends and associates, and capital worth Rs. 10 lakhs has been agreed to be subscribed by the Life Insurance Corporation. The remaining capital of Rs. 27,50,000 is being offered, at par, for public subscription in the form of 22,500 ordinary shares of Rs. 100 each and 5,000, 9.5 per cent cumulative redeemable preference shares, also of Rs. 100 each. The preference shares will be free of company's income-tax, but subject to deduction of taxes at source at the prescribed rates. The subscription list

opens on July 17 and will close on July 24 or earlier at the discretion of the company, but not before July 19.

The United Wire Ropes Ltd. was incorporated in October last for carrying on various business activities, particularly the manufacture of steel wires and wire ropes (both black and galvanized). The company proposes to locate its plant at Thana near Bombay. The initial capacity of the plant will be 3,600 tons per annum. The total capital outlay to set up the factory and the working capital required to run it are estimated to require Rs. 97 lakhs. The capital outlay and the working capital is proposed to be drawn from the following sources: Rs. 45 lakhs from equity capital; Rs. 10 lakhs from preference capital; Rs. 30 lakhs — the foreign exchange component — through loan from the Industrial Credit and Investment Corporation of India; Rs. 12 lakhs through loans from the company's bankers and from other unspecified sources.

Technical collaboration for this project has been secured from Messrs. Lepage Consulting Engineers of Antwerp (Belgium) who will also train the company's technicians both in Europe and in India. A sum of Rs. 688,475 will be paid to the technical consultants for their services. Seventy per cent of this remuneration will be invested by the technical collaborators in the equity capital of the Indian company.

In the developing Indian economy, the company's products should have a ready market. The share offer can be expected to evoke good response from the public.

SHRI VALLABH GLASS

THE SUBSCRIPTION list of Shri Vallabh Glass's Rs. 37.25 lakhs equity issue, offered to public at par, which opened on July 5, will close on July 15 or earlier at the discretion of the directors of the company, but not before July 8. The entire issue has been underwritten by the Central Bank of India and the Bank of Baroda. The company proposes to manufacture wired and sheet glass which is not at present manufactured in the country. The plant for this purpose will be set up at Anand in Gujarat and will be the first of its kind in India. At present the company is processing the famous tuff toughened safety glass which is widely used by the automobile manufacturers, bus body builders, and State transport and P.W.D. vehicles. The capacity of the Andheri plant which will consume a substantial part of the sheet glass production of the proposed Anand plant is also to be increased three-fold.

For the supply of machinery and technical know-how the company has entered into negotiations with Messrs. Induicofen and Maschinen G.M.B.H. Garmisch Partenkirchen, West Germany. It has been agreed that this foreign firm will assist the company in the manufacture of sheet glass and wired glass and design the lay-out of the plant. It has also been agreed that the theoretical and practical training of qualified persons of the company with regard to the manufacture of glass will also be arranged by this firm.

So far as foreign exchange for the import of machinery and capital equipment is concerned, the Industrial Credit and Investment Corporation of India has agreed in principle, subject to the approval of the International Bank for Reconstruction and Development, to lend to the company an amount in the foreign currencies to the extent of Rs. 37,19,000. The demand for sheet glass will obviously be considerable during the Third Plan period. The company hopes to meet fully Western India's demand where the plant has been set up.

Insurance

PROBLEMS FACING GENERAL INSURANCE

MR. AMBALAL KILACHAND, who in the absence of Mr. Tulsidas Kilachand presided over the 18th annual general meeting of the shareholders of the New Great

Insurance Company, pinpointed some of the problems faced by the general insurance industry. He expressed dissatisfaction with various regulations governing the industry and called for a wholesale review of the present Insurance Act. He pleaded for the removal of certain provisions in the Act such as restrictions on payment of commission and wanted it to be replaced by a simplified legislation more or less on the pattern of the U.K. legislation. Mr. Ambalal also urged re-examination of the Section 40C of the Act and Rule 17E of the Insurance Rules pertaining to the quantum of allowable expenses which were fixed over 10 years ago when cost of living was very much lower. The formula governing the expenditure to be allowed should be made more flexible, he said.

Dealing with the Insurance Amendment Act, Mr. Ambalal reiterated that as the main object for which the amending Act was passed was to conserve and earn foreign exchange and to make good to the companies the reduction in reciprocity, the India Reinsurance Corporation and the Indian Guarantee and General Insurance Company should concentrate mostly on brining to the Indian market an increasing volume of profitable business from abroad.

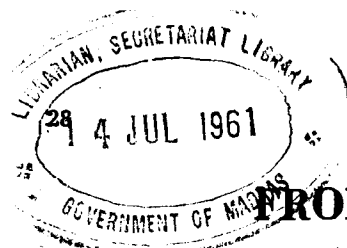
Dwelling upon the working of the company in 1960, Mr. Ambalal stated that the company earned a gross direct premium of Rs. 48,14,879 from fire business, Rs. 37,24,835 from miscellaneous insurance and Rs. 38,20,963 from marine business. The net premiums received were Rs. 42,24,023, Rs. 31,99,405 and Rs. 19,50,504 respectively. After providing for all expenses and making suitable allocation to the reserve fund, the net amount remaining to the credit of the Profit and Loss Account was Rs. 32,076.

Travancore Cements

THE PROBLEM OF COSTS

THE FACT that the cement industry was facing a problem of increasing costs was highlighted by Mr. C. S. Loganathan, Chairman of the Travancore Cements Limited, in his speech delivered at the annual general meeting of the Company recently. One major factor contributing to higher costs was the costlier coal transported by steamers because the entire requirements of coal by rail were not available to the Company. During 1960, the Chairman added, due to serious problem posed by the unsatisfactory coal supply position, the Company was forced to operate for more than half the time with furnace oil. If the entire requirements of coal by rail could be available and thereby the Company could avoid the use of fuel oil and sea-borne coal, he pointed out, there could have been an additional profit of Rs. 2 lakhs for the Company.

Another important factor that effected the cost of cement was the rising cost of packing materials. While the cost of naked cement was usually revised once in three years, the cost of packing payable to the producers was revised once in three months, based on the actual cost of gunnies. The Chairman pointed out that when the price of gunnies shot up by 60 per cent from the fourth quarter of 1960, the Government found it impossible to accommodate the increase within the then existing destination price and it was not possible for the industry also to run without an enhanced packing allowance. Although the Government permitted the producers to use second-hand bags upto the middle of 1961, the Company had to bear higher cost than permitted by the Government because the producers did not have sufficient supply of second-hand bags. The Company has, however, submitted all the facts to the Tariff Commission in respect of cost of production and it is quite likely that the prices will be revised so that cement companies find it worthwhile to expand their production capacity.



FROM THE CAPITAL'S CORRIDORS

OIL IN THE PUBLIC SECTOR

MR. K.D. Malaviya, the Union Minister for Oil, disclosed here on Tuesday that his Ministry was drawing up plans for the reorganisation of the Oil and Natural Gas Commission with a view to give it greater autonomy and to run it on sound business lines. The Commission, he added, had already some autonomy by virtue of its being a statutory body, but further measures were needed in this direction to make it more efficient and expeditious in its operations. A bill to amend the ONGC statute is likely to be brought before Parliament during its Monsoon Session starting on August 7.

Mr. Malaviya also disclosed that there were plans to integrate the operations of all the public sector undertakings dealing with oil, namely, the Oil and Natural Gas Commission, the Indian Refineries Ltd., the Indian Oil Company Ltd., etc. Details of this integration programme have not yet been finalised. Probably, there will be an apex body at the helm of affairs of all the various oil-managing units in the public sector. A beginning towards this end has already been made with the nomination of the Chairman of the Indian Refineries Ltd., as a member of the ONGC. The integration of the various public sector oil undertakings, it is felt, will not only result in appreciable economy in expenditure, but also step up the pace of development of the oil industry in the country.

Mr. Malaviya also dwelt upon the prospects of building up petro-chemical industries in India. He expressed the opinion that petro-chemical industries should be set up as a large, concentrated complex which could utilise all the by-products from oil at one place and not in small stray units. The public sector, the Minister added, will have to play a dominant role in the development of petro-chemical industries, but the private sector will also have its due share in the building up of the overall complex. The development of the petro-chemical industries in the public sector is envisaged to be integrated with the exploration, refining and distribution of oil.

Mr. Malaviya described his recent tour of the Continent as a "useful one". But he was reticent to say anything about the outcome of his negotiations with the ENI and the French Petroleum Institute for collaboration in India's oil exploration programme. He said he had first to report to the Prime Minister. Only after he had done so, he could say anything on this subject. He, however, indicated that there was every likelihood of an ENI team visiting India in the near future.

A French expert is also expected here shortly to explain to the Government of India and to exchange views with it on building up of a large petro-chemical industry complex in this country.

The 2-million ton refinery to be set up at Koyali, about 10 miles from Baroda, to process the Cambay, Ankleshwar and Kalol crude, the Minister stated, will be under the charge of the ONGC and not under the control of the Indian Refineries Ltd., which will look after only the Nunmati and Barauni refineries. This decision, he explained, had been taken due to the insistence of the Oil and Natural Gas Commission to own the refinery so that it could meet its losses in oil exploration from refining operations.

THE THIRD PLAN

The Third Five-Year Plan has reached the printing stage. It is expected to be published early in August.

Few chapters in the final draft have undergone so many changes in their content and presentation as the chapter on "Objectives of the Plan". This chapter, it is understood, has been re-written by the Prime Minister himself and sets forth not only the objectives which are to be achieved under this Plan, but also the various safeguards which have to be taken while achieving these aims.

Agriculture, the chapter says, has necessarily to be given the first priority. But the growth of the industrial sector has also to be fostered at a rate faster than hitherto. The interdependence of agriculture and industry is greatly stressed in the chapter. Public sector, it says, has to be expanded further particularly in the fields of heavy, machine-making and other industries of basic and strategic importance. State trading is envisaged to be resorted to on an increasing scale in consonance with the requirements of the economy.

Though large areas of development are assigned to the private sector, care will be taken to see that the expansion in the private sector does not lead to concentration of economic power in a few hands. The tendency towards concentration of economic power in the hands of a smaller number of individuals and business houses is envisaged to be encountered in various ways. The more important among them are: (1) Extension of the public sector into fields requiring the establishment of large-scale units and heavy investments; (2) opening up of opportunities for new entrants in the industrial field; (3) Development of small-scale and medium-scale industries on co-operative lines; and (4) Effective exercise of Government's powers of control and regulation—directly through the Industries (Development and Regulation) Act and indirectly through changes in fiscal policy.

In a growing economy, it is pointed out in the chapter, high incomes quite frequently are due to accrual of capital gains, to trading and speculative profits and to pre-requisites of one kind or another which are permitted by law. The tax system is proposed to be tightened up to enable the State to have its due share in capital gains and trading profits.

I.F.C.'S WORKING

Mr. K. R. K. Menon, on the eve of his relinquishing the office of the Chairman of the Industrial Finance Corporation, disclosed at a press conference here last week that the Corporation had under "active consideration" two proposals in regard to its lending operations. The first proposal related to conversion of a part or whole of the loans granted by the Corporation to the various industrial undertakings into share capital of the loanee companies. A decision on this is expected to be taken in about a month's time.

The second proposal which the Industrial Finance Corporation has under consideration is that, in future, besides charging the normal rate of interest, the I.F.C. may ask for some share in profits of the loanee companies. Such a participatory scheme, Mr. Menon explained, was prevalent in various underdeveloped countries, such as Brazil and Chile, and even in some advanced countries, notably the United Kingdom. A decision on this proposal is likely to be taken before September.

Mr. Menon also told the press conference that the Corporation had approached the Government of India to allow it to raise its capital by Rs. 2 crores—from Rs. 5 crores to Rs. 7 crores. The Government of India,

it is understood, has acceded to this request. The Corporation has an authorised capital of Rs. 10 crores.

To provide foreign exchange to the loanee companies, the Corporation, Mr. Menon disclosed, has approached the Development Loan Fund for a fresh loan of \$20 million. The D.L.F.'s first loan of \$10 million has been practically used up. The interest to be paid by the Industrial Finance Corporation to the Development Loan Fund on this fresh loan will be the same as on the previous one i.e. 5 per cent per annum. The Corporation, however, will be charging on the loans granted by it out of the D.L.F. funds an interest at the rate of 8½ per cent.

Reviewing the working of the Corporation during the year ended June 30, 1961, Mr. Menon said that the Corporation had made tremendous progress during the course of this year; it had sanctioned loans totalling Rs. 21.21 crores, given deferred payment guarantees to the tune of Rs. 13.29 crores and underwritten share capitals of various industrial units to the extent of Rs. 2.33 crores. Compared to the previous year's figures of Rs. 17.92 crores, Rs. 7.87 crores and Rs. 25 lakhs respectively, the 1960-61 figures undoubtedly represent a sizeable improvement.

The Corporation during the year just ended received 76 applications for loans, 14 applications for deferred payment guarantees and 28 applications for underwriting. Of these, 57 applications for loans, 9 applications for deferred payment guarantees and 12 applications for underwriting were approved by the Corporation. During the year 1959-60, the Corporation had received 38 applications for loans, 7 applications for deferred payment guarantees and 14 applications for underwriting. Of these, 29 applications for loans, 6 applications for deferred payment guarantees and 2 applications for underwriting had been approved.

The total loans given by the Corporation since its inception in 1948 upto June 30, 1961, amounted to Rs. 105.82 crores. Deferred payments guarantees given by the Corporation during all these years amount to Rs. 25.47 crores and underwriting to Rs. 4.20 crores.

Mr. Menon said the repayment of the loans advanced by the I.F.C. had been remarkably prompt. The default ratio had gone down progressively and was now very small.

The loans sanctioned by the I.F.C. during the year 1960-61 were distributed amongst the various industries in the following manner:

(Rs. crores)	
Industry	Amount
Co-operative sugar factories	4.65
Paper	3.50
Ceramics and Glass (including refractories and brick making)	2.42
Chemicals	1.49
Cotton textiles	2.16
Mechanical engineering	0.82
Electrical engineering	0.55
Metallurgical (non-ferrous metals)	1.30
Mining	0.20
Iron and steel	0.60
Plywood	0.81
Hotel	0.19
Miscellaneous	2.52
TOTAL	21.21

I.D.A. LOAN FOR ROADS DEVELOPMENT

The \$60 million credit extended by the International Development Association for development of roads in India will eliminate some of the major deficiencies in the national highways system. All the works for which this loan is to be utilised are located in the Gangetic plain in north India and in the coastal areas around Calcutta and Bombay where the density of population is the highest and which account for 40 per cent of the country's total vehicular registration.

The programme includes the following projects:

Calcutta Region: The congested approaches from the two main roads into Calcutta are to be completely relocated outside the thickly populated suburban areas. A new access is to be opened from their points of junction at Joypurbeel to Vivekananda Bridge into Calcutta and supplementary works are to be undertaken to provide improved connections between Calcutta and the neighbouring industrial centres. A new highway will be built to serve the coastal areas of West Bengal which upto now have been without road connections with Calcutta, and to link Calcutta with the rapidly growing industrial centres of Jamshedpur and Ranchi. A new road is also to be built from Calcutta to Cuttack in Orissa State. This road will fill in the missing link with the east coast highway running south from Calcutta through Madras. It will cross the under-developed areas where one of the retarding factors has been the absence of adequate trunk roads.

(2) Bihar Region: A bridge is envisaged to be constructed over the Sone river. This bridge will fill in the one remaining gap in the grand trunk road which runs from Calcutta westwards all the way across northern India. In north Bihar, the works to be completed during the Third Plan period include two new roads under construction in a densely populated area which, until a bridge was built over the Ganges two years ago, was entirely cut off from direct communications southward to the rest of the country.

(3) Bombay Region: Two roads are to be built in and around Bombay to relieve serious traffic congestion. One of them will be an expressway running east out of the city and the other will provide a new connection north along the coast towards Ahmedabad, opening in the immediate vicinity of Bombay a new area for industrial and agricultural development. In view of the traffic congestion in downtown Bombay, a small part of the I.D.A. credit is envisaged to be utilised for conducting a study into this problem by foreign consultants.

The Joypurbeel-Vivekananda access road into Calcutta and the eastern expressway at Bombay will be four-lane highways. All the other roads will be two-lane.

U.S. ASSISTANCE FOR POWER PROJECTS

Professor John Kenneth Galbraith, the U.S. Ambassador in India, after his first visit to the Bhakra Dam, has stated that the United States will increase its assistance for India's power projects included in the Third Five-Year Plan. The U.S.A. has upto now given assistance totalling \$486.6 million (Rs. 231.6 crores) for development of power resources in this country. This sum includes both dollar and rupee loans as well as grants.

Eight projects, with a total installed capacity of about 1.2 million KW., are being financed entirely by the United States. There are another 13 projects, having a total installed capacity of over 1.6 million KW., which are being partly financed by the U.S.A. The

former category includes the thermal power projects of Chandrapura, Durgapur, Barauni and Talcher and the hydro-electric projects of Barapani and Saravathi (Stage II). The latter category includes the thermal power project of Delhi and the hydro-electric power projects of Rihand, Chambal and Hirakud.

INDO-ITALIAN ECONOMIC CO-OPERATION

The Nityanand Kanungo Mission, which recently visited Italy, has made a very useful report to the Government of India. The Mission has found two major difficulties in the way of large-scale Indo-Italian collaboration for the development of chemical, engineering and machine-making industries in India. There was, the Mission says, a continuous imbalance in trade between the two countries, which, in the absence of any suitable alternative long-term arrangements, presented a serious impediment to greater economic co-operation. *Pari-passu*, India has not yet made any serious attempt to create the requisite climate for sympathetic understanding of the Indian economic situation by the Italians.

The Indian Mission, however, made it clear that situated as India was vis-a-vis foreign exchange resources, it would be next to impossible to continue even the existing level of imports from Italy, unless some long-term arrangements were made. Italians were equally candid. While the legislation for deferred payment facilities, at present under discussion by the Italian Parliament, could slightly ease the situation, there was little possibility of Italy extending any long-term credit to India.

So far as private investments were concerned, it was difficult for Italy to break away from certain countries of Europe, Latin America and North Africa. There could, however, be some investment by the war-created and State-controlled IRI. This is a Government controlled organisation. During the depression and banking crisis in Italy during the 1930s, the Government extended financial assistance to several industrial and banking units, which were in difficulties and whose stability was essential to the economy. This was achieved by State participation in the capital structure of the individual units, the extent of participation ranging from dominant majority to minority. The structure of the companies and internal management were not altered. Connected units of industries were brought together under different groups, for purposes of financial guidance. There are several such group companies. Finsider (Fin indicating financial) controls the State steel units, which account for a substantial portion of steel production in Italy. Finmeccanica, dealing with mechanical industries (which includes the Alfa Romeo automobile factory); Finelctrica, dealing with electrical industries; and Fincantieri, dealing with shipyards are among the others which include also certain non-industrial groups, such as Finmare, dealing with shipping; Alitalia Airways; telephones; and radio and television. These group companies are, in turn, under a single holding company, the Institute for Industrial Reconstruction (IRI), which deals directly with the banking companies in which it has interest. The ENI group, dealing with oil, gas and petrochemicals, and the State Railways are outside the IRI. Governmental guidance is secured by the Ministry of State participation.

The Mission made a specific request to the Director-General of Foreign Trade and the officials of the Italian Government to use their good offices to induce IRI and its subsidiaries to consider possibilities of collaboration and investment in India. The fields in which the IRI group of industries are engaged, such as heavy machinery, electrical machinery, machine tools, marine

engines, compressors, etc., are exactly those having particular significance to India's developing economy, whether in the public or in the private sector. The Mission is of the view that the matter should be further pursued at Governmental level.

AGGRESSIVE SALESMANSHIP WANTED

An important step for encouraging greater collaboration and investment is the need to finalise the double taxation relief agreement with Italy at an early date, it is urged.

On the trade side, the Mission has recommended the establishment of joint bureaux at important centres like Milan, Rome, Bombay and Calcutta, with the co-operation of the respective Federations of Industry and Commerce of Italy and India. The Mission, in this connection, repeatedly heard from Italian importers and institutions that, apart from the question of price and quality, Indian exports to Italy did not pick up mainly because Indian exporters had not shown the necessary degree of aggressiveness as compared to other countries. This was particularly mentioned in regard to tea. The Mission was told that to the extent that Italy imported tea, Ceylon tea found a better market in Italy mainly because of the better publicity and salesmanship.

Another point made by some Italian importers is that the supply of certain commodities from India had been on somewhat sporadic basis, and was not on a sustained and adequate scale. The Mission also gained the impression that there was scope for Italian industry purchasing semi-finished items from India such as castings etc., especially where there was also collaboration between the Italian and Indian parties. Here again, much would depend on the initiative that the Indian exporter was prepared to take in regard to the survey of the market and specific needs of the consumer.

Italians showed a sort of weakness for barter and link deals and the Mission, in its report, has suggested that such deals should not be ruled out of consideration by the Government.

MANUFACTURE OF TRACTORS

Production of agricultural tractors and attached implements, which was of the order of about Rs. 10 lakhs in 1960, is expected to go up to Rs. 20 crores by 1965-66. The demand for agricultural tractors by the end of the Third Plan is estimated at 10,000 numbers—3,000 numbers of 12/18 DBHP, 5,500 numbers of 20/30 DBHP and 1,500 numbers of 35 DBHP and above. Four firms have been licensed to undertake the manufacture of these tractors. They are:

Company	Licensed Capacity
1. Messrs. Goodearth & Co., New Delhi.	2,000 Nos. (for tractors in the 12/18 and 20/30 DBHP range).
2. Messrs. Tractors & Bulldozers (P) Ltd., Baroda.	1,000 Nos. (for tractors in 35 DBHP range).
3. Messrs. India Tractors & Implement Co. (P) Ltd., Madras.	3,500 Nos. (for tractors in 20/30 DBHP and 35 DBHP & above range).
4. Messrs. Mahindra & Mahindra Ltd., Bombay.	3,500 Nos. (for all three ranges).
Total	10,000 Nos.

These firms have also been approved for the manufacture of matching implements. It is considered desirable that the attached implements should be manufactured by the tractor manufacturing concerns themselves.

Messrs. Goodearth and Company have already gone into production and are turning out about 50 tractors

a month in the 26/27 DBHP range. They have also started manufacturing attached implements. Messrs. Tractors and Bulldozers are expected to go into production very shortly. Messrs. India Tractors and Implements Company are taking steps to import their plant and machinery at an early date. The manufacturing programme of Messrs. Mahindra and Mahindra has been slightly delayed because their collaboration arrangements with Messrs. David Brown, of U.K., have fallen through. They have now finalised collaboration arrangements with a Czech firm. This arrangement has been agreed to in principle by the Government of India. All these four firms are expected to be operating their factories to full capacity by 1965-66, by which time 100 per cent of components would be produced indigenously.

Manufacture of tractor-driven agricultural implements has also been started by Messrs. Marshall Sons and Company (India) Ltd., Calcutta. They have been licensed to produce 200 ploughs and 400 cultivators. In 1959, this firm manufactured 40 ploughs, 54 harrows and 112 cultivators. In 1960 its production was 60 ploughs, 100 harrows and 72 cultivators.

Three other firms have been licensed to manufacture tillers (also called walking tractors). They are:

Company	Annual Capacity (Nos.)
Messrs. East Asiatic Co. (I) Ltd., Bombay	24,000
Messrs. Testeels Ltd., Bombay	1,200/6,000
Messrs. Engineering Developments (P) Ltd., Calcutta	1,200

All these firms are expected to achieve an indigenous content of 50 per cent of the value of the tractor equipment during the very first year of their operation.

JOINT STEAMER COMPANIES

The Government of India, on the recommendation of the Inland Water Transport Freight Rates Enquiry Committee, set up in March last to look into the problem of whether any increase in freight rates charged by the India General Navigation and Railway Company and the Rivers Steam Navigation Company, popularly known as the Joint Steamer Companies, for the traffic other than foodgrains, carried by them to and from Assam was justified and if so to what extent and how the increase in freight rates should be distributed amongst the various traffic items, has allowed the two companies a 5 per cent increase in their freight rates in force prior to March 15, 1961. The Committee had also recommended that the increase in freight rates proposed by it should not be applied to tea traffic from Cachar and foodgrains traffic. This suggestion too has been accepted by the Government. The increased freight rates take effect from July 1, 1961.

The case for increase in freight rates of the Joint Steamer Companies was based on the fact that the freight rates charged by them prior to March 15, 1961, did not enable them to set apart out of their earnings enough resources for their rehabilitation programme. Owing to their fleet becoming obsolete, the two companies had worked out in 1959 plans for the replacement of all their overaged vessels by new vessels in a period of 10 years from 1961 to 1970. This rehabilitation programme involved construction of 24 self-propelled main-line carriers, 3 main-line tugs, 22 main-line barges, 7 Cachar feeder tugs, 28 Cachar feeder barges and 8 harbour tugs and was expected to cost Rs. 10.6 crores, of which a sum of Rs. 4.5 crores was to be secured from external sources and the balance from internal resources, primarily from the savings the companies expected to effect in their working cost on account of repairs and fuel. This rehabilitation programme also envisaged increasing of the companies' one-way annual capacity of carriage from about 5,46,000 tons to 6,54,000 tons. For

one reason or the other, the companies could not get financial help from outside sources. After protracted discussions between the Government of India and the representatives of the companies, a modified scheme of rehabilitation was drawn up which involved construction of 14 new self-propelled carriers and 6 harbour tugs during the five years from 1960 to 1964 at a total cost of Rs. 5.66 crores. Out of this, a sum of Rs. 2 crores was to be advanced by the Government as a loan to the companies. The balance was to be arranged by the companies from their own resources. This modified scheme (it did not include any expansion in the existing carrying capacity of the two companies) was accepted by the Union Government which agreed to provide a loan of Rs. 2 crores for the execution of the plan. In order to find adequate resources from their own sphere, the two companies in March last raised their freight rates for the transport of all commodities, other than foodgrains and Cachar tea, by the river route from Calcutta to Assam by 10 per cent. This increase was objected to by the State Government and the Assam Chamber of Commerce. On the intervention of the Government of India, the companies curtailed the increase to 6 per cent over the rates prevailing before March 15, 1961.

The Enquiry Committee found that there was a good deal of justification for some increase in the freight rates charged by the Joint Steamer Companies to enable them to find funds for their modified rehabilitation programme. The increase in freight rates suggested by the Committee and accepted by the Government is expected to yield nearly Rs. 9 lakhs per year for the two companies' rehabilitation programme. The Committee thinks that 5 per cent increase in the freight rates in force prior to March 15, 1961, is "reasonable and by no means excessive having regard to all the features of the case".

IBRD & IDA LOANS

Following the recent meeting of the Aid-India Club, a number of negotiations for loans are in progress with the World Bank and the International Development Association. A mission has left for Washington to negotiate a loan of \$20 million to cover the foreign exchange requirements of the coal industry in the private sector, during the first two years of the Third Plan. The five-year requirements of this industry are placed at \$56 million.

This will be the first loan of its kind. The Government of India will be the guarantor of the loan and will also set up the machinery for its allocation to various colliery-owners in the private sector.

Another loan of \$20 million is being negotiated for the development of Calcutta port. Negotiations are also in progress with the International Development Association for loans to finance the tube-well projects in U.P., medium-sized irrigation projects in Gujarat, and Orissa and a drainage project in Gujarat.

The World Bank is also showing great interest in the development of hydro-electric power in India. One expert is already working with the D.V.A. and another is expected to study the Koyana project.

BRIEFS

Despite acquisition of several new vessels during the quarter January-March, 1961, the strength of India's shipping fleet was only 8,85,850 GRT on March 31, 1961—14,150 GRT short of the Second Plan target.

*

One of West Germany's leading chemical companies—BASF (Badische Anilin and Sodafabrik)—has acquired 50 per cent interest in R.A. Cole, a Bombay firm. The Indian concern will produce plastics for the domestic market under West German technical management. The deal has already been approved by the Union Government.

COMPANY AFFAIRS

THE BURMAH OIL

Sales through the subsidiary and associated companies of the Burmah Oil Company Limited in India were some 7 per cent higher during 1960 as compared to the previous year. This trend is likely to continue because the total demand in 1960 for petroleum products was of the order of 7 million tons and in the course of next six years it is likely to be doubled.

The Chairman, Mr. W. E. Eadie, referred to the new price formula for petroleum products which reduced the margin allowed to the oil companies. In the latter half of 1960, the Government of India established an Oil Price Enquiry Committee which was conducting an exhaustive investigation and was expected to report shortly. He was of the opinion that the desire to see national petroleum reserves discovered and developed expeditiously was quite natural in countries like India. The greater the number of operators exploring for such reserves the greater the chances of success. He pointed out that the Government of India would encourage interested operators - national and foreign - and offer attractive concessional terms and as far as possible provide an assurance of a fair selling price for the commodity and its products.

He indicated that production operations continued in the Assam Oil Company's Digboi field. In the Jharkatiya, Huglijan and Moran areas extension and development drilling has again been successful. 25 wells were drilled, 19 of them being completed as oil wells, 3 as gas wells and 3 were abandoned as dry holes.

Construction of the first stage of the pipeline, belonging to Oil India Pvt. Ltd., from the oil fields to Gauhati, a distance of 260 miles, was started towards the end of 1960 and the target date for completion is the end of October 1961. Construction of the second stage, from Gauhati to Barauni, a distance of 460 miles, is due to start in 1961 and the target date for the completion of this section is the end of March 1961. The Burmah Oil Company (Pipe Lines) Limited is superintending the design and construction of this pipeline.

BAGALKOT CEMENT

The Company has been granted, by the Government of India, a licence to increase its production capacity from the existing 2 lakh tons per year to 4 lakh tons per year. The Directors do not feel justified in implementing the additional capacity when its existing capacity is not being fully utilised. The Company has, therefore, informed the Government that the Company as to defer its decision regarding implementation of additional capacity until the coal situation has eased and the Company is in a position to receive its supply of electric power from Sharavathi Power Project which is due towards the end of 1963.

Production of clinker and cement in the Bagalkot Cement Company Limited, during 1960, was 134,645 tons and 134,901 tons, respectively. The Directors have reported that the increased capacity during the eight months of 1960 could not be fully utilized on account of shortage of coal. Despatches of cement for the year as recorded at 132,231 tons. Sale proceeds for 1960 were higher at Rs. 1.01 crores against Rs. 74.05 lakhs during the previous year. After meeting all expenses of operation and management, the Company revealed gross profit of Rs. 21.93 lakhs.

Although the second kiln was put into operation in May 1960 and worked only partially during the

year, mainly due to shortage of coal, the Directors have provided for full depreciation for the original plant and machinery and for the Company's hundred per cent capacity expansion effected in the year 1960. The total depreciation provided, according to Income-tax Rules for the original plant as also for hundred per cent expansion during the period of its operation, amounted to Rs. 20,59,467, the balance of Rs. 1,33,584 being surplus for the year.

PREMIER FERTILISERS LIMITED

The First Annual Meeting of the members of the Premier Fertilizers Ltd. was held at Madras on 19th June, 1961. Mr. M. Ct. Muthiah, Chairman, reviewed the progress made during the period ended 31st December, 1960 and in the course of his speech observed that the contract for the civil work had been finalised and that the actual execution will start in the next few days. In the meantime arrangement for other services like water and power supply are being attended to. According to the latest information received, one shipment consisting of two instalments of machinery due has been despatched from Germany and it is expected that the same may be received in the course of a month or so. The indigenous items ordered are also getting ready and it is expected that the schedule regarding the erection of the machinery and the target fixed for the commencement of production sometime in January 1962 could be adhered to.

LEATHER EXPORT PROMOTION COUNCIL

SCHEME FOR ENROLMENT OF EXPORTERS

In order to maintain and develop the goodwill among the foreign importers about Hides and Skins, Leathers, Leather Goods and allied items which they import from our country and to maintain healthy trade relationships, it has been decided by the Government of India, Ministry of Commerce and Industry, to introduce a Scheme for Enrolment of Exporters. The Government have authorised this Council to operate the same.

Producers and exporters of (1) skins and hides of all types (2) tanned leathers (vegetable and chrome tanned and finished leathers) (3) manufactures of all types including boots and shoes made wholly or partly from leather (4) bye-products of the tanning industry such as fleshings, tannery wool, hair etc. (5) products of allied industries including tanning materials, in our Country are advised to register themselves under this scheme with this Council before 31st July, 1961.

Attention is invited to para 6 of Appendix 23 of the Current Red Book wherein the exporters are advised to enrol themselves with the respective Councils as early as possible.

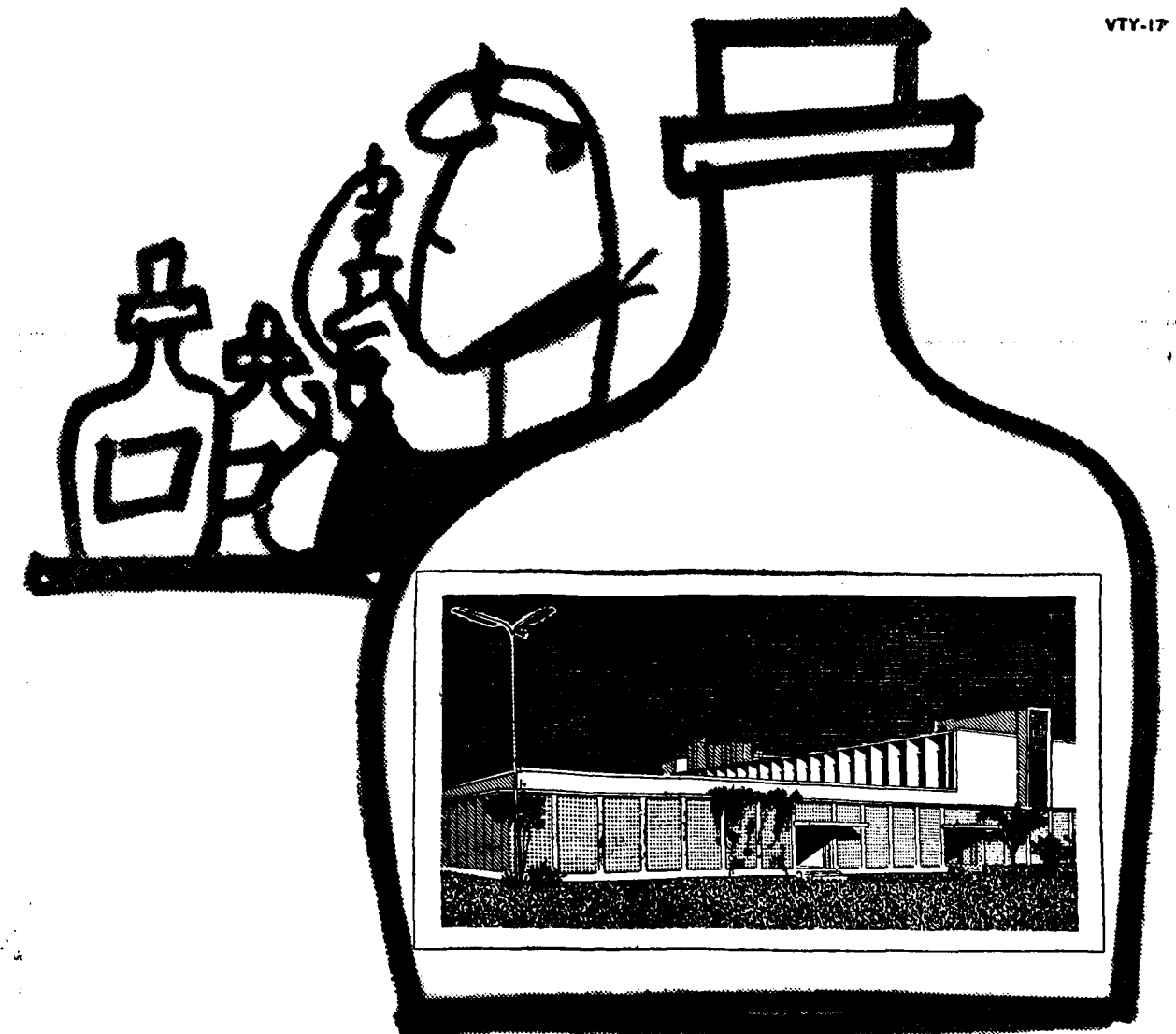
Application forms and other details can be obtained from:

Secretary,

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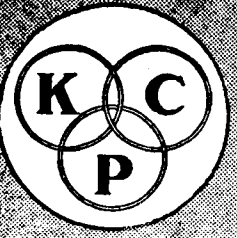
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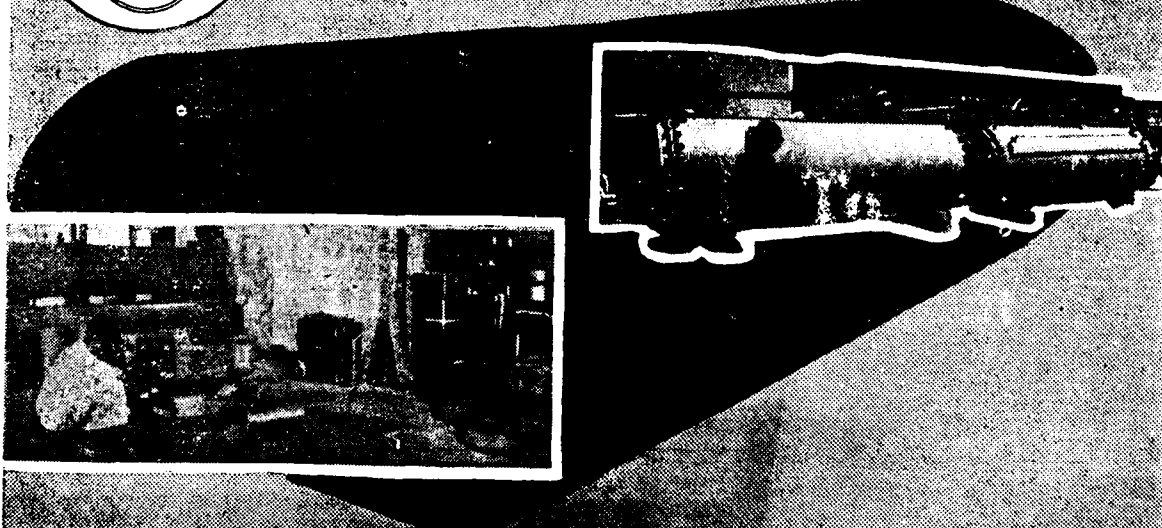
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COMMODITY NEWS AND NOTES

REGULATING PRICES OF WOOL PRODUCTS

Unsatisfactory conditions of price and supply of wool yarns have recently led to protests by dependent processors.

The Hand Knitting Wool Processors of Delhi, who dye and package knitting wool, claim that deliveries of undyed yarn from the spinners are totally inadequate, and that prices asked are in excess of the voluntarily controlled rates. This difficult position has arisen, they say, because more spinners have started marketing their own branded knitting wool, thus starving the hand-knitting wool processors of their usual supplies.

On 6th June this Delhi association observed a hartal and as a protest marched to Udyog Bhawan where their representatives met the Union Minister for Industries, Mr. Manubhai Shah.

The Small Scale Woollen Manufacturers' Association of Amritsar have also complained vigorously that most spinning mills are ignoring the voluntary price regulation scheme. They report that many of their member units may be forced to close down if the present shortage of yarn becomes worse.

The shawl weavers of Kashmir have complained to the Textile Commissioner that they are not getting worsted yarn at the fixed rates. The shawl manufacturers have been using worsted yarn instead of pashmina since the decline of trade with Tibet after the Chinese occupation.

Spinners' Viewpoint

The Textile Manufacturers' Association, Amritsar and some of the Bombay spinning mills have urged the Government to agree to a revision of the voluntarily controlled prices of worsted yarn as world rates for wool tops have gone up considerably since they were first set. Furthermore, while imports are now less in quantity (licences being on a value basis) overhead expenses remain the same.

Shoddy Yarn

The Textile Manufacturers' Association have also requested the Government to examine the claims of weaving units and to ensure for them a satisfactory supply of shoddy yarn. They suggest that it be based on actual production over a standard period.

Meanwhile an Amritsar spinner complains that hosiery yarns are accumulating with him, as the Ludhiana Hosiery Industry Federation has delayed issuing delivery permits to its members.

FLOOR PRICES OF COTTON INCREASED

The Government of India have been considering the question of fixing floor and ceiling prices for cotton for the September 1961—August 1962 cotton season. In the context of general economic conditions and in view of the necessity to increase cotton production, it has been decided to increase the floor price for Jarilla 25/32 inch from Rs. 139 to Rs. 168-57 per quintal (100 Kilograms), corresponding to an increase from Rs. 495 to Rs. 600 per candy by the old rate. The floor prices of other varieties of cotton will be increased correspondingly. The Government of India have decided to keep the ceiling prices of all varieties of cotton at the existing levels.

PRODUCTION OF CRYOLITE FOR STEEL AND OTHER INDUSTRIES

The National Metallurgical Laboratory, Jamshedpur, has undertaken investigations for the manufacture of cryolite which is one of the essential minerals required by the steel, ceramic and aluminium industries. Cryolite is not found in India and is imported from Denmark and Greenland. The annual imports total about 7,500 tons. The National Metallurgical Laboratory is investigating the possibility of producing cryolite

from low-grade fluorspar containing a high percentage of silica. Fluorspar of this type is available in Rajasthan, Madhya Pradesh and Bombay. High-grade cryolite can be obtained by the interaction of metallurgical-grade-fluorspar with sulphuric acid and boric acid through the intermediate formation of fluoboric acid and subsequent precipitation of cryolite by the interaction of fluoboric acid with hydrated alumina and sodium carbonate. In the process, boric acid can be re-generated and re-used. High-grade gypsum is also obtained as a by-product.

IRON ORE PRODUCTION IN INDIA

The production of iron ore during April 1961 was 944,000 metric tons, according to the Indian Bureau of Mines. This brings the total output during January-April 1961 to 3,838,000 metric tons which was higher by about 8 per cent compared to the output during the corresponding period of the preceding year. Orissa was the leading producing State with an output of 321,000 metric tons followed by Bihar with 264,000 metric tons. The production from Madhya Pradesh, Mysore and Maharashtra was 169,000, 122,000 and 45,000 metric tons, respectively. During the month, despatches for consumption in the iron and steel plants totalled 678,000 metric tons while despatches for export totalled 184,000 metric tons.

RESEARCH ON CHEWING AND CIGARETTE TOBACCO

Two research stations are likely to be set up, one in Gujarat and the other in Madras, for carrying out research on tobacco. The decision to recommend the setting up of these research stations by the two State Governments was taken by the Agricultural Research Sub-Committee of the Indian Central Tobacco Committee which met in Madras recently. The Committee approved the technical programme of work of its Central Tobacco Research Institute and research stations and Schemes. The station proposed to be set up at Vijapur in Gujarat will conduct research on cigarette tobacco, and the other at Bhavanisagar, in Coimbatore district, research on chewing tobacco.

SUGAR PRODUCTION

According to the Indian Sugar Mills' Association the sugar production during the month of May, 1961, was 2,06,000 Tons as against 76,000 Tons during the corresponding period last season. This brings the total production for the Season 1960-61 upto 31-5-61 at 29,06,000 Tons as against 23,99,000 Tons produced last season by this date. The off-take of sugar from factories during the month of May, 1961, was 1,76,000 Tons as against 1,87,000 Tons during the corresponding period last season. The total despatches including despatches for exports upto 31-5-61 were 12,34,000 Tons as against 11,30,000 Tons by the same date last Season. The total closing stock of sugar with factories on the 31st May, 1961, was 22,13,000 Tons as against 14,11,000 Tons on the same date last Season.



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Company Meeting

THE INDIA SUGARS AND REFINERIES LTD.

Speech delivered by Shri Rajeshwara Patel, M. P., Officiating Chairman, at the Twentyseventh Annual General Meeting of the Company held at the Factory on Thursday the 29th June, 1961.

Gentlemen,

In the absence of our Chairman I am asked to perform the pleasant duty of welcoming you all to this Twenty-seventh Annual General Meeting of the Company. In deference to the wishes of the shareholders expressed in this behalf, the registered office of the Company was transferred to this place and thus after an interregnum of five years the Annual General Meeting is again being held in Hospet.

2. The Directors' Report and the audited accounts for the year ended 30-9-1960 have been with you for sometime now, and, with your permission, I shall take them as read.

3. From the accounts you must have noticed that though our sugar recovery was much better during the year under review, the net profits are less by Rs. 1,43,487 and you would naturally like me to say a word about it. The main reason for this fall in the net profit is the payment of bonus amount to the cane growers under the SISMA formula. The amount paid under this formula for the year under review is Rs. 12,32,836 as against Rs. 6,26,221 for the previous year. This alone makes a difference of Rs. 6,06,615. Then we have also made increased provision for depreciation during the year; the increase being approximately Rs. 1,06,000. If you make an allowance for these two items, you will find the working results for the year under review are better than that of the previous year. Out of the net profits also we had to provide a sum of Rs. 2.92 lakhs for taxation as against a sum of Rs. 50,000 only for the previous year.

4. In spite of these factors and slight reduction in the net profits, your Directors have recommended a higher dividend of 14 per cent to the shareholders for this period. This 14 per cent dividend is payable subject to deduction of 30 per cent tax on your personal account which sum will be adjusted at the time of your personal assessment. Those of you who have obtained the exemption certificates from the income-tax authorities will no doubt receive this dividend without any deduction.

5. In the Directors' Report a reference has been made to the late starting of the current season. The crushing of cane still continues and is expected to be completed by the first week of next month. Due to late starting and delayed crushing, the sugar recovery is bound to be low and that in turn is sure to affect the overall working results of the Company. The factory started late because the cane growers were not prepared to supply cane to the factory till the question of cane bonus under SISMA formula was settled. That settlement became possible only after the intervention of State and the Central Governments. Valuable time was lost in these negotiations and as a result, all interests concerned stand to suffer. I am sure you would all approve the action of the Management in accepting all the cane honouring their moral obligation even if technically they were in a position to reject some of this cane.

6. Another difficulty which your Company is presently facing is about the sales and stock lifting of sugar. As you know, the sales are controlled by the Central and State Governments and the permit holders do not lift stocks in time. Sometimes the permit expires and even when a fresh permit is issued the stocks are still not lifted. This has naturally created working difficulties and some bottle-necks. Fortunately, till now we have been able to carry on without any

dislocation of work. So while I do not want to draw any pessimistic picture of the current year, I consider it my duty to be frank with you and to take you in confidence by apprising you of the exact position obtaining.

7. The production of sugar in the country was phenomenal last year and it is likely to go still higher up during the current year. The efforts of the Government and the Sugar Mill Association to export sugar have succeeded only partially. The main hurdle in our export is, as you all know, our high cost of production. Even though the Government is prepared to export it at a much sacrificed price yet we cannot make our sales very competitive or sufficiently attractive in the world market. Perhaps you will be surprised to know that a bag of sugar which costs you and me about Rs. 115 here in this country where it is produced, we are prepared to sell it to the foreign purchasers for less than Rs. 35 only.

8. The redeeming feature, however, is that this year the Government has announced that the loss on export of sugar will be borne fully by them and the factories would not be called upon to pay any percentage thereof. Your Directors sincerely hope that the Government would be able to export all the surplus sugar on this basis. This export besides earning foreign exchange, for our country would give much needed relief to the sugar industry.

9. Another important point which we have already mentioned in our Directors' Report is the Central Wage Board Award for the Sugar Industry which came to be implemented from 1st November last year. Your Directors have since taken necessary steps to implement it and it is estimated that this will increase the annual wage bill of your Company by more than a lakh of rupees.

10. I would now say a word about our Subsidiary Company, the Salar Jung Sugar Mills Ltd. I am very happy to be able to inform you that this Company has achieved record crushing this year. It has crushed more than 1,20,000 tons and has produced about 1,08,000 bags of sugar. It has been a thrilling performance when one compares the same with its production only a few years back viz., in the year ending 30-6-1956 when the total production was less than 21,000 bags. It is not only a question of emotional thrill but financially also the Company has been fully rehabilitated. Your Directors hope that within not too distant a future, the losses of this Company would be completely written off and that this Subsidiary Company would soon become a perpetual source of steady revenue to your Company.

11. Last year on a similar occasion, our Chairman made a reference to the expansion scheme and you would perhaps expect me to let you know as to where the matter stands at present. Our application with the Government is still pending but in the meantime your Directors are negotiating an agreement with cane growers, their co-operative societies and their leaders in this area under which if your factory is assured of certain minimum supply of cane every year, we would not press application for expansion. It is the wish of those people to start a Co-operative Sugar Factory of their own. In the larger interests of the factory and to maintain harmonious relations between the cane growers and our factory, we have agreed not to expand the present capacity provided our minimum quantity is assured to us and that an agreement to this effect is finally approved by the State as well as the Central Government. Actually the agreement is under draft

by the lawyers and when it is finalised further action would be taken in the matter.

12. In your Directors' Report we have mentioned that two of your Directors, Sarvashri M. R. Morarka and Madanlal Somani are retiring by rotation under Article 105 of the Company and are eligible for re-election. Since then we have received an intimation that Sri M. R. Morarka is not seeking re-election. Hence you have to re-elect only Sri Madanlal Somani.

13. Before I conclude I must express my heart-

felt thanks on behalf of all of you and the Board, to our Managing Agents, to our Staff, to our Workers and to the Cane Growers and Merchants for their industry and hard work without which these results would not have been achieved.

14. Gentlemen, I now formally move the adoption of Directors' Report and audited accounts for the year ended 30-9-1960.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

RESERVE BANK OF INDIA

Applications are invited for the following posts in the Bank:

(A) POSTS AND SCALES OF PAY

(i) Banking Officer: Rs. 375-55-815 E.B. 55-925-60-1045.

(ii) Probationary Assistants: Rs. 250-25-450 E.B. 25-650.

Note: Candidates possessing exceptionally good qualifications and experience of value to the Bank may be given a higher starting pay in the prescribed scales.

In addition to pay, the selected candidates will be eligible to draw local pay, house allowance and dearness allowance at the rates prescribed by the Bank from time to time.

(B) QUALIFICATIONS:

(i) Banking Officers:

(a) Applicants should have a minimum of five years' commercial banking experience out of which not less than three years should be in a responsible position. Preference will be given to applicants with high academic qualifications who have made a special study of Economics, Banking, Commerce or Accountancy, or

(b) They should be Chartered Accountants with a minimum standing of 5 years.

Preference will be given to those who have passed the examinations of the English or Indian Institute of Bankers.

(ii) Probationary Assistants: Applicants should have a good academic record and a first or high second class Master's degree of a recognised Indian or foreign University with Economics, Banking, Commerce or Accountancy as a special subject and should also have some proficiency in drafting. Educational qualifications may be slightly relaxed in the case of candidates who have passed the Institute of Bankers' examinations and/or possess practical banking experience in a supervisory capacity in a commercial bank.

Candidates who have applied for these posts in response to previous advertisements issued in 1960 need not apply again.

THE SELECTION BOARD WILL INSIST ON A VERY HIGH STANDARD OF SUITABILITY IN MAKING SELECTIONS FOR THE ABOVE POSTS AND ONLY THOSE CANDIDATES WHO POSSESS HIGH ACADEMIC QUALIFICATIONS AND ADEQUATE EXPERIENCE OF THE TYPE SPECIFIED ARE ADVISED TO APPLY.

(C) AGE LIMITS AS ON 1ST JULY 1961:

(i) Banking Officers: Candidates should not ordinarily be over 35 years of age but the age limit may be slightly relaxed in the case of candidates with exceptionally good experience of value to the Bank.

(ii) Probationary Assistants: Between 21 and 25 years.

In the case of (ii) the maximum age limit is relaxable but not beyond 30 years in the case of:

(i) candidates possessing special qualifications and experience of value to the

(ii) ex-employees of banking institutions whose services had to be terminated for reasons of economy or as a result of the banks going into liquidation;

(iii) personnel retrenched from Government offices after at least one year's service applying through Employment Exchanges; and

(iv) candidates belonging to the Scheduled Castes or Scheduled Tribes.

2. Candidates who wish to apply for more than one category of posts must submit separate applications accompanied by separate application fees and should clearly indicate the post for which they have applied.

3. Applicants for the posts of Banking Officers and Probationary Assistants must remit with their applications a fee of Rs. 7.50 for each post by cheque or bank draft on a Scheduled Bank payable at Bombay or by Postal Order. The application fee is in no case refundable. Bonafide refugee candidates not in employment applying through Employment Exchanges are exempted from payment of application fees while in the case of candidates belonging to Scheduled Castes/Tribes, the fee will be reduced to one-fourth.

4. Applications in the candidate's own handwriting in the prescribed forms obtainable from the Reserve Bank's offices at Bombay, Calcutta, Kanpur, New Delhi, Nagpur, Madras, Bangalore, Lucknow, Trivandrum and Patna accompanied by copies (originals should not be sent) of certificates regarding age and educational qualifications, statements of marks secured in the Graduate and Post Graduate degree examinations and two testimonials should be forwarded to the Secretary, Central Recruitment Board, Reserve Bank of India, Central Office, Post Box No. 406, Bombay No. 1 so as to reach him on or before 22nd July, 1961.

5. Candidates should also indicate in their applications whether they had applied previously for a similar post in the Reserve Bank and if so with what result.

6. Candidates already in service will be required to produce a proper discharge certificate from their employers in the event of their being selected, at the time of their appointment in the Bank's service.

7. Candidates belonging to Scheduled Castes/Scheduled Tribes should mention this fact prominently in their applications and also enclose a copy of a certificate to that effect from a competent authority.

8. Selected candidates must be prepared to serve in any office of the Bank in India and to undertake tours when required.

9. Appointments will be subject to candidates being found medically fit for service in the Bank by the Bank's Medical Officer.

10. If any candidate desires to have his application acknowledged, he should send it by "Registered Post—Acknowledgement Due". Apart from those who may be specially called, interviews will not be granted to candidates nor will the Bank enter into correspondence with them.

11. Canvassing will be regarded as a disqualifi-

THIS IS AN ANNOUNCEMENT AND NOT A PROSPECTUS. APPLICATIONS FOR SHARES ARE INVITED ON THE BASIS OF PROSPECTUS.

A copy of the Prospectus together with the documents required to be attached thereto by Section 60 of the Companies Act, 1956 has been duly filed with the Registrar of Companies, Maharashtra for registration.

Consent of the Central Government has been obtained to this issue by an order of which a complete copy is open to public inspection at the Registered Office of the Company. It must be distinctly understood that in giving this consent the Central Government do not take any responsibility for the financial soundness of any scheme or for the correctness of any of the statements made or opinions expressed with regard to them.

A Licence has been obtained from the Central Government for the establishment of this new industrial undertaking for the manufacture of steel wire ropes (black and galvanized) with a rated capacity of 3630 tons per annum (working on two-shift basis).

An application will be made to the Stock Exchange, Bombay for permission to deal in the shares now offered and in due course for an official quotation.

UNITED WIRE ROPES LIMITED

(Incorporated on 19th October, 1960 under the Companies Act, 1956).

AUTHORISED CAPITAL:	1,00,000
Shares of Rs. 100 each	Rs. 1,00,00,000
ISSUED CAPITAL:	45,000 Equity
Shares of Rs. 100 each	Rs. 45,00,000
10,000 9.5% Cumulative Redeemable Preference Shares of Rs. 100 each (free of Company's Income-Tax but subject to deduction of taxes at source at the prescribed rates)	Rs. 10,00,000
Total	Rs. 55,00,000

Shares already issued to and subscribed by the signatories to the Memorandum of Association and taken up by Directors as Qualification Shares:

420 Equity Shares of Rs. 100 each fully paid-up	Rs. 42,000
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CAPITAL AGREED TO BE TAKEN UP:

A. By Promoters, Directors, Friends and Associates	Rs. 17,08,000
B. By Life Insurance Corporation of India 5,000 Equity Shares of Rs. 100 each	Rs. 5,00,000
5,000 9.5% (free of Company's Income-Tax but subject to deduction of taxes at source at the prescribed rates)	Rs. 5,00,000
Total	Rs. 27,50,000

NOW OFFERED AT PAR FOR PUBLIC SUBSCRIPTION:

22,500 Equity Shares of Rs. 100 each and 5,000 9.5% Cumulative Redeemable Preference Shares of Rs. 100 each (free of Company's Income-Tax but subject to deduction of taxes at source at the prescribed rates)	Rs. 22,50,000
Total	Rs. 27,50,000

The 44,580 Equity Shares and 10,000 Preference Shares being issued will be payable as under:

On application	Rs. 25 per share
On allotment	Rs. 25 per share

The balance of Rs. 50 per share is payable in two calls of Rs. 25 each, the first of such calls to be made not earlier than 3 months after the date of allotment and the second call to be made not earlier than 3 months from the date of payment of the first call.

The Calls on Equity and Preference Shares shall be made simultaneously and proportionately.

APPLICATION FOR SHARES

Application for Equity and Preference Shares should be made on the printed form accompanying the Prospectus. Applications must be for a minimum of 5 shares or multiples thereof.

BOARD OF DIRECTORS

Shri Murarji Jadavji Vaidya (CHAIRMAN), Industrialist, 3, Cuffe Parade, Colaba, Bombay 5.

Shri Ratilal Mulji Gandhi, Merchant, Fulchand Nivas, Chowpatty, Bombay.

Mr. Louis Lepage (Special Director), Consulting Engineer, 7 Olmenlaan, Antwerp I, Belgium.

Mr. Mirko Robin Ros (Alternate Special Director), Consulting Engineer, Asylstrasse 58, Zurich 7/32, Switzerland.

Shri Valiabhdas Vassanji Mariwala, Merchant, 3, Sudha Kunj, Tardeo, Bombay 7.

Shri Ardeshir Burjorji Bilimoria, Businessman, 17, Cuffe Parade, Colaba, Bombay-5.

Shri Dhirajlal Maganlal Purshotamdas, Stock & Share Broker, Stock Exchange, Dalal Street, Bombay-1.

Shri S. M. Dahanukar, Businessman, Industrial Assurance Building, Churchgate, Bombay-1.

Shri P. H. Bhutta, Businessman, Stambhirth, Rafi Ahmed Kidwai Road, Bombay 31.

Shri Limjee K. Pandey, Stock & Share Broker, Hampton Court, Wodehouse Road, Bombay 5.

Shri Chhotalal Harjivandas Gandhi, Consulting Engineer, Mehta Building, Meadows Street, Bombay 1.

Shri Sanatkumar Maganlal Gandhi, Merchant, Mehta Building, Meadows Street, Fort, Bombay 1.

BANKERS

1. The Bank of India Limited
2. Central Bank of India Ltd.
3. Bank of Baroda Ltd.
4. Devkaran Nanjee Banking Co. Ltd.
5. Pandyan Bank Limited.

UNDERWRITING

Underwriters	Total amount underwritten		Shares reserved for firm allotment to underwriters		Now unconditionally offered for public subscription	
	(in lacs of Rs.)		(in lacs of Rs.)		(in lacs of Rs.)	
	Equity	Pref.	Equity	Pref.	Equity	Pref.
1. Life Insurance Corporation of India, Jeevan-Kendra, Jamshedji Tata Road, Bombay-1	5.00	5.00	5.00	5.00	Nil	Nil
2. Investment Corporation of India Ltd., Ewart House, Bruce St., Bombay-1	13.00	5.00	Nil	Nil	13.00	5.00
3. Messrs. J. H. Divan, 33, Agakhan Building, Dalal Street, Bombay-1	3.00	Nil	Nil	Nil	3.00	Nil
4. Messrs. Devkaran Nanjee & Co., Devkaran Nanjee Building, Horniman Circle, Bombay-1	2.50	Nil	Nil	Nil	2.50	Nil
5. Messrs. Lewis & Jones, Bank of Baroda Building, Apollo Street, Bombay-1	2.00	Nil	Nil	Nil	2.00	Nil
6. Limjee K. Panday, Bank of Baroda Building, Apollo Street, Bombay-1	2.00	Nil	Nil	Nil	2.00	Nil
	27.50	10.00	5.00	5.00	22.50	5.00

In the opinion of the Directors the resources of the above Underwriters are sufficient to discharge their underwriting obligations.

MANAGING BROKERS

CALCUTTA—Messrs. Place, Siddons and Gough Pvt. Ltd., 6, Lyons Range, Calcutta.

BOMBAY—Messrs. Lewis & Jones, Bank of Baroda Building, Apollo Street, Bombay-1.

BOMBAY—Limjee K. Panday, Bank of Baroda Building, Apollo Street, Bombay-1.

BROKERS TO THE ISSUE

BOMBAY

1. Messrs. Dhirajlal Maganlal Purshotamdas, Stock Exchange Building, Dalal Street, Bombay-1.
2. Messrs. Devkaran Nanjee & Co., Devkaran Nanjee Building, Horniman Circle, Bombay-1.
3. Messrs. Ballivala & Karani, Union Bank Building, Dalal Street, Bombay-1.
4. Messrs. J. H. Divan, 33, Agakhan Building, Dalal Street, Bombay-1.
5. Messrs. Navalchand T. Shah, 102, Stock Exchange New Building, Bombay-1.
6. Messrs. P. R. Subramanyam, 70A, Stock Exchange, Bombay-1.
7. Messrs. A. B. Pandit & Co., 32, Apollo Street, Bombay-1.
8. Messrs. D. S. Purbhoooodas & Co., New Stock Exchange Building, Apollo Street, Bombay-1.

DELHI

9. Messrs. Harbans Singh Mehta & Co., 33 Regal Building, Parliament Street, New Delhi.

MADRAS

10. Messrs. Patterson & Co., 22, Errabalu Chetty Street, Madras-1.
11. Messrs. Kothari & Sons, Oriental Building, Armenian Street, Madras.
12. Messrs. Chitra & Co., 322-323 Linghi Chetty Street, Bombay Mutual Building Annexe, Madras.

AHMEDABAD

13. Messrs. Chinubhai Chimanlal Dalal, Manek Chowk, Ahmedabad.

BANGALORE

14. Messrs. M. Nanjappaiah Jahgirdar, 181, Cavalry Road, Bangalore-1.

LEGAL ADVISERS

Messrs. Daru Hemany & Co., Alli Chambers, Tamarind Lane, Bombay 1.

AUDITORS

Messrs. Gondalia & Mandviwalla, Hamam House, Hamam Street, Bombay 1.

REGISTERED OFFICE

Mehta Building, Meadows Street, Fort, Bombay 1.

UNDERWRITING COMMISSION

The underwriters will each be paid an underwriting commission of 2½ per cent on the face value of all the shares underwritten by them respectively besides brokerage of 1 per cent on shares allotted on application bearing their stamp.

BROKERAGE

Brokerage at the rate of 1 per cent will be paid on all allotments made in respect of applications bearing the stamp of a Bank or a recognised Broker. Broker-

age on the same basis is payable to the Underwriters in addition to the underwriting commission on all allotments in respect of applications made or procured by them and bearing their rubber stamp.

OBJECTS OF THE COMPANY

The Company was incorporated on the 19th October, 1960 for carrying on all or any of the objects and purposes mentioned in the Memorandum of Association including in particular to manufacture steel wires and wire ropes (both black and galvanized).

COMMENCEMENT OF BUSINESS

The Company has obtained a Certificate to Commence Business bearing No. 11851 dated 22nd December, 1960 from the Registrar of Companies, Maharashtra.

PROSPECTS

Steel wire ropes are a specialised product and are used by various industries such as mines and mining, shipping, engineering, ropeways, oil exploration, lifts, cranes and for other haulage purposes. The major portion of India's domestic requirement of wire ropes is at present met through imports with the resultant continuous drain on the country's foreign exchange. With the increasing tempo of industrialisation envisaged in the successive Five-Year Plans the demand for wire ropes is likely to increase considerably in the near future. According to estimates of the Planning Commission the country's demand for wire ropes at the end of the Second Plan will be about 25,000 tons a year which is expected to rise to approximately 40,000 tons per year at the end of the Third Plan. This ever increasing demand leaves a wide gap between the supply and demand and thus assures this proposed factory a good market for its products which will eventually assist the country's foreign exchange position.

The Company's plant will be most up-to-date in design and technique of production of steel wires and wire ropes of the best quality and will have an initial capacity of 3600 tons per annum. At a nominal additional capital cost it is also proposed to manufacture High Tensile Steel wire for use in prestressed concrete construction and an application has already been made to the Government of India for issue of a Licence for an annual production capacity of 2100 tons.

ESTIMATE OF PROFITS

On the basis of the existing prices the Directors are of the opinion that, in the absence of any unforeseen circumstances, the Company should be in a position to pay reasonable dividends on Equity Shares.

TAX BENEFITS

The Company will enjoy the special benefits under the Indian Income-tax Act, 1922 as regards development rebate, in addition, as a new industrial undertaking, it will enjoy exemption from Income-tax for profits upto 6 per cent on the capital employed for the first five years of the Company's operation.

Shareholders of the Company would also be exempt from Wealth-tax on their holdings for a period of five years under the Wealth-tax Act and may also be exempt from tax on such dividend paid from the Company's profit exempted from tax under Section 15C of the Indian Income-tax Act.

FOREIGN COLLABORATION

With the approval of the Government of India the Company has entered into a (1) Technical Services

Agreement and (2) Assistance to the Management Contract with Messrs. **Lepage Consulting Engineers of Antwerp (Belgium)** who have been working as specialist consultants in the field of wires and wire ropes for over 20 years. Under the Technical Services Agreement the consultants will provide all technical know-how, layout and other engineering and the plant will be erected under their supervision. They will advise the Company in respect of machinery, raw materials and staff necessary for operation of the plant and will train the Company's technicians in Europe and India. This Agreement expires when the plant is installed and the quantity and quality of products are proved. For these services the consultants will be paid a remuneration of **£23,520**.

The Assistance to the Management Contract comes into force immediately after the expiry of the technical Services Agreement. As per the Contract Messrs. Lepage Consulting Engineers will provide their experts to look after the various processes of manufacture at the Company's plant for a period of 5 years from the start-up. For these services called "technical assistance in the management of the plant", the consultants will be paid at the rate of Rs. 75,000 per year.

Thus the Company has been assured of continuous availability of technical know-how and assistance in the production of wire ropes. A beneficial feature of the collaboration agreements with Messrs. Lepage Consulting Engineers is that about 70 per cent (Rs. 4,85,000) of the payments to be made to them as stated above will be invested by them in the equity capital of the Company.

LOCATION

The factory is to be located at Thana, near Bombay, where all facilities like transport, power, water, etc. are adequately available.

START OF PRODUCTION

The plant is expected to go into production late in the year 1962.

CAPITAL OUTLAY AND SOURCES

Capital outlay and working capital:

The estimate of requirements is as follows:

(a) Land, buildings, roads, etc.	Rs. 11,00,000
(b) Plant and machinery, imported and indigenous, including import duty, transport to site and erection charges	Rs. 56,85,000
(c) Cost of technical services and know-how	Rs. 3,15,000
(d) Pre-operating expenses	Rs. 4,15,000
(e) Preliminary Expenses including Underwriting Commission, Brokerage, and Issue Expenses	Rs. 2,45,000
(f) Working capital	Rs. 19,40,000

Total Rs. 97,00,000

The above requirements will be met from the following sources:

(a) Equity Capital	Rs. 45,00,000
(b) Preference Capital	Rs. 10,00,000
(c) Foreign exchange loan from the Industrial Credit and Investment Corporation of India Ltd.	Rs. 30,00,000
(d) Loan from Company's Bankers and from other sources	Rs. 12,00,000

TOTAL **Rs. 97,00,000**

LOAN IN FOREIGN CURRENCIES FOR IMPORT OF MACHINERY

The Industrial Credit and Investment Corporation of India Ltd., Bombay have agreed in principle, subject to the approval of the International Bank for Reconstruction and Development, to lend to the Company an amount in foreign currencies equivalent to U.S. \$630,000 (approximately Rs. 30 lakhs) to pay for the cost of imported machinery and capital equipment. The loan will bear interest at 7½ per cent per annum and is repayable in 15 half-yearly instalments commencing from November 1963 and ending in November, 1970. The loan will be secured by a first legal mortgage of the Company's present and future assets subject to the hypothecation of moveables to secure bank borrowings for working capital. So long as the loan or any part thereof is outstanding ICICI shall be entitled to appoint a Director who shall not be liable to retire by rotation nor shall be required to hold qualification shares.

PAYMENT TO PROMOTERS

No payment is to be made to Messrs. C. H. Gandhi & Sons, Promoters of the Company, except for the re-

imbursement of the actual out-of-pocket expenses incurred by them and no profit or benefit has been given to any other person as promoter of the Company.

MANAGING AGENTS

The Government of India by their letter No. 9(5)-C.III/60 dated 2nd June, 1961 have given their approval to the appointment of Messrs. C. H. Gandhi & Sons Private Limited as the Managing Agents of the Company for a period of 10 years from 2nd June, 1961.

MINIMUM SUBSCRIPTION

The minimum subscription in respect of the public issue on which the Directors will proceed to allot is Rs. 27,50,000. Subscription of the amount is assured as the entire public issue has been underwritten.

REDEMPTION OF PREFERENCE SHARES

The Redeemable Cumulative Preference Shares of the face value of Rs. 10 lakhs being issued under this Prospectus shall be redeemed by the Company at par at the expiry of 10 years from the date of issue.

THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS ON THE 17TH JULY, 1961 AND WILL CLOSE AT THE CLOSING OF BANKING HOURS ON THE 24TH JULY, 1961 OR EARLIER BUT NOT BEFORE THE 19TH JULY, 1961.

THE INDIAN SMELTING & REFINING COMPANY LTD.

"Industry House", 159, Jamshedji Tata Rd.,

Churchgate Reclamation,

Bombay - 1.

Tel: ISARC BOMBAY

Phone: 245006 & 248261/67



Registered Trade Mark

Serving India's Industrial needs in

Cold Rolled Brass & Copper

SHEATHINGS

STRIPS

COILS

—: Also Manufacturers of :—

**COMMERCIAL QUALITY BRASS
AND COPPER SHEETS**

GUN METALS

LEAD BRONZES

PHOSPHOR BRONZES

PHOSPHOR COPPER

**ANTIFRICTION BEARING
METALS**

TYPE METALS

TIN SOLDERS

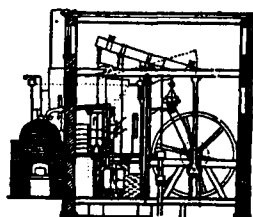
BRAZING SOLDERS

**ZINC & ALUMINIUM BASED
DIECASTING ALLOYS**

B.S.S., I.R. Specifications etc.

Steam...

Industry's greatest power



SINCE 1782, when the first Rotative Steam Engine enabled the use of steam power to motivate machinery, steam has played an ever increasing part in industry throughout the world.

Not only is steam today's most important source of power for the civilised world, but it must remain so for many years to come. Even atomic power is yet in its infancy and can only be applied as an alternative source of heat. Steam is indeed the real power of industry.

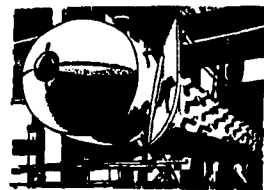
While this is but an outline of the extensive and continually growing part that steam plays in power generation and industry throughout the world, it indicates quite clearly the unparalleled importance of steam power in the industrial growth of India... and, therefore, the urgent need to manufacture vital steam-raising plant in this country to meet the demands of expanding industry.

This is one of the needs which has led to the formation of a new and powerful industrial group, ACC-Vickers-Babcock Limited (AVB). The vast technical knowledge and extensive practical experience available to it will enable the new company to make an important contribution to Indian industry—and help Indian engineers overcome some of the difficulties which have faced them for so long.

The new AVB plant is nearing completion on a 700-acre site at Durgapur. The workshops, designed on modern lines, will have built into the structure electric overhead travelling cranes with 70 tons lifting capacity. All workshops have been designed to allow for progressive expansion so that it will be possible to lift 200 tons without making structural alterations. Up-to-date machine tools are being installed. When completed, they will include a 3000 ton hydraulic press capable of bending steel plates up to 5" thick for use in the manufacture of high pressure boiler drums, and pressure vessels required for the fertiliser, chemicals and oil refining industries. The new plant will make it possible to manufacture steam-raising equipment in the high pressure range—for the first time in India.

ACC-VICKERS-BABCOCK LTD. offers the industrialist his best chance to ensure a fully integrated installation comprising the boiler plant itself and a wide range of equipment from the fuel handling and preparation plant to the ash plant and dust disposal installation.

Besides, the industrialist has the confidence that he will get after-sales service of the highest quality from AVB!



...a Powerful Partnership for Progress

ACC-VICKERS-BABCOCK LTD.

16, Queen's Road Estate, Bombay 1

CALCUTTA OFFICE: Ilaco House, 1 & 3 Brabourne Road, CALCUTTA 1

WORKS: Durgapur, WEST BENGAL

IWT-AVB. 2348 (a)

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

Consent of the Central Government has been obtained to this issue by an order of which a complete copy is open to public inspection at the Registered Office of the Company. It must be distinctly understood that in giving this consent, the Government of India do not take any responsibility for the financial soundness of any scheme or for the correctness of any of the statements made or opinions expressed with regard to them.

Industrial Licences No. L/33(2)/2/60-Chem. II dated 23rd July, 1960; No. L/33(6)/4/60-Chem. II dated 1st August, 1960; and No. L/33(2)/4/60-Chem. II dated 27th August, 1960 for establishment of plants for sheet glass, rolled figured and wired cast glass, and glass building blocks, tiles and roofing tiles respectively have been obtained from the Central Government copies of which are open to public inspection at the Registered Office of the Company.

SHREE VALLABH GLASS WORKS LIMITED

(Incorporated under the Companies Act, 1956 on 24th December, 1957 as a private limited company and converted into a public limited company on 8th June, 1961).

SHARE CAPITAL

Now offered at par for public subscription

Authorised Capital:

1,00,000 Equity Shares of Rs. 100 each .. Rs. 1,00,00,000

Already issued subscribed and paid-up capital

1,030 Equity Shares of Rs. 100 each .. 4,03,000

Present issue:

2,000 Equity Shares of Rs. 100 each .. 72,00,000

Capital agreed to be taken up:

a. By Directors and their friends 27,745 Equity Shares of Rs. 100 each .. 27,74,500

b. By the Industrial Credit & Investment Corporation of India Ltd. 7,000 Equity Shares of Rs. 100 each .. 7,00,000

Rs. 34,74,500

37,255 Equity Shares of Rs. 100 each .. 37,25,500

The shares now to be issued will rank as regards dividends and in all other respects *pari passu* with the existing Equity Shares of the Company save that the Shares now to be issued will not rank for any dividend that has been declared in respect of the Company's financial year ending, 31st March, 1961.

Out of the issue of Rs. 37,25,500 offered to the public the Central Bank of India Limited, Bombay has underwritten the same to the extent of Rs. 18,62,700 and the Bank of Baroda Limited, Bombay, has underwritten the same to the extent of Rs. 18,62,800.

DIRECTORS:

Name	Description	Address
1. Shri Ratilal Nathalal,	Chairman	Near Sharda Mandir, Ellis, Bridge, Ahmedabad.
2. Shri Jaykrishna Harivallabhdas	Industrialist	Shahibaug, Ahmedabad.
3. Shri Arvind Narottam,	Industrialist	Shahibaug, Ahmedabad.
4. Shri Laxmanprasad D. Vasa,	Industrialist	Shahibaug, Ahmedabad.
5. Shri Ambalal T. Taktawala,	Merchant	'Purshottam', Ellis Bridge, Ahmedabad.
6. Shri Yasvadan A. Taktawala.	Merchant	Lal Pole Hanuman Pole, Ahmedabad.
7. Shri Madhukant J. Taktawala,	Merchant (Managing Director)	Hanuman Pole, Dariapur, Ahmedabad.
8. Shri Jayvadan A. Taktawala,	Merchant (Managing Director)	2, Swadhin Sadan, "C" Road, Churchgate, Bombay-1.
9. Shri Krishnavadan A. Taktawala,	Technical Adviser	Sandy Cot, Seven Bungalows, Versova, Bombay.

BANKERS FOR THE ISSUE

1. The Central Bank of India Ltd.,
2. The Bank of Baroda Ltd.,

BANKERS

1. The Central Bank of India Ltd., Ahmedabad and Bombay.
2. The Bank of Baroda Ltd., Ahmedabad & Bombay,
3. The United Commercial Bank Ltd., Bombay.

SOLICITORS

1. Messrs. Amarchand & Mangaldas & Malvi Ranchhoddas & Co., Haribhakti's Street, Sankdi Sheri, Ahmedabad.
2. Messrs. Ambubhai & Divanji, Lentin Chambers, Dalal Street, Bombay-1.

AUDITORS

Messrs. C. C. CHOKSHI & CO., Bank of Baroda Building, Gandhi Road, Ahmedabad.

BROKERS

Name	Address:
1. Shri Upendrai Jaychandbhai Sandesra,	Manek Chowk, Ahmedabad.
2. Shri Ramanlal Vadilal Mehta,	Gujarat Cotton Hall, Manek Chowk, Ahmedabad.
3. Messrs. Chimanlal Lalbhai,	3286, Manek Chowk, Ahmedabad.
4. Shri Ratilal Mansukhram Parikh,	2276, Manek Chowk, Ahmedabad.
5. Shri Amaratlal Dalsukhbhai Haji,	Manek Chowk, Ahmedabad.
6. Narandra Lalbhai Sheth,	Manek Chowk, Ahmedabad.
7. Messrs. Mahadevia Bros.,	P.O. Box 424, Stock Exchange (Old Building), Dalal Street, Fort, Bombay.
8. Messrs. Navalchand T. Shah,	102, Stock Exchange, New Building, Bombay-1.
9. Devkaran Nanjee & Co.,	Devkaran Nanjee Building, Horniman Circle, Bombay-1.
10. Shri Ramanbhai Lalbhai Sheth,	5, Stock Exchange (New Building) Apollo Street, Fort, Bombay.
11. Shri Jasvantlal V. Bhagat,	5, Hamam Street, Fort, Bombay.
12. Messrs. B. M. Choksi & Co.,	87, Stock Exchange (New Building), Apollo Street, Fort, Bombay.
13. Messrs. Kantilal Pratapsingh,	Old Stock Exchange Building, Dalal Street, Fort, Bombay.
14. Shri Seventialal Chimanlal Shah,	Old Stock Exchange Building, Dalal Street, Fort, Bombay.
15. Messrs. Kothari & Sons,	Orient Building, Armenian Street, Madras.
16. Shri M. Nangappaiah Jagirdar,	181, Cavalry Road, Bangalore-1.
17. Shri Chunilal T. Mehta,	8, Lyon Range, Calcutta 1.
18. Messrs. Harbans Singh Mehta & Co.,	33, Regal Building, New Delhi.

REGISTERED OFFICE OF THE COMPANY
TAKTAWALA HOUSE,
GANDHI ROAD, AHMEDABAD.

CONSENT

The letters giving the consent in writing of the Auditors, Bankers, Brokers and Solicitors to the Company to act in their respective capacities have been obtained, and the same are filed with the Registrar of Companies, Gujarat, Ahmedabad. None of them have withdrawn their consent so given.

OBJECTS AND HISTORY OF THE COMPANY

The Company was incorporated as a private limited company on 24th December, 1957 to carry on all or any of the object of purposes, mentioned in the Memorandum of Association and more particularly to carry on the business as manufacturers and dealers in sheet, wired and figured glasses, glass building blocks and all sort of glass and glasswares. The Company was promoted by Messrs. Tribhovandas Maneklal Taktawala, who are in the business of import and distribution of glass since last 70 years. The Company had installed a plant at Andheri, Bombay and commenced production on 1st April, 1959.

The Company is being managed by Managing Directors, Shri J. A. Taktawala and Shri M. J. Taktawala since 13-2-1958, who are connected with glass business since 20 years and have considerable experience in the line.

The present capacity of the plant of the Company at Andheri is of processing of about 1,00,000 sq. ft. of sheet and plate toughened glass per month and about 50,000 sq. ft. of mirrors per month. The plant has also the capacity of processing per month 10,000 pieces of sight glasses and 10,000 pieces of protector glasses used in ship and furnaces.

At present the company is processing the famous "Tufex" brand toughened safety glass which are widely used by the Automobile Manufacturers, Bus Body Builders, State Transport, P.W.D. vehicles etc. The Government has granted Import Licences for the value of Rs. 1,95,000 for the import of machinery for the manufacture of laminated safety glasses and for the import of machinery of the value of Rs. 1,96,000 for

the manufacture of bent toughened glasses. This will increase the activities of the present works of the Company situated at Andheri.

SCOPE OF THE INDUSTRY

The Tariff Commission has estimated the total demand of sheet glasses in the country at about 110 million sq. ft. in 1960. The present production is round about 85 million sq. ft. The present production and demand has already increased owing to expansion in building programme and there will be sufficient demand for sheet glass. At present, all plants in India which are engaged in manufacturing activity similar to that of the Company are situated near about Calcutta. There is no similar plant in Western India. The cost of transport of their finished products is about 20 per cent of their sale price. Western India is an important market for the consumption of items which the Company proposes to manufacture. During the period of Second Five-Year Plan, the demand of glass has also been increased at a rate faster than envisaged either by the Tariff Commission or Planning Commission. During the period of Third Five-Year Plan it is estimated that the demand will be considerably higher than the present installed capacity in the country and the Company believes that there is adequate market for the type of sheet glasses proposed to be manufactured by the Company. Furthermore, Company proposes to manufacture wired and figured glass which most probably at present are not being manufactured in India. The type of glasses are at present imported from abroad. This project will perhaps be the first of its kind simultaneously making sheet glass and wired glasses in India.

SITE

Keeping in view the availability of power, water, raw materials, labour, transport facilities etc. arrangements have been made to obtain by way of purchase about 1 lakh sq. yards or more of land near about Anand.

MACHINERY AND TECHNICAL COLLABORATION

The Company has finalised negotiations to supply the machinery and technical know-how with Messrs. Industrieofen & Maschinen G.M.B.H. Garmisch Partenkirchen West Germany, who has wide experience in glass technology, and has designed similar plants all

over the world, which to the Company's information are functioning satisfactorily.

The said foreign firm has agreed in principle to assist the Company in the manufacture of sheet glass and wired glass, and in designing the layout of the plants and will render necessary assistance in technical know-how, to enable the Company to work its plant satisfactorily. Moreover, the said foreign firm, has agreed to arrange for the theoretical and practical training of qualified persons of the Company with regard to the manufacture of glass.

FOREIGN EXCHANGE REQUIREMENTS

The Industrial Credit and Investment Corporation of India Ltd., Bombay have agreed in principle subject to the approval of the International Bank of Reconstruction and Development to lend to the Company an amount in foreign currencies equivalent to U.S. \$7,81,000 (about Rs. 37,19,000) to pay for the cost of imported machinery and capital equipment.

CAPITAL OUTLAY

The capital estimated to be required to commence production will be as follows:-

(1) Land, building and power installation	Rs. 35,00,000
(2) Complete cost of plant and machinery including designing engineering fees, transport and erection	Rs. 55,00,000
(3) Working capital	Rs. 23,00,000
(4) Expenses of issue	Rs. 2,00,000
	Rs. 1,15,00,000

THE SUBSCRIPTION LIST WILL OPEN AT COMMENCEMENT OF BANKING HOURS ON 5-7-1961 AND WILL CLOSE AT THE CLOSE OF BANKING HOURS ON 15-7-1961 OR EARLIER AT THE DISCRETION OF DIRECTORS BUT NOT EARLIER THAN 8-7-1961.

DIVIDEND

In respect of the first two periods, no dividend was paid by the Company. Interim dividend has been paid at the rate of 6 per cent (subject to deduction of tax) on 4,030 Equity Shares, in respect of the profits of the year ending 31st March, 1961. The final dividend at the rate of 9 per cent (subject to deduction of tax) on the Equity Shares has been proposed in respect of the year ended 31st March, 1961. The above dividends have been paid and proposed respectively out of the profits of the Company for the year ending 31st March, 1961.

INSPECTION OF DOCUMENTS

Copies of prospectus and documents mentioned therein are open for inspection at the Registered Office of the Company during office hours till the subscription list is closed.

APPLICATION FOR SHARES

Application for shares must be made on the printed forms. Application forms duly filled in along with remittance must reach either the brokers or Bankers of the Company for this issue at their Head Office or any of their branches at Ahmedabad, Anand, Allahabad, Amritsar, Bangalore, Broach, Baroda, Bulsar, Bhavnagar, Bombay, Calcutta, Coimbatore, Delhi, New Delhi, Gwalior, Hyderabad, Indore, Jaipur, Kanpur, Lucknow, Madras, Madurai, Mehsana, Nagpur, Nadiad, Poona, Rajkot, Surat, Sidhpur, Trivandrum, Unjha, before the closing date of the subscription list. Cheques & drafts should be drawn in favour of "The Central Bank of India Ltd.", A/c. "Shree Vallabh Glass Works Ltd." or "The Bank of Baroda Ltd.", A/c. "Shree Vallabh Glass Works Ltd."

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GRAM
RESEARCH

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Fuel Power			Manufactures				All Comme- dities
	Food articles & Tobacco	Liquor & Tobacco	Light and Lubricants	Industrial Raw materials	Inter- mediate Products	Finished Products	Total	
1953-54	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1955-56	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61	120.0	110.0	119.6	145.4	130.5	122.8	123.9	124.8
February 1960	118.0	96.0	117.3	131.6	120.5	115.6	116.3	119.5
March "	117.0	96.4	117.8	131.9	121.3	116.1	116.6	118.9
April "	118.6	103.1	118.1	134.2	123.2	116.9	117.8	120.4
February 1961	116.3	111.2	119.8	159.4	134.2	128.4	129.2	126.7
March "	117.6	114.2	121.3	159.1	137.2	128.1	129.4	127.5
April "	117.5	112.0	122.3	152.9	136.0	125.3	126.8	125.7
13-5-1961	117.6	108.4	122.3	153.7	136.9	124.7	126.5	125.7
20-5-1961	117.4	98.9	122.4	153.2	136.7	124.1	125.9	125.2
27-5-1961	117.4	98.9	122.7	152.0	137.1	124.3	126.1	125.1
3-6-1961	118.0	101.9	122.8	149.1	137.7	123.8	125.8	124.9
10-6-1961	118.7	100.3	122.8	147.1	139.3	121.8	124.3	124.5

*Revised.

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS (August 1939 = 100)

Period	Bombay		Delhi		U.P.		Central Provinces		Madras		E.P.		Bihar	
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi	Calcutta	Kanpur	Nagpur	Jubbulpur	Madras June 1936=100	Ludhiana†	Jamshedpur†	All India†		
1939 (Aug.-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—	—	—
1954	342	359	244	138	327	408	373	139	341	148	140	138	—	—
1955	322	338	217	130	321	371	364	133	321	134	135	132	—	—
1956	336	352	244	142	347	424	397	151	358	152	146	145	—	—
1957	352	368	259	150	364	448	422	162	374	157	157	152	—	—
1958	376	394	274	150	384	468	447	165	401	157	169	161	—	—
1959	393	412	308	158	384	469	498	163	429	166	173*	168	—	—
1960	401*	420*	296	158*	397*	476*	512*	165	462*	167	166	171*	—	—
1960 July	404	423	302	160	406	484*	515	165*	467	169	164*	174	—	—
August	402	421	304	160	410	484*	515	163	470	169	168*	174	—	—
September	399	418	302	161	403	489	520	163	472	167	168*	173	—	—
October	402	421	304	162	396	488	517	163	477	171	164*	173	—	—
November	404	423	300	159	392	489	509	163	484*	171	168*	171	—	—
December	400	419	297	160	385	478*	507	163	488*	169	167*	171*	—	—
1961 January	400	419	296	161	385	480	—	165	470*	171	166*	170*	—	—
February	401	420	—	163	389	487	491	165	474*	172	164*	170*	—	—
March	404	423	—	164	392	483	488	—	479*	—	167*	171*	—	—
April	409	428	—	165	389	—	—	—	482*	—	—	170*	—	—
May	412	431	—	166	—	—	—	—	479	—	—	—	—	—

†Base 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT) WEEK ENDED

	23-6-1961			16-6-1961			9-6-1961			2-6-1961		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	122.20	120.80	121.18	122.50	119.85	121.08	119.90	119.10	119.48	119.90	118.45	119.23
Silver (per kilogram)	204.05	202.75	203.25	204.00	201.70	203.17	203.25	199.75	201.77	201.40	198.30	199.33

OWNERSHIP OF DEPOSITS OF SCHEDULED BANKS: 1951-60

(Rs. crores)

No. of Reporting Banks	Dec. 31, 1951		Dec. 31, 1955		Dec. 31, 1958		Dec. 31, 1959		Oct. 28, 1960*	
	85	85	85	85	87	87	92	92	89	89
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
I. Demand Deposits of:										
1. Business concerns	235.79	51.7	260.08	52.3	263.95	47.9	283.02	50.0	312.71**	53.5**
(a) Manufacturing concerns	52.75	11.6	63.56	12.8	59.68	10.8	69.21	12.2	70.19	12.0
(b) Trading concerns	114.89	25.2	114.41	23.0	123.17	22.4	130.56	23.1	154.31	26.4
(c) Public utilities§	8.10	1.8	11.43	2.2	8.00	1.5	8.52	1.5	—	—
(d) Plantations	7.68	1.7	11.00	2.2	8.68	1.6	9.45	1.7	—	—
(e) Financial concerns	52.37	11.5	59.69	12.0	64.43	11.7	65.28	11.5	88.21	15.1
2. Personal	123.92	27.2	125.57	25.3	119.48	21.7	123.19	21.8	144.14	24.7
3. Government and quasi-govern- ment bodies	N.A.	N.A.	39.35	7.9	71.70	13.0	65.52	11.6	75.82	13.0
4. Others	86.39	18.9	61.66	12.4	82.77	15.0	80.67	14.2	91.53	15.7
5. Unclassified†	10.21	2.2	10.37	2.2	13.03	2.4	13.87	2.4	—	—
Total of demand deposits	456.31	100.0	497.03	100.0	550.93	100.0	566.26	100.0	584.20	100.0
II. Savings Deposits of:										
1. Personal	130.46	96.4†	140.79	86.6	189.30	85.3	212.59	85.6	227.30	85.2
2. Others	4.90†	3.6†	4.70	2.9	6.29	2.8	7.41	3.0	7.91	3.0
3. Unclassified‡	—	—	17.04	10.5	26.38	11.9	28.22	11.4	31.50	11.8
Total of Savings Deposits	135.35	100.0	162.53	100.0	221.97	100.0	248.22	100.0	266.71	100.0
III. Time Deposits of										
1. Business concerns	64.59	28.1	92.77	27.8	130.03	16.9	193.28	19.0	223.67**	22.1**
2. Personal	122.97	53.5	174.27	52.2	321.40	41.8	359.84	35.4	382.21	37.7
3. Government and quasi-govern- ment bodies	N.A.	N.A.	36.68	11.0	88.65	11.5	106.46	10.5	95.27	9.4
4. Others	41.00	17.8	28.58	8.6	225.53	29.3	352.83	34.7	337.90	33.3
5. Unclassified‡	1.39	0.6	1.78	0.5	2.83	0.4	3.74	0.4	—	—
Total of Times Deposits	229.96	100.0	334.09	100.0	768.43	100.0	1,016.14	100.0	1,013.64	100.0
All Deposits	821.62		993.66		1,541.33		1,830.62		1,864.55	

*The figures for 1960 are not strictly comparable with those of earlier years; till 1959 only accounts with deposits of Rs. 500 and over were classified against various items and all accounts with deposits of below Rs. 500 were grouped together and shown as "unclassified accounts." From 1960 such accounts (below Rs. 500) under Demand and Time Deposits were required to be classified as in the case of other accounts against various items. The items will, therefore include all accounts in 1960.

**Includes in addition the deposits of business concerns owned and/or managed by government; the relevant figures for the previous years are not available.

§Transport, communications, gas, electricity etc.

†Accounts of less than Rs. 500.

‡Included under item (a).

†Including 'Business deposits'.

¶In 1951, the "Unclassified accounts" (i.e. accounts of less than Rs. 500) have been classified under "Personal" and "Others".

Source: Reserve Bank of India.

INDIAN UNION

DISTRIBUTION OF DEPOSITS OF SCHEDULED BANKS: 1951—1960

(Amount in Rs. Crores)

End of	Demand Deposits		Savings Deposits		Time Deposits		All Deposits	
	(1)		(2)		(3)		(4 = 1+2+3)	
	No. of Accounts (000s)	Amount	No. of Accounts (000s)	Amount	No. of Accounts (000s)	Amount	No. of Accounts (000s)	Amount
1951	10,17	456.31 (55.5)	19,13	135.35 (16.5)	3,05	229.96 (28.0)	32,34	821.62
1952	10,11	427.66 (52.5)	19,86	136.67 (16.8)	3,29	250.03 (30.7)	33,26	814.36
1953	9,96	417.57 (50.7)	20,46	138.82 (16.9)	3,45	266.68 (32.4)	33,87	823.07
1954	9,97	464.63 (51.1)	21,41	146.46 (16.1)	3,76	298.84 (32.8)	35,14	909.93
1955	10,19	497.03 (50.0)	22,75	162.53 (16.4)	4,25	334.09 (33.6)	37,19	993.66
1956	10,76	522.21 (48.6)	24,65	183.65 (17.1)	4,82	368.95 (34.3)	40,23	1074.81
1957	10,62	566.25 (42.0)	27,39	201.98 (15.0)	5,86	579.38 (43.0)	43,87	1347.61
1958	11,24	550.93 (35.7)	30,27	221.97 (14.4)	7,22	768.43 (49.9)	48,72	1541.33
1959	11,98	566.26 (30.9)	33,24	248.22 (13.6)	8,62	1016.14 (55.5)	53,84	1830.62
1960*	12,49	584.20 (31.3)	35,72	266.71 (14.3)	9,56	1013.64 (54.4)	57,77	1864.55

* As on October 28, 1960.

Note: Figures in brackets are percentages of total deposits.

THE REGIONAL PATTERN OF BANK DEPOSITS

State	Offices (In Numbers)		Deposits (Rs. Lakhs)		Advances (Rs. Lakhs)		Ratio of Advances to Deposits.	
	1959	1960	1959	1960	1959	1960	1959	1960
Andhra Pradesh	290	315	47.83	50.05	38.24	45.82	79.9	91.5
Assam	37	42	12.26	15.96	2.56	4.00	20.9	25.1
Bihar	154	160	44.06	50.04	15.13	19.54	34.3	39.0
Gujarat	822	313	523.02	120.20	355.35	75.81	67.9	63.1
Maharashtra	545	545	435.88	354.64	354.64	81.4	81.4	81.4
Kerala	229	231	52.58	43.28	29.29	28.60	55.7	66.1
Madhya Pradesh	174	170	40.07	43.23	19.94	26.46	49.8	61.2
Madras	538	586	114.92	120.55	88.76	100.22	77.2	83.1
Mysore	352	379	62.54	64.78	35.91	43.56	57.4	67.2
Orissa	43	47	6.69	6.92	2.40	4.06	35.9	58.7
Punjab	311	317	86.11	93.92	27.93	32.23	32.4	34.3
Rajasthan	143	165	29.16	29.46	18.79	21.32	64.4	72.3
Uttar Pradesh	420	453	107.94	119.97	56.28	73.38	52.1	61.1
West Bengal	227	244	285.90	285.88	230.38	283.36	80.5	99.1
Jammu & Kashmir	13	13	7.52	9.45	41	62	5.7	6.5
Union Territories:								
Delhi	155	162	413.06	375.55	39.86	51.59	9.6	13.7
TOTAL (including Others)	3,932	4,166	1838.39	1869.54	962.70	1167.44	52.4	62.4

INDIAN UNION

ADVANCES TO SMALL-SCALE INDUSTRIES

(As on October 1960)

Industry	By Scheduled Banks				By Non-Scheduled Banks			
	No. of Accounts	Amount (Rs. Lakhs)	Per- centage of amount to total	Amount per ac- count (Rs.)	No. of Accounts	Am- ount (Rs. Lakhs)	Per- centage of amount total	Amount per account (Rs.)
Cotton Textiles	3,475	2,05	5.9	5,899	1,907	8	4.6	420
Other Textiles (Woollen, Silk Rayon etc.)	1,976	3,92	11.2	19,838	29	5	2.9	17,241
Cotton Ginning and Pressing	176	69	2.0	39,205	130	3	1.7	2,308
Rice Mills including flour mills and bakeries	483	1,46	4.2	30,228	81	10	5.7	12,346
Other Food drink and tobacco	182	53	1.5	29,121	43	2	1.1	4,651
Vegetable oil crushing and refining	1,277	1,70	4.9	13,312	174	22	12.6	12,645
Light engineering goods@	3,175	7,32	20.9	23,055	350	21	12.2	6,000
Saw mills and wood work	492	65	1.9	13,211	163	8	4.6	4,908
Ceramics, glass, pottery and tiles	205	53	1.5	25,854	95	8	4.6	8,421
Tanning, leather and leather goods	489	1,38	3.9	28,221	42	6	3.4	14,286
Paper and paper board	141	52	1.5	36,879	10	—	—	—
Electrical goods, radio sets and accessories	356	1,18	3.4	33,146	13	*1	0.6	7,692
Plastic and rubber products and toy-making	464	50	1.4	10,776	30	—	—	—
Chemicals, dyes and paints	706	99	2.8	14,023	40	2	1.1	5,000
Soap and pharmaceuticals	322	50	1.4	15,528	45	2	1.1	4,444
Printing, book binding and litho- graphy	494	54	1.5	10,931	73	4	2.3	5,479
Others	5,260	10,56	30.2	20,076	1,153	72	41.5	6,245
TOTAL	19,673	35,02	100.0	17,801	4,378	174	100.0	3,974
Total of Industrial Advances	35,686	562,76	—	1,57,698	5,958	385	—	6,462

Note: A Small-scale industry is defined as an Industrial Unit whose total assets are less than Rs. 5 lakhs.

@Machinery parts, wood and machine screws, nails, bolts and nuts, wire net, cycles, sewing machines, automobile parts, tools and implements, sheet metal products, lock and pad locks, etc.

Source: Reserve Bank of India.

INDIAN UNION

PROGRAMMES OF MANUFACTURE OF MACHINERY IN THIRD PLAN

(Value in rupees crores)

Industry	Production in 1960	Estimated Production in 1965	Industry	Production in 1960	Estimated Production in 1965
I. Industrial Machinery and Equipment			II. Electrical Machinery and Equipment		
1. Paper Making Machinery	Neg.	7.0	1. Electric Motors		
2. Sugar Mill Machinery	4.2	12.0	Production ('000 H.P.)	700.0	2,500.0
3. Cement Machinery	0.6	8.0	Value	8.3	25.0
4. Boiler Machinery	0.5	30.0	2. Transformers		
5. Textile Machinery			Production (Mil. K.V.A.)	1.2	3.5
Cotton Textile Machinery	11.0	21.0	Value	6.6	20.0
Jute Mill Machinery	2.2	2.5	3. Switch Gear and Control Gear		
6. Mining Machinery			Value	4.0	15.0
Coal Mining, Oil and other)	Neg.)		4. Cable and Wires		
Mining Machinery	)	15.0	(a) Bare Copper Conductors		
Coal Washeries	Neg.)		Production ('000 tons)	9.7	15.0
7. Structural (Fabrication) and Cranes			Value	4.8	6.0
Structurals	20.0	100.0	(b) ACSR and All Aluminium Conductors		
Cranes	0.5	15.0	Production ('000 tons)	22.0	30.0
8. Tractors and Earth Moving Equipment			Value	8.9	12.0
(i) Agricultural Tractors and Implements	0.2	15.0	(c) VIR and PVC Cables		
(ii) Earth Moving Machinery and Equipment	Nil	12.5	Production (Mil. yds.)	250	525
(iii) Road Rollers	1.5	3.0	Value	7.5	17.0
9. Chemical Plants	1.4	20.0	(d) Paper Miles Insulated Power Cables		
10. Power Driven Pumps	3.0	5.0	Production (in miles)	575	3,750
11. Diesel Engines	8.2	20.0	Value	1.8	13.0
12. Printing Machinery	Neg.	1.6	(e) Winding Wires		
13. Dairy Machinery	0.2	2.3	Production ('000 tons)	4.2	29.0
14. Gear Industry	0.1	2.1	Value	4.0	27.5
15. Building and Construction Machinery	1.0	4.0	5. Heavy Electrical Machinery & Equipment value	Nil	35.0
16. Tea Processing Machinery	1.2	1.5	Total Electrical Machinery (Value)	45.90	170.5
17. Machine Tools	10.0	45.0			
18. Compressors	1.5	5.0			
19. Industrial Flour Mill Machinery	Nil	0.3			
20. Ceramics and Refractory	0.1	0.6			
21. Locomotives, Wagons and Railway Equipment					
(i) Locomotives	13.0	**			
(ii) Railway Wagons	8.1	20.0			
(iii) Coaches	2.9	5.7			
(iv) Railway Stores and Equipment	21.6	61.5			
22. Other Material Handling Equipment	1.3	7.7			
(i) Conveyors	0.3	1.5			
(ii) Conveyor Belts	0.5	1.0			
(iii) Mobile Cranes	..	1.0			
(iv) Shovels Adaptable as Cranes	..	1.0			
(v) Fork Lift Trucks	..	1.2			
(vi) Industrial Goods Lifts	0.5	2.0			
Total Industrial Machinery	114.3	448.3*	TOTAL MACHINERY (Industrial and Electrical) (Value)	160.2	618.8

** Not yet fixed.

*Excluding locomotives for which programme is not yet fixed.

Source: Ministry of Commerce and Industry.



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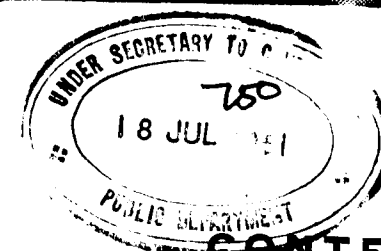


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THE SETTING UP AND TRAINING OF THE
CLIENT'S OWN INDUSTRIAL
ENGINEERING DEPARTMENT

MARKET RESEARCH

PLANNING FOR MODERNISATION AND EXPANSION OF INDUSTRIES

TECHNOLOGICAL STUDIES IN RAW MATERIALS, PROCESS AND PLANT PERFORMANCE

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The Eastern Economist

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The New Foreign Exchange Crisis

INDIA'S foreign exchange crises have changed from becoming hardy annuals to appear unhappily at more frequent intervals. The Reserve Bank's statement for the week ending June 30 has raised again the question of how critical India's current balance of payments position really is. Foreign exchange securities are down to an all-time-low of Rs. 103.01 crores and balances held abroad to Rs. 10.78 crores. It is understood that in the last ten days there have been further withdrawals and it is not impossible that before the Independence Day the figure will be below Rs. 100 crores in all. To those who have not acquired repose in the assimilation of statistics, these figures might look alarming. On the other hand one should look upon the effort of the last six months in terms of underwriting our foreign exchange problems as one of the most successful of our accomplishments. Apart from the spectacular results of the Aid-India Club meeting there is good ground for believing that now oscillations of India's sterling balances are merely a marginal indication of our capacity to fulfil the Plan. It would be too much to say that external finance is no longer a major problem, but it is literally true that it has ceased to be the one requiring the highest priority. Implementation in terms of managerial skills and organisation have now attained first place with a reasonable assurance that India's major foreign exchange needs will be underwritten with only the inevitable administrative delays.

While this broad perspective remains that India's foreign exchange crisis is manageable, no complacency is permissible in terms of the use of the foreign exchange which India already has. Many Ministries of the Government of India still consider that pet schemes which are not foreign exchange earners or long-term contributors to the infrastructure of the economy can go on unscathed. This is as much an error in perspective as pessimism on India's balance of payments over the long haul. What is required is a new determination to tighten our belts in respect of everything which can be cut out of our foreign exchange budget while at the same time, recognising that an escape from recurrent crises means a strengthening of the productive apparatus which in itself is dependent on essential imports. There has been both wisdom and generosity in the Aid-India Club meeting's assessment — largely helped by the understanding in the United States — that development and maintenance imports must, to some extent, march together. However, no one should make the mistake of supposing that non-development and non-maintenance imports have any place in priority at the present time.

It would be foolish to deny that there exist at the present time many areas seemingly unknown to the authorities where foreign exchange is being lost by procedural or ideological prejudices which have no relation to the current severity of our foreign exchange difficulties. In a

Special Article in the issue next week (July 21) a case study of one particular commodity, namely, the lubricating oils, will be presented in order to show how, by failing to buy in bulk, India might be losing something in the region of half a crore of rupees each year by the mere dispersal of licences which have to be operated by non-bulk purchases by a large number of persons. Whatever the arguments in favour of dispersal — and *The Eastern Economist* has always been in favour of decentralisation wherever practicable — this must never be carried to the point where our foreign exchange crisis is made more difficult by such dispersal. No doubt, the Ramaswami Mudaliar Committee which is to report at the end of the year will indicate the area over which procedural changes can save foreign exchange, but there is no reason, why where proved cases come to light they should not be corrected without delay.

Quite apart from procedural matters, there are other opportunities raised which have not been fully recognised. There seem to be a very significant number of schemes under negotiation both in the public and private sectors where a gap in the foreign exchange is sought to be covered by loan in Western European or North American currencies when they could conceivably be covered by rupees by using the facilities offered by rupee payment by many countries in Eastern Europe and by Yugoslavia. What, in effect, is implied is that the rupee component of a particular project negotiated with the West can be extended by sub-contracting not only inside the Indian Union, but also in those rupee receiving countries, which are prepared to take Indian currency even though a small fraction, even over 10 per cent, might have to be paid in part in foreign exchange. An understanding has been reached in these terms with Yugoslavia and those who are acquainted with Yugoslavia's great capacity at the present time in the heavy industry field to help India out must wonder why we have not attempted a greater degree of sub-contracting in that country. Similar arrangements seem to be possible in Poland and in Czechoslovakia. Triangular, or even multi-lateral arrangements to sub-contract in rupees where a hard foreign exchange payment would otherwise be inevitable might well prove to be a major source of foreign exchange saving. It is certain that this will require much technical discussion and much knowledge of the capacity of the partners in an enterprise to work together on the basis of complete partnership and confidence. *The Eastern Economist* is certain, however, that there is a great measure of such co-operation which can immediately be fruitful, and should be sought with vigour and urgency.

If a close scrutiny is undertaken of areas of unnecessary expenditure as a result of faulty procedure, and areas of saving by intelligent sub-contracting of orders with rupee payment coun-

tries, one might argue that a further cushion can be placed under our current sterling balances. While there is no need for great alarm, this is the

time for ordered decision on a long range policy for saving foreign exchange at points where substantial leakage is visible even to the naked eye.

The Wage Board for Coffee

THE announcement of July 7 of the personnel and terms of reference of the Wage Board for Coffee could not have been more ill-timed. For about two years now the coffee plantation industry is in the doldrums. It may be reasonably argued that alternations of booms and recessions are cyclical features of any industry. But precisely for this reason the indecent haste shown in appointing the Wage Board at a most inopportune time ought to have been avoided. For two successive years the industry is confronted with the stark reality of accumulations of enormous stocks which can find a market neither at home nor abroad. This cannot be considered, by any stretch of reasoning, a situation conducive to making a fair assessment of a liberal structure of wages. While the industry is in dire need of an assessment of relief which it is entitled to receive, it is offered a gift of an enquiry into fresh burdens.

Exports have proved to be the very crux of the rapid expansion of the coffee industry in the post-war era and, therefore, of consolidating its position. Between 1953 and 1959 (the year before the recession), exports of coffee increased nearly five-fold from 3,339 tons to 16,241 tons. Domestic consumption during this period recorded an increase of less than a half from 20,235 tons to 29,619 tons. In percentage as well as absolute terms, it was the volume of exports which gave a boost to production pushing it to 45,860 tons in 1958-59. In the global perspective, India's share in coffee exports may look small at 2 per cent, but it is based on the high quality of supply and, in normal conditions prevailing in the world market, it operates as a stabiliser for the developing industry. In 1959 with exports ranging at 14,408 tons the residual output was of the order of 34,972 tons, but in 1960-61 the phenomenal volume of output at 63,300 tons, in spite of some improvement in exports at 16,459 tons, has created the staggering problem of clearance of the quantity of 46,841 tons much of which is just not disposable. The major producing countries of Latin America are offering tough and organized competition with the powerful instrument of the International Coffee Agreement that they recently forged. The priority problem is to devise ways and means to provide relief to the industry, not to raise the wage structure, particularly when labour in the last year had no grievances on the score of wages and bonus.

Food Exports?

IMMEDIATELY on his return to New Delhi after a six-week world tour, the Union Food and Agriculture Minister, Mr. S. K. Patil, has done well in correcting the erroneous impression created by a news despatch from London last week. Mr. Patil was reported to have said there that India was in a position to export food and that it would not be advisable for her to have a bigger food output because in that event she would be saddled with the same problems of over-production that today beset so many other countries in the world. At a Press Conference held here on Wednesday, Mr. Patil stated categorically that no exports of wheat and rice from the country were envisaged. A large output in one year did not warrant export of foodstuffs. The situation had to be watched at least for another ten years or so.

The index numbers (with base 1949 = 100) for the different indicators of the coffee industry make highly instructive comparisons. The rise of the index for the area under cultivation to 106 in 1959, in telling contrast with the index number of production in the same year at 263, brings out conspicuously the strategic role of intensive and scientific methods of cultivation sustained by substantial outlays. The economies of large-scale production have not been translated into diminishing costs per unit inasmuch as the index for costs reveals a rise to 175 in 1959. The corresponding index number of price has stayed low at 118. Taxation and wages have been in the forefront of the factors which have inflated costs.

The results of these diverse and conflicting trends in the industry's main indicators are best summed up in the profit ratio. The best testimony available is that of the official estimates. The Reserve Bank's analysis of the balance sheets of 750 companies for 1951-55 and of 1,001 companies for 1955-59 (which includes the coffee industry in the category of "other plantations" barring tea) discloses the average profits of coffee plantations for these two periods to be declining. Gross profits as a percentage of total capital employed decreased from 15.9 to 15.4, as a percentage of gross sales they recorded a larger drop from 39.8 to 36.4, whereas profits after tax as a percentage of net worth fell sharply from 14.0 to 11.4. The margin for plough back for development is progressively shrinking.

The foregoing analysis must not be misconstrued as an argument against a rational wage structure. The industry has not grudged better wage scales and it stands committed to the policy of gradual improvement to obviate dislocations. The terms of reference specifically call upon the Board to give full weight to two important factors — developmental requirements of the industry and the principle of payment by results. The precedent of the Wage Board for the Textile Industry shows that nominal attention is paid to them and considerations of retroactive higher wages override everything else. If this error is repeated by the Coffee Wage Board, it will bear full responsibility for hastening the saturation point in the production of coffee and in the industry's employment potential.

Not to speak of effecting foodgrains exports at the present juncture when India is importing nearly five million tons of grains from abroad every year, even to talk in terms of exporting foodgrains is inadvisable. The rate of development of Indian agriculture under the Second Five-Year Plan, despite the fact that foodgrains output during the past three years has been maintained around 75 million tons and production in the agricultural year 1961-62 is expected to go up to 80 million tons, is not something with which we can remain contented. With population growing at the fast rate of over 2 per cent per annum, the agrarian economy of India being still a big gamble in rain despite the massive investment that has gone into this vital field during the past 10 years and the urgency to raise the standard of living of the people, there is hardly any scope for complacency on the food front.

At the 1960-61 foodgrains output of 78.5 million tons, per capita availability of indigenous foodgrains on the basis of the latest population census figures comes to 15.1 ozs. a day — approximately the same as in the pre-World War II days. In the meantime, intake of protective food has progressively gone down. This is a factor that cannot be ignored when we talk about achieving self-sufficiency in food. Taking into consideration the caloric and protein content of an average Indian's food, India's attaining self-sufficiency in food is yet a far cry.

The need of the hour is to redouble our efforts if the goal of self-sufficiency in food on the basis of the minimum caloric and protein content requirements is to be achieved by the end of Third Five-Year Plan. India would be requiring at least 102 million tons of foodgrains per year by 1965-66 if a modest advance is to be made in the prevailing nutrition standards by providing 17.4 ozs. of cereals and 3.5 ozs. of pulses per adult unit per day. This means an annual increase in foodgrains output at the rate of 6 per cent as against nearly 3.5 per cent achieved under the Second Plan. The task is stupendous indeed.

With little scope for increasing the area under food crops in view of the imperative of stepping up the output of raw materials required to meet the demands of industrialisation, the need for raising yields per acre in the country, which today are amongst the lowest in the world, can hardly be over-emphasised. While there is every reason for fostering the use of improved seeds,

The Czech Credit

THE announcement last week by Mr. V. Pacl, Economic Counsellor of the Embassy of the Czechoslovak Socialist Republic in India, regarding the long-term credit of about Rs. 17 crores extended by Messrs. Technoexport of Prague — in addition to the Czechoslovak Government's long-term credit of Rs. 23 crores — has been received with great satisfaction in New Delhi and has further strengthened the bonds between the two countries. It is true that India's foreign exchange requirements for the Third Plan exceed 3,000 crores of rupees and the total credit of Rs. 40 crores from Czechoslovakia may look small in relation to the total need, but the importance lies in the particular types of industrial units which the Czechoslovak Government and Messrs. Technoexport have agreed to set up.

Of the four projects being set up with Czechoslovak assistance, the most important is the Foundry Forge Plant in Ranchi which will be the biggest engineering project of its kind in Asia and will produce medium and heavy castings and forgings and, which will mainly be used as semi-products in Heavy Machine Building Plant and Heavy Machine Tool Plant. The second plant, namely, the Heavy Machine Tool Plant will produce different types of heavy machine tools such as lathes, double housing planning machines, horizontal boring machines, boring and turning mill, portal milling machines, radial drilling machines and grinding machines. The Heavy Power Equipment Plant will be the third engineering works to be established in collaboration with Messrs. CKD of Prague, Czechoslovakia. This plant will produce steam turbines and alternators. It will also produce condensate extraction pumps, cooling pumps, water-jet air pumps and feed pumps. The High Pressure Boiler Plant will be the fourth important engineering factory which will produce high pressure boilers.

In order to lessen the pressure on India's for-

farm implements, fertilizers and for extension of irrigation facilities, one important factor that has not been given serious consideration as yet in the changed circumstances is the provision of price support at least for the major food crops. The liberalisation of restrictions on inter-State movement of foodgrains and improvement in the holding capacity of the peasantry has helped to some extent in ensuring a fair return to the agriculturist for his efforts. But in view of the gradually improving food situation, there is a strong case for guaranteeing minimum prices to the farmer for his products. The return may be gradually reduced to bring down food prices in the country, thereby helping the industrial sector to push down its production costs.

The need for continuing food imports for at least a number of years to supplement the indigenous production and to build up a buffer stock also cannot be over-stressed. The deal that India last year entered into with the United States for the supply of 17 million tons of foodgrains under PL 480 during the first four years of the Third Plan has been an important factor in keeping food prices within bounds; it has proved to be deterrent to the trade's indulging in any nefarious activities when there have emerged terrible transport bottlenecks. The difficult foreign exchange situation and increasing indigenous output may warrant curtailing of imports of food on commercial account, but care has to be taken that reduction in imports does not remove this powerful deterrent to any undue rise in food prices.

In addition to these four projects, the Czechoslovak Government has offered as a gift to India essential equipment and technical assistance for the establishment of the Central Machine Institute.

It has been possible for Czechoslovakia to render assistance of this order to the Indian Union because of the speedy growth of the Czechoslovak economy in recent years. It may be mentioned that Czechoslovakia has an area of not more than 40,000 square miles and a population of less than 14 millions. The economy, however, has been racing ahead in a dynamic manner with yearly average growth in gross national product at nearly 8 per cent. Forty per cent of the investment during the Second Plan was allocated for the development of industry while agriculture claimed only 16 per cent. It is this extreme emphasis on industrial development which has made Czechoslovakia not only self-sufficient in its own requirements of machinery but has also created capacity to export on easy credit terms to the developing countries.

On per capita basis, the output of cement, steel, coal, electric power in Czechoslovakia is far ahead of many advanced countries of Europe. In all these four major industrial elements, Czechoslovakia has scored over France on per head basis. Its output of coal on per head basis is ahead of even West Germany, while its production of steel on per capita basis is very nearly that of West Germany. Similarly, in cement production Czechoslovakia is slightly above the United States of America on per head basis.

The Third Five-Year Plan in Czechoslovakia which started early this year, because of its extremely heavy emphasis on investment in industry, is likely to accelerate the growth of its economy. Whereas during the period 1956-60 the investments in machinery were around 36 per cent of the total gross national income, during the Third Plan the investment is to be raised to 41 per cent.

A DELHI DIARY

OF CHIEF MINISTERS AND ELECTIONS

GREATLY resisting the temptation to be embroiled in election politics, I am keeping my sights still fixed on my experiences abroad. I should, however, mention in passing the strange controversies which are taking place everywhere in regard to what is called the ten-year rule, that is, the decree of Congress President (not shared by the Prime Minister) that normally those Congressmen who have served ten years in legislatures should be good enough to stay out for the benefit of new aspirants to office. At the Finance Minister's residence this week Dr. Jivraj Mehta has apparently agreed to cease to be Chief Minister, but is staying on to contest a seat in the legislature. Thus have Congress rivalries found a new formula by which the new and the old can march together without open faction. While I record with some satisfaction the settlement with Gandhian non-violence of this particular election dispute, there are threatening rumours from a group of astrologers gathered at Calcutta that there will be no election at all in February, 1962. The configuration of the planets—or is it the stars?—in February, 1962 is such, they say, that a tremendous calamity will occur which will have dire repercussions on the Indian Union. Apparently, a seminar—or the orthodox equivalent thereof which is a Parishad—has been called to determine whether the aforesaid configuration is scientifically accurate and the consequences thereof are astrologically sound! If so, the astrological predictions are in conformity with the great guessing game, all of which I have no doubt will be of great interest to those who are looking forward to their political futures with more than usual zest.

YUGOSLAVIA REVISITED

However, as I was saying, my eyes are still abroad—particularly on Yugoslavia which I have visited again after two years. One can look upon the Yugoslavian scene with many eyes. Those who are frankly political-minded (I am not of these) are interested in the great Neutral Nations Conference to be held in Belgrade in September; all I know is that India has added many nations to the Conference. My interest is elsewhere. There are the great political and economic changes of the last two years which are both for the eyes to see and for the statistics to describe. The statistics, I might say, are for the most part up to the end of 1960, published in a handbook which is made available within three months of the completion of the year. May I suggest for the Indian Government that here imitation would be the sincerest form of flattery?

Yugoslav statistics can tell you magnificent stories of the manner in which one of the greatest miracles of economic growth has been accomplished in five years. Yugoslavia's national income went up last year by 13 per cent and if it continues (as is planned) for about a decade at an average rate of growth of 10 per cent per year, it will secure in the fifteen years from 1955 the highest rate of growth that the world has ever seen. Here too, are illustrations of the axiom that growth is the greatest of all destroyers of inequality. Workers of all kinds in Yugoslavia are the main beneficiaries. Their money earnings between 1958 and 1960 are up by a little less than 50 per cent in manufacturing and 30 per cent in agriculture. In the economy as a whole a better balance has been struck with manufacturing containing half the number of workers employed. Agricultural production, in spite of the fact that the agricultural population has been constantly declining in terms of percentage of the total working population, has risen well over 50 per cent since 1956. Agricultural exports in 1960 at nearly 40,000 million dinars against agricultural imports of only 23,063 million dinars helped Yugo-

slavia's serious balance of payment problem. Thus agriculture has become a powerful dynamic element in the Yugoslavian State. On the other hand, it would be a mistake to suppose that industry is in any way lagging although it gives rise to an adverse balance of payments. So far as we in India are concerned, Yugoslav heavy industry and power stations are more germane to our Plan and, therefore, more to be studied. I failed, after much trial and error, to count correctly the number of Yugoslav enterprises in this field. Their name is Legion. Their top managers are typical captains of industry. Most extraordinary of all, their competition with one another is intense, particularly at home!

THE INDUSTRIAL RENAISSANCE

I saw it in Ljubljana in Slovenia, in Zagreb in Croatia and, last but not least, in Sarajevo, in what used to be the backward province of Bosnia and Herzegovina. Many of my readers may remember that it was in Sarajevo that a famous prince of Austria was assassinated, thus (as recorded in the text books) producing the World War I. I can claim to have seen on a pavement in Sarajevo the fatal footprints engraved upon the stone; footprints of a historic past. But the new Sarajevo has moved far beyond from 1914. It is now a great industrial centre dominated by many factories. It maintains its one-time Turkish character and still contains 90 mosques and has a 60 per cent Muslim population. But the fact is that Bosnia, the backward province of Yugoslavia, has raced ahead; in terms of its national income it has moved faster than any other province of Yugoslavia. Its national income has practically doubled in five years. It is true the cost of living has risen, but only by about 20 per cent. The province has now emerged from the typically underdeveloped category and can bear comparison with a moderately developed province. A distinguished Yugoslavian economist told me that he thought that Bosnia has been taken over the hump, the hump being that very difficult and intractable area where the national income has to work itself up from between 100 to 300 dollars per capita. I do not take any responsibility for any predictions based upon these "take-off" statistics which are going increasingly out of fashion, but I will commit the whole of my (dubious!) reputation to the point that Bosnia and Herzegovina have taken off!

GENTLEMEN: THE MANAGER

When I was looking at the Yugoslav miracle in its earlier incarnation two years ago, I was inclined to concentrate, more particularly, on technological change rather than on the great incentive unloosed by the far-reaching decentralisation and workers' participation in management. But on this particular occasion I am inclined to rate the capacity of Yugoslav managers, whom I saw—perhaps a hundred in all—as the topmost instrument in Yugoslavia's splendid progress. I was happy to be able to see again the brilliant young manager of the great Estate farm outside Belgrade called Pancevacki Rit. On the face of it the visible changes have not been great, but there is a stately new slaughter house and a new milk pasteurisation plant. Belgrade now receives half of its milk supply and, I believe, nearly all its meat from this one farm. Production has nearly doubled in some sectors of the economy in a matter of two years. The Italian wheat which was first acclimatised here is now being exported to Italy! In its home farm it has given yields as much as 2½ tons per acre. Why, I wonder, have we not tested it on a great scale in this country where our average yields are less than one third of a ton?

ARGUS.

THE WEEK'S NOTES

Legislators' Tenure

THE GUJARAT CONTROVERSY

IT IS a misnomer to call the Gujarat Pradesh Congress Committee's resolution on the ten-year rule as "retirement of legislators" to make room for new blood. No retirement from legislative life at the end of ten years is contemplated, nor is the rule being applied uniformly to all without distinction, nor are the distinctions sought to be made based on any declared principles. The rule in question specifically sets a limit of ten years to a legislator's tenure in a particular legislature, but allows him the choice to try for the Party ticket to contest an election to the other legislature. A member who has served two terms of five years each in the Gujarat Legislative Assembly (including its predecessor, the Bombay Legislative Assembly) may not be permitted to seek re-election to the Legislative Assembly, but he is competent to stand for election to Parliament where he can have a tenure for two terms, and vice versa. Thus, in effect, the actual limit prescribed for retirement is twenty years and not ten years. There is a lot of local politics (not free from intrigue, as Dr. Jivraj Mehta maintains) in this ten-year rule.

Limited exceptions have been made in favour of a few leaders, but the significant fact is that Dr. Jivraj Mehta, the Chief Minister of the State, is not one of them. A healthy convention could have been laid if the Chief Minister had also been exempted from the rule. When Congress passed legislation in America to limit the maximum presidential tenure to two terms only during Mr. Truman's regime, a specific clause was inserted in the Act to explain that the legislation was not intended to convey any personal imputation and a reservation was made entitling President Truman to stand for a third term. The absence of such a healthy convention speaks for a major motive behind the ten-year rule. If this rule is enforced, according to one estimate, 9 out of 14 ministers in the State would be disqualified from contesting election to the Legislative Assembly. The next cabinet would inevitably consist of a majority of new comers. The High Command and the State Congress Parties have been generally averse to admitting fresh men in the ministries and building a second line of leadership. In this sense the trend in Gujarat is to be welcomed. But there is no virtue in having new blood for its own sake and that too on an extensive scale. A great risk would be run in sacrificing tried talent where it continues to retain vigour for administration. Sir Winston Churchill in Britain and Mr. Mackenzie King in Canada, who enjoyed long terms as Prime Ministers, are notable examples of statesmen shouldering great burdens for long years without impairment of their faculties. In any case, it would be perverse to apply the ten-year rule with rigidity.

The Gujarat Pradesh Election Committee is presumably not clear in its own mind how to implement the resolution and to what extent its rigidity should be softened. The centre of controversy at the moment is Dr. Jivraj Mehta. According to Press reports (whose authenticity it is difficult to vouchsafe for the reason that all the meetings of the Gujarat leaders over this controversy were held behind closed doors), Mr. Morarji Desai has counselled Dr. Jivraj Mehta not to seek re-election to the Legislative Assembly as an act of self-denying ordinance. But the reports also have it that Dr. Mehta is contemplating a contest at the election to continue as an ordinary member of the Assembly, apparently to challenge the manoeuvres of his opponents. It would be embarrassing for the Pradesh Election Committee to decline to entertain the application of the Chief Minister, but at the same time the PCC will be embarrassed to find its ten-year rule openly flouted.

The Election Committee is due to meet in August. The forecast may be ventured that the controversial rule will be watered down in its implementation.

The Floods

AFTER THE DEVASTATION

IF THE early arrival of the monsoon this year was hailed as an omen of relief from the preceding oppressive period of shortage of water and power supplies, the suddenness with which the principal rivers in several parts of the country were inundated have raised problems of serious dimensions. The Cauvery, Periyar, Pamba in the South, the Narmada in Madhya Pradesh and the Mahanadi in Orissa, to mention the main rivers which were subject to excessive floods, have taken the riparian populations completely unawares. The sudden impact of the floods and the unpreparedness of the local authorities and the local populations to take preliminary measures have heightened the severity of the destruction. Various estimates of the damage caused by the floods are being made and a figure somewhere near Rs. 100 crores for all parts of the country affected so far is also mentioned as a possibility. To say that these estimates will perhaps prove to be inflated owing to the proximity of the calamity is not to minimise the magnitude of the destruction caused and the hardships inflicted on the population. What the Government can spend by way of relief must be generously supplemented by public contributions. In this context an unhappy fact which needs to be underscored is that the Prime Minister's National Relief Fund, from which assistance to flood-stricken areas is promptly available, has been very much depleted. This is all the more a reason for an appeal to the public to discharge its moral obligation.

The problem of immediate relief apart, attention needs to be riveted in all seriousness on certain aspects of the flood policy of the Government. It was only by a singular stroke of good luck that the Hirakud dam was saved from imminent danger. The question needs to be investigated in earnest whether the safety margins, for which allowances have been made in the major dams, are really adequate and whether they do not add to the serious risk of floods spreading in the neighbouring areas as soon as waters are discharged to save them. At least in the case of Hirakud, competent technical opinion does not hold it to be adequate and one criticism is that low margins have been allowed on financial considerations. The flooded rivers have receded and the danger in Kerala (where it was grave), Mysore and Madhya Pradesh is now over. Madras is also emerging practically out of it. So also relief to Orissa is expected in a matter of a few days even in the Cuttack and Puri districts. It is now two years that the Flood Control Committee reported on an appropriate flood policy to hold potential damage within the minimum limits. The numerous measures which it has urged, such as reforestation of catchment areas and construction of dams and embankments as well as drainage along the banks of rivers may have little novelty in them, but they are certainly the most effective ways to minimise the havoc which floods work at frequent intervals.

South-West Africa

A DRAMATIC DEADLOCK

THE PROJECTED visit of the United Nations Commission on South-West Africa to that country has taken a dramatic turn. Even from the start it was assumed that the Government of the Republic of the Union of South Africa would not allow entry to the Commission since it persists in treating South-West Africa as constitutionally an integral part of that country. It

had expressed its opposition to the appointment of the Commission and its decision not to permit it to enter the country. This opposition notwithstanding, the United Nations is under an obligation to explore all reasonable means to investigate the conditions of African nationals in South-West Africa which it cannot recognise as a part of the Union of South Africa.

The best way to do this in this perplexing situation was to ask the Commission to visit Bechuanaland, which has always extended an open asylum to Africans compelled to flee from South-West Africa under pressure of the repressive policies pursued by the Government of the Union of South Africa. Bechuanaland is receiving, in rapid stages, progressive reforms and this treatment of the African races has incensed the protagonists of apartheid for fear of its reaction in their own country. The South African Government has threatened to absorb the adjoining British protectorates even as it has sucked the mandated territory of South-West Africa in defiance of law, public morality and the demand of the United Nations to place it under its trusteeship. Against this background, the permission granted by the British Government to the Commission to visit Bechuanaland was an act of faith and courage and the Commission could have collected ample evidence from the evacuees from South-West Africa who have sought asylum in Bechuanaland. How to tackle the problem of the illegal integration of South-West Africa in the Republic of the Union of South Africa is a long term problem whose solution will not be easy. It is a separate issue.

But in the baffling circumstances the Commission's Chairman, Prof. Rodriguez Fabregat of Uruguay, acted rather impetuously in announcing the determination of the Commission to enter South-West Africa no matter whether illegally. The South African Government had already declared its intention to arrest the members of the Commission immediately on their entry and now Mr. Eric Louw has issued a warning to Mr. Hammarström that the Commission's entry would be treated as an act of aggression. In the face of these complications, the British Government had perhaps no alternative but to withdraw the permission previously granted to the Commission to operate in Bechuanaland. The impasse can be broken even now by the Commission affirming its intention to collect all relevant information in Bechuanaland without using the Protectorate as a base for forcing an entry in South-West Africa.

Shipping

DRIFTING POLICY

MR. G. L. MEHTA'S frank observations in his presidential speech at the National Shipping Board's recent meeting should move the Government to re-assess its attitude to the Board and in particular to its authoritative status. Two years ago in April 1959, when the Board was inaugurated, the Prime Minister described it as the "highest policy-making body" in the sphere of shipping. Mr. S. K. Patil, then Minister for Transport and Communications, gave a solemn assurance on the occasion that the National Shipping Board's policy decisions would be treated normally as binding on the Government and they would not be departed from unless exceptional reasons warranted such a course. Mr. Patil had undoubtedly a sincere intention to give the Board the same status and authority which is enjoyed by its counterparts in the other maritime countries. After scrutinising Mr. Mehta's objective survey of the Board's activities, one wonders whether the Government has learnt to draw a real line of demarcation between a top-level policy-making body and an advisory committee.

Immediately after its inception the National Shipping Board was requested by the Government to formulate an appropriate target for shipping in the Third

Five-Year Plan. The Board's special committee made the basic recommendation that, on a conservative estimate, a target of an annual addition of 100,000 GRT should be the minimum to be aimed at, and it would involve a cost of about Rs. 118 crores. This target of 500,000 GRT for the Plan period was pruned to 200,000 GRT with an outlay of Rs. 55 crores. It is difficult to accept the plea of shortage of funds because resources are being allocated to projects of low priority in disregard of the fact that the outlay on shipping would be recouped in less than a decade and considerable expenditure of foreign exchange on freight would be permanently saved for the nation's economy. Incidentally, it is a sad commentary on the Government's solicitude for adequate statistics for planning that no one should know authoritatively how much India is paying by way of freight charges to foreign shipping. Mr. Mehta has rightly put his finger on this grave flaw and urged that compilation and up-to-date maintenance of vital statistics of shipping and of the classification of the cargoes carried in national and foreign bottoms should be taken in hand at least from now on.

A new threat is in the offing for the shipping companies operating the distant overseas trades. The public sector corporations, which were hitherto operating relatively unremunerative routes are now to be diverted to the routes already being served by the private companies. Certainly the public sector companies must earn a net profit in this commercial undertaking, but that is no justification for duplicating the operations and involving both in losses. Co-ordination must be devised and the two must work as complementary to each other or function on separate routes.

South Korea

COUP WITHIN A COUP

HARDLY HAD General Chang Do Yung kept in his hands the uneasy reins of power for forty-eight days, since the coup d'état organised by the military junta to overthrow Prime Minister John M. Chang, had he to yield to the pressure of his recalcitrant colleagues who aspired to rise to the top of power. But General Chang's enforced resignation, which he tendered on July 3, did not mark the end of his troubles. Within six days, on July 9, was flashed the news that General Chang and forty-four of the military officers, who were known for lending support to him, had tried to commit murders of their compeers in the Supreme Council for National Reconstruction, comprising the men in control of the junta responsible for the coup of May 16. The house arrest of General Chang and clapping of forty-four other officers in jail on July 9 complete the story of this coup within a coup.

The internal pattern of the organisations responsible for bringing about military coups and seizures of power, which has been in evidence in several countries, has manifested itself in South Korea also. It would appear that General Chang was chosen as the leader for the coup of May 16 more for the prestige which his name would lend to the military take-over than for his personal faith in the justification for overthrowing the cabinet of Mr. John M. Chang. Reports were not slow in leaking out that the Supreme Council was a divided house and it was an uneasy peace which it was managing to maintain. It may be that the support which General Chang subsequently received from General Macgruder weakened rather than strengthened his hands and gave the chance to his aspiring right-hand man, General Pak Chung Hi. The charges levelled against General Chang do not reveal any substantial ground for difference of opinion as to the manner in which the junta should conduct the government. Whether the new group which has jumped to power can control the situation and how long are matters on which hardly a few would express any confident views.

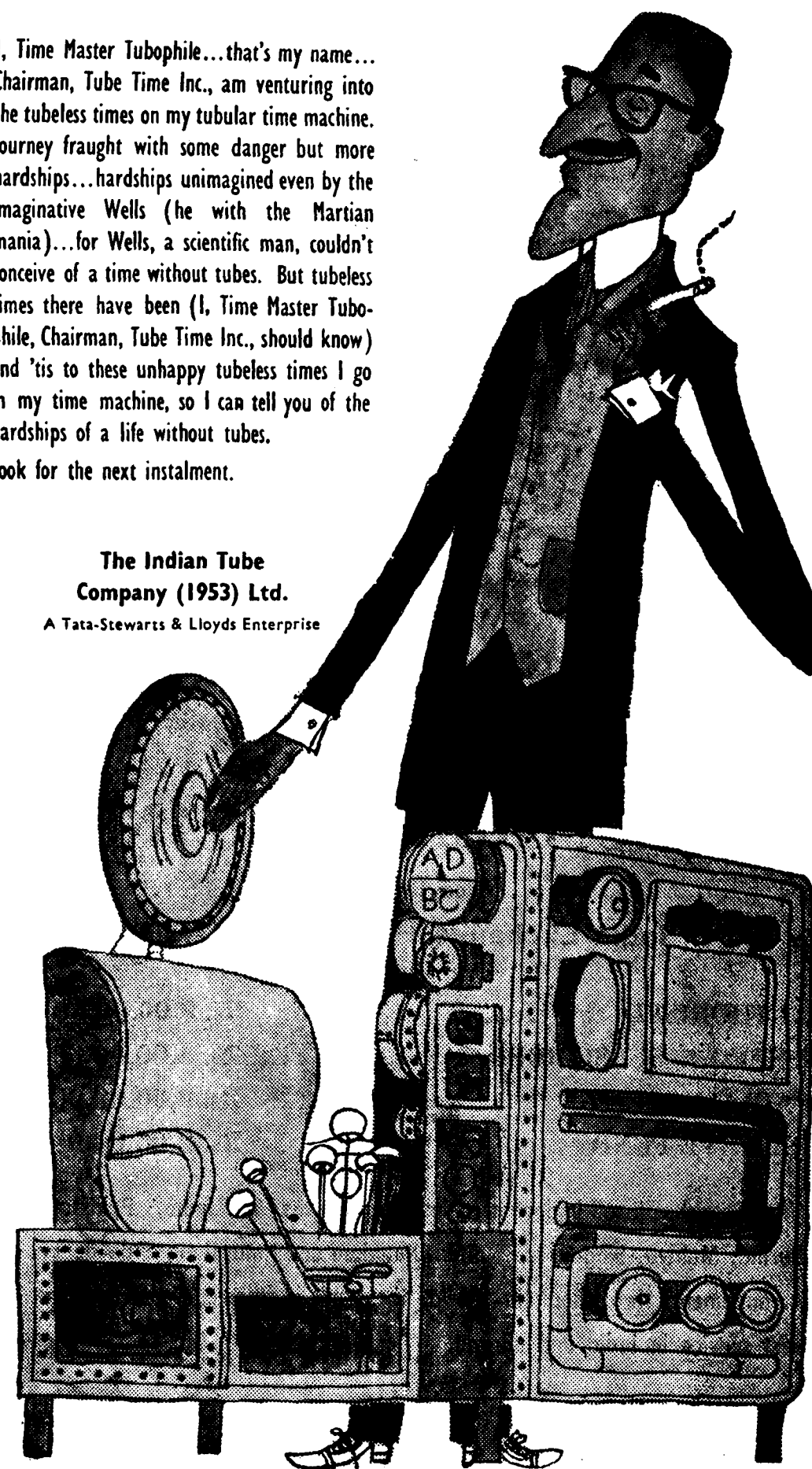
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The World Abroad

WHY BE ASHAMED OF CASTE?

By ODYSSEUS

WE ARE DISCUSSING some widespread popular misconceptions about growth.

In his stimulating 60 page booklet "Growthmanship" (Institute of Economic Affairs, 66A Eaton Sq. London. S.W.1. Price 5sh.), Colin Clark asks us to remember that "economic growth" in a country may not produce the goods which people want. Consider, for example, today's high unemployment in the USA, and the under-utilisation of capacity in some industries, such as steel and textiles, about which the Americans are rightly worried. Is a policy of "accelerated economic growth" the answer? But market research shows that if US families received a general increase in their buying power, they would buy little, if any, more steel or textiles. They want more holidays, swimming pools, books, music, education, and many other services that could not be quickly made available. US unemployment is not now of a kind that would be cured by a general increase of demand. It is a more stubborn, structural unemployment, with a large body of men (particularly coloured folk) who have insufficient education to adapt to the requirements of 1961 and to meet the competition of younger workers. Any attempt to force the pace of economic growth in these conditions would, as soon as some 2 per cent of slack had been taken up, lead to labour shortages in some industries, side by side with persistent unemployment in others.

Should the US government launch out on a Soviet-type Five-Year Plan? Should US planners decide what should be produced and ignore American consumers' choices? This would mean some "direction of labour", a euphemism for depriving poorer and weaker citizens of their freedom.

GROWTH IN THE USSR

The USSR maintained a high rate of growth between 1948 and 1953, and the Soviets have spread the idea that this high rate of growth has since been kept up. But Colin Clark points out that the real Soviet rate of growth has in fact been lower than that of most industrial countries, as has also the long-period rate of growth, which can be ascertained by comparing the 1956 figures with those of 1940, 1928, and 1913. Here are the Soviet figures:

	Capital, excluding land, residences, consumer durables	Net national product at market prices	Labour input billions of manhours per year	Capital-output ratio
\$billions 1950 purchasing power				
1928*	(48.9	155.0)		
1940)	34.4(a)	(79.9	205.1)	1.11(b)
1940)	not known	(78.4	199.7)	not known
1948)	54.5(a)	(78.4	199.7)	1.98(b)
1953)	53.6(a)	(105.9	214.9)	3.95(b)
1956)	(119.5	229.8)		

* Adjusted to present boundaries.

(b) Increases in capital per unit of output between these years.

The immediate post-war years witnessed universal shortages, when everything that could be produced was valuable. But as production becomes normal, marketing problems arise, even in the USSR, whose planned production was wasteful. Shortly before Bulganin was retired to private life, he publicly pointed out the waste that arose because every tractor plant was required to make all its components, and stressed the great savings that could be secured by specialisation and trading between plants.

Many economists today hesitate to lay down to what extent, in quantitative terms, capital is responsible for economic growth. First, they observe that the use of a capital-output ratio as a forecasting tool is no more reliable than, say, a labour-output ratio, or, for that matter, a land-output ratio. And yet popular writings attribute exceptional importance to it.

The agents of production are land, labour, capital, and organisation. The only justification for some pre-occupation with capital is that investment can be more readily subjected to some measures of control, or encouragement, than can labour—if we hold the freedom and dignity of the individual to be important.

Professors Bauer and Yamey noted in their "Economics of Under-developed Countries" (Cambridge Univ. Press and Nisbet, 1957) that economic growth results from a combination of social, cultural, political, and economic changes, which, in turn, bring about other changes. This has taken place in dissimilar circumstances in the UK, the USA, Canada, Japan, the USSR, South Africa, and Nigeria. "Economists," say these Professors "have no special insight enabling them to reduce these different historical experiences into straightforward casual relationships between simple economic magnitudes." At most they claim that economic growth has been accompanied, inter alia, by a heightened spirit of enterprise, by capital formation, by improvement in techniques of production and in the economic qualities and productive capacities of workers and managers. But they do not think it possible to isolate any one of these as the inevitable prime cause of change and growth.

In many underdeveloped countries there exists a traditional social structure, which has imbued the masses with ideas which are difficult to reconcile with the aptitudes needed to transform a traditional economy into a modern one, based on the specialisation of labour, the habit of thinking for tomorrow and therefore saving, the mechanics of investment and capital formation, and the production of goods for sale for profit in a cash market.

IGNORANT SCORN

Unfortunately, the ignorant scorn with which many previous colonial rulers often regarded such natural historical developments as caste have made the intellectual leaders of many underdeveloped countries sensitive to any discussion of traditional systems and even to assert that they no longer exist.

A more constructive attitude, it seems to me, is to realise, first, that there is nothing to be ashamed of in

any traditional social system. All such systems were evolved in the course of history to solve contemporary problems. In Europe, for example, the feudal system was evolved to meet the situation created by the disintegration of the Roman Empire. Feudal baronies were focal points of law and order, and protection for the weak, in a sea of anarchy. The system was not perfect. No system is. It was widely abused. All systems are. But without it, the lives of the masses would have been completely intolerable.

Gradually kings asserted their unifying authority over the separate units constituted by the feudal baronies, and, as national states emerged, the feudal system increasingly lost its social justification, until eventually those features of it which survived stood in the way of further evolution and progress. Feudalism was incompatible with savings, investment, and an exchange economy. Progressive minded people therefore attacked it, so that today (especially among Socialists) "feudalism" has become a term of abuse.

I would hate to see a revival of feudalism (which would smash the system of private enterprise which this column cherishes), but my sense of history will not allow me to scorn the feudal system. It performed a vital social function in its day.

As with feudalism, so with India's caste and joint family systems. In centuries gone by, caste enabled India to preserve her cultural heritage in the face of a series of foreign invasions, and the joint family system made life tolerable for poverty-stricken people, living in a war-torn mofussil. As with feudalism, caste had its disadvantages and the joint family system its imperfections. Foreigners, ignorant of Indian history, may scorn caste if they will. I see nothing of which to be ashamed in it.

The point, as I see it, is that today progressive people seek to substitute new social concepts, which are incompatible with the ideals of caste.

It does not seem to me constructive either to be embarrassed about the widespread persistence of the old social structure, or to revile it, still less to pretend that such customs as the veneration of the cow, the reluctance to slaughter cattle, and the hindrances to the mobility of labour caused by caste, do not exist. We need not fear to admit, first, that many of the old ways are incompatible with the new economy that we are seeking to build, and, secondly, that whether or not ordinary men and women are conservatives politically, they are conservatives socially, so that it is probable that several generations must live and die before many attitudes inimical to an exchange economy finally pass away.

The trouble (again as I see it) is that, faced with the persistence in the mofussil of caste, of the reluctance to slaughter useless cattle, and so on, our political leaders have fallen back on investment as the one infallible panacea to solve all problems. I suggest that, far from being indignant with people like Professors Bauer and Colin Clark, we ought to be grateful to them for reminding us that investment is but one factor in growth, and that if, at the same time as we invest, we do not strive to educate the masses in modern economic attitudes—a euphemism for telling them about the profit motive!—and in the skills of technology and management, steel plants and other spectacular capital investments will not be as productive of output and incomes as they are in Europe and America. Yet this simple idea is largely ignored in most discussions of Indian planning.

If I were a New Delhi planner, I would concentrate on the advancement of agriculture and of education. Historically, agriculture has provided the surpluses out of which the West has developed its industries, and education has enabled those industries to be manned, directed, and expanded.

[This is the second in a short series of articles debating some popular misconceptions about investment as a factor in economic growth.—Ed.]



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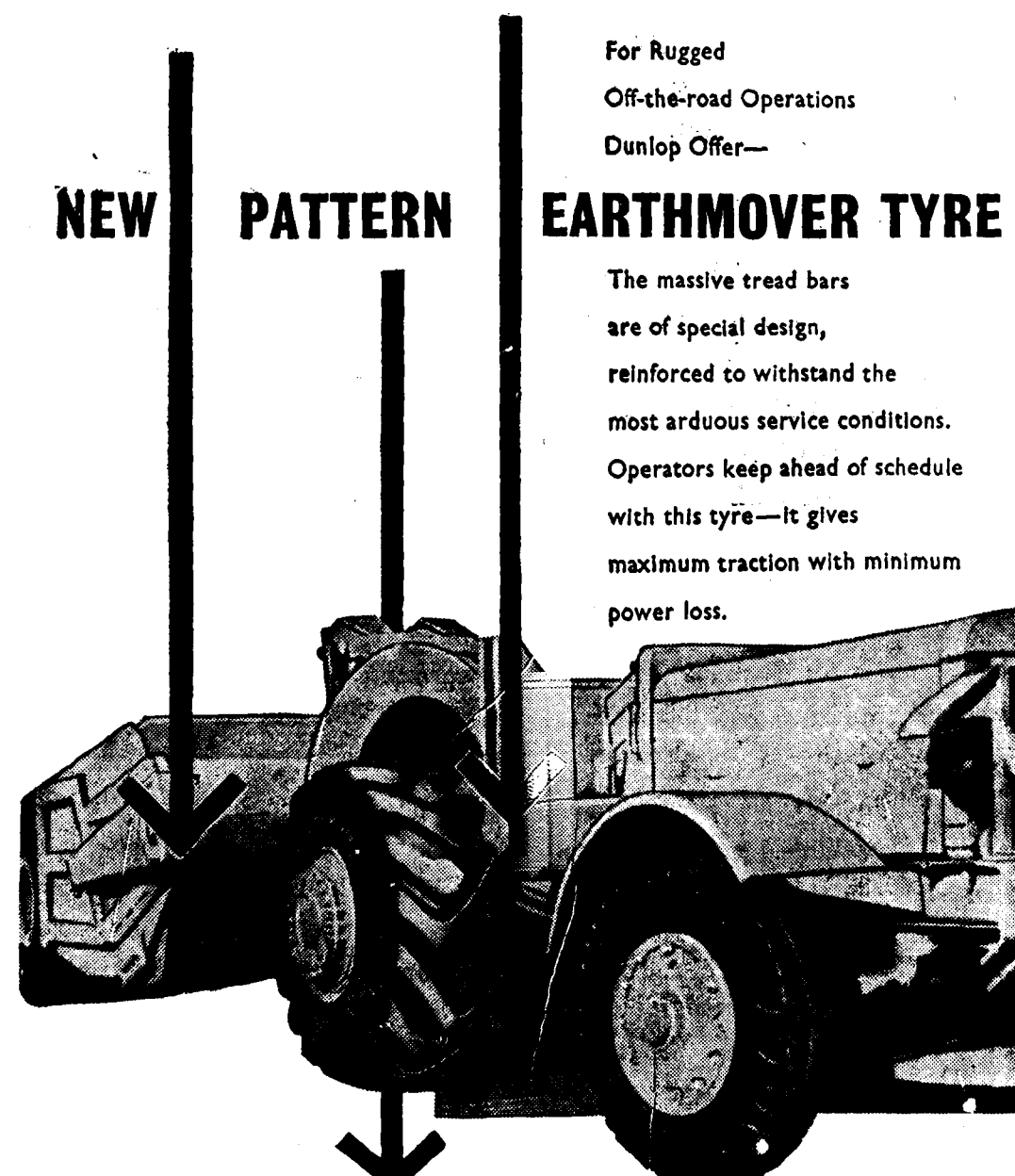
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*The European Scene***EURATOM AND NUCLEAR ELECTRICITY**

From Our Special West European Correspondent

PARIS, July 8.

WHILE India is going ahead with her atomic energy programme, expert opinion on this side of the world (as has often been recalled here) has been sceptical about the economic utility at the present moment of investment in nuclear power generation. A decision taken this week in Brussels by Euratom (the atomic energy agency of the Six of the Common Market) marks a break with this scepticism: Euratom will contribute, to the tune of \$19 million initially, to three industrial projects for the atomic generation of electricity. Two are Italian: an enriched uranium reactor of 150 megawatts constructed by the Societa Elettronucleare Nazionale, and a natural uranium reactor of 200 megawatts built by SIMEA, an atomic energy agency that operates in the poor and power-hungry South. The third is Franco-Belgian: an enriched uranium reactor of 210 megawatts being built by a private firm in the Ardennes. The decision to make this commitment was taken by the six-power Council of Ministers against determined French opposition, and is all the more significant for that. It was one of the first genuinely super-national actions of European unity; the majority overruled an important member-Government—and it happens that, in the nuclear sphere, France is the giant of the community, having atomic resources, knowledge and projects equal to those of the rest put together.

The president of Euratom, M. Etienne Hirsch, who had to present the case for investment in atomic power projects, is French and so there was a typically "supra-national" debate, with the French expert clashing with France's Minister for Scientific Research, who demanded more work on research before Euratom ventured into the industrial power field. The Minister took his stand on a financial technicality: the aid for power reactors would have to come out of the research budget of \$215 million for the five years ending 1962. This would, he claimed, upset the agency's research programme and make no contribution to scientific research. But the real point at issue was whether the time had yet come to put money into schemes to generate electricity from the atom, or whether this was still so uneconomic that the experimental stage should be prolonged until the profitability of atomic power was established. Political considerations were not absent, of course: on both sides there was an urgent desire to keep the Common Market independent, in the nuclear field, of the Americans and the British. The French Government was peeved that the reactors chosen for support were all of Anglo-Saxon origin, for it would have preferred to see Euratom put its money into a purely Continental project, probably French. The others replied that unless the Six moved quickly into the industrial power field, even if at first with Anglo-Saxon designs, they would eventually become dependent on the USA and Britain.

Up to now, the Continentals have done little in the matter of building atomic power houses. They wrote an ambitious programme several years ago when energy from all sources was scarce, but when the oil and coal glut set in they let this drop. The present position is

this. In West Germany, one small reactor is functioning at Kehl and a second is being built at Julich. In Belgium, a small reactor will soon begin working at Mol and two are being completed in Italy, at Latina and Garigliano. Two reactors are being built at Chinon, on the Loire, by the French electricity monopoly, while the three reactors at Marcoule, which provide the material for France's atom bombs, produce a small quantity of power only incidentally (their combined power is 60 megawatts). This is all that remains of the panic-plan drawn up at a time when the experts were prophesying a grave energy deficit in West Europe for the decade 1960-70; as long as the present power surplus lasts, there will be little interest in big, costly and necessarily hazardous experiments in industrial power generation.

M. Hirsch, however, justifies Euratom's support for the three projects chosen this week in these terms: "It is true that there is at present no shortage of energy in Europe, but you must remember two things. During a period of shortage, people will be ready to pay any price for atomic energy; on the contrary, during a period of abundance the deciding factor is the price of that energy. The problem is to know at what moment nuclear energy will become cheaper than classic energy. At the present moment, everyone believes that nuclear energy will be competitive about 1970. At that date electricity producers will want to construct nuclear power stations and all at once there will be an enormous demand. So our industries must learn, right now, how to build power-stations to meet that demand, for otherwise they will be wiped out by American and British competition. Naturally, this period of apprenticeship for really big works will require, in the immediate, certain sacrifices, because today electricity from nuclear sources costs 25 or 30 per cent more. But that is only temporary. That is why we want to stimulate, financially and technically, the construction of atomic power-houses".

In other words, Euratom's entry into the power-generation field is purely experimental, except that it is a question of applied experiments instead of the pure research experiment to which Paris sought to limit it. It is in no sense the case that Euratom or anybody else here believes that the time has come to build the power sources of tomorrow, for no one would pretend to know exactly on what techniques these will be based. If Euratom can afford to toy with some pretty substantial applied experiments such as the three reactors named, that is because its research resources are very considerable: this week's decision will commit no more than 15 per cent of its total research budget. Thus, however encouraging Euratom's decision may be to the apostles of nuclear power generation, it is not to be compared with the policy of a nation that is desperately short of capital and chooses to invest in atomic power houses as part of its plan for industrialisation.

Euratom's activities represent, admittedly, only a fraction of the work being done in the Common Market for the development of atomic energy. Its total budget,

while much larger than that of West Germany, Italy and Benelux, is merely half the size of French outlays on comparable tasks, while the French programme includes a military sector that is twice as big again. So one could not draw conclusions about European scepticism on the future of atomic energy from its limited activities alone. The French are far from inactive in exploring the industrial exploitation of the atom and, in view of their manifest superiority in the six-nation region, they tend to seek to reduce Euratom to the minor role of carrying out jobs that are complementary to their national programme. The other five react badly to this and are inclined to gestures of independence, signifying their refusal to make Euratom a mere camp-follower. This week's decision to finance atomic power houses following British and American designs was as much one of these gestures as a reasoned wager on the industrial future of the atom. The unbalance within Euratom, due to the large disproportion between the nuclear capabilities of France and her neighbours, would be remedied if ever Britain were to join, as the Continentals would expect her to in the event of her joining the Common Market. This would not only strengthen Euratom, and indeed make it perhaps the world's most competent atomic energy authority by pooling British, French, German and Italian talent, but would enable it to write a more balanced programme, reflecting better European estimations of the economic future of nuclear power.

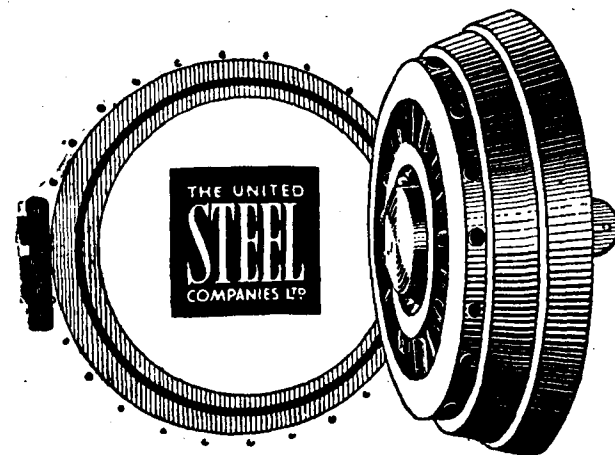
When all these reservations are made, however, the fact stands that Euratom accurately summarises the balance of expert European opinion when it regards atomic power as still very much in the experimental stage and when it interprets its recent incursion into the industrial power field as simply a more elaborate applied experiment that leaves the future open. By far

the greater part of its work, while always having industrial application in view, is still remote from firm investment projects such as are written into national plans. One of its most interesting lines of work—admitted to be of much greater importance than the financing of atomic power stations—concerns studies on the domestication of thermonuclear fusion, that is on the possible peaceful use of the Hydrogen bomb. This requires long and costly research, which the Continentals are anxious to carry out on their own account without waiting for the Americans and British. For that purpose, Euratom is co-operating with the Max Planck Institute of Munich, the French Atomic Energy Commissariat and the National Nuclear Energy Institute in Rome. The results of this effort will not be known for some years, and possible industrial applications lie even further in the future—but when they come, they will be considerably more rewarding than premature investment in atomic stations of the types conceived today.

Similarly, it is exploring the possibilities of a new type of reactor in its "Orgel" research project: reactors using natural uranium as fuel, heavy water as "moderator" and an organic liquid for cooling. It attaches great importance to an assignment it has farmed out to a Dutch institute, which it supports with men and money, and which aims to find the applications of the atom in agriculture. Altogether, Euratom has signed 115 such contracts with private and governmental institutes for joint research, and it has 75 more ready for signing; several of these relate to atomic propulsion for ships. The decision it took this week (and then against the advice of its best-informed member) to put money into atomic generators is to be set in this context of support for all sorts of practical research, and not as sudden conversion to the view that the age of economic atomic power has arrived.

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THE GREAT RED SPLIT

By WILLIAM REES-MOGG

ONE of the most important news discoveries for many years was published recently by Mr. Isaac Deutscher, the authority on Soviet affairs, in "The Sunday Times". He published a remarkable document containing an attack on Chinese policy which had been sent to the headquarters of a number of foreign Communist parties by Mr. Khrushchev's office in Moscow.

The document accuses the Chinese of breaking the agreement reached by the Communist assembly in Moscow last November; it accuses them of trying to take over international Communism from Russian leadership, and of conducting subversive intrigues against Moscow. Even more important, it accuses China of advocating preventive war, and of being obsessed with the problem of Formosa.

There have, of course, been disagreements and clashes between Russian and Chinese communism before. Stalin never wanted Mao Tse Tung to achieve power in China, much on the principle that made Richelieu in the thirty years war prefer a Protestant and divided Germany to a united Catholic one. At the time of the Khrushchev-Malenkov power conflict Chinese support for Khrushchev had an important bearing on the outcome.

Further conflicts led up to the agreement of last November. None of these conflicts, however, seemed to pass the point at which the dispute became irreconcilable. There is after all a vital difference between the character of Russian relationships with Poland and with Yugoslavia, though both have been involved in disputes. In the case of Yugoslavia the breach was final, and that now seems to be the case with China as well.

It appears from the character and language of Mr. Deutscher's report that this breach is likely to become even more serious. If this is so then a political event has occurred of such importance that its ultimate consequences can only begin to be guessed. This is a situation which is likely to be of dominating importance in the international affairs of the 1960's.

It has already affected the economic situation of China. Two bad harvests have made China more than ever dependent on outside assistance; the political conflict has already led to a substantial reduction in Russian aid. In the competition to demonstrate that Communism is the best way to develop a non-industrial country this cut in Russian aid could be very important.

The Russo-Chinese conflict has also had an important influence on Berlin. One of the factors in the Berlin situation seems to be that Mr. Khrushchev needs to prove, to invest an American phrase, that he is not "soft on Capitalism". Another factor is that Berlin is a crisis that Russia can control, and had indeed in the last two years moved from warm to hot and back again according to the fluctuations of tactical convenience. The other crisis points, those in the Far East, might get out of control because China would not stop when Mr. Khrushchev gave the word. The East Germans have no choice.

The quarrel with China makes the whole Russian position look much less satisfactory than it often seems to the rest of the world. The European Red Empire is becoming increasingly precarious. The palpable success and high prosperity of Western Europe stands in contrast to the depressing conditions of the satellite countries. In East Germany, where border is open, this has led to a vast exodus of population, which start-

ed as a refugee movement (leaving Communism) and has now become an emigration movement (seeking the prosperity of Capitalism). There is no Communist government in Eastern Europe, possibly excepting Bulgaria, which is backed by real popular support, in sharp distinction to the support for Communism in the imperial motherland of Russia herself.

To the West, therefore, Russia has a rickety and feeble empire which accords no more than the morose and feeble support of careerist satellite governments. To the East there is the menace of an independent China, now actively seeking to seize control of international Communism out of Russia's hands. For lack of financial resources China is likely to fail, but the threat is a serious one none the less.

This change is in one sense immensely hopeful, and in another considerably alarming. The split in the Communist camp does make it very much more unlikely that people will in the end mistake Communism for the wave of the future. The fact that the Communist world, behind a facade of unity, is divided by deep hostilities, is likely to reassure those who find the non-Communist world hides its united preference for free political institutions behind a facade of bickering.

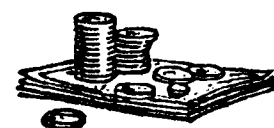
The worrying point is that a strong and secure Russia is an influence for peace. It is insecurity which makes statesmen and nations behave unreasonably. If the world has passed the apogee of Communist power, the period of declension may include many anxious passages.



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India.

Encouragement of Research in Industries: The Government of India have appointed a 19-member Committee headed by Prof. M. S. Thacker, Director-General, Scientific and Industrial Research, to consider and recommend to Government measures to be taken to encourage the development of research in industries as well as the promotion of consultancy firms. The Committee has been asked to submit its recommendations to the Government within a period of 6 months. The terms of reference of the Committee will be to consider and recommend measures to be adopted to promote research activity by industrial undertakings and measures by which the growth of consultancy firms could be encouraged.

Production of Menthol and Peppermint Oil: A scheme for the cultivation of 'Mentha arvensis' used in the production of Menthol and Peppermint Oil, in collaboration with the Council of Scientific and Industrial Research, has been sanctioned by the Government of Jammu & Kashmir. The scheme envisages the cultivation of about 2,000 acres of land in Jammu under the guidance and with the help of the Central Indian Medicinal Plants Organization of the Council of Scientific and Industrial Research. The value of the Menthol and Peppermint Oil to be produced is estimated at Rs. 30 lakhs and would result in a corresponding saving of foreign exchange. The over-all expenditure during the Third Plan on cultivation of 2,000 acres of 'Mentha arvensis' is expected to be about Rs. 43 lakhs.

India's Foreign Trade in Merchandise in May, 1961: The provisional figures of India's foreign trade in merchandise by all routes—sea, air and land—on private and Government accounts during May, 1961, according to information available in the Department of Commercial Intelligence and Statistics, Calcutta, are given below:

Exports	Rs. 56.73 lakhs
Re-exports	Rs. 39 lakhs
Imports	Rs. 85.57 lakhs
Balance of Trade	Rs. —28.45 lakhs

Trade with Tibet, Bhutan and Sikkim, and the trade arising in the Andaman and Nicobar and the Laccadive, Minicoy and Amindivi Islands is not included. In the case of Nepal, air-borne trade alone is covered. The value of certain consignments of private merchandise under reference to the customs for verification and of Government stores awaiting adjustments is also excluded.

Table I below brings together the provisional figures for May 1961, along with similar figures for April 1961, May 1960 and the revised figures for May 1960:

Foreign trade in merchandise	INDIA'S FOREIGN TRADE DURING MAY, 1961, APRIL, 1961 AND MAY, 1960 (In lakhs of rupees)			
	For the month of		Provisional	Revised
	May, 1961	April, 1961		
Exports	56.73	53.36	49.81	47.88
Re-exports	39	48	93	1.94
Imports	85.57	85.90	82.77	98.48
Balance of trade in merchandise	—29.45	—32.06	—32.03	—48.66

The cumulative totals for the two months April and May, 1961, are shown along with the corresponding figures for 1960 in table II below:

TABLE II.

INDIA'S FOREIGN TRADE DURING THE TWO MONTHS APRIL AND MAY, 1961 AND APRIL AND MAY, 1960

(In lakhs of rupees)

Foreign trade in merchandise	Cumulative totals for two months April & May		
	1961 Provisional	1960 Provisional	1960 Revised
Exports	110.09	97.93	94.08
Re-exports	87	1.39	2.37
Imports	171.47	164.77	197.28
Balance of trade in merchandise	—60.51	—65.45	—100.83

United States

Loans to Indian Firms: The U.S. Government has announced approval of loans totalling Rs. 47.5 lakhs to three joint Indo-American private ventures in the fields of manufacture of shock absorbers, air-conditioning equipments and automobile and bicycle tyres and tubes. The loans are being made from the Cooley Amendment Fund, to which is credited a part of the rupees generated by the sale of agricultural commodities supplied to India under U.S. Public Law 480. The U.S. Export-Import Bank administers the Cooley Amendment Fund whose principal object is to facilitate the investment of American capital in India and other countries receiving commodities under U.S. Public Law 480. The biggest of the loans announced is to Carrier Air-Conditioning and Refrigeration Private Ltd. which has been formed by the U.S. firm of Carrier Corporation and the Indian firms of Voltas and J. Stone & Co. (India) Private Ltd. The company is establishing a plant outside Bombay to produce refrigeration and air-conditioning equipment. It has been given a loan of Rs. 37.5 lakhs. Madras Rubber Factory Ltd. is the recipient of a rupees 5 lakh loan to help in building a factory for the manufacture of automobile, truck and bicycle tyres and tubes. Mansfield Rubber Co. of Ohio, United States, is collaborating in the new factory for furnishing machinery and know-how. Another loan of Rs. 5 lakhs goes to Gabriel India Private Ltd. which is the joint venture between D. C. Anand and Associates and the Gabriel Company of Cleveland, Ohio. A new factory planned to be erected at Mulund near Bombay will produce 1,20,000 automobile shock absorber units per year. So far 13 loans totalling Rs. 11.5 crores has been granted to joint Indo-American ventures from the Cooley Amendment Fund.

Pfizer's 1960 Grants: Grants of more than \$1 million (over five million rupees) were made for scientific research and medical education last year by

Pfizer and the Pfizer Foundation, the 112-year-old pharmaceutical and chemical company announced recently. Included in the overall total of \$1,053,951 (Rs. 50,37,885) was the sum of \$171,715 (Rs. 8,20,798) earmarked by Pfizer's overseas organisations to support research and education outside the United States. Grants-in-aid to universities, medical schools, pharmacy and agricultural colleges constituted the largest allocation, approximately \$662,000 (Rs. 31,64,360). Providing assistance in such areas as chemistry, biochemistry, microbiology and agricultural science, these contributions supported a broad range of investigations, including cardiovascular research, inquiries into analgesia narcotics and drug addiction, the effect of essential amino acids on breeding hens and a study of the effects of ultrasonic radiation on crystal growth. In addition, \$220,000 (Rs. 10,51,600) was received by resident physicians and hospital and pharmacy interns under a continuing programme designed to aid resident interns in completing their education. Also included were graduate fellowships to students seeking advanced scientific degrees. Contributions by the Pfizer Foundation in 1960 also supported medical and pharmaceutical education as well as emergency and relief organisations, and health and philanthropic groups in countries where Pfizer maintains plants, laboratories and offices. The grants total announced by Pfizer does not include various emergency drug shipments made throughout 1960. Among other donations were a company contribution of approximately \$200,000 (Rs. 9,56,000) to MEDICO (Medical International Co-operation Organization) in 1960 for use at hospitals established by the late Dr. Thomas A. Dooley in Laos, and at other medical centres in Asia, Africa and the Caribbean plus an additional \$50,000 (Rs. 2,39,000) drug consignment to help equip the hospital ship operated by Project HOPE in South-East Asia.

Radio Transmitter Powered by Human Voice: A radio transmitter that is powered entirely by the human voice has been patented by an American electronics engineer. George W. Bryan Jr., the inventor, says that the transistorized device changes the physical energy of the voice's sound waves into electrical energy of sufficient strength to broadcast the speaker's words. Experimental models have transmitted for distances upto 100 yards (30 meters), and with further refinement it is expected that the range will be increased to one to two miles (1.6 to 3.2 kilometers).

United Kingdom

Aid for Tube Making Factory in India: The Commonwealth Development Finance Company is to provide a loan of £1,75,000 for the manufacture of non-ferrous tubes pipes, rods, and sections in India. The loan will provide the foreign exchange requirements for a factory being erected in Bombay by Kamani Tubes Private Ltd., in collaboration with Yorkshire Imperial Metals Ltd., an associate of Imperial Chemical Industries, which has arranged the procurement of plant in the United Kingdom, and will assist in the early period of running, under a ten year technical collaboration agreement. A spokesman of Yorkshire Imperial Metals said in an interview in Leeds that his firm's part in the scheme was largely one of supplying know-how. They also hope to provide assistance from time to time by means of short visits to India by technicians from Leeds.

Fall in Sterling Area Reserves: The British Treasury announced on July 4, that the gold and convertible currency reserve of the sterling area fell by £47 million last month to stand at £990 million on June 30.

Two special payments totalling £7 million contributed to the fall. These included a sum of £4 million paid to the European Payments Union.

Mongolia

Economic and Social Progress: In a speech delivered recently at a press get-together Mr. Mangalyn Dugersuren, Ambassador of the Mongolian People's Republic in India, revealed that Mongolia has at present some 25 heads of cattle per capita which is the highest figure in the world. Along with the traditional animal husbandry, land cultivation has been developed successfully, specially during the recent years. The country now produces 268 kilogramme of foodgrains per capita and by the end of the Third Five-Year Plan which commences this year the figure will rise to 502 kg. The newly born industry is growing rapidly. Recently more than ten big industrial enterprises and other important projects were commissioned. In 1965, it will be producing 55 per cent of the gross national output. Illiteracy among adults has been eliminated. All children of school going age are covered by schooling. Free and compulsory education has been introduced; four year course in rural areas and 7-year course in urban places. Now arrangements have been made to go over to 7-year education throughout the country. As to the number of students of higher educational establishments per 10,000 persons of the population, Mongolia is considerably ahead of Japan, Italy, West Germany and many other countries. Free medicine has made a good progress. According to 1960 data, the Mongolian People's Republic has one physician and 9 hospital beds per 1100 an 1000 persons respectively.

Australia

Computers for Complex Tasks: A leading Australian manufacturer of electronic equipment recently used a unique method of demonstrating the practical workings of complex electronic circuit blocks and computer-type parts. An ordinary gaming machine was fitted with numbers instead of the usual symbols and visitors were allowed to operate the machine and observe the results for themselves. At the pull of a handle, the device produced at random any one of 256 different numerical figure combinations. The demonstration was staged by Philips Electrical Industries Pty. Ltd. of Australia at the Radio and Electronics Engineering Convention in Sydney. Its purpose was to illustrate simply the uses of electronic equipment to record random information and transmit it along any communication path. Similar systems are used in space exploration and for many industrial and commercial purposes.

World Bank

Loan for Calcutta Port: The Executive Directors of the World Bank have approved a loan equivalent to \$21 million to the Commissioners of the Port of Calcutta. The loan will help to finance dredges and other floating craft to maintain navigation on the Hoogley river approach to Calcutta, and equipment and works to improve the efficiency of the port. The loan will also finance the foreign exchange costs of a hydraulic study of the Hoogley river to help solve the problem of siltation in the river and to determine the feasibility of establishing a deep water satellite port farther down the river at Haldia to accommodate bulk cargo vessels. The loan is for a term of 25 years and bears interest at the rate of 5½ per cent per annum including the one per cent commission which is allocated to the Bank's special reserve. Amortisation will begin on May 15, 1966. The loan is guaranteed by India.

NEWS IN BRIEF

INDIAN

The State Trading Corporation of India has entered into an agreement with Jordan Phosphate Mines Co. S.A. Amman, Jordan. The agreement provides for the import of rock phosphate from Jordan against the export of tea, coffee, spices, footwear and leather goods, shellac, textiles, engineering equipment, cotton yarn and chemical and pharmaceutical products.

As a measure of export promotion the Government of India have decided to allow drawback of customs and central excise duty on exports of books printed on imported paper, hacksaw blades, fire-works and alumina ferric.

The Punjab State Government has decided to set up an industrial marketing and development corporation to arrange for the supply of essential and raw materials to small industrialists at reasonable prices.

A delegation of the State Trading Corporation will soon visit Russia, Poland, East Germany and Bulgaria for securing export orders for Agra shoes, according to the President of the Agra Shoe Manufacturers' Association.

The Palmulam Estates Private Limited, Nagercoil (Madras), has been granted consent for issue of further capital of Rs. 500,000 divided into 5,000 equity shares of Rs. 100 each to be issued as bonus shares on capitalization of reserves to a like extent in the ratio of one bonus share for one share held.

Trade between India and the U.K. over the first five months of 1961 had a gross value of £130,461,321 over £3,300,000 more than in the corresponding period of 1960.

The Union Exchequer received Rs. 5.08 crores by way of customs and excise duties on tobacco during March, against Rs. 4.84 crores in the corresponding month of last year.

Mr. S. K. Wankhede, the Finance Minister of Maharashtra opened recently a modern factory in Bhandup, Bombay, where prestressed concrete, the latest and most economic structural material, is to be produced.

An enumeration check to determine the extent of error in the population count has been completed throughout the country and the report will be available in the next few weeks.

Fish production in India during 1960 has been the highest ever recorded. Sea fish landings were about 8.8 lakh metric tons. Marketable surplus of inland catches, including estuarine tracts, was about 2.8 lakh tons.

The first refractory and foundry shop at the technical institute of the Rourkela Steel Plant was inaugurated recently. The shop fabricated entirely by semi-skilled trainees and artisans of the institute will impart training in refractory and machinery work.

The President has given assent to the Punjab Co-operative Societies Bill, 1961. The legislation seeks to simplify co-operative law and procedure with a view to removing bottlenecks in the way of development of co-operative movement in the country.

FOREIGN

With production of Canadian newsprint continuing at a high level, and output of other products also up, woodpulp output as well as domestic consumption and exports were all higher in May and also for the first five months of the year.

Kellag International Corporation, the London subsidiary of the M.W. Kellogg Company of New York has been awarded a contract to build an oil refinery in Denmark.

The United States hopes to reach some arrangement under which Japan may increase her textile exports to the U.S. though by less than 30 per cent increase requested by the Japanese.

Britain has asked the Hong Kong textile industry to accept an 11-month extension of the three-year voluntary limitation of exports to Britain, with certain modifications. The agreement was due to expire on January 31, next.

Sugar mills in Tucuman province, are liable for Government take-over or operation under a Bill approved by the provincial legislature.

The final Ministry of Labour figures in U.K. for mid-June confirm that there was a general drop in unemployment in most industries and services. There was a reduction of 11,900 in manufacturing industries.

Further details are announced of the aromatic chemicals plant to be built at Dinslaken, West Germany, by Standard Oil Company of California and British Petroleum Company.

Associated Electrical Industries has made an agreement with Facit Electronics AB, of Sweden, as a result of which the electronic apparatus division of A.E.I. has been appointed sole agent in the U.K. and Commonwealth (except Canada) for Facit Carousel memory, high-speed tape punch and high-speed reader.

The construction of a modern airport in the capital of Mongolia for receiving jet airliners has been completed by Mongolian and Soviet teams in 50 days. It is said to have been the shortest time ever known for the construction of this very complex structure which normally requires at least six months of assiduous work.

Fourteen students and two group leaders from the University of California, Los Angeles, arrived in Bombay on July 5 by TWA Super Jet. The college students, on their 1961 Project India mission, realise that this year's venture may take on Peace Corps overtones.

Special Article

POLISH SCIENCE AND THE ECONOMIC PROBLEMS OF UNDERDEVELOPED COUNTRIES

By DR. IGNACY SACHS

[Dr. Ignacy Sachs has studied in Brazil, Poland and India where he obtained his doctor's degree for his work "Patterns of the Public Sector in Underdeveloped Countries". He now holds a chair in International Economic Relations at the Warsaw Central School of Planning and Statistics.]

THE great growth of interest in the problems of socio-economic development on the part of Latin American, African and Asian countries is a phenomenon of world-wide significance. It results from the rising roles of these countries in modern political and economic life as well as from the conviction that the changes occurring there will have a far-reaching effect on the shape of the future world. There is therefore nothing strange in the fact that Polish scholars have been devoting themselves to the problems of development of the former colonial and dependent countries. The mere statement of the above fact would not justify an article on that theme. But I believe that the investigations conducted in Poland may serve to stimulate discussion in respect to their specific concepts and scope.

In many countries the problems of economic development of underdeveloped States continue to be treated within the framework of a paternalistic attitude, strongly savouring of conceptions which move mountains to give birth to a mouse. The idea is prevalent there that the scholars from the highly developed countries have to lend a helping hand to their "inexperienced" colleagues of the underdeveloped countries, and to present them with ready-made recipes. Such viewpoints, often unconscious and free of pre-meditation on the part of individual authors, have done much harm to the world of science. For they have endeavoured to, at all costs, squeeze all facts into European schemes and consequently recommended the repetition of European solutions even where they hardly apply. If we add that the idealization of the existing international division of labour — for reasons that are understandable but are not, however, without intent — strives to influence backward countries to reconcile themselves to their fate as raw material suppliers, then we get the none-too-glorious picture of the situation which prevailed up to recent times in economic thinking, a vital sector of the social science.

It is true that much has changed in this sector in the post-war period. A series of Western scholars, to mention here as examples Gunnar Myrdal, Francois Perroux, Alfred Sauvy, Maurice Dobb, Ragner Nurske, Paul Baran; and among Latin American economic writers, Raul Prebisch, applied themselves to scattering the mythical brew, and showed the true picture of the relations between the dominant and the reflected economies. There can be no doubt that the last word in this field belongs to the economists of the developing countries who are more familiar with the essence of the problems confronting their homelands and are, therefore, better equipped to submit them to scientific analysis. It is not without reason that Professor Witold Kula—one of the most eminent of Poland's historians of the young generation — declared in his "Historical Considerations" that the great changes occurring under our very eyes on the continents of Asia, Africa and Latin America should also induce a true revolution in our knowledge of these continents, and that a basic element of that revolution will be precisely the broad participation of their scholars in scientific work.

The view-point of Professor Kula is shared by all Polish scientists who are engaged with the problems of underdeveloped countries. Important methodo-

logical and organisational consequences flow from this fact.

Thus, we always strive in our activity to base ourselves as much as possible upon direct contact with the scholars and publications of the countries in the process of development. In so far as the direction of our analyses is concerned it mainly involves three sets of problems:

(1) Interpretation of the complicated processes of development occurring in the growing countries, (2) scientific analysis of the international division of labour, and on this background, the resulting perspective of development of trade and economic relations between the socialist countries and those in the course of development, as well as (3) elaboration of selected problems which have a direct significance for countries in the process of development, in close relation with our experiences and practice.

To the above three, undoubtedly extremely attractive groups of problems must be added studies on the role of the State in the process of economic development and the possibilities of planning under the conditions of expanding economies. A series of articles and larger works by the most eminent of Poland's economists — Professors Lange, Kalecki, Bobrowski and Zawadzki may be mentioned here — are devoted to these problems. A common feature of all their works is their attention to the institutional aspects of the problems and their emphasis that the bottleneck for development exists most often in the backward social structure; whereas under conditions of necessary reforms and proper economic policy material proportions may be liquidated. It is necessary to state at this point that there is a far-reaching difference between these views of Polish economists and those of a number of Latin American scholars regarding the principal sources of the economic ills of their continent, such as the lack of proper agrarian reform.

The researches conducted in this field by Polish scholars are moreover not limited to an analysis of the existing situation and developmental perspective of individual countries. Much attention is devoted to the theoretical and technical aspects of planning by underdeveloped economies. For years a special seminar devoted to these problems has been functioning regularly under the direction of Professors Kalecki, Bobrowski and Lange. Research workers from Warsaw University, the Central School of Planning and Statistics, the Polish Academy of Science as well as the planners from the Planning Commission and other institutions have been participating in the seminar. It considers the concrete problems of selected countries as well as meritorious problems of a general character; and from time to time there takes place a "chess match," i.e. a development plan of some abstract state is constructed on the basis of arbitrarily assumed starting point data. These "planning exercises" are the same kind of drills for the planners as are the traditional manoeuvres of staff school pupils. The seminar discussions are very lively in general, and it must be admitted that the majority of those who attend them are well-informed about the specific problems confronting countries in the process of economic development.

The seminar's connection with live problems is assured by the fact that a number of its directors and participants have had the privilege of being in practical touch with the problems of the developing countries. Thus, Prof. Lange has been consulted by the Governments of India and Ceylon on the economic plans of these countries. Several other countries have turned to him with similar questions. Prof. Kalecki spent some time in India and Cuba also as an economic consultant in 1960. Professors Bobrowski and Pajestka occupied themselves with planning in Iraq, where the latter spent a full year. Polish economists were also invited for long periods to Indonesia and the United Arab Republic; the list of underdeveloped countries where they delivered lectures and prepared reports is of course much greater.

It is not accidental that a number of best known works of Polish scholars on the question of underdeveloped countries appeared at the time of their trips there. I have in mind particularly Prof. Lange's treatise written in India and Prof. Kalecki's lectures on financing economic growth delivered during his stay in Mexico. These works found a wide echo abroad and were published in many periodicals, including "The Economic Review," "Sankhya" and "The Economic Weekly".

The modest information given above on our work on the question of planning by underdeveloped economies must be complemented by calling attention to the investigations conducted for the last few years of themes related, it is true, to socialist economies, but which appear to have a tremendous significance theoretically for countries launched on the course of economic development. I have in mind our work on the question of accelerated growth, conducted primarily by Prof. Kalecki. Their significance for countries which have begun the process of development flows from the fact that they exert an influence on growth acceleration, while the majority of the very numerous world publications today on the question of the theory of growth generally consider the conditions for steady growth.

It would be a mistake to think that the problems of the underdeveloped countries occupy only a narrow circle of the initiated. On the contrary, they are at present among the most "stylish" questions, which is shown by the veritable flood of articles and lectures. Not without an influence on this situation is the fact that for about a year the problem of Poland's foreign trade has been in the centre of public attention, and the perspective of an appreciable expansion of our trade exchange with the Latin American, African and Asian countries has constituted an important element in the discussion. We can also note an important increase of university graduating and doctoral theses on themes connected with problems of the underdeveloped countries. Warsaw University students have undertaken a contest for a treatise on underdeveloped countries, on which there will be held a special scientific session in the autumn of 1961. An inquiry conducted recently by the Polish Economic Society disclosed that some provincial centres and, for understandable reasons, particularly port cities as well as Poznan—seat of the great international trade fairs—and Cracow are striving to keep pace with Warsaw in this respect.

In the capital itself, besides Warsaw University and the Central School of Economic Planning and Statistics, there are engaged in the problems of underdeveloped countries the Economic Science Division of the Polish Academy of Science, the Polish Institute of International Affairs, the Economic Research Bureau of the State Planning Commission and on a more limited scale several other institutions. The problems of these countries have begun to interest not only economic institutions but also sociological and historical societies. Our sociologists and historians display a special preference for the exciting African problems.

Their research is still in the initial stages; whereas the Institute of Geography can boast of several years' work in the field of the economic-geography of the underdeveloped countries.

A few words must be said about publication. As already mentioned, the number of articles and essays appearing in our periodicals and scientific magazines as well as collections of material must be regarded as very satisfactory. But the number of books by Polish authors exclusively devoted to the problems of underdeveloped countries are still few. Publishers announce the appearance of several important works within a year. Intensive efforts have been made, however, in the field of translations. The Polish reader possesses today a fairly wide range of the works of foreign economists primarily in the form of selected texts. The collection published in 1958, entitled "Problems of the Development of Underdeveloped Countries" contains among others the contributions of Celso Furtado, Myrdal, V.K.R.V. Rao, Hoselitz, Singer and many other well-known scholars. The works of Josue de Castro, Gunnar Myrdal, J. Oser and others have been published. The State Economics Publishers have published a collection of several dozen articles on the social and economic problems of India. Indian scholars also figure in the authors' list. The contributions of Prime Minister Jawaharlal Nehru take the first place in the volume. The same publishing house has announced a similar volume for the next year dedicated to Latin American problems — figuring again to have the majority of the published contributions from the pens of the Latin American economists.

The launching of a special enterprise dedicated to the economic problems of countries beginning their process of development is now being considered. It will function in the Central School of Planning and Statistics but it will be composed also of representatives from the University and the Polish Academy of Science. In the near future an advanced course in planning for economists from developing countries will begin at the Central School of Planning and Statistics, with the support, however, of the scientists and planners of all central institutions.

Furthermore, the State Scientific Publishing House, the largest publishers in Poland specialising in scientific publication in Polish and foreign languages — has appointed a special editorial committee under the direction of Prof. Lange, to organize a cycle of correspondence symposia on themes connected with countries which have started on the course of economic development. The participants in the symposia should be primarily scholars of those countries. A number of eminent economists from Mexico, India, and other countries have been invited to co-operate in the project. The resulting works would be published in English and eventually also in French.

All the above mentioned projects — which are either in the phase of plans or in the first stage of realisation — indicate the growing interest in Poland in the problems of countries set on the course of economic development. They also reflect our desire that the knowledge of these questions should grow first of all on the basis of widest possible contacts with the scientific circles of those countries. We are persuaded that the deepening of such collaboration between us may bring a series of mutual benefits. I would like to once again emphasize the possibilities which are open for the planners of countries set on the course of economic development to assimilate Poland's experiences in the field of the methodology and techniques of planning in their broadest conception. Indian and Polish economists thus have a wide field of co-operation, and may accomplish much in the sphere of exchanging experiences and publications.

A Letter to the Editor

DIFFERENCES ON KUWAIT

Sir,

In the July 7, 1961, issue of your magazine the Editorial under the title 'The Kuwait Imbroglio' is an unfair assessment of the dispute. What is more regrettable is that you begin your article by using improper terms about the Prime Minister of a friendly country to India.

I hate to see you judging about conditions in Iraq from correspondents writing in some of the Indian papers and who carry ill-feelings for their own ends against Iraq and particularly against Maj.-Gen. Abdul Karim Qassim, instead of relying on wisdom and accuracy. If your article is meant to repeat the false reports carried by partial news agencies and correspondents, you have fallen a prey to such sources and the manipulators of such news have succeeded in impressing you, which is undoubtedly their aim.

I hardly find an excuse for a sober magazine like yours to jump to conclusions and deny the historical, geographical and ethnic evidences, and not "a mere map" as you have mentioned, in backing her just claim. I am sure that there are many cases known to everybody similar to Iraq, in which a claim is backed by historical, geographic, linguistic evidence and maps, etc.

What is more regrettable is that you have gone to the extent of justifying "the swift action taken by Britain in despatching her troops" to Kuwait, when

such a movement is but a disguise for imperialistic designs against Iraq and the Arab world and a mere show of force or a threat to those who voice freedom and justice. Regardless of the continued assertion that she will adopt peaceful means to back her claims and by not moving a single soldier to the frontiers in an attempt to attack Kuwait, Britain played an underhand game to convince the world that Iraq is planning an attack, thus justifying her landings.

I need not draw your attention to the contradictory statements of responsible Britishers about Iraqi military concentrations, which has been exposed to the world as a big lie.

Your remark on the British appeal to the Arab countries and others including India to exercise their influence and use their good offices in persuading Iraq to settle the dispute peacefully is irrelevant because there is no need for such advice, as Iraq has stated right from the beginning that she will pursue a peaceful solution for her claims.

Yours sincerely,
KAMAL R. BUTTI
Press Attache.

Embassy of the Republic of Iraq,
NEW DELHI-11.

[We are glad to publish this letter in full. Our readers can judge if we have been in error. — Ed.]



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THE BUSINESS WORLD

A Patriarch Passes Away

By CROESUS

WHEN I heard of the sad demise of Sir Purushotamdas Thakurdas early last week, I suddenly remembered that long peroration of Burke (sic): "The venerable age of this great man, his merited rank, his superior eloquence and, lastly, his fall from power which, like death, canonises and sanctifies..." This was probably because, after having closely followed the career of this stalwart Indian business man from the battle of the ratios — that was when, as a student, I first heard of him — to his battle with the Forward Markets Commission, I have often said to myself that nothing could better sum up the life of the late Sir Purushotamdas than this peroration. There is not the slightest doubt that the passing away of this patriarch is a severe blow to the fast thinning ranks of the great Indian business men of the older generation to whose calibre, foresight, initiative and vision we owe what we claim today, with pardonable pride, as the achievements of private enterprise in India.

Sir Purushotamdas was great in a number of ways. In the first place, he was fully informed on any subject on which he chose to say something. And when he said anything, he said it clearly and with a courage of conviction that often overawed and overwhelmed his opponents. His inflexible stand on the 1sh. 4d. ratio for the rupee and the arguments that he advanced in that behalf were something that his British counterparts had not bargained for from the Indian side. Similarly, but for his valiant fight, it is a moot point whether the cotton trade of his country could have been wrested from the stranglehold of its foreign monopoly.

Secondly, his sphere of activities was as comprehensive as the Indian economy. In fact, there is no field of Indian economic activity, be it trade, agriculture, industry, transport, insurance, banking, or public finance, on which he has failed to leave his impress. I cannot think of any other Indian who has been on the board of directors of as many companies as Sir P. T. But in no single instance was it a case of his being merely a dummy director; he not only took an active part, but, in many cases, as the chairman, guided and gave the right direction to discussions on high policy matters. Verily was his a versatile personality.

Thirdly, he was correct in whatever he did. As Mr. Madanmohan Ruia observed at a meeting of the East Indian Cotton Association, held to mourn the death of Sir P. T., integrity was a hall-mark of his career from the beginning. No one could point an accusing finger towards him, in so far as his bona fides went. That is why, while the British honoured him with distinction after distinction, the Father of the Nation invariably took the counsel of Sir P. T., even as he always used to consult Mr. G. D. Birla, on all economic issues of importance.

Fourthly, he not only helped — with the help of his esteemed colleagues — build institutions to safeguard the interests of the business community, but also

assisted in founding institutions for the imparting of education in commercial subjects. The Indian Merchants' Chamber, Bombay, the Federation of Indian Chambers of Commerce and Industry, the East India Cotton Association and the Sydenham College of Commerce and Economics are among the many institutions which owe their origin, directly or indirectly, to him.

Fifthly, Sir P. T. was a discriminating philanthropist; he gave munificently but only to deserving causes or institutions, those favoured most by him being technical institutions, hospitals and educational institutions in rural areas. It will be no exaggeration to say that nearly all the educational facilities that Surat commands today are the fruits of one or other act of his munificence.

Sixthly, Sir P. T. was both well educated and highly cultured. He was a voracious reader and, as long as he could read, I can say without fear of contradiction, he never missed going in for reading a good book, and what is more, and this had appealed to me most, advising others to read it too.

The death of such a great and versatile personality must leave a vacuum that is very difficult, if not impossible to fill. Sir P. T.'s was a full, eventful and, but for a couple of incidents, unfailingly successful life. Many a time, I have felt that, had it not been for those two incidents — one in the life insurance field and the other in the cotton field — his would have been a 'lapse-less' ideal career for all to endeavour to emulate. But even in these two cases, we are too near, in the historical sense, to be dogmatic in our judgment, if only because Sir P. T.'s version was not available due to his severe illness. At least this happened, as I know, when the Forward Market Commission issued a long Press Note on the cotton crisis in 1955. I have with me a letter which he sent long afterwards, that is after he recovered somewhat, explaining the whole position which fully vindicates the stand he took. Among others, he strongly repudiated the suggestion that he treated the FMC with open hostility. "It would be recalled", he wrote to me, "that the control on forward trading was first imposed by the Congress Government after independence and a Cabinet Committee presided over by Shri Morarji Desai investigated the affairs of the Association and that Committee openly thanked me (Sir P. T.) for the co-operation that I gave to regularise control on Forward Trading in Cotton in Bombay."

Similarly, he categorically countered the official insinuation that coercion was needed by the Commission to enforce the margin system in October, 1954. In this context, he said: "The provisions regarding margin and the manner in which statements were to be submitted required detailed working and called for negotiations. The negotiations were conducted by the deputies nominated by the Board of East India Cotton Association. After the negotiations regarding the margin had gone through, the then Chairman of the Commission, Dr. Naidu, in a Press interview on Octo-

ber 5, 1954, publicly paid a tribute to the EICA President for personally handling the matter and the co-operative attitude in which the Board of the Association conducted the negotiations." Naturally enough, Sir P. T. had reasons to feel, as, in fact, he expressed to me, that "this charge against him of not co-operating in regard to margin system could only have been done out of sheer malice."

This is no occasion to rake up the past, but what I have recalled and recounted here is only intended to show what type of man Sir P. T. was. The India of today has need for men of such understanding, courage and integrity. And every Indian business man must bear in mind and follow the advice which Sir P. T. gave to the business community in February, 1955: "In the midst of circumstances creating a good deal of

avoidable misunderstanding, interested propaganda based on all sorts of 'isms' and struggle for political power between contending parties, it will be the duty of the leaders of the business community to work on such principles and to guide their policies in such a manner that not only will the commercial and industrial community of India be able to justify itself and its policies to the people of India, but also play a significant part in shaping the economic destiny of India."

We need more and more such well-meant and disinterested advice from men of stature like Sir P. T., alike to the officials and to the public. But this also presupposes a willingness to heed, which, unfortunately, does not seem to be there in the required measure.

Business Notes

ECM

EFFECT ON INDIAN TEXTILES

THE PROPOSED entry of the UK in the European Economic Community has caused much stir and concern among all the Commonwealth countries. India also, while not totally opposed to the UK joining the E.E.C., has, at the same time, expressed its grave concern that it might adversely affect her trade with the UK. If Britain were to join the E.E.C., countries like India, Pakistan and Hong Kong would be deprived of the 17½ per cent tariff advantage on cloth and 17½ per cent on yarn which they have so far enjoyed *vis-a-vis* non-Commonwealth countries. On the other hand, such would be converted into a more or less corresponding tariff advantage for the E.E.C. countries.

At present, India stands as the major exporter of cotton textiles and cotton yarn to Great Britain. Thus, in 1960, while the UK's total imports of cotton textiles amounted to 394 million sq. yards, as much as 231 million sq. yards were imported from India. In addition to this, Great Britain imported 9.2 million lbs. of Indian cotton yarn. It is important to note here that the volume of exports to the UK from the E.E.C. countries has been greatly increasing even with the present tariff disability of 17½ per cent on cloth *vis-a-vis* the Commonwealth countries. Thus, the exports of E.E.C. countries to the UK rose from 30 million sq. yards in 1958 to 77 million sq. yards in 1960.

Highlighting this point, Mr. Ramnath Podar, acting Chairman of the Indian Cotton Mills' Federation, has, in a Press statement, last week, noted that, with a potential competitor in the E.E.C. to her exports, it is any body's guess whether India would be able to maintain her market in the UK, without the existing tariff preferences. Even if the UK joins the E.E.C., he suggested, "the interests of the developing Commonwealth countries could best be preserved if those countries could consider the possibility of becoming something like the Associated Countries of the E.E.C." In support of this suggestion, Mr. Podar pointed out that such a status had been accorded to many sovereign African countries, some of which were formerly linked with the E.E.C. countries. If such is done, he opined, India would not only continue to enjoy the present advantages in the UK, but the markets of E.E.C. also would be available to her on a preferential basis.

If, for one reason or other, this scheme is not acceptable, Mr. Podar went on to say, the UK must preserve the links by making provisions for tariff-free imports on a quota basis for commodities which she has traditionally imported from the Commonwealth coun-

tries. This system too, he pointed out, was existing in the E.E.C. countries, i.e. between France and Belgium and their overseas territories. In short, he said, whatever may happen to the UK's position *vis-a-vis* the E.E.C. "the present existing Commonwealth preferences should remain unimpaired," and he did not mind how this was brought about.

SWITZERLAND'S ATTITUDE

THE NEWS that the United Kingdom is likely to join the European Common Market has set in motion cross-currents in the remaining six countries of the European Free Trade Area, of which the U.K. is a member. Recently, Mr. Whlen, President of the Swiss Confederation, stressed the significance of the Six and the Seven to join together to achieve a unified Europe. He, however, very clearly indicated that this unity could not be bought at the price of affecting their economic relations with the outside world.

It is true that an integrated Europe is likely to reinforce the economic inter-dependence of the European countries and thereby consolidate the ties which already unite them. As a sharp contrast, as Mr. Whlen indicated, the present separate existence of the Six and the Seven can be harmful by raising the 'walls' between them. One important argument advanced by him is that a combined Europe can always afford more capital, more technicians and more assistance of all kinds for the under-developed countries, because it will consequently put an end to the waste of economic resources and the expensive diversions of the investment which its division into two economic units implies.

Switzerland, nevertheless, cannot afford to pay much for the unity. Along with the remaining Six, Switzerland has preferred a free trade area in which it is not necessary for her to relinquish her freedom of action in the field of trade and tariff policy with regard to non-member countries. This freedom is especially useful within the framework of the GATT which allows for the greatest possible flexibility in tariff negotiations. Mr. Whlen, therefore, voiced the opinion held generally in Switzerland that the Seven are prepared to study with the Six the ways and means of an agreement for the setting up of a single European market with maximum internal cohesion and at the same time maximum flexibility towards the outer world, in order to ensure the greatest possible success for the common efforts for the expansion of world trade. This attitude appears to be quite reasonable because in this loose association the countries which are not willing to align their political status with the single unit can remain comparatively independent.

India and Nigeria

ECONOMIC AND COMMERCIAL CO-OPERATION

THE RECENT visit of the Nigerian Economic Mission to New Delhi is significant in the sense that it is bound to pave the way for further economic and commercial co-operation between India and Nigeria. Although the trade between the two countries is only nominal (Rs. 5.5 crores in 1960), it is expected that with the increasing progress of Nigeria, healthy trade relations between the two countries would be established on a permanent footing. While Nigeria can export to India non-ferrous metals, groundnut oil, palm oil etc., India in turn can meet the Nigerian needs by supplying light engineering goods, diesel engines, capital equipments and textiles. These, of course, will have to be competitive in price, quality and delivery. To maintain a foothold in textiles, however, special efforts will have to be made as competition in the Nigerian market from U.K., West Germany, Japan and China is very stiff. Besides, some of the Communist countries are offering drills, greys and bleached cloth at cheap rates.

It is underlined by the Indian Cotton Textile Delegation (leader M. Chinoobhai C. Javeri) which visited West Africa recently that if India wants to retain the market in West Africa, she will have to diversify its textile exports to that country. This, in other words, implies that only those textiles should be supplied which are in great demand there, like prints, fancy varieties and quality cloths. Since there is a good scope for expanding trade between the two countries, the possibility of entering into a bilateral trade agreement should be explored fully.

The table below gives India's exports to Nigeria and imports from that country in lakhs of rupees.

Year	Exports to Nigeria	Imports from Nigeria	Balance of Trade
1952	6.48	Nil	+6.48
1953	8.01	29	+7.72
1954	8.63	1.16	+7.47
1955	8.43	31	+8.12
1956	7.35	17	+7.18
1957	6.90	Nil	+6.90
1958	8.90	34	+6.56
1959	4.14	27	+3.87
1960	4.99	51	+4.48

Nigeria's economic problems at the moment are under-production in the agricultural field, a rapidly increasing population and lack of trained personnel, health services and educational facilities. The consensus of opinion is that India can help in this matter to a great extent. And it is a welcome sign that she has decided to train Nigerian technical personnel. A railway team has been sent for the reorganisation of railway system in the country. Similar teams in the field of irrigation and agriculture are likely to be sent. The services of experts in the field of oil industry may also be provided. All these are signs, no doubt, of happy collaboration, which is likely to extend further as the years go by.

India Sugars

THE PROBLEM OF COSTS

SUGAR PRODUCERS in India are experiencing the problem of rising costs. In this connection, Mr. Rajesh-

wara Patel, M.P., officiating Chairman of The India Sugars and Refineries Ltd., pointed out at the recent annual general meeting of the company's shareholders that the company had to pay bonus to cane-growers under the SISMA formula to the extent of double the amount paid last year. The company had also to make increased provision for depreciation and on this score alone an additional sum of over Rs. 1 lakh had to be separated. In addition to this, the labour costs too were rising. He added that the sugar industry Wage Board's award which came to be implemented from November 1, 1960, was likely to mean an annual increase in the wage bill to the extent of Rs. 1 lakh.

The net effect of these rising costs was evident when the prices at which the Indian sugar producers could supply the commodity in the foreign markets were compared to those at which certain other countries offered sugar in the same markets. The Chairman pointed out that a bag of sugar which costs the company about Rs. 115 in India, had to be offered to the foreign purchasers for less than Rs. 35. Like last year, sugar output this year was also expected to be phenomenal and the Government of India, in collaboration with the Sugar Mills Association, was trying to export as much sugar as possible. In this attempt the major hurdle that was being felt was on account of higher costs. The Chairman added, however, that this year the Government had offered to bear the loss on export of sugar and the producers would not be called upon to bear any portion of this loss. In view of this cost differential it was necessary that serious view was taken of the situation and necessary steps were formulated to increase the efficiency in the sugar industry.

Non-Ferrous Metals

PLEA FOR REDUCTION IN EXCISE DUTY

MR. VITHALDAS H. SHAH, President, All India Non-Ferrous Metalware Manufacturers' Association, in his speech which was read out by Mr. Chunilal B. Bhatt in his absence, at the fifteenth annual general meeting of the Association, underlined the hardships faced by the non-ferrous metals industry. Mr. Shah is of the opinion that the non-ferrous metals industry should be provided licences on the basis of its production during the period 1956 to 1959, if not on the basis of its installed capacity. According to him this will help the industry to produce more industrial items and to expand its activities in such a manner that would definitely save the much-needed foreign exchange.

His main grievance is against the excise duty introduced on aluminium in March 1960 and on copper and copper alloys and zinc in March 1961, which has been instrumental in raising the prices of aluminium, copper and brass utensils. The grievance of Mr. Shah is justified in the sense that these utensils are the essential requirements of the poor and middle class people who can ill-afford to switch over, partially at least, to stainless steel utensils which, due to insufficiency of raw material, command rather high prices. Under the circumstances, it is quite fair that some redress should be given to the utensil industry by exempting it from the payment of the excise duty on the raw material used by it. There is also logic in his statement that the brunt of protection should be placed on the other industries utilising aluminium as this metal is now being used in cables, conductors, transport, building, canning and packaging etc. All along, the protection given to the aluminium industry has fallen more or less on the shoulders of the utensil industry which caters to the essential wants of the poor man.

FROM THE CAPITAL'S CORRIDORS

FOREIGN EXCHANGE CRISIS

WITH the fall in sterling securities with the Reserve Bank to Rs. 113.79 crores on June 30, 1961, sterling assets of India have touched a new low. The Union Government, though it looks upon the problem with no sense of complacency, is, however, not alarmed at this deepening foreign exchange crisis. A spokesman of the Union Ministry of Finance at a Press Conference held here last week expressed the opinion that there was nothing to be scared about by this decline in foreign exchange reserves. The fall in foreign exchange reserves in the past few weeks, he said, had probably been due to quicker encashment of import licences and maturing of the deferred payment liabilities entered into under the Second Five-Year Plan.

The lack of alarm on the part of the Government on this decline in sterling assets of the Reserve Bank emanates from three factors: (1) export performance during the past six months; (2) fall in imports; and (3) massive aid promised by the Aid-India Club for the first two years of the Plan.

Compared to the first half of 1960, exports from India during the first half of 1961 have been better as is evident from the following table:

VALUE OF INDIA'S EXPORTS

(Rs. crores)

Month	Exports In 1960	Exports In 1961
January	61	61.7
February	52.8	56.2
March	52.7	57.7
April	49.0	54.5
May	38.4	49.5
June (upto 20th)	29.1	33.5

Exports during the whole of 1961 are expected to touch a new high.

Imports, on the other hand, as judged by the issuance of import licences during the period October 1960—March 1961 compared to the previous three half-years, have shown a steady decline. During the six months October 1960 to March 1961, import licences to the extent of only Rs. 360 crores were issued, as against to the tune of Rs. 470 crores during the six months from April to September 1960, to the extent of Rs. 483 crores during the six months October 1959—March 1960 and to the order of Rs. 381 crores during the period April to September 1959. Indigenous output of some essential agricultural raw materials is expected to be higher this year. The import bill, as compared to the previous year, therefore, is likely to be slightly smaller.

The \$2,250 million aid promised by the Aid-India Club for the first two years of the current Plan is expected to start flowing in early August. The tempo is likely to go up in October when aid from the United States starts coming in. From August onwards, therefore, foreign assets of the Reserve Bank are expected to show an upward trend.

In the meantime, under the 1957 amendment of the Reserve Bank of India Act, the sterling securities

held by the Reserve Bank as backing against currency can be drawn down to Rs. 82.24 crores. If necessity arises, further withdrawals from this reserve can be effected through an executive action.

MR. THORNEYCROFT'S VISIT

The visit of Mr. Peter Thorneycroft, Minister for Aviation in the British Government, to New Delhi this week is primarily concerned with his exchanging of views with the Government of India on Britain's joining the European Common Market.

The Government of India and the Indian mercantile community have been busy in the recent past calculating what impact Britain's joining the Common Market would have on India's foreign trade. According to both these sources, the U.K.'s joining the Common Market without adequate safeguards for her trade with the Commonwealth countries will mean a major set-back to India's export trade. It may upset India's development under the Third Five-Year Plan which assumes a tremendous concerted effort on the export front.

By joining the E.C.M., the United Kingdom, it is pointed out, will be obliged to adhere to the following two practices:

- (1) Abolition of tariffs on imports of all goods from the Common Market countries;
- (2) Adoption of a common external tariff against all third countries (including Commonwealth countries which so far have enjoyed a preferential treatment in their trade with Great Britain).

If Britain joins the European Common Market without any safeguards for her trade with the Commonwealth countries, India will suffer on two accounts. Firstly, Indian exports will have to face a tariff wall in the United Kingdom which is not there at present. Britain today generally imposes no quantitative restrictions on imports from Commonwealth countries and wherever there are such restrictions, e.g. on imports of cloth from India, Hong Kong and Pakistan, the ceilings fixed are quite liberal. Imports from Commonwealth countries into Britain are also mostly duty-free. In case Britain imposes import duties, imports from the Commonwealth countries are subject to lower duties.

Indian exports to the United Kingdom are also likely to suffer on account of competition from the Common Market countries from where imports would be on duty-free basis. Hitherto, imports into Britain from these countries have to face tariff wall.

India's objection to the United Kingdom's joining the European Common Market, however, is based more on moral grounds than on economic and political considerations. It is pointed out that it has been largely due to the awakening of social conscience in the western countries that they have started giving liberal aid to under-developed countries and have begun relaxing trade restrictions on imports from there. The set-back which India's trade will suffer as a result of Britain's joining the Common Market will be more serious than could be offset by prospects of increased aid from the enlarged Common Market, it is pointed out here.

According to official circles, association with the Common Market countries would be of dubious advan-

tage to the United Kingdom because any shrinkage in exports of the Commonwealth countries to Britain would weaken the sterling. The strength of the sterling, it is pointed out, depends not only on Britain's economic health, but also on the export earnings of the Commonwealth countries.

The official circles here also do not share the view that Britain is too weak to stand up to the competition from the ECM countries. Since Britain's joining the "Inner Six", according to some members of the European Common Market, is likely to add to the strength of the ECM, the U.K. while signing the Treaty of Rome, it is felt, should be in a position to obtain necessary safeguards for her trade with the Commonwealth countries.

The Government of India in its discussions with Mr. Thorneycroft is expected to stress the point that if Britain joins the ECM, India's total trade with her and the Common Market countries should not suffer any set-back.

Mr. Thorneycroft's talks with the Government of India on the issue of Britain's joining the Common Market are considered here as only exploratory. The issue is expected to be considered further at the meeting of the Commonwealth Finance Ministers scheduled to be held at Accra in September.

Formation of a common market among the Asian and African countries, it is felt here, is not a feasible proposition so long as there is considerable unemployment in these countries.

ENERGY OUTPUT

According to Planning Commission, the total production of energy in India during 1960-61 was approximately 165 million tons of coal equivalent. As much as 39 per cent of this energy was derived from commercial sources, namely, coal, oil and water, and remaining 61 per cent from non-commercial sources such as cattle dung, wood, charcoal, farm wastes etc. The following table gives the amount of energy produced from various commercial and non-commercial sources:

ENERGY PRODUCTION IN INDIA (1960-61)

(Million tons of coal equivalent)

Source	Percentage of Total		
	Total	Commercial	Non-Commercial
Coal	54.60	84.00	33.00
Water	9.50	14.60	5.80
Oil	0.90	1.40	0.60
Total (Commercial)	65.00	100.00	39.40
Cattle Dung	46.00		27.90
Fuel Wood	35.00		21.20
Agricultural Wastes	19.00		11.50
Total (Non-Commercial)	100.00		60.60
Total (All Sources)	165.00		100.00

The energy produced from dried cattle dung is primarily used for cooking and heating purposes in rural India. It is made use of in urban households as

well to some extent. The total amount of cattle dung available annually is estimated at 1,200 million tons (wet weight). Of this, 400 million tons are used as fuel and 215 million tons as manure. The balance is simply wasted. The 400 million tons of cattle dung used as fuel produces energy equivalent to nearly 46 million tons of coal.

Wood is used as fuel for domestic purposes, mainly in urban areas, and by some industries either directly or in the form of charcoal. The fuelwood consumption in the country is estimated to be of the order of 60 million tons, which in terms of energy would be equal to 35 million tons of coal.

As much as 84 per cent of the energy produced from commercial sources in 1960-61 was derived from coal, 14.6 per cent from water and 1.4 per cent from oil. No nuclear energy was produced during this year.

The average cost of production of electricity from coal, oil, water and nuclear materials is of the order of 3 nP., 25 nP., 1.2 nP. and 4 nP. per KWH respectively. The energy produced from commercial sources is mainly utilised for industrial purposes and partly for domestic uses.

The total output of electricity in 1961 is estimated to be of the order of 5.8 million KW. By 1966 the output is likely to be doubled. The following table gives the electricity generating capacity in the country based on the four commercial sources, namely, water, coal, oil and nuclear material:

ELECTRICITY OUTPUT IN INDIA

(Million KW)

Source	1951	1956	1961's (Estimate)	1966 (Planned)
Water	0.56	0.94	2.10	5.08
Coal	1.60	2.27	3.45	7.06
Oil	0.15	0.21	0.25	0.36
Nuclear	—	—	—	0.15
Total	2.31	3.42	5.80	12.65

Electricity consumption in India at present is about 45 KWH. per head of population. By 1965-66 the consumption is expected to increase to about 95 KWH. per head. Compared to other countries, consumption in India is extremely low. Against India's present per capita consumption of 45 KWH., per capita consumption in Japan in 1958 was 930 KWH. and in Italy 928 KWH. Per capita consumption in the more advanced countries is even higher.

The ultimate potential of water power in India is estimated to be about 41 million KW. It is distributed in the various parts of the country in the following manner:

HYDRO-ELECTRIC POTENTIAL OF INDIA

(Million KW)

River System	Potential
West-flowing South Indian rivers	4.35
East-flowing South Indian rivers	8.63
Central Indian rivers	4.29
Rivers of Ganga Basin	4.83
River of Indus Basin	6.58
Brahmaputra and others	12.49
Total	41.17

During the Third Plan period, additional electricity requirements of the country are to be mainly met from generation from water and coal. The increase in electricity output from oil is envisaged to be only small. A beginning is also being made for producing some electricity from nuclear materials.

GROWTH OF CORPORATE SECTOR UNDER SECOND PLAN

The total paid-up capital raised by the new companies floated during the Second Plan period was of

the order of Rs. 161.01 crores. Of this, capital raised by Government companies amounted to Rs. 75.71 crores and that raised by non-Government companies totalled Rs. 85.30 crores. The table below gives the break-up State-wise.

The net increase in the paid-up capital of all the companies, both old and new, during the Second Plan period has been to the tune of Rs. 700 crores. Of this, capital worth Rs. 432 crores is accounted for by Government companies and the rest by non-Government companies.

PAID-UP CAPITAL RAISED BY NEW COMPANIES FLOATED DURING THE SECOND PLAN PERIOD

(April 1, 1956 to March 31, 1961)

(Rs. crores)

Name of State	Total No. of Companies Registered	Total Paid-up Capital Raised	Paid-up Capital Raised by Govt. Companies	Paid-up Capital Raised by non-Govt. Companies
1. Andhra Pradesh ..	109	0.50	—	0.50
2. Assam ..	67	21.70	0.10	21.60
3. Bihar ..	89	0.03	0.03	—
4. Gujarat ..	**	4.82	—	4.82
5. Kerala ..	206	2.00	0.84	1.16
6. Madhya Pradesh ..	75	16.43	15.85	0.58
7. Madras ..	969	48.72	40.75	7.97
8. Maharashtra ..	1,301	35.37	10.45	24.92
9. Mysore ..	106	2.83	0.14	2.69
10. Orissa ..	104	0.52	0.42	0.10
11. Punjab ..	180	1.03	—	1.03
12. Rajasthan ..	82	0.79	0.24	0.55
13. Uttar Pradesh ..	200	1.64	0.13	1.51
14. West Bengal ..	1,854	15.27	1.29	13.98
15. Delhi ..	697	9.35	5.47	3.88
16. Manipur ..	*	—	—	—
17. Tripura ..	*	0.01	—	0.01
18. Himachal Pradesh ..	***	—	—	—
Total		161.01	75.71	85.30

* Included under Assam. ** Included under Maharashtra. *** Included under Punjab.

FOREIGN COLLABORATION WITH INDIAN INDUSTRIAL UNDERTAKINGS

A number of technical collaboration arrangements have recently been concluded between the Indian manufacturing companies and foreign firms.

The British firms are well to the fore in offering collaboration for the manufacture of mining machinery, carbon paper and stationery products, non-ferrous pipes and tubes, electric motors, sugar machinery, steam turbines, gears and geared motors, switchgears, starters

GANDHISAGAR DAM

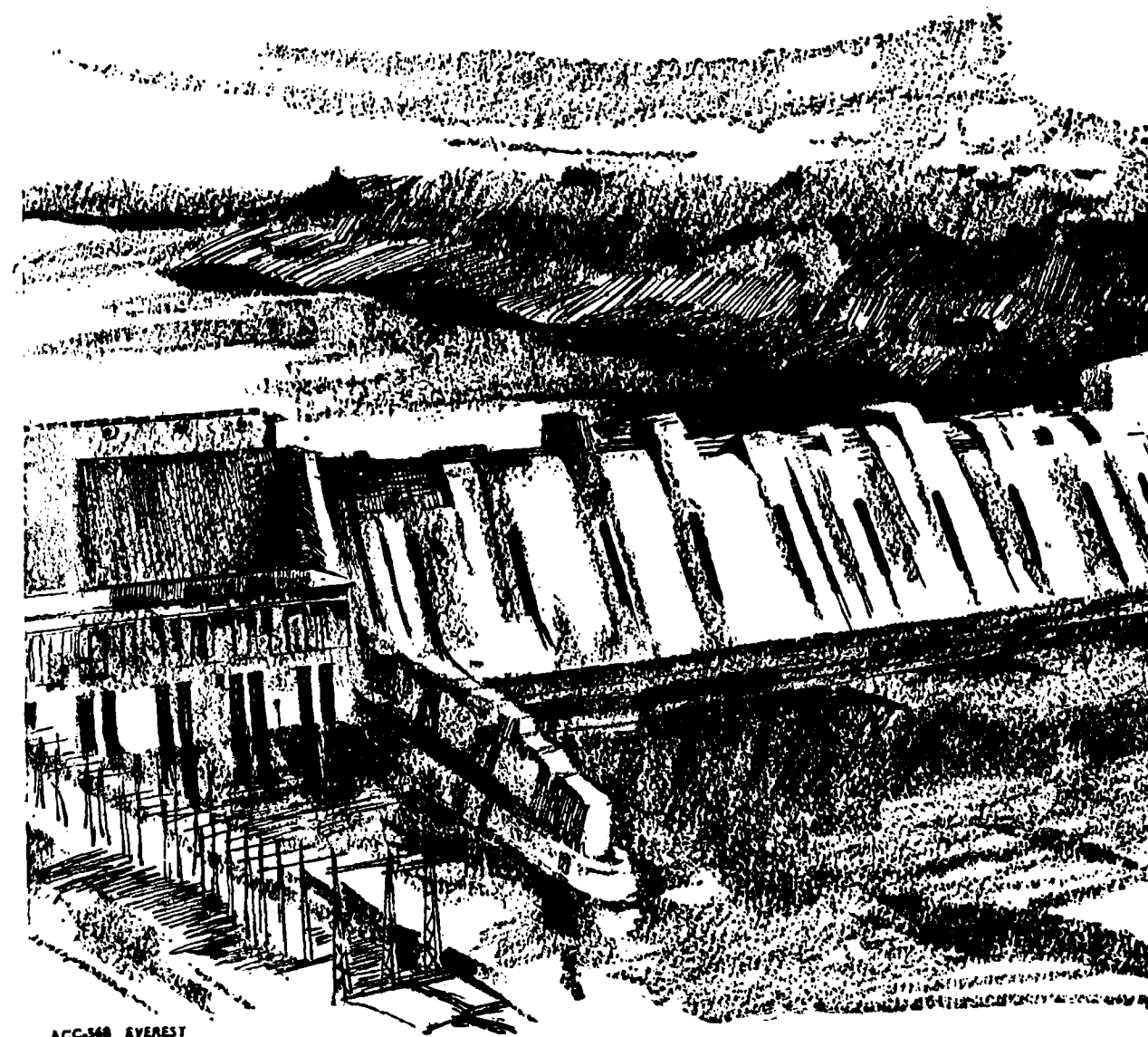
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American collaboration has been forthcoming for the manufacture of synthetic rubber, polythelene, carbon black, aluminium and aluminium products, pulp and paper, synthetic resins, chemicals, electric lamps, syringes, glass, rubber belting, spun pipes, tube-well drills, tyre tube valves and textile finishes.

West German firms will be collaborating for the manufacture of chemicals, electrical insulations, H.T. and L.T. insulators, textile machinery, steel pipes and tubes, scientific instruments, photographic printing paper and refractories.

Japan is collaborating for setting up the first dye-stuff manufacturing plant in Eastern India near Calcutta. It will also be collaborating for the manufacture of steel wire, transistor radios, water and electric meters and cameras.

Swiss collaborators are active in the field of chemicals and plastics, chemical plant, electrical equipment, synthetic fibres, textile machinery, diesel engines and aluminium. Swedish firms have offered collaboration for the manufacture of primus burners, saws, ball and roller bearings and petrol/kerosene engines.

The West Bengal Government proposes to collaborate with Krebs of France for setting up a chemicals manufacturing factory at Durgapur. Some collaboration arrangements have also been negotiated or are under negotiation with Italy, Norway, Finland, Belgium, East Germany, Czechoslovakia, Poland and Hungary.

VILLIERS' PRODUCTS IN INDIA

Some of the products of Villiers Engineering Company of Wolverhampton, England, are proposed to be manufactured in India. Villiers are the world's biggest producers of bicycle freewheels; they have been in this business since 1904 and are producing today nearly 70 million freewheels per annum. They also manufacture air-cooled petrol and diesel engines for various agricultural and industrial uses. Their production of such engines is nearly two million units a year.

Under an agreement concluded recently, Enfield (India) Limited will be making Villiers' two-stroke motor-cycle and scooter engines at a factory set up at Tiruvottiyur, Madras. Messrs. Cycle Equipment (Private) Limited of Okhla, Delhi, will be manufacturing Villiers' freewheels.

A spokesman of the British company has disclosed that negotiations are going on with the Government of India for the grant of permission to Enfield (India) Limited for the manufacture of full range of Villiers agricultural and industrial engines.

TWYFORDS SANITARY-WARE

The Hindustan Twyford Limited is setting up a factory in Delhi for the manufacture of sanitary-ware and some other goods produced by the Twyford Limited of Stoke-on-Trent, Staffordshire, England. The factory is expected to go into production next year. The British firm will have 26 per cent interest in this factory and will provide technical know-how and training facilities for Indian nationals in Britain. The training programme is already underway.

TWO NEW WAGE BOARDS

The Government of India has set up two Central Wage Boards — one for the coffee plantation industry and the other for the rubber plantation industry. The two Wage Boards have a common Chairman, Mr. L. P. Dave. The two independent members on the two Boards are also the same, namely, Mr. T. Manaen, M.P., and Dr. R. Balakrishna. The employers' representatives on the Coffee Wage Board will be Mr. U. K. Lakshman Gowda and Mr. M. B. Cariappa. Mr. M. C. Narasimhan, M.L.A., and Mr. P. Vriddhagiri will represent the workers on this Wage Board. Mr. M. M. Varghese and Mr. C. H. S. London will be employers' representatives on the Rubber Industry Wage Board. The workers' representatives on this Board will be Mr. B. K. Nair and Mr. P. Ramalingam.

The terms of reference of the two Wage Boards are to work out wage structures for the two industries based on the principles of fair wages as set forth in the report of the Committee on Fair Wages, as far as practicable. In evolving the wage structures, the Wage Boards would, in addition to the considerations relating to fair wages, take into account the needs of the two industries in a developing economy, system of payment by results, special characteristics of the two industries in various regions and areas, categories of workers to be covered (according to the definition of workmen in the Industrial Disputes Act) and working hours in the two industries. Whenever applying the system of payment by results, the Wage Boards will keep in view the need for fixing a minimum (fall-back) wage and also the safeguards against over-work and undue speed.

The headquarters of the two Wage Boards will be at Calcutta.

PRODUCTION OF ALUMINIUM

The Government of India, apparently, is following a policy of drift so far as production of aluminium is concerned. Demand for aluminium is growing at a fast rate, especially because of short supplies of copper and tin for which aluminium is a good substitute. A number of offers are pending for collaboration from, at least, three well-known American firms—Reynolds, Keiser and Alcoa. There are understood to be available similar offers from French and German firms. Meetings are held to discuss the problem of expanding aluminium output for which raw material is available in abundance, but they are adjourned without reaching a decision. Demand for aluminium is expected to go up to 1.5 million tons by 1966. Production target by the end of the Third Plan has, however, been fixed at 87,500 tons.

BRIEFS

The Bank Deposits Insurance Scheme has reached the stage of preparation of a draft bill. No decision has yet been taken on the limit to which deposits will be insured.

The Government of India will not hesitate to take effective steps if the unhealthy speculation on the Indian stock exchanges does not stop, it is pointed out by official circles.

The West German company, Fischer and Tausche, of Husum has entered into partnership with the Associated Electrical and Mechanical Industries, New Delhi, for the erection of a condensator plant in Delhi. The plant will eventually employ 450 people.

COMPANY AFFAIRS

HINDUSTAN MACHINE TOOLS

Production of 1,002 machines at the Hindustan Machine Tools Ltd., during the year to March 31, 1961, represents an increase of 250 per cent over the Plan target of 400 machines and compares well with 702 machines produced during the previous year. The production was further diversified with the addition of 16 types of Cylindrical Grinding Machines in collaboration with Messrs. Officina Meccanica Olivetti of Italy. Thirty Grinding Machines were produced during the year for the first time and the first batch of two heavy duty Turret Lathes designed and manufactured by the Company in India was demonstrated for the first time to the Speaker of the Lok Sabha, on January 2, 1961. The Company entered into a technical collaboration agreement on March 16, 1961—the sixth in four years—with Messrs. Regie Nationale Des Usines Renault of France for the production of Special Purpose Machines in India. A further general technical collaboration agreement was also signed on March 6, 1961 with Messrs. Lixem, G.m.b.H., of the German Democratic Republic representing a consortium of all the State owned machine tool factories of the German Democratic Republic. During the year under review the company undertook the establishment of a watch factory with an initial capacity of 360,000 watches per annum in collaboration with the Citizen Watch Company of Japan.

The Government of India has approved the construction of two more machine tools factories each of 1,000 machines per annum capacity, in other parts of the country during the Third Plan period. The second machine tool factory in Bangalore designed to double the output to 2,000 machines valued at Rs. 7 crores per annum, the construction of which commenced on April 1, 1960 was completed ten months ahead of schedule in May 1961, i.e. in a record time of 14 months, against 7 years taken for the completion of the original factory. It is quite creditable that the second factory was built without any financial contribution from the Government or the shareholders and entirely with the internal financial resources built up by the company during its first five years of operation.

During the year to March 31, 1961, the company recorded a profit, before providing for depreciation and interest, of Rs. 1.28 crores as against last year's Rs. 82.27 lakhs. After making provisions for depreciations etc. the directors have recommended Rs. 1.95 lakhs to be transferred to development rebate reserve. The payment of 10 per cent dividend not subject to deduction of income tax will absorb Rs. 53.10 lakhs.

SELECTED SATGRAM COLLIERIES

Raisings of Selected Satgram Collieries Ltd. during the year to December 31, 1960 were 283,851 tons, nearly 23 per cent higher than the previous year's raisings. This, in a way, reflects the trend of coal output in the country which was nearly 10 per cent higher over the previous year. The company achieved this higher output by scientific planning and efficient execution. The sales too were higher which are reflected in trading results. The profit before taxation is Rs. 5.18 lakhs against Rs. 4.55 lakhs last year. After making usual provisions the directors have recommended a final dividend of Rs. 8 per ordinary share and pro rata Rs. 2.62 on newly issued ordinary shares.

The Chairman of the company has pointed out that the raisings in the collieries in 1960 were obtained by the development work which required a continuous dose of capital investment which in turn resulted in comparatively higher costs. In the new Satgram colliery, he adds, expectations were not fully realised owing to the Satgram seam being declared gassy by the De-

partment of Mines towards the end of the year. More expenditure, both of current and capital nature, had to be incurred in taking extra precautions as required by the Mines Act.

Towards the end of 1960 electricity had come to South Joyramdanga Colliery and higher output was recorded and the quality of coal was also upgraded. Similarly Manoharbahal seam had been fitted with required machinery and better quality of coal was being produced.

The Chairman was of the opinion that the most critical situation was likely to develop in the country due to acute transport shortage when the coal output increased in the coming year. Even now, he says, there is a severe shortage. As against the total daily requirement of 6,000 wagons of coal loading in Bengal-Bihar coal-fields, and 5,000 wagons committed by the railways, only 4,694 wagons on an average are loaded from January 1961 causing a shortfall and short supply of 1,306 and 306 wagons respectively. In view of the higher targets—97 million tons by the end of the Third Plan—fixed for the Third Plan, it is necessary that transport problem is given proper attention.

MANDYA NATIONAL PAPER

The factory of the Mandya National Paper Mills Ltd., with an original production capacity of 35 tons of paper a day, is under construction under the supervision of the engineers of the company's American collaborators, M/s. Parsons and Whittemore. The factory is expected to go into production towards the end of October. The company has drawn up expansion plans to double the production capacity, i.e. to 70 tons of paper per day. For this purpose, sanction and assistance from the relevant government departments and agencies have been obtained. Negotiations are also going on with M/s. Parsons and Whittemore for the purchase of extra machinery and technical collaboration.

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COMMODITY NEWS AND NOTES

MONTHLY RELEASE OF SUGAR

The Government of India has decided to release 2 lakh tons of sugar in July. There will be no release for free sale from factories in Uttar Pradesh, Bihar and Punjab, except a small quantity which will be released to each factory for sale at the factory gate. Allotments of sugar to Madhya Pradesh, Rajasthan, Uttar Pradesh, Bihar, West Bengal, Orissa, Madras, Kerala, Maharashtra, Gujarat, Himachal Pradesh, Assam, Manipur and Tripura from factories in the controlled region will be made only to nominees of the State Governments. In the case of Punjab and Jammu & Kashmir, allotments will be made direct to the State Governments or to their nominees. Allotments to Delhi will continue to be made on the existing basis.

Allotments will be made at prices fixed under Notification No. GSR 1112/Ess.Com/Sugar dated September 15, 1960 and GSR 1/Ess.Com/Sugar dated January 2, 1961. The controlled ex-factory price for U.P. and North Bihar factories is Rs. 37.85 per maund and for factories in Punjab and South Bihar Rs. 38.35 per maund for ISS D-29 grade with the prescribed price differentials for other grades. The fixed f.o.r. destination prices in respect of allotments made to Kanpur and Calcutta will be Rs. 38.60 and Rs. 39.85 per maund respectively for sugar of ISS D-29 grade.

EXPORT INCENTIVE SCHEME FOR MANGANESE ORE

As a measure of export promotion, it has been decided to provide incentive to exporters of manganese ore. Exporters of manganese ore are to be permitted to import mining equipment and machinery for improvement of their manganese mines to the extent of 5 per cent of the foreign exchange earned by them through the export of manganese ore in case of straight sales against cash. An additional import entitlement not exceeding 5 per cent (thus making a total of 10 per cent) will also be considered on merits in individual cases, where the Actual Users establish the need for it.

In the case of exports of manganese ore under barter also, import of machinery will be allowed to the extent indicated above, on condition that the value of the imports under the barter agreement is reduced to the extent of the machinery entitlements. Import licences will be issued by the Joint Chief Controllers of Imports and Exports at the Ports. Necessary applications may be sent to them with the requisite documents like shipping bills and bank certificates and also

a certificate from the Director of Indian Bureau of Mines about the essentiality of the equipment sought to be imported. Licences will generally be granted only once in a quarter on the basis of exports effected in the preceding quarter and will be subject to conditions applicable to Actual Users licences. Exporters may, however, if they choose, obtain licences once in six months against exports made in the preceding half year period.

PRODUCTION OF FERTILIZERS

Both the installed capacity and the actual output of nitrogenous fertilizers, it is learnt, has fallen far short of the Second Plan targets. The installed capacity (in terms of nitrogen) on March 31, 1961 (the close of the Second Plan) was 248,000 tons as against the target of 382,000 tons fixed for the Second Plan. The output achieved was 105,000 tons as against the target of 290,000 tons.

The shortfall in output, it is said, has been due partly to production difficulties at Sindri and partly owing to the delayed commissioning of the Nangal factory which has a capacity of 80,000 tons production per annum.

To cover the shortfall in production and to meet the expanding demand for fertilizers, the Government, has made increased provision for imports during the current year.

WOOL MARKETING COMMITTEE TO STUDY OVERSEAS INDUSTRIES

The Australian Government's committee of inquiry into wool marketing problems is to spend a period of about three months inspecting the wool industries of Great Britain, the Continent, United States of America, and Japan. The Secretary of the Graziers Association, Mr. Vernon Officer, told the committee that he thought that artificial attempts to prop up Australian wool prices could cause buyers to use more of the artificial fibres. This would be one of the positive dangers of a reserve price plan. Reserve prices could not guarantee stability or profit to wool growers. Skillfully handled they could moderate a downward trend of wool prices in a season. But they could not exert any influence over the general level of the prices. His association could not agree that any change in the present selling of wool, of which more than 90 per cent was bought by overseas countries, could guarantee a profit to producers. Steeply rising costs was the major factor against such a guarantee.

THE BRITISH INDIA CORPORATION LIMITED, KANPUR

BRANCHES DIVISION

Cawnpore Woollen Mills Branch Cooper Allen Branch
New Egerton Woollen Mills Branch North West Tannery Branch

LONDON OFFICE. BEGG SUTHERLAND DIVISION

SECRETARIES & TREASURERS

The Elgin Mills Co. Ltd. Cawnpore Sugar Works Ltd.
Cawnpore Textiles Ltd. Champaran Sugar Co. Ltd.
Brushware Limited Saran Engineering Co. Ltd.

Secretaries for: Beta Picker & Co. Ltd.

Royal Exchange Assurance.

PROUD ACHIEVEMENT

The J. K. Organisation can legitimately be proud of the fact that it has been the first in various fields of industrial activity in India.

FIRST to manufacture *Calice Prints* in India—J. K. Cotton Spinning & Weaving Mills Co. Ltd., Kanpur.

FIRST to instal *Electric Furnace* for manufacturing steel in Northern India—J. K. Iron & Steel Co. Ltd., Kanpur.

FIRST to produce *Baling Hoops* for use by the Jute and Cotton Textile Industries in India—J. K. Iron & Steel Co. Ltd., Kanpur.

FIRST to manufacture hydraulically operated modern cane crushing mill for small-scale Khandasri sugar units—J. K. Iron & Steel Co. Ltd., Kanpur.

FIRST to produce *Aluminium virgin metal* from Indian Bauxite in India—Aluminium Corporation of India Ltd., Jaykaynagar.

FIRST to produce *Engineers' Files* in India—J. K. Engineers' Files, Bombay.

FIRST to establish *Plastic Industry* in Northern India—Plastic Products Ltd., Kanpur.

FIRST to produce *Heavy Chemicals* in Western India—Eastern Chemical Co. (India) Bombay.

FIRST in the world to produce on a commercial scale *Hydrosulphite of Soda* by Sodium Amalgam Process—J. K. Chemicals Ltd., Thana.

FIRST *Continuous process Rayon Plant* in India to produce *Vicose Rayon* and the first such factory in India to be built up in record time—J. K. Rayon, Kanpur.

FIRST *Nylon Plant* in India—Jaykaylon (under construction), Kera.

FIRST to manufacture *Portable Typewriters* in India—Blackwoods India Ltd., Calcutta.

FIRST *Woolen mill* in India to export woollen goods to Norway and Sweden—The Raymond Woollen Mills Ltd., Thana.

LARGEST *Jute Mill* in Northern India—J. K. Jute Mills Co. Ltd., Kanpur.

J. K. ORGANISATION KANPUR • CALCUTTA • BOMBAY
India's Great Industrial & Commercial Combine

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Food articles & Tobacco	Liquor & Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures			All Comme- dities
					Inter- mediate Products	Finished Products	Total	
1953-54	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1955-56	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61	120.0	110.0	119.6	145.4	130.5	122.8	123.9	124.8
February 1960	118.0	96.0	117.3	131.6	120.5	115.6	116.3	119.5
March	117.0	96.4	117.8	131.9	121.3	116.1	116.6	118.9
April	118.6	103.1	118.1	134.2	123.2	116.9	117.8	120.4
February 1961	116.3	111.2	119.8	159.4	134.2	128.4	129.2	126.7
March	117.6	114.2	121.3	159.1	137.2	128.1	129.4	127.5
April	117.5	112.0	122.3	152.9	136.0	125.3	126.8	125.7
13-5-1961	117.6	108.4	122.3	153.7	136.9	124.7	126.5	125.7
20-5-1961	117.4	98.9	122.4	153.2	136.7	124.1	125.9	125.2
27-5-1961	117.4	98.9	122.7	152.0	137.1	124.3	126.1	125.1
3-6-1961	118.0	101.9	122.8	149.1	137.7	123.8	125.8	124.9
10-6-1961	118.7	100.3	122.8	147.1	139.3	121.8	124.3	124.5

*Revised.

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS (August 1939 = 100)

Period	Bombay		Delhi	Ben- gal	U.P.	Central Provinces		Madras June 1936=100	K.P.	Bihar	All India†
	Bombay	Bombay June 1934=100 Ahmedabad July 1927=100				Nagpur	Jubbulpur				
1939 (Aug.-Dec.)	103	—	—	—	105	104	—	106	—	—	—
1954	342	359	244	138	327	408	373	139	341	148	140
1955	322	338	217	130	321	371	364	133	321	134	135
1956	336	352	244	142	347	424	397	151	358	152	146
1957	352	368	259	150	364	448	422	162	374	157	157
1958	376	394	274	150	384	468	447	165	401	157	169
1959	393	412	308	158	384	469	498	163	429	166	173*
1960	401*	420*	296	158*	397*	476*	512*	165	462*	167	168
July	404	423	302	160	406	484*	515	165*	467	169	164*
August	402	421	304	160	410	484*	515	163	470	169	168*
September	399	418	302	161	403	489	520	163	472	167	168*
October	402	421	304	162	396	488	517	163	477	171	164*
November	404	423	300	159	392	489	509	163	484*	171	168*
December	400	419	297	160	385	478*	507	163	488*	169	167*
1961 January	400	419	296	161	385	480	—	165	470*	171	166*
February	401	420	—	163	389	487	491	165	474*	172	164*
March	404	423	—	164	392	483	488	—	479*	—	167*
April	409	428	—	165	389	—	—	—	482*	—	170*
May	412	431	—	166	—	—	—	—	479	—	—

†Base 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT) WEEK ENDED

	23-6-1961			16-6-1961			9-6-1961			2-6-1961		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	122.20	120.80	121.18	122.50	119.85	121.08	119.90	119.10	119.48	119.90	118.45	119.23
Silver (per kilogram)	204.05	202.75	203.25	204.00	201.70	203.17	203.25	199.75	201.77	201.40	198.30	199.33

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RESERVE BANK OF INDIA
ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES				ASSETS					
	Notes in Circulation	Notes Held in Bank- ing Dept.	Total Notes Issued (a)	Gold Coin & Bullion (b)	Foreign Securities (c)	Total of (b+c) (b+c) as Percent- age of (a)	Rupee Coin	Rupee Securities	Total Assets	
1955-56	1,339,39	17,08	1,356,47	40,02	656,52	696,53	51.35	106,87	533,06	1,356,47
1956-57	1,475,77	18,75	1,494,52	40,02	545,61	585,63	39.95	115,93	755,22	1,494,52
				(117,76)		(663,37)	(44.37)			
1957-58*	1,529,36	23,18	1,552,53	117,76	329,65	447,41	28.79	1,30,06	975,06	1,552,53
1958-59*	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
1959-60*	1,730,90	19,86	1,750,77	117,76	167,62	285,38	16.30	131,50	1,333,83	1,750,77
Average of Fridays										
March 1960	1,836,41	16,63	1,853,04	117,76	163,01	280,77	15.15	124,00	1,448,28	1,853,04
April	1,887,42	17,25	1,904,67	117,76	163,01	280,77	14.74	127,16	1,496,74	1,904,67
May	1,886,74	20,78	1,907,52	117,76	163,01	280,77	14.72	125,34	1,501,41	1,907,52
March 1961	1,970,51	14,91	1,985,42	117,76	127,01	244,77	12.33	119,42	1,621,24	1,985,42
April	2,017,13	18,87	2,036,01	117,76	118,01	235,77	11.58	121,90	1,678,33	2,036,01
May	1,989,60	16,63	2,006,23	117,76	113,01	230,77	11.50	118,51	1,656,95	2,006,23
Week-Ending										
19-5-1961	1,985,50	15,44	2,000,94	117,76	113,01	230,77	11.53	118,23	1,651,94	2,000,94
26-5-1961	1,963,24	28,32	1,991,56	117,76	113,01	230,77	11.59	118,85	1,641,94	1,991,56
2-6-1961	1,962,52	28,23	1,990,76	117,76	113,01	230,77	11.59	118,05	1,641,94	1,990,76
9-6-1961	1,983,30	11,07	1,994,37	117,76	108,01	225,77	11.32	116,70	1,651,90	1,994,37
16-6-1961	1,968,99	26,63	1,995,62	117,76	108,01	225,77	11.31	117,94	1,651,90	1,995,62

BANKING DEPARTMENT

(Rs. Lakhs)

Period	Deposits					Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad§	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Gov- ernment	Other Gov- ernments	Banks	Others	Total									
1953-54*	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19,84	81,58	7,51
1954-55*	89,13	20,66	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	26,55	80,52	9,82
1955-56*	60,11	19,85	53,77	18,31	152,04	35,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
1956-57*	57,52	14,10	52,46	19,73	143,81	91,21	245,02	18,91	5,69	64,77	4,89	85,34	51,82	13,60
1957-58*	54,61	11,28	81,00	111,38	258,27	84,36	407,63	23,30	4,81	40,47	32,90	77,91	213,92	14,33
1958-59*	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,18	25,57	28,23	65,83	284,49	11,73
1959-60*	55,50	23,24	79,61	123,48	281,83	83,18	450,01	19,94	15,54	28,97	25,53	88,92	258,90	12,22
Avr. of Fridays														
March 1960	54,19	41,86	83,07	96,73	275,86	110,21	471,06	16,71	18,36	33,02	25,06	143,45	220,44	14,03
April	62,66	21,36	90,66	100,04	274,72	119,50	479,25	17,33	47,71	21,96	41,01	117,33	219,04	14,86
May	55,55	27,20	96,35	98,14	277,23	108,96	471,19	20,85	27,39	12,66	49,43	115,02	230,51	15,34
March 1961	61,08	20,34	72,56	91,25	246,03	125,10	456,13	15,00	33,81	26,22	44,51	168,25	148,97	19,38
April	59,70	8,73	77,38	101,68	247,48	134,15	467,38	18,99	55,31	10,60	84,08	135,28	142,78	20,37
May	61,61	16,21	78,38	116,50	272,69	145,08	501,78	16,73	41,65	21,40	83,99	125,26	191,55	21,22
Week-Ending														
12-5-1961	56,53	14,20	78,28	114,31	263,32	144,75	493,07	13,47	43,00	21,94	87,89	133,80	171,78	21,19
19-5-1961	68,01	15,22	76,43	114,29	273,95	153,16	508,11	15,54	42,09	22,86	81,04	121,92	203,42	21,24
26-5-1961	68,75	20,35	77,02	123,24	289,35	146,55	520,91	28,41	37,10	23,11	80,72	116,81	213,42	21,34
2-6-1961	52,24	21,40	78,69	124,67	277,00	144,58	506,57	28,30	33,83	15,76	73,09	123,84	210,02	21,72
9-6-1961	50,09	11,07	83,33	124,28	268,78	139,88	493,66	11,11	43,95	17,47	77,01	118,50	203,85	21,76
16-6-1961	80,73	5,44	86,25	126,59	299,01	140,74	524,75	26,67	44,58	15,78	83,02	118,24	214,66	21,80

* Average of Fridays. **Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. †Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. §Includes cash and short-term securities.

BANKING STATISTICS

BUSINESS OF SCHEDULED BANKS IN INDIA : 1955 - 60

(Amount in rupees crores)

Items	Last Friday of					
	1955	1956	1957	1958	1959	1960
1. Number of reporting banks	89	89	91	93	94	93
2. Number of reporting offices*	2,838	2,953	3,263	3,619	3,921	4,141
3. Paid-up capital**	32.7	33.1	34.5	35.5	36.2	36.8
4. Reserves	31.3	32.4	36.0	38.3	35.9	36.5
5. Deposits						
(a) Demand deposits	571.8	603.4	658.9	649.8	668.9	721.0
(b) Time deposits	403.9	449.1	638.7	866.4	1097.9	1086.4
(c) Aggregate deposits	975.7	1,052.5	1,297.5	1,516.2	1,766.8	1,807.3
(d) Aggregate liabilities	1,206.2	1,344.5	1,572.3	1,791.6	2,051.6	2,174.6
6. Bank Credit						
(a) Loans and advances	508.9	614.3	706.5	736.4	807.7	1,006.8
(b) Bills purchased and discounted	84.7	130.6	113.0	94.3	114.3	123.2
(c) Total bank credit (a+b)	593.6	744.9	819.5	830.6	921.9	1,130.0
7. (a) Investments in government securities†	382.8	364.2	432.9	637.0	787.4	630.3
(b) Other investments	30.2	30.6	50.8	54.9	67.6	63.4
(c) Total investments (a+b)	413.0	394.8	483.7	691.9	855.0	693.7
8. Cash in hand	39.1	38.6	39.7	43.4	44.4	50.2
9. Balances with Reserve Bank of India	61.1	51.9	67.9	76.0	69.5	111.7
10. Cash and balances (8+9)	100.2	90.5	107.6	119.4	113.9	162.0
11. Ratio of Bank credit to total deposits	60.8	70.8	63.2	54.8	52.2	62.5
12. Ratio of investments to total deposits	42.3	37.5	37.3	45.6	48.4	38.4
13. Ratio of cash and balances to total deposits	10.3	8.6	8.3	7.9	6.4	9.0

BUSINESS OF NON-SCHEDULED BANKS IN INDIA : 1955 - 60

(Amount in rupees crores)

Items	Last Friday of					
	1955	1956	1957	1958	1959	1960
1. Number of reporting banks	387	354	318	290	269	258
2. Number of reporting offices*	1,247	1,240	1,112	981	925	885
3. Paid-up capital**	7.9	7.7	6.4	5.5	5.0	4.8
4. Reserves	4.2	4.4	3.5	3.4	3.0	2.6
5. Deposits						
(a) Demand deposits	25.2	26.0	15.1	14.2	14.1	12.9
(b) Time deposits	42.9	46.7	34.0	31.9	34.6	34.3
(c) Aggregate Deposits	68.1	72.7	49.1	46.0	48.7	47.2
(d) Aggregate liabilities	85.8	90.9	63.5	59.1	60.9	59.1
6. Bank credit						
(a) Loans and advances	35.8	39.4	32.2	28.6	29.0	28.6
(b) Bills purchased and discounted	2.2	3.2	1.8	1.7	1.5	1.0
(c) Total bank credit (a+b)	38.0	42.6	34.0	30.3	30.6	29.6
7. (a) Investments in government securities†	24.9	25.5	13.3	11.5	11.1	12.1
(b) Other investments	5.7	6.6	4.3	4.3	5.2	4.3
(c) Total investments (a+b)	30.5	32.1	17.6	15.8	16.3	16.5
8. Cash in hand	6.2	6.0	3.8	3.5	3.6	3.9
9. Balances with Reserve Bank of India	..	..	..	..	..	..
10. Cash and balances (8+9)	6.2	6.0	3.8	3.5	3.6	3.9
11. Ratio of Bank credit to total deposits	55.8	58.6	69.2	65.8	62.8	62.6
12. Ratio of investments to total deposits	44.8	44.2	36.3	34.3	33.5	34.8
13. Ratio of cash and balances to total deposits	9.1	8.3	7.7	7.6	7.4	8.3

*At the close of the year. **The figures of paid-up capital of banking companies incorporated outside India are excluded. †Include Treasury bills and Treasury Deposit Receipts.

Source: Reserve Bank of India.

TEXTILES STATISTICS

PRODUCTION OF COTTON AND NON-COTTON FABRICS: 1951-1961

(In million yards)

Monthly Average	Cotton Fabrics			Non Cotton Fabrics		
	Mill Sector	Decentralised Sector	Total	Staple Fibre Fabrics	Woollen/Worsted Fabrics	Rayon Fabrics
1951	..	..	340	84	424	1.2
1952	..	..	383	110	493	1.3
1953	..	..	407	118	525	0.7
1954	..	..	416	130	546	0.5
1955	..	..	425	146	571	1.1
1956	..	..	442	149	591	1.2
1957	..	..	443	162	605	1.4
1958	..	..	411	177	588	1.5
1959	..	..	410	188	598	1.6
1960	..	..	421	183	604	1.5
1961	..	..	..	..	..	1.3
January	..	..	437	206	643	0.2
February	..	..	408	206	614	1.0
March	..	..	422	195	617	0.8
						0.9
						43.7
						35.2
						36.4
						37.5

PRODUCTION OF YARN : 1951-1961

(In thousand lbs.)

Monthly Average	Cotton Yarn	Staple Fibre Yarn	Viscose Yarn	Acetate Yarn	Total	Woollen/worsted/ carpet Yarn
1951	..	..	..	..	..	..
1952	..	..	..	..	..	..
1953	..	..	..	..	..	..
1954	..	..	..	..	..	..
1955	..	..	..	..	..	..
1956	..	..	..	..	..	..
1957	..	..	..	..	..	..
1958	..	..	..	..	..	..
1959	..	..	..	..	..	..
1960	..	..	..	..	..	..
1961	..	..	..	..	..	..
January	..	..	..	..	..	..
February	..	..	..	..	..	..
March	..	..	..	..	..	..

PER CAPITA AVAILABILITY OF DIFFERENT TYPES OF CLOTH: 1951-60

Year	Estimated Mid-year Population (In millions)	Cloth available for home consumption			Per capita availability		
		Cotton cloth	Woollen cloth	Staple fibre and Rayon cloth	Cotton cloth	Woollen cloth	Staple fibre and Rayon cloth
1951	..	..	..	..	..	..	..
1952	..	..	..	..	..	..	..
1953	..	..	..	..	..	..	..
1954	..	..	..	..	..	..	..
1955	..	..	..	..	..	..	..
1956	..	..	..	..	..	..	..
1957	..	..	..	..	..	..	..
1958	..	..	..	..	..	..	..
1959	..	..	..	..	..	..	..
1960	..	..	..	..	..	..	..

Source: Ministry of Commerce and Industry.

UNDERTAKINGS LICENSED FOR MANUFACTURE OF MACHINERY AND EQUIPMENT
(As on March 1, 1961)

Name of Firm	Location of Unit	Item of Plant/machinery licensed for	Annual licensed/ approved capacity (Rs. lakhs)	Name of collaborator, if any
Paper Machinery				
1. Tata Engg. & Locomotive Co. Ltd., Bombay	Jamshedpur	Large scale pulp & paper making plant	195.0	A. Johnson & Co., Sweden.
2. The Associated Cement Companies Ltd., Bombay	Sahabad	Machinery & equipment for large scale pulp & paper plants	80.0	Nil (Will fabricate against designs & drawings of Tata-Johnsons)
3. F.W. Heilgers & Co. (Pvt.) Ltd., Calcutta	Titaghur	Large scale pulp & paper making plants & supplementary equipments	269.0	(i) Ernest Scott & Co., Scotland. (ii) James Bertram & Sons, England. (iii) Bertram Ltd., England.
4. Utkal Machinery Pvt. Ltd., Bombay	Near Rourkela	Large scale pulp & paper making plants & machinery for other industries	12,000 tons per year valued at Rs. 300 lakhs (total for all industries)	J.M. Voith, West Germany —for pulp & paper making machinery.
5. Paper Mill Plant & Machinery Manufacturers Ltd., Bombay	Bombay	Small & Medium scale pulp and paper making plants	50.0	James Bertram & Sons, U.K.
6. Rohtas Industries Ltd., Dalmianagar	Dalmianagar	-do-	40.0	Okamoto Tekko Co. Ltd., Japan
7. Paper & Pulp Conversions Ltd., Poona	Poona	-do-	16.0	Ide-Kikai Ltd., Japan.
8. Eastern Paper Mills Ltd., Calcutta	Calcutta	Board mill plant and/or 2 ton capacity paper mill plant	15.0	Nil
9. Garlick & Co. (Pvt.) Ltd., Bombay	Bombay	Oliver Brown Stock Washing system	39.4	Dorr Oliver (India).
10. Shalimar Industries Pvt. Ltd., Calcutta	Howrah	Fourdrinier Wire cloth for paper plants	20.0	Norak Gjaerdeogmetaduk Oslo, Norway.
11. Bharat Machine Wire Co. Ltd., Delhi	Chandigarh	-do-	35.0	Not yet decided.
12. Jagdish Lall & Bros., Delhi	-do-	-do-	12.2	-do-
13. Berry Bros. Calcutta	Sukchar (W. Bengal)	Miscellaneous machinery for paper plants & for other industries	12.0 (Total for all industry)	Nil
14. Port Engg. Works, Ltd., Calcutta	Calcutta	Components of paper & pulp machinery	10.0	Nil
15. Dynacraft Machine Co. Ltd., Bombay	Bombay	Components of paper & pulp machinery	1.0	Nil

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THE EASTERN ECONOMIST

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ONE RUPEE



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The Eastern Economist

JULY 21, 1961.

President Ayub Khan in America

ON Tuesday, President Ayub Khan of Pakistan concluded his visit to the United States. It would be foolish to deny that he has recorded beyond expectations. He has been successful in obtaining additional military aid with the possibility of air-to-air missiles which hitherto have not been in use in the Asian Continent. There is a rumour that Shooting Star supersonic jet fighters will also be supplied; these are equipped with the Hound Dog missiles which direct themselves into planes, being attracted by heat generation. If only because this places technological superiority with the Pakistan air force, India would have ground for concern. Whatever the thinking of the new administration in Washington has been on the arrival of neutralism in South-East Asia, it is apparently in no mood to disrupt the permanent alliance it has with Pakistan in the military field. This should give us food for thought. The belief that the Kennedy administration was moving neutralist and dismantling the military arrangements round the Soviet Union is an error. The recognition of neutralism in Laos does not imply acceptance of what might be called the Indian view on military alliances. The present current in Washington seems to be greater liberalism towards neutralism, but at the same time greater assistance to old military allies.

If President Ayub Khan only made this clear he would be reflecting and not initiating American policy. But it would appear from the high tributes he has earned from American Congressmen and the particular tribute which has been given by the Vice-President, Mr. Lyndon Johnson, when he entertained President Ayub Khan at his home in Texas, that he has in fact influenced American policy as well as reflected it. If so, it is necessary that India should obtain clarification as to the extent of the influence and the extent of the reflection. In both cases it would appear that our understanding of American policy needs a new assessment. This is not primarily connected with Kashmir, on which it is obvious that while it forms part of the joint communique, the United States cannot bring undue pressure on India to alter her course. This does not imply that Kashmir is not negotiable, but currently it is not negotiable by the United States' pressure.

It is not unlikely that President Ayub Khan's success and his satisfaction are based on facts as well as on propaganda. The outspoken character of his utterances, notwithstanding their unpopularity in the Communist world, must commend the

President to American audiences, particularly on the eve of the crisis on Berlin; it cannot assist the United States to have an uncertain ally in Pakistan. Whether Indian comment is to the effect that he is an uncritical ally or that he has overdone his tirade against India, the fact remains that the United States and Pakistan in the Democratic administration remain very much as they were before. It is sincerely to be hoped that the guarantees given to India on the use by Pakistan of American arms still apply. In any case, the large economic aid underwritten by the Kennedy administration must not make India oblivious of the fact that her Defence expenditure cannot under any circumstances be reduced. This is a serious consequence of President Ayub Khan's visit, no less than of prior obligations the country faced in respect of the People's Republic of China.

It is also to be hoped that India's diplomatic efforts in the United States will be redoubled now that it is clear that the President of Pakistan has secured some substantial accommodation. It is necessary that the Indian Embassy in the United States under Mr. B. K. Nehru, who has to take charge at this critical time, should be adequate for the large task which he is called upon to undertake. He has been supremely successful as Commissioner-General for Economic Affairs, having in effect underwritten not merely the first two years of the Plan, but in principle, longer requirements. It is to be hoped that he will be equally successful in informing both the administration and the American people of the larger issues of Indo-Pakistan relations.

It is not only in the United States that President Ayub Khan seems to have scored some telling advantages. If current rumours in Delhi are correct, it would appear that the United Kingdom is not beyond suggesting that Pakistan should occupy a special place in its negotiations with the European Common Market. The rumour has appeared that it is possible that a special status as an associated territory, under the Treaty of Rome, might be found for Pakistan while that will not be attempted for India. It is obvious that if this should happen, India's tea exports would be greatly imperilled, particularly if Ceylon enjoys a like status. Possibly it is because of some assurance of this kind that President Ayub Khan has expressed himself so favourably on Britain's joining the European Common Market. Whether this is so, or not, an immediate clarification must be ob-

tained in respect of the United Kingdom's intention in regard to discriminatory treatment against India. Both in Washington and London it would appear that India's current diplomatic effort has

suffered a reverse, and Pakistan's corresponding success. It is necessary for the Ministry of External Affairs to ponder carefully over the implications of these reverses.

States' Finances

THE Reserve Bank's study of States' finances, contained in the June issue of its Bulletin, read against the backdrop of the discussions at the last two meetings of the National Development Council, presents a picture that can hardly evoke optimism about the States' role in the implementation of the Third Five-Year Plan. During the Third Plan period, the States are required to restrict their deficit on current revenues to Rs. 12 crores and to raise Rs. 149 crores from surpluses of public enterprises and another Rs. 610 crores from fresh taxes. In view of the clamour from various State Governments for stepping up of their outlays under the Plan, the tax effort on their part may have to be even more than stipulated. The States' budgets for the first year of the Plan, however, severely fall short of these targets. With total receipts estimated at Rs. 1021.37 crores, they have shown a deficit of Rs. 36 crores on revenue account. Another Rs. 29.9 crores is anticipated to be the deficit on capital account, bringing the total deficit, including Rs. 0.7 crores shortfall in miscellaneous receipts, for the current year to Rs. 66.6 crores. Fresh taxation has been proposed only to the tune of Rs. 17.3 crores, leaving an uncovered gap of Rs. 49.3 crores. In view of the experience of the past few years and the prospects of the Third Finance Commission reallocating the share of States in some of the Central taxation receipts and also stepping up of Central grants to some States, this gap in States' revenue and expenditure may not be of much significance. But if it has been manipulated either to influence the Finance Commission or to avoid adverse repercussions at the ballot box in the ensuing elections, it is something which can only be deplored.

The analysis of the expenditure of States makes very mixed reading. While it is encouraging to note that developmental expenditure, both on revenue and capital accounts, has increased by 80.94 per cent from Rs. 2,006.71 crores under the First Plan to Rs. 3,630.96 crores under the Second Plan, it is disconcerting to behold that the downward trend witnessed in non-developmental expenditure during the years 1951-52 to 1956-57 has been reversed. During the six years to 1956-57, non-developmental expenditure as percentage of the total expenditure went down from 43.00 per cent to 27.66 per cent. In 1957-58, it increased to 33.47 per cent, in 1958-59 to 34.68 per cent and in 1959-60 to 35.14 per cent. The revised estimates for 1960-61 put this expenditure at 32.46 per cent of the total. But when actuals are available next year, this percentage may be higher by two to three points. Increase in non-developmental expenditure, both on revenue and capital accounts, under the Second Plan has been of the order of 58.76 per cent, from Rs. 1,113.93 crores in the five years of the First Plan to Rs. 1,768.48 crores under the Second Plan. Of the absolute increase, expenditure on Civil Administration has gone up by Rs. 165.92 crores. Another disturbing fact that emerges from the study of non-developmental expenditure in the States during the past decade is that the cost of collection of States' taxes has also shown an upward trend. Under the First Plan this cost was 14.7 per cent of the total tax collections. Under the Second Plan it increased to 15.9 per

cent. There is obviously need to tighten up reins on this front.

The phenomenal increase in the permanent debt of the States over the past ten years is reflected in the increase in debt service charges. Under the two Plans, expenditure under this head has gone up from Rs. 64.46 crores to Rs. 265.90 crores. A more discomfiting fact in this connection, however, is the tendency of State Governments to go in for increased overdrafts on the Reserve Bank; there will be eleven States out of the fifteen in the Union which will have at the end of the current financial year a negative cash balance with the Reserve Bank to the tune of Rs. 60.9 crores, as against only five having a negative balance of Rs. 14.2 crores at the end of the last financial year. This increase in the overdraft of States on the Reserve Bank implies that State Governments this year would be going in for deficit financing to the tune of Rs. 46.7 crores, if the gap is not filled by revenue turning out to be better than anticipated. The Planning Commission has stipulated a ceiling of Rs. 26 crores deficit financing by the States during the entire Third Plan period. This calls for far greater financial discipline on the part of the States than they have practised under the Second Plan.

A word may be said about the new taxation that the State Governments have gone in for this year. Of the ten States which have proposed to raise additional taxation this year, only four have levied new taxes; others have made some changes in the existing rates of taxation. The pattern of taxation followed by the State Governments leaves much to be desired inasmuch as the one massive sector of population which in all appropriateness should share a greater burden of taxation is not being asked to do so. When State Governments are required to raise fresh taxes to the tune of Rs. 610 crores during the Third Plan period, it is imperative that they should broad-base their tax structure and raise the land revenue rates which were fixed decades ago at a time when general price level in the country was about 25 per cent of the present level. It is true that in some States land revenue has been enhanced through imposition of surcharge on it, but in view of nearly four-fold increase in the prices of agricultural commodities, it is only just that the agriculturist should be asked to shoulder his due share of the burdens of planning.

The buoyancy in States' finances during the Second Plan period—the total revenue receipts of the fifteen States during this period have nearly doubled from Rs. 2,227.4 crores during the five years of the First Plan to Rs. 4,012.7 crores during the Second Plan quinquennium—and raising of practically all the resources needed for the Second Plan—there was a shortfall of only 2 per cent in this regard—has been largely due to the bountiful transfer of Central revenue to the States under the Santhanam Commission's award. The States should not expect any great concessions from the new Finance Commission and instead of looking for the *manna* from New Delhi, should exercise greater financial discipline on themselves by way of greater tax effort and restraint on non-developmental expenditure.

Commonwealth or Europe?

By PAUL BAREAU,

Editor: *The Statist*, London.

THE debate on whether or not to join the Common Market is waxing fast and furious in Britain. It is now reaching a new pitch of intensity and is causing the most astonishing cleavages within the recognised political parties. To see Empire loyalties on the extreme right allied in this cause to the extreme left of the Labour Party and the arch protectionist, Lord Beaverbrook, embracing the out and out free traders who object to the Common Market because it will have a common tariff is to behold a confusion such as has never before swept over U.K.'s political scene.

The debate has, of course, been stimulated by the well-reported tours of the Commonwealth by three senior Ministers bent on expounding the British views on this subject of joining the Common Market and on obtaining from Commonwealth countries some indication of their attitude to U.K.'s possible membership of the E.C.M.

It is not altogether surprising that the answers obtained by the Ministers should on the whole have been negative, discouraging and defensive. The Commonwealth countries they visited were in fact being asked for their views about a move which is highly problematical, the results of which must lie in the dim mists of an unpredictable future which might well endanger the very solid advantages which they now enjoy in the British market. It is not at all surprising that in these circumstances they should in general have refused to exchange the bird they have in the hand for the two problematical birds in the European bush.

As viewed from London, it would seem that Mr. Peter Thorneycroft, who visited India, Pakistan and Ceylon, had the easiest of the three tasks and Mr. Duncan Sandys, whose route took him through New Zealand, Australia and Canada, had the toughest assignment. Mr. Hare in Africa apparently encountered some surprises; but the reaction from Ghana and Nigeria, and particularly from the former had overtones of the old colonialism and new African nationalism which had very little to do with the immediate subject at issue. Ghana, it is known, wants to create and perhaps lead a black African common market. Any suggestion that the overseas territories linked to European countries should in some way or other be associated with E.C.M. appears to Dr. Nkrumah and those who think like him, reek of dependence and is, therefore, anathema.

Beyond this emotionalism, however, there are some harsh and substantial facts that the new African Dominions must face. Among them is the protection which the overseas territories of the present members of the Common Market are about to enjoy in that extremely dynamic and expanding part of Europe and the detriment which this may well cause to the sale of non-Common Market tropical products to Europe. Nearly half of Ghana's cocoa is at present consumed in the Common Market. This is a reality to which Ghana should pay more attention than to her plans to form a common market in Africa.

The most difficult of the Commonwealth problems is undoubtedly that of the temperate zone Dominions whose farm products—butter, meat, cheese—are in large part consumed in Britain. This is a market to which they have unrestricted and duty-free access. These products, however, are also those which come from the highly protected farming communities of the Common Market. If Britain becomes part of this Common

Market and has to erect against the outside world the Common Market tariff, depending that on foodstuffs, it may deprive a country like New Zealand of virtually all its means of livelihood. This accounts for and explains the vehemence of the New Zealander and the Australian reaction to Britain's proposed membership of the E.C.M.

This, however, is a reaction against a completely unreal alternative. There could be no question of Britain joining the Common Market in such a way as to pass sentence of economic death on overseas countries whose whole economy is geared to the British market. No country in the Common Market itself would dream of asking this. What must be negotiated is a series of agreements dealing with the problem commodity by commodity and ensuring that if Britain joins the Common Market its imports of temperate zone foodstuffs from the Dominions will have some ceiling placed on them. This limit would be defined by what the U.K. had imported in the past. Up to this figure duty-free entry would be continued.

Beyond such considerations, countries like New Zealand, Australia and Canada will have been informed in no uncertain terms that if Britain were isolated from the Common Market, it might easily lose the prosperity and purchasing power which enables it to absorb these vast quantities of duty-free foodstuffs from the temperate zone Dominions. There is a real danger of destroying the *status quo* by trying to keep it. Commonwealth countries must seriously ask themselves whether they are serving their own interests best by barring Britain's entry into Europe in the hope of retaining their privileged position in the British market. Would it not be better to make an act of faith based on the reasoning that a Britain prospering as part of the Common Market and providing within that market a voice pleading for the interest of the Commonwealth than one isolated from the historic movement which is now irreversibly under way on the other side of the English Channel?

As far as India and the other Asian countries are concerned, the primary need is for more capital. That will be more readily forthcoming from a united than from a divided Europe. Their next need is to secure larger export markets in Britain and Europe for their primary and their manufactured goods. Here too the movement towards unification of Europe, provided the interests of the Commonwealth are looked after, would seem to be the best solution. A point of particular interest for India is the problem of exports of relatively low-cost manufactures to Europe. Their continued entry into the British market is by no means guaranteed as the recent treatment of textile imports from India shows. The Federation of British Industries in a recent statement on British Industry and Europe has stressed that it would like to have a joint European approach to the problem of low-cost Asian manufactures as part of any settlement with the Common Market. The F.B.I. points out: "British industry recognises that economic expansion in Asia and elsewhere is to its ultimate benefit, but it is carrying a disproportionate share of low-cost imports, particularly in certain sectors, and a spreading of this burden is now called for." Here is one more reason why India, in particular, should not take a negative and restrictive view of Britain's possible membership of the E.C.M.

A DELHI DIARY

MR. THORNEYCROFT IN DELHI

THE week in Delhi, like no other that I can remember, has been dominated by economics. Not, indeed, that the famous 'economic' man has been very much in evidence; the brand of economics that has been visible is that older science called political economy, with politics operating very much behind the scenes. The immediate display of the economic component is connected with the European Common Market, which has temporarily so far banished domestic politics from the scene that for a whole week I have heard nothing else but common market talk! Some of it, for the great majority of people in Delhi, was not so common and, indeed, for many of my journalist friends, the task of preparing their minds for the Battle of the 'Sixes' and 'Sevens', (and if Britain joins, the Sevens and the Sixes) involved not a little hard work and, on the whole, very little enlightenment. One can go through all the written work on the European Common Market and not feel very much wiser. This is the ideal setting for an expert to impose his view upon that amorphous thing called the journalistic opinion; it would seem, the experts, whether in the Government or in the Federation, have not been a little successful in the impress they have left on the newspaper mind. Almost everyone seemed to work himself up to a fever that a serious thrust into India's entrails was contemplated. I found "The Eastern Economist" a very lonely voice on the other side.

The alarm seems to be overdone. Arithmetic on the subject of what will happen five years, six years or ten years from now can be very misleading. Nothing was so effective as Mr. Thorneycroft's Press Conference in presenting what might be described as another background of the problem. Surprisingly to most of us, Mr. Thorneycroft came out quickly with his own very positive view. This was that there were, on balance, advantages in entering the Common Market. He admitted that while he had come down on one side the volume of controversy that existed and the complexity of the issues involved made such a decision extremely difficult. There were many 'ifs' and 'buts'; one such, of course, depended on that very dangerous word "safeguards", which could, in fact, be negotiated. In the real world, however, there were no permanent safeguards. Slyly (and, I thought, with a twinkle in his eye!) he pointed out that Indian nationals had once strongly opposed the Ottawa Agreement and Imperial Preferences; they are now very much in favour of their retention. This was no backwardness on their part; it was merely a natural response to a rapidly changing situation. The European Common Market was itself the expression of the forces of change. History was decreeing for a variety of reasons that large units with relative free trade within them were conditions of efficiency and even survival. With the North American Continent on the one hand and the Communist bloc on the other, Europe had to integrate or become a high cost area compelled to lose markets. The Treaty of Rome had done much for the Six; Britain—not withstanding the Commonwealth—was geographically in Europe. Was Geography greater than History? That could not be answered; but the European market could not be dropped that simply. To the question: Was not the Commonwealth a great trading area, he answered, "Of course". But (alas!) it was not a Free Trade Area. There were (as in India) tariffs which had to be jumped. The Commonwealth was not offering free trade; only asking for the retention of a formula a little out of the present current. All of which made us feel not so progressive. The expansion of world trade with an outward looking Europe would, perhaps, give us back all the privileges we might lose. Besides there would be

a transitional period—perhaps for five years—when we could get used to those cold North Sea winds!

THE WAVE OF THE FUTURE

Perhaps I am simple (I have been told so thrice this week!) but I believe that the eye of the (statistical) mind is not so good as the physical eye with which, in the mercy of Providence, all men have been endowed. Having recently returned from the European Common Market, I argue without statistics that it is better to be inside than outside it; having been recently in Britain, I would argue that Britain is trembling on the brink, but is almost certainly in. The only upset might have arisen if a General Election preceded the decision. I am told that the political prophets have decided in favour of an election only after entry, the consequences of which act of statesmanship I find it difficult to assess. All in all, Britain's current financial crisis seems happily staged to show that the Commonwealth (Bless her patriotic heart!) is not designed to protect Britain's balance of payments with British capital so anxious to leap into the Common Market. One way, therefore, to shut the door is to enter the market, and prevent duplication of plants by over-anxious British Big Business!

There is only one snag which I should record. There was no word given to us directly by Mr. Thorneycroft or anyone else that Pakistan and Ceylon might get in as "associated territories" with their old privileges while India ran the gauntlet alone or with Australia and Canada. I would take a very dim view of negotiations which split the Commonwealth arbitrarily on a country basis; surely the answer is to negotiate a (five-year) transitional period on the basis of the sensitive commodities—tea and cotton textiles first, please! But, for the moment, I keep asking myself how the centre of our fears was so long hidden from us while briefs and communiques abounded. Can it be that human nature, being fearful, keeps all its greatest fears to the end?

THE SWINGS AND THE ROUNDABOUTS

All of which brings me to that happy metaphor of swings and roundabouts and the cheerful manner in which they balance. On the swings of trade, it seems we shall be certainly down and, if it should happen that Ceylon gets away with 'associated territory' status, while we, being in the doubtful position of 'Big Brother' have to defend ourselves unaided, the loss on our tea exports can be very large. And this is all in foreign exchange. It is no consolation whatever to be told that, since Britain will lose her preference in Indian markets, we will have in rupees a larger revenue duty on machinery imported from Great Britain. It is obvious that the whole problem of India's competitive position in tea—and a Wage Board is now sitting, the consequences of which will certainly be to make us even less competitive than before!—depends on access to the British market being changed for all, and not for any portion of the Commonwealth. On the roundabouts, by which I mean payments, it is true that if Britain does invest less in Europe she will have more to invest in this country and also, if the European Common Market countries do not invest in Britain, they might invest more in the Indian Union. But who can pretend to add invisibles (which grow more invisible every day) to replace a stable element in our trade? All in all, one must argue that, unless payments can balance trading losses, Britain will find it very difficult to persuade the Indian Union that the Common Market is a good thing. I suggest very humbly that, while experts have been studying trade figures with excessive care, they might now devote themselves to Britain's potential surplus of payments out of which our trading losses can be reimbursed!

ARGUS.

THE WEEK'S NOTES

Laos

FIFTEEN POINTS FOR NEUTRALITY

NOVELTY IS by no means claimed by Mr. V. K. Krishna Menon as a special virtue of the 15-point proposal he has presented to safeguard neutrality for Laos. It need not be, for it is immaterial. The material consideration is the soundness of the proposal. Taken as a whole, it is so. The UK, one of the co-chairmen of the 14-nation conference on Laos, has expressed its first reaction in these terms and commended it for closer examination. But Mr. Krishna Menon's optimism would be shared not by many, when he forecasts that the three Princes who would meet soon (Phnom Penh in Cambodia is to be the venue) to deliberate on the formation of a provisional coalition government, would be able to set it up by the close of this month. Na Mon points to a different experience. Likewise, his assessment of the relative strength of the three groups assumes much. It is right to presume that Prince Boum Oum's voice would not be strong. But to think that Prince Souvanna Phouma will have the upper hand, while Prince Souphannouvong will lean heavily on him is to overlook the sanction behind the Pathet Lao and the accession of strength to it in the past few months.

This leads to the crux of the problem which is to give substance and reality to neutrality. From this angle the suggestions in the 15-point proposal which relate to foreign forces and supply of illicit arms acquire great importance. The proposal demands immediate evacuation of all foreign forces from the Laotian soil as soon as the Government of National Alliance is set up. There would be little difficulty in securing compliance with this demand as none of the foreign powers interested in Laos would openly incur the odium of flouting the accord on the coalition and persisting in flagrant intervention. But there is another potential means of intervention and subversion of neutrality. It is here that the 15-point proposal discloses its weakness. It charges the International Control Commission with the task of keeping strict vigilance on the inflow of illicit armaments and to make its prevention effective. The ICC can hardly prove a powerful machinery for this difficult assignment, granting that it is supplied with the paraphernalia for supervision. It has been frustrated and neutralised in functioning by the Pathet Lao. Under whose inspiration, it is not difficult to guess. In this respect the British proposal of a high-powered international agency to control the supply of arms to Laos seems more promising and reassuring.

Punjabi Suba

DEMOCRATIC DETERMINATION

MASTER TARA SINGH'S Press Conference of July 12 and his recent statements on other occasions are significant for laying bare the real complexion of the Akali demand for the creation of a Punjabi Suba. All along the Akali leader had been very scrupulous in adhering strictly to his contention that the demand for the Punjabi Suba is in essence a linguistic demand for setting up a Punjabi-speaking State and that it was gross misrepresentation to describe it as a communal demand for carving out a separate Sikh State. At the Press Conference he came out openly and asserted that the motive force for his demand was provided by the discrimination which is practised against the Sikhs. This is a vague charge which may be given a comprehensive connotation implying discrimination in the spheres of employment in the civil administration, enlistment in the armed forces, official contracts in

business and various forms of patronage. It is a serious enough charge like the one which he made in attributing to the Prime Minister a highly offensive generalisation regarding the Sikhs. When asked to substantiate his charge of discrimination with specific illustrations, he had none whatsoever to give. More important than the hollowness of the charge is the fact that the Akali leader spoke out his mind at a Press Conference, where he was presumed to be careful about what he said.

If the demand for a Punjabi Suba rests on a linguistic basis, the Akali Dal has yet to offer an explanation how it is that it lacks the support of even a fraction of the 45 per cent non-Sikh Punjabi speaking population in the territory which would form the Suba. Notwithstanding this fact, Master Tara Singh feels absolutely confident that not less than 80 per cent of the population would vote for the Punjabi Suba, if a referendum were taken. The constitution makes no provision for a referendum. But apart from this difficulty, if the Akali leader is so confident of an overwhelming vote of four-fifths, he can very well command it by an appeal to the electorate. Mr. Lal Bahadur Shastri's proposal to him to make the Punjabi Suba a straight election issue at the forthcoming general elections is a forthright offer, which provides the constitutional mode of a democratic determination of the question. His refusal to agree to it is incomprehensible. He would be doing a great service to his community and to the country if he puts his faith in the ballot box and desists from the extra-constitutional method of going on a fast, which carries grave potentialities of setting aflame an emotional conflagration.

Kerala Elections

"NO TRUCK" THESIS

THE KERALA PRADESH CONGRESS COMMITTEE and in particular its president, Mr. C. K. Govindan Nair, are at great pains to explain and convince the nation that they are observing in spirit the AICC's directive to have no truck with communal parties on any count. The test has been offered by the ensuing elections in the State to the local bodies.

The authoritative version of the "understanding" reached between the Congress Party, the Praja Socialist Party and the Muslim League is now available. The negotiating committees of the three parties finalised the understanding at Ernakulam on July 15 on the basis of which the three parties have agreed to adopt a common strategy at the election. The aim of the strategy is to defeat the Communist Party at any cost and the most potential way to do it is to avoid triangular contests to prevent splitting up of votes and to arrange straight contests instead. The three parties have arrived at the understanding on this very basis at Ernakulam. The next step is to work out constituency-wise the details of allocation of seats to the three parties and the selection of candidates in accordance with the local strength of the parties and the personal influence of the individual candidates. This task, no less important than the understanding, has been left to the district committees of the three parties.

The PSP has made a clean breast of the whole affair and admitted straightaway that its alliance with the Congress Party and the Muslim League continues. The Muslim League has reiterated the fact of its alliance with the PSP, but in deference to the Congress Party it has explained that the Congress and the League would go about the elections alone. How the Muslim League attempts to explain its behaviour is not relevant. The

relevant issue is the justification sought to be given by the Kerala Congress Committee. Mr. Nair has proclaimed that the Congress Party would have no truck and no joint platform with the Muslim League and this position had been thoroughly understood by the latter. True, there will be no joint platform and no truck with the League in the sense that the Congress Party may not address election meetings in support of the League candidates on a common platform and voters following the two Parties will not be given a lift to the polling booths in common trucks. Thus it is that the Durgapur directive of the AICC on "no truck" will be followed in the fullness of spirit.

Does the KPCC pretend that where the Muslim League candidates are put up (with its consent) in straight contests with the Communists, Congressmen voting at the elections will be asked to have no truck with the League candidates? The plain reality of the political situation in Kerala is that the overriding task of dislodging the Communist Party from its position as the strongest single party (though not the majority party) still remains to be accomplished. If politics, at times, makes strange bed-fellows, it is a matter of expediency. The Kerala understanding cannot be explained on any other reasoning.

Nuclear Test-Ban

ANOTHER DEADLOCK

THE NUCLEAR test-ban talks, which were in progress at Geneva, have been deadlocked once again. This is yet another impasse in a series since this initial key solution to the problem of general and total disarmament was taken up two and three quarters of years ago. But the submission of the memorandum by the US and the UK for reference of this subject to the UN General Assembly is the final indication of their view that the present deadlock cannot be resolved at the Big Three level. The memorandum stresses the point in quite unequivocal terms that "voluntary forbearance" by the US and the UK in this situation entails serious risks to their security. The implication is clear. Any credible evidence of nuclear tests being carried out by the USSR may force their hands not to be left behind. Already, President Kennedy's technical advisers are exerting pressure on him for resumption.

Effective international inspection and control of the tests constitutes the hard core of the problem. The draft treaty with its clear and forceful preamble, drawn up by the three parties, raised high hopes that the deliberations would be pursued with speed to a satisfactory conclusion. Nevertheless, Russia's conventional shifts uttered a caution against over-optimism and the apprehension proved to be true. The Western proposal for a really operative machinery for inspection and control was rejected by the USSR, its basic and unalterable contention being that operations for inspection inside Russia must be conducted under "the direction of a Soviet citizen." The Russian counter proposal was based on the new-found "troika" pattern for the executive council carrying out the day-to-day functions of control. With the rule of unanimity between the representatives of the East, West and the neutral countries, the built-in veto was, of course, implied in it. This did not mark the end of the Russian strategy to block the evolution of an effective and workable control machinery. Her further insistence on tying the issue of ban on nuclear tests with the larger problem of general disarmament was proof of obstructing the tenor of the negotiations on the nuclear ban. A treaty on the ban on nuclear tests is a crucial, preliminary measure to end the dangerous race for destructive potential and it is an elementary fact that general dis-

armament cannot be achieved in one sweep. In proposing such a highly impractical condition, Russia could not be unaware that the magnitude of the nuclear arms menace would be enhanced by more countries making progress in the manufacture of these arms. A treaty imposing the ban between the three big powers is the right approach to secure compliance of prospective entrants in the club. This hope has been deferred for the time being.

The Doctors' Dilemma

THE MENACE OF EVICTION

DOCTORS IN Delhi are in a predicament. At present this predicament is limited to about fifty of them, but it threatens to spread and assume alarming dimensions. The victims in this first batch find themselves tossed on the horns of a dilemma—whether to face the uncertainties of finding accommodation in the commercial localities for setting up their clinics or to compromise the issue of eviction (wherever practicable) with the landlords. In either case it is a matter of extra investment outlay on the profession which only a few of them can afford. A crusade of eviction has been launched against the doctors mostly in various localities of New Delhi. The Land and Development Office of the Delhi Administration has taken the initiative and private landlords have not been slow in following suit. The technical ground on which the campaign of large-scale eviction is launched is that doctors behave as unpardonable sinners in housing their clinics for commercial pursuit in residential premises. The Land and Development Office, as reports go, is issuing notices to these sinners for termination of their leases and renewals on payment of enhanced lease money which commercial use of premises requires. Private landlords have their own device. If hush money is paid, the matter ends—but not for all time necessarily. Hush money secures the landlord's neutrality for a limited period of time, so that the sword is kept dangling over the head.

The rationale of this law is not understandable. Residential and clinical accommodation in the same premises is almost a universal phenomenon and it can hardly be said to offend against public health, although a slight chance of its doing so may not be ruled out. Commercial premises in the capital city are getting scarcer and the real rents to be paid for them are reaching higher peaks. Besides, there are some localities where no plots are now available to erect buildings for commercial occupation. To bifurcate the clinic and the doctor's residence will work hardship on him and his patient, while in the case of the beginner there will be the hard prospect of starting practice in the new environment afresh. If law tends to be an ass, the remedy is to expunge this attribute by an appropriate amendment. The Ministry of Works, Housing and Supply would do well in entertaining the deputation of the Delhi Medical Association which is approaching it in a humanitarian spirit.

The local authorities (by whatever designation they may be called) can canalise their energy and zeal for public service in fruitful directions. Some tuberculosis hospitals are situated in congested localities of the capital city. Can nothing be done to shift them to safe distances? Mushroom repair and maintenance shops for mechanical vehicles are started at critical turning points on roads with heavy traffic and their number is multiplying with the growth of motor rickshaws and scooters, blocking the footpaths and endangering human safety, particularly that of urchins moving about while welding operations are on. It is these varieties of public nuisance against which the crusade of eviction ought to be launched.

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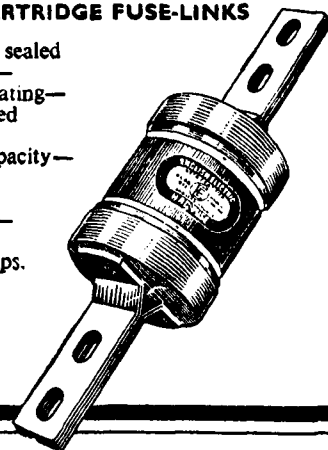
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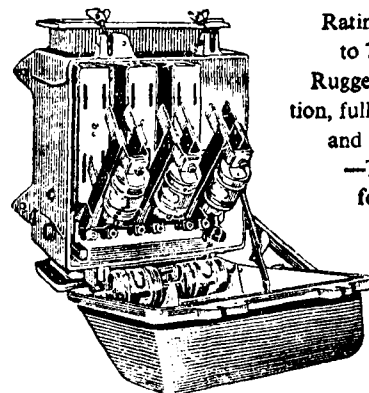
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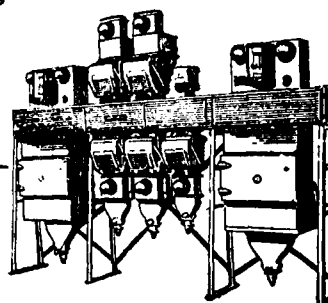
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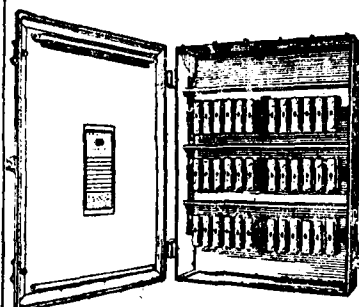
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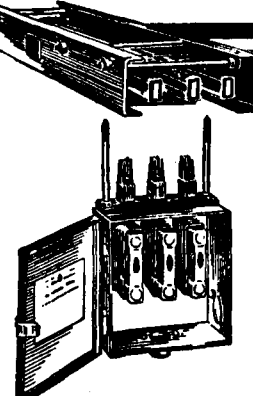


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OF COURSE, you cannot have economic growth without investment. But, equally, investment without skilled labour, able management, and a social structure and customs compatible with saving, investment, and the free play of the (usually scorned) acquisitive instinct, will not produce real, solidly established, economic growth.

India's aim today is the achievement of a modern industrialised economy. In order to promote that, you need a climate of opinion favourable to it. As I pointed out here last week, many current attitudes of mind in the mofussil are incompatible with the advance of a modern exchange economy. There is no need to pretend that this is not so, still less to feel ashamed of it. All progress in all centuries has arisen out of conflict between established traditional ways and new ideas. The first task of any democratic government, anxious to promote change and growth, should be, then, to seek by all legitimate democratic means to spread the new ideas to create a climate of opinion favourable to its aims. Should not investment in people precede investment in plant? It was because nobody thought of doing this that there was no industrial revolution in classical Greece. Archimedes (287-212 B.C.), the Greek scientist, designed balanced cranes and compound pulleys and a suction screw for raising water, but, because the society in which he lived was indifferent to the profit motive and economic enterprise, his inventions led to nothing.

To transform traditionally-minded masses into modern "economic" men and women is admittedly a colossal task, that is likely to be achieved only over many years. It seems to me that too many leaders in underdeveloped countries shrink from so vast an undertaking and think that they can avoid it by ignoring the factors of labour, skill, and management, and by concentrating on investment.

CONSPICUOUS INVESTMENT

And in his booklet, "Growthmanship" (Institute of Economic Affairs, 66A Eaton Sq. London. S.W.1. Price 5sh.) from which I quoted last week, Colin Clark makes the shrewd point that much of the mistaken emphasis on investment is due to the desire of most planners (except those in France) to secure more and more power for the state and to enlarge the public sector at the expense of individual enterprise. The American iconoclast, Thorstein Veblen, criticised the rich for their enjoyment of "conspicuous waste", in spending on yachts, Ritz hotels, and so on. Today, public investment increasingly enables the politician and the bureaucrat to aggrandise their authority by economic showmanship and "conspicuous investment."

But public expenditure does not become productive investment merely by describing it as "investment." It can be misdirected, or wasted, or used inefficiently. If you don't believe me, please look at the article "Performance of the Public Sector Undertakings: 1958-60", in "The Eastern Economist" of June 9, which shows that the average gross profits earned on net fixed assets of twenty-one leading public enterprises was only 3.4 per cent, which is below the Bank rate. The article might, incidentally, have added that as the average annual rate of depreciation of the rupee between 1955-60 was 5.1

per cent, the Indian taxpayer did not get 3.4 per cent on his public investment but lost 1.7 per cent a year! It might also have pointed out that there is not only the direct waste on projects designed on insufficient information, or mismanaged by bureaucratic red tape, but there is the indirect waste flowing from the crushing burden of taxation on private enterprise from inflation and the whole incredible paraphernalia of government controls, permits, and licences, intended—if you please!—to promote investment and ensure that it is only used in the most productive channels! Lewis Carroll, with his Alice in Wonderland, was the merest amateur compared with planners.

Let us get this straight. The people who create wealth are not the planners who, according to "The Eastern Economist" of June 9, invested over Rs. 108 crores to get a return of minus 1.7 per cent, but the tens of thousands of entrepreneurs, great and small, in the industrial sector of private enterprise, and the millions in agriculture, who between them create the major part of India's real national income.

In a paper read before the British Institute of Management (which, I see, has opened a branch in New Delhi), Mr. J. A. C. Brown said that while he welcomed automation and electronic computers as valuable tools for economic progress, they could not displace good management and human judgment. He quoted freely from Professor Colin Clark, Dr. Barna, and others, to show that the lopsided pattern of investment in the UK had been at least partly responsible for the UK's chronic crises. Invested capital per worker has risen since 1937 in the UK by 70 per cent, compared with 25 per cent in the USA and 30 per cent in Germany, which suggests that capital has been wastefully allocated between alternative uses.

It is not only in India that nationalised industries have secured low returns on the capital invested. Between 1948-58, no less than Rs. 887 crores, or 26 per cent of total UK investment, has been in the nationalised industries, with the intention of securing a yield of around 5 per cent. I don't know what the actual yields have been. The Railways, for example, have piled up deficits. But even if 5 per cent has been attained, it will, with inflation averaging 3.9 per cent a year, have yielded the taxpayer only 1.1 per cent. And do not forget that the UK's nationalised industries contribute nothing to export earnings, which are gained entirely by private enterprise. The export industries have been starved of capital by the burden of taxation, and inflation, needed to bolster the nationalised industries. In other words, as Colin Clark says, "there has been plenty of 'investment', but how much effective growth?"

SENSE AND NONSENSE

I am told that the Government of India has called in a leading firm of British business consultants to advise it on the management of the Durgapur Steel Works. This makes sense. But I am also told that an appreciable number of established Indian owned private enterprises would like to do the same but cannot get the foreign exchange to pay for them. If true, this is nonsense. Why have a huge physical investment in plant and machinery if it is not being made to yield

its maximum contribution to the national income? Why authorise scarce foreign exchange to build a new plant and then grudge the small amount needed to pay for experienced advice on the best way to exploit it?

A proportion of the five-year plans' future allocations for physical plant could profitably be switched to investment in polishing up India's managerial skills by importing foreign business consultants, and also by sending picked executives, junior and senior, abroad for the sort of courses that are run by the British Institute of Management (80 Fetter Lane, London. E.C.4.)

The first people to be granted foreign exchange to call in business consultants should be the most successful of some of India's old established concerns. British experience has been that it is the successful, progressive firm which is readiest to use business consultants and best equipped to profit by their recommendations. Business consultants are not substitutes for competent managers: they enable them to get better results. The incompetents will not be able to carry out advice offered. On the other hand, many competent organisations do not take the trouble to avail themselves of the experience of business consultants. As Mr. Frank Rowe recently said in a talk given to the British Institute of Management in London: "I tell my own staff that if we are doing a job in the way we used to do it in ten years ago, we must be wrong. We ought to have learned something in ten years. In an organisation where everything is at least ten years old, there must have been a hiatus in progress."

Some industrialists seem to think that it is a reflection on their own competence to call in outside advice. But a trained outside observer can bring situations to

light that nobody inside a firm would believe existed. Pre-occupation with day-to-day routine allows important omissions or deficiencies to escape notice. An outside consultant comes to the job with independent status, uninfluenced by the history of the existing methods built up inside a firm, and unaffected by office jealousies. He has no axe of personal promotion to grind.

The outstanding success of Indians in industry and commerce in many overseas countries where private enterprise is given a chance, and where the ability to exploit economic opportunity is not frustrated by the survival of social structures that have served their purpose, should encourage India's political leaders to concentrate planning expenditure on education at all levels, on boldly and courageously fighting reactionary legislation which strengthen social customs that encourage the forces of inertia and discourage the profit motive that gets things moving.

In the past, faced with the vast numbers of India's population, the government has quailed before the problems of education because of the huge expenditure involved. But development expenditure on education (in the Second Plan) was between one third and two fifths of that on large and medium industries in the public sector, and on elementary education was about half the cost of the three public sector steel plants. How about reversing these proportions from now on? Why not cease from new industrial ventures for a while in order to consolidate the administration of those existing, and divert funds to education (elementary, technical, and managerial), and to roads (which are vital to social and economic advance)? This would, I believe, not only speed India's economic growth, but would also solve her balance of payments problem by one stroke of the pen!

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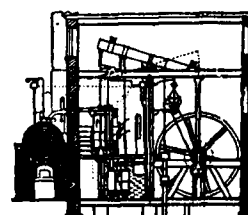
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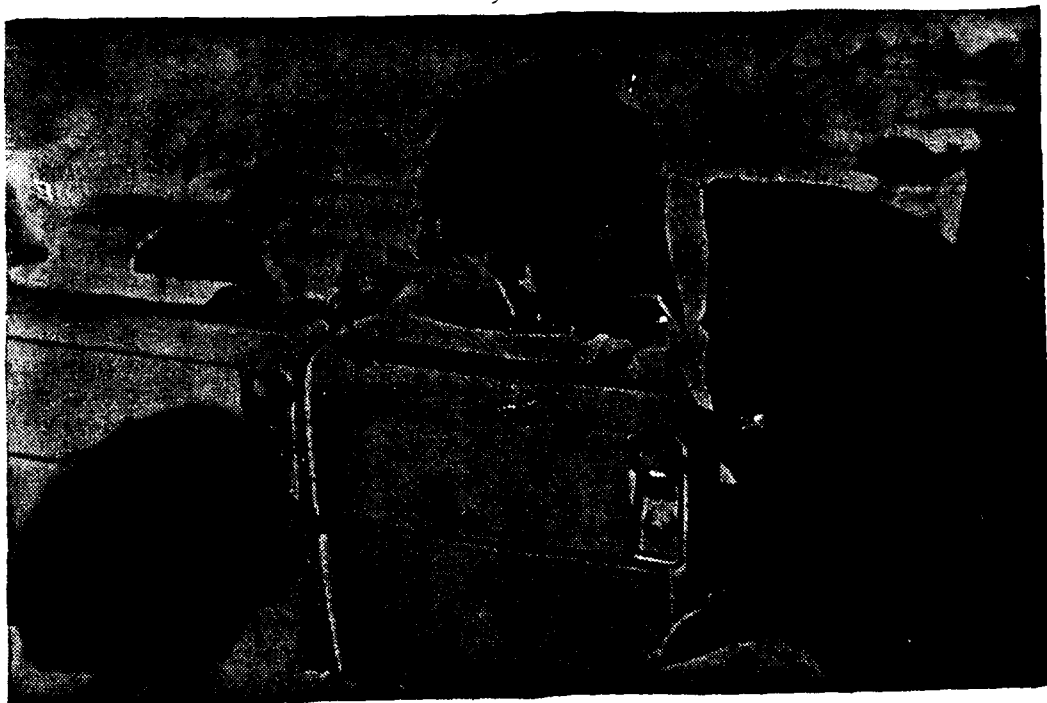
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11C-35A

The European Scene

EURO-DOLLARS VERSUS TRIFFIN

From Our Special West European Correspondent

PARIS, July 14.

THE celebrities of monetary science have lately been taking potshots at the gold-exchange standard, the system of international payments whereby differences are settled (or as some people say, quite incorrectly, "whereby international trade is financed") in dollars and sterling as well as gold, held by the central banks as reserves. This has provoked European bankers to reply that many eminent critics do not seem to know how the international payments system works. Indeed, there appears to be some confusion, especially about the notion of "international liquidities" and their relation to the volume of world trade. On the one side, Professor Triffin and his pupils argue that the quantity of liquidities available for settling trade debts has become inadequate and will become more so in the years ahead: the amount of gold at hand for this purpose is limited by the mining industry, and the amount of dollars and sterling is limited by the dangers of persistent U.S. and British payments deficits, these being the only source of those currencies. On the other side, Mr. Jacques Rueff urges that dollars and sterling be removed from central reserves, without being replaced by the World Money that Triffin, following Keynes, proposes; thus international liquidities would be reduced to gold, or very nearly.

This is not just a difference in recipes, but a radical contradiction about the facts of our present situation. Triffin is saying that there is too little money (internationally acceptable counters) about for the settlement of trade debts, and the only safe way to make more is for a world authority such as the IMF to print a new money. Rueff is saying that, on the contrary, there is too much money about, because some of it is being counted twice over, and so the only safe way to continue is to manage with less. It is as though we found four men playing cards for chips, and one by-stander said, "You can't play much longer because you haven't enough chips, so someone should give you all more chips", whereas another by-stander said, "If you play this game properly, you can get along with fewer chips".

This is surely a question of fact, not doctrine. In monetary matters, where it is facts and not doctrines that are at issue, one consults bankers rather than economists. The bankers have begun to make their voice heard—mostly anonymously as is their tradition. Though none has endorsed Rueff's sensational prognosis for the gold-exchange standard nor advocated a return to the gold standard, they are unanimous in siding with him against Triffin on the question of the adequacy of international liquidities. A former director-general of the Bank for International Settlements has said, "In my opinion, Jacques Rueff has good reasons to dispute the so-called scarcity of international liquidities and to emphasise the dangers of measures which, by inflating them artificially, would only postpone dangerously the necessary remedies". Another banker has called the Triffin case a mere "slogan" and warned against "recourse to undesirable innovations which would rapidly lead either to monetary chaos or to the re-appearance of the worst sort of governmental controls". Less controversially but just as significantly, many big European banks have noted in their recent annual reports (I quote from that of the Credit Lyon-

nais) "the substantial role on exchange markets now played by currency-loans between European banks... operations which place large amounts of foreign currencies at the disposal of the European banking system".

This is something new. Or rather, it is a classic monetary mechanism that has only begun to work again in the last two years, since European currencies regained non-resident convertibility. After decades of non-convertibility, the emergence of a free, international, inter-bank market in foreign currencies looks unfamiliar, and it has been christened with barbarous names such as "Euro-dollars" and "Euro-sterling"; we are even threatened with "Americano-marks" for the near future. These all mean the same thing: because of convertibility, private exchange banks have begun doing an active business between themselves in their various holdings of foreign currencies. Non-American banks lend each other, for short periods, their dollar credits—and that is Euro-dollars. Non-British banks lend each other their sterling balances, and that is Euro-sterling. If American banks began trading in their German credits, we would have Americano-marks. The upshot is the same in each case: the volume of international liquidities remains the same but it circulates with increased velocity. The product of volume and velocity is the real level of international liquidity, and the bankers assure us that it is perfectly adequate to finance growing international trade.

Without going into the details of this mechanism, one can already see the flaw in Triffin's argument. He says that between 1950 and 1960 the value of world trade doubled, whereas central reserves increased by only one-third; he concludes that if world trade is to go on expanding, more and different reserves must be manufactured. Yet between those two dates, the European monetary system was revolutionised by the return to convertibility, which brought back into play the foreign funds of private banks. It is the rapid circulation of these funds, especially in the Euro-dollar market centred in London, that now finances world trade. Central bank reserves no longer finance world trade, as they did in the time of exchange controls and bilateral payments. Nowadays, they are really and truly reserves; they intervene only at the last moment to balance the exchange markets before those markets balance themselves by putting new values on currencies, i.e. they keep the fluctuations within agreed limits, instead of letting currencies "float".

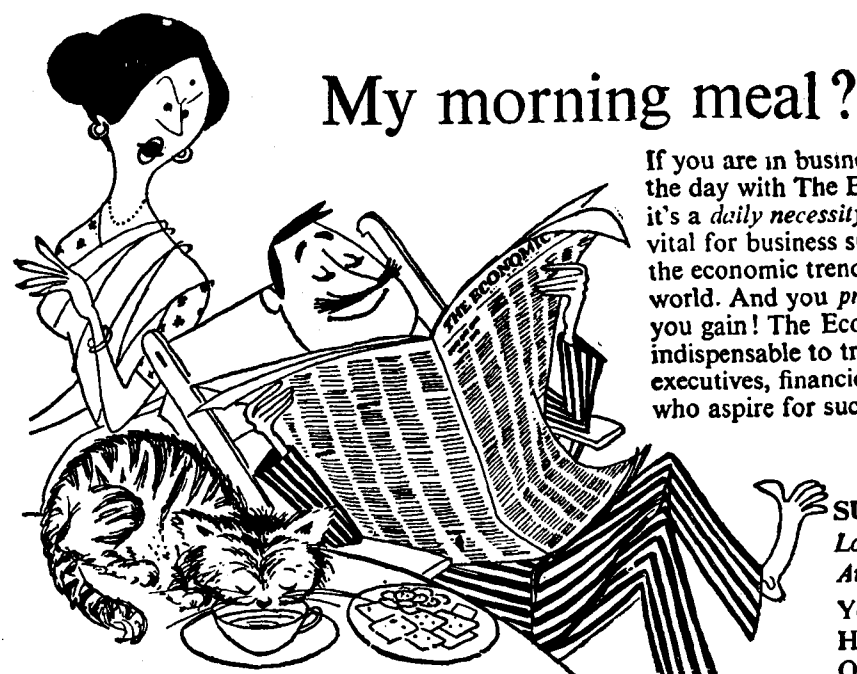
It is impossible to say exactly how many Euro-dollars there are on the market. The estimate of \$500 million was made in 1959 but by the spring of this year expatriate American capital had probably tripled that sum, at least. The demand for Euro-dollars has grown similarly, because these foreign-exchange credits are easy to negotiate, they quite escape what remains of exchange controls and they cost less, often, than short-term capital in the national money markets. So business men all over the world may finance substantial operations (export-import, stock-building, distribution) through banks having representation in London. German, Italian, Canadian and Japanese banks are among the big dealers in Euro-dollars, as well as overseas subsidiaries of U.S. companies. The Euro-dollar market today constitutes the only fully international and completely free capital market; its role in financing

world trade is vital. It is no accident that it is centred in London. Minor business of the same sort goes on the Continent and the Common Market bankers would dearly love to wrest this work from the City, but they lack the human and technical material. The Radcliffe Report of 1958 was, it now appears, fully justified in saying that London could maintain her technical financial supremacy, no matter in what currency business was done: be it Euro-dollars, "Bancor" or any fancy World Money the Triffinites invent, London will no doubt handle the work as efficiently as when world trade was done in sterling.

International trade is not financed by gold or by official reserves of dollars and sterling, except very indirectly and in the last resort. It is financed by transfers from one bank account to another bank account, and it therefore depends on the velocity of circulation of certain widely acceptable currencies inside the network of private exchange banks and their correspondents around the world. For this purpose, ever since the return of convertibility, the Western banks and the London financial profession have been building up an efficient international money market where the volume of circulating liquidities is adequate to the growth in world trade. Thus when European bankers intervene in the controversy about the gold-exchange standard, it is to say firmly, "There is no problem about adapting international liquidities to the needs of trade. That adaptation is secured automatically by the mechanism of the market".

This is not to deny that the payments system is today faced with serious problems; and they are connected with the weakness of the dollar and sterling.

But the position is rather different, say the bankers, from the picture drawn by Triffin. According to him, the payments system can work smoothly only if there are so many dollars and so much sterling abroad that this deficit represents a threat for the American and British economies. On the contrary, the bankers say that the velocity of circulation of deposits such as Euro-dollars can keep the payments system working smoothly without any such dangerous increase in the volume of expatriate dollars. What the system requires is not any absolute quantity of dollars and sterling, but a pre-eminent confidence in those currencies—and that is lacking today, when a number of other (Continental) currencies command as much confidence. Efforts to substitute those other currencies for the two key-moneys in the work of financing world trade would probably not go very far, because other capitals lack the large and experienced money markets of London and New York. Still, it is urgent to restore full confidence in dollars and sterling—and if to do that requires making one or both temporarily scarcer, that will not worry the international money market unduly, however much it might upset certain other people. In a world of convertible currencies, the need to have adequate international liquidities does not prevent the USA and Britain from making their money scarcer and sounder; on the contrary it requires it. Nothing very drastic would be needed in the case of the dollar, think European bankers, who expect to see that currency strengthen as U.S. aid is brought back to what that country can afford. Something fairly drastic, however, might be needed to restore sterling: a vigorous economic reform in the U.K. We are back to classic monetary remedies, and a long way from plans for a World Money.



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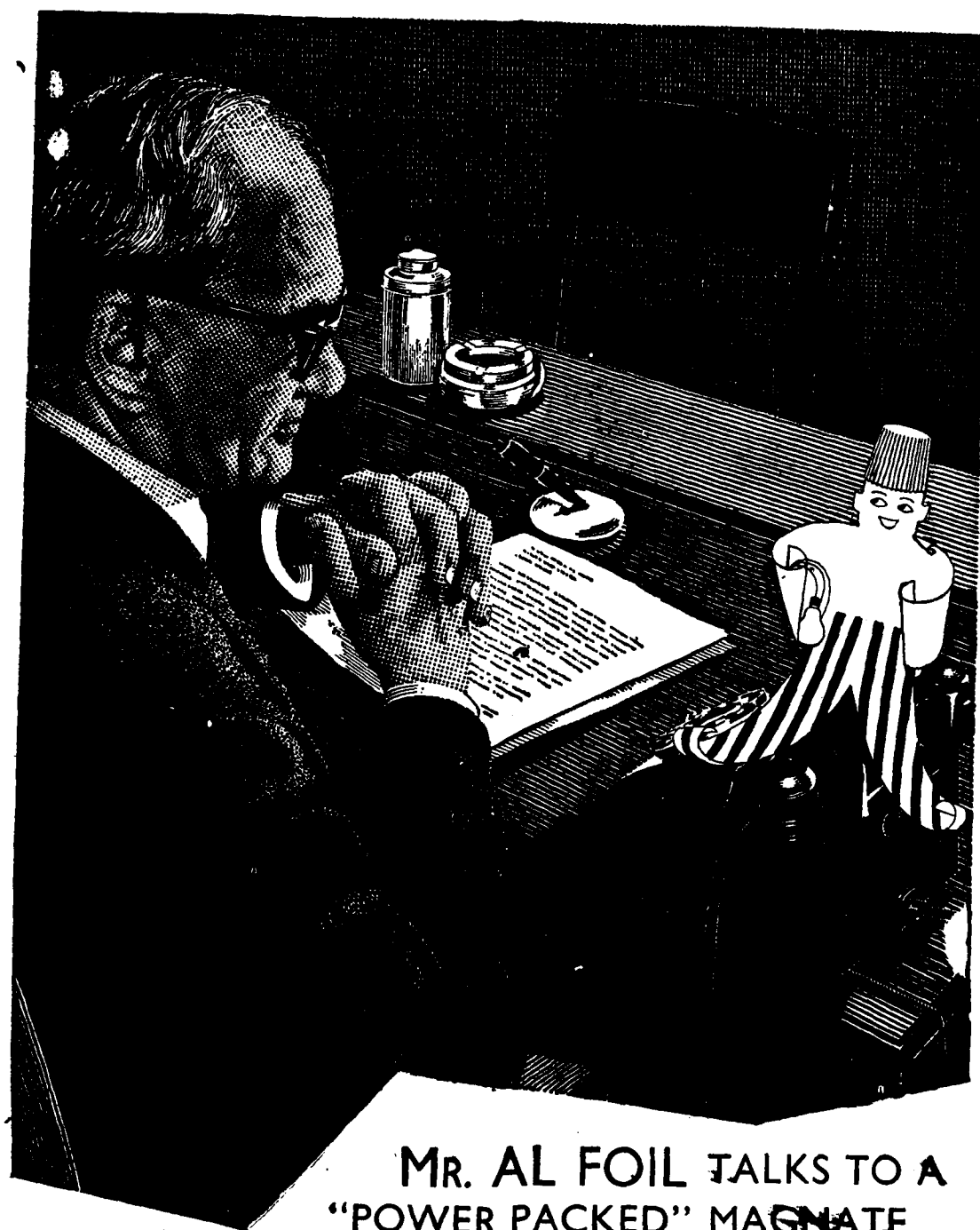
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VIC-98

Economic Report from the U.S.

ECONOMIC RECOVERY

By GUY SIMS FITCH

WASHINGTON, July 12.

ECONOMIC recovery in the United States may be at the point where employment gains may be catching up with production increases. This conclusion can be drawn from an analysis of employment data recently released by the U.S. Department of Labour. Last month, employment in the United States rose by nearly two million to a record high of 68.7 million. Employment of adult men, the core of the labour force, increased by no less than 500,000. These employment gains represent a better than seasonal pick-up for this time of year. The fact that unemployment also rose in June—by 812,000 to a total of 5.6 million—can be attributed largely to the growth of the labour force during the month by 2.7 million persons. Nearly 2.5 million of these were in the 14-19 age group, many of them students looking for temporary summer work before returning to school. It should be borne in mind that the U.S. Government counts as officially unemployed anyone looking for work. Even so, the unemployment increase last month just about equalled the normal seasonal expectation. This, coupled with the better than seasonal rise in employment, brought the adjusted unemployment rate—the ratio of jobless to total labour force—down slightly to 6.8 per cent from May's 6.9 per cent. But it is in a detailed breakdown of these and related statistics that the most encouraging developments can be discerned. They are noticeable particularly in the case of factory work, which had been hardest hit in the recession that ended this past spring. Continuing a trend of recent months, factory employment again rose in June, this time by a sizeable 240,000 to a total of 16 million, or more than twice the normal seasonal increase.

Along with the employment gains have come new advances in workers' earnings. The average weekly earnings of factory workers rose to a record \$94.24 in June, an increase of \$1.34 over May and of \$2.64 over June 1960. This increase is attributable to two important factors: a rise in hourly pay, and a rise in working time. It is this latter point which may be especially significant. The average factory work week in June increased to 40.1 hours from May's 39.7 hours. This represents a gain of about one full hour since the beginning of this year, and has brought the work week back to about its pre-recession level. Since in most industries—largely on standards set by Federal legis-

lation—the basic work week is figured at 40 hours, any more time than that spent on the job is paid for at premium rates, usually figured at "time and a half." Thus, the Labour Department estimates that about one out of every ten dollars in the average factory worker's June pay cheques came from overtime work. This, in turn, has led the Department to conclude that employers may well be stepping up the rate at which they have been hiring new employees. This conclusion is based partly on the view that companies want to avoid the more costly over-time pay rates, partly on the anticipation that more workers will be needed to maintain industry's expanding production schedules. The fact that companies historically have tended to lengthen the work week before embarking on new hiring programmes has helped account for the customary lag between production and employment gains during the early stages of an economic upturn.

Promising as it appears, this situation still is not one that lends itself to unrestrained optimism. As the Labour Department points out, there still are well over 900,000 workers who have been idle for more than six months, of whom some 260,000 have been without jobs for a year or more. It is this "hard-core" unemployment problem, relatively small in the context of the many millions gainfully at work, to which the Federal Government is addressing much of its attention. Complicating its task is the fact that this type of unemployment is concentrated largely among those with limited education and training, for whom job opportunities have been dwindling in an industrial complex which is becoming more highly technical and automated with each passing year. Job openings are numerous as a glance at the help wanted columns of any major newspaper will reveal. They may, in fact, be as large as the number of unemployed. But they can hardly be filled by workers who do not have the requisite skills to qualify for them. This underscores the need for training programmes to fit such workers for useful employment, as Labour Department officials emphasize. It also points up the responsibilities faced by President Kennedy's special council on labour-management problems, which was set up earlier this year. The council has just designated economic growth and unemployment as one of its principal subjects for intensive study over the next few months, along with such others as automation, industrial relations, international competition, and sound wage and price policies.

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WORLDGRAM

India

Production of Iron and Steel: The production of iron and steel during June 1961 at the three steel plants of the Hindustan Steel Limited was as follows:

Bhilai Steel plant produced 78,610 tonnes of pig iron & 55,747 tonnes of steel ingots during June, 1961 as against 72,564 and 48,832 tonnes respectively during May, 1961. Production of pig iron for sale was 31,732 tonnes as against 33,026 tonnes in May, 1961. Saleable steel production rose from 27,869 tonnes to 43,091 tonnes in June, 1961. This consisted of 21,089 tonnes of finished steel and 22,002 tonnes of semi-finished products for sale as against 16,258 and 11,611 tonnes respectively in May 1961. Durgapur Steel Plant produced 55,750 tonnes of steel ingots during June, 1961, as against 54,042 tonnes and 24,421 tonnes respectively during May 1961. The production of saleable pig iron was 32,781 tonnes as against 28,239 tonnes in the previous month. Production of saleable steel amounted to 20,582 tonnes which consisted of 3,106 tonnes of finished steel and 17,476 tonnes of saleable semis. Rourkela Steel Plant produced 29,542 tonnes of pig iron and 22,808 tonnes of steel ingots during June, 1961. Production of saleable pig iron stood at 7,433 tonnes. Total saleable steel produced at the plant amounted to 10,160 tonnes consisting entirely of finished products.

United States

Electric Power from the Ocean: An American scientist has developed a device that can generate electric power from sea water and the sediments of the ocean bottom. The device, made by Dr. Frederick D. Sisler of the U.S. Geological Survey, is an "organic" fuel cell that produces electricity directly from decomposing organic matter. The electricity is generated by making bacteria "burn" the organic matter. Dr. Sisler's fuel cell is divided into two compartments. One contains sea water, organisms and bacteria; the other sea water and oxygen. An electrode is placed in each compartment, and the resulting energy, created by the "burning" organisms, is converted into electrical energy.

Light Weight Automobile Engine Developed: A United States engineering company has achieved a long-sought goal by developing an automobile engine that delivers one horsepower for each pound of its weight. The four-cylinder, 175-pound (79-kilogram) engine generates 175 horse-power. It has been possible to make such an engine by using an engine block assembly made of thin stainless steel sheet.

United Kingdom

Manufacture of Isocyanates: A multi-million pound sterling plant for the manufacture of isocyanates, will be built by the Du Pont Company (United Kingdom) Ltd. on its plant site at Maydown, near Londonderry, Northern Ireland. This new facility will supply "Hylene" foams for markets in the United Kingdom and for export to other countries in the Free Trade Area. Flexible urethane foams are used chiefly for furniture and automotive cushioning and inter-lining for clothing. Rigid foams are used primarily for insulation in refrigeration units, building panels, and other industrial

purposes. This facility, the second manufacturing unit to be built by the Du Pont Company (United Kingdom) Ltd., will be located adjacent to the company's neoprene synthetic rubber plant.

New Company to Make Metal and Diamond Dies in Bombay: A new company, Gannon Norton Metal and Diamond Dies Ltd., Bombay — a joint venture of Gannon Dunkerley & Co. Ltd., Bombay and Wire Drawing Dies (Manchester) Ltd. — has been formed to manufacture wire drawing dies of tungsten carbide and diamonds. Wire Drawing Dies is a subsidiary of the British firm Sir James Farmer Norton & Co. Ltd. Gannon Norton has erected at Mahul, Bombay, a plant designed to manufacture 150 diamond dies and 400 to 450 tungsten carbide dies (for wire drawing purposes) a month. Experimental and trial production started some time ago, and the new company is now in a position to start commercial production on a small scale. The plant is expected to manufacture dies for the value of about Rs. 7,20,000 a year, which — allowing for the essential import of certain parts — would help in the saving of foreign exchange to the extent of some Rs. 5,30,000 annually. Wire Drawing Dies has many years of experience in the manufacture of tungsten carbide and diamond dies. It has provided the plant and machinery for the Bombay factory, and will also supply the technical know-how.

Steel Exports: The British Iron and Steel Board announced on July 12, that the amount of steel exported in May this year was the highest since the War, except for October 1959. The May export figure was 2,93,000 tons and the rate for the first five months of the year was 2,24,000 tons a month, compared with 1,92,000 tons a month during 1959. Exports were increasing in spite of strong and growing competition from producers abroad.

Capital Contribution and Under-developed Lands: The British Minister of State for Foreign Affairs, Mr. Joseph Godber, told a United Nations Economic and Social Council meeting in Geneva, on July 11, that British contribution in public and private capital to under-developed countries was running at the rate of \$800 million a year. The increase added to the recent strain on Britain's external balance, however, and he warned that this strain now limits the extent to which "we can go on increasing the level of our assistance."

Kenya

Combating Food Shortages: The Kenya Government plans to meet a threatened serious food shortage in several districts during the next eight months. It is estimated that a total of 3 lakh bags of maize will be needed for issue in areas where the rains have failed and although a maize surplus is expected in Lyanza province, this will not meet the needs. Arrangements are, therefore, being made to import 28,000 bags of maize from Rhodesia. The Government is also considering the ways and means of obtaining further necessary food supplies for free distribution between now and the end of the year. Further approaches have been made to the United States and British Governments, and the outcome of these approaches is awaited.

Thailand

The New Six-Year Plan: Thailand's already spunky market is getting a very healthy shot in the arm. The new Six-Year Plan (October 1961 — September 1967), calling for Government expenditure of \$600 million will mean new and profitable sales opportunities for alert suppliers, particularly in construction, road building, electric and communications equipment, pumps etc. The planned opening of a permanent US trade centre in Bangkok will fit in with plans of those firms wanting to sell to this growing market. The Plan concentrates on typical Governmental projects: electric power, irrigation, highways and communications. Practically all the industry expenditures go for completion of the Yanhee Dam and other power projects that will increase electrical capacity from 138,000 KW now to 370,000 KW by the end of 1963. Like neighbouring Malaya's Five-Year Plan, the Government prefers to leave major manufacturing ventures to private investors. Obviously, the general growth of the purchasing power, the increased production and productivity of the agricultural sector, on which the Plan concentrates—a big chunk of the \$211 million for communications will go toward building 650 miles of new roads and most of the agricultural component will be spent to increase irrigated land by 1.2 million acres — will open new local manufacturing prospects and spur further growth of the market. The Plan's aims are moderate: raising the present annual increase in Gross National Product from 4 per cent to 5 per cent and raising annual growth of per capita income from 2 per cent to 3 per cent. Other specific targets for the end of 1963 are raising rubber production (now the country's top exchange earner) by 6 per cent, maize 100 per cent, fish 50 per cent, paper 400 per cent, gypsum and lignite 300 per cent, cement, gunny bags and tobacco 50 per cent, textiles 100 per cent, tin 40 per cent and sugar 8 per cent. A new method of financing has also been successfully pioneered in Thailand to help agents of US manufacturers of heavy equipment and durable goods. The US exporter agrees to repurchase the equipment sold to its agent if he is unable to sell it within 12 months. Against this repurchase guarantee — which the importer may or may not know about — a local bank will open an overdraft equal to the value of the goods imported. These funds are used to pay the manufacturer. The bank is repaid by the agent as the goods are sold during the year. This method of financing has an added value to the exporter since the local bank becomes somewhat more than normally interested in the agent's sales.

Canada

Facilities for Export Credit and Insurance: Canadian authorities are oiling up old and introducing new facilities for export credit and insurance. Coupled with the discount of the Canadian dollar vis-a-vis the U.S. dollar (now 3.5 per cent due to go to five per cent), this spells more profits for exports from firms that operate in Canada, more competition in the U.S. and third markets for those that don't. What is more, these Canadian agencies, whose vision of how to help Canadian export and employment does not suffer from Dr. Dillon's particular type of myopia, will not only finance or insure the exports of foreign-owned Canadian companies (whether wholly or partially owned); they will also deal — as does the U.K.'s Export Credit Guarantee Department — with foreign trading companies (whether or not Canadian owned), purchasing Canadian goods for resale. Main source for medium term export financing is the newly formed Export Fin-

ance Corporation of Canada Ltd. which started operations about a month ago. Canada's eight chartered banks are the stock-holders and have supplied the initial capital of C\$10 million based on an agreement with the Government. The Corporation is authorised to increase its capital to C\$ 50 million and borrow up to ten times that amount, for an ultimate C\$ 550 million for export financing.

Switzerland

Forty-second Lausanne National Fair: Switzerland's important Lausanne 42nd National Fair will be held from September 9 to 24, 1961. Some 2,362 exhibitors will be displaying their products in the 38 halls of the Palace of Beaulieu, one of the most modern and best equipped economic cultural centres in Europe, with 6 new permanent pavilions set aside for the remarkable exhibits of the agricultural sector and the youthful trade. The vitality of the Swiss economy is the fruit of a nicely struck balance between the forceful strength of the country's traditional activities and the youthful dynamism of its more recent industries. In this respect, the close interpenetration of the industry, trade, agriculture and craftwork is clearly shown in the synthesis of the national production achieved by the Lausanne Fair, which shares with the Basle Fair the honour of presenting to the foreign visitor a true picture of the activities of a whole people...

Although the Lausanne Fair remains primarily national in character, it none-the-less practises a certain liberalism by inviting each year a foreign country to take part officially with an exhibition of its own. This year Greece will be exhibiting its main resources in a pavilion organised by the Ministry of Trade and Industry in Athens, under the auspices of the Greek Embassy in Switzerland and in collaboration with various Greek national organisations in the fields of cotton, tobacco, tourism, etc.

The Lausanne Fair, which is a general trade fair, also organises, some specialised sectors and salons, including a Salon of Elegance and Luxury Industries, an Exhibition of Economic Housing, a Market-Gardening and Horticultural Exhibition, a Milk and Dairy Trade Sector, and the complete range of Switzerland's production of tractors and agricultural machinery in a special display extending over an area of more than 44,000 sq. ft. It also holds big shows and markets, for horses and small and large livestock, organized by the Cantonal Cattle-raising Federations. Considerable facilities, in particular in the form of reductions on certain Swiss and foreign rail and air fares, are granted to all visitors, who are advised to get into touch with Switzerland's official agencies in their country of residence or origin.

World Bank and IMF

Laos Becomes a Member: Laos has become a member of the International Monetary Fund and the International Bank for Reconstruction and Development. The quota of Laos in International Monetary Fund is \$7,500,000 and its subscription to the capital stock of the Bank is 100 shares with a total par value of \$10,000,000. Seventy-one nations are now members of the Fund, and 69 nations are members of the Bank. Admission of Laos has brought the total of members' quotas in the Fund to \$14,860,800,000 and the total subscribed capital of the Bank to \$20,103,100,000.

NEWS IN BRIEF

INDIAN

The Government of India have allotted an additional 20,000 tons of rice to Kerala, over and above the State's regular quota as a measure of flood relief.

During the year ended March 31, 1961, Birla Jute have made a profit of Rs. 133 lakhs, against Rs. 105 lakhs in the previous year.

Punjab registered an all-round increase in agricultural production during the Second Plan period. Foodgrains production increased by 33.30 per cent; cotton by 48.76 per cent; sugarcane by 40.30 per cent and oilseeds by 24.16 per cent.

The World Bank is assigning a team of experts to India in November to re-appraise the country's requirements in the context of the "Aid India" consortium meeting at which the World Bank pledged \$400 million for the first two years of the Third Five-Year Plan.

The Government of India permitted the issue of licences for import of one lakh bales of jute cuttings from Pakistan. Further licences will also be issued depending on the demand for such cuttings and estimated availability of the supply in Pakistan.

Official circles concede that the programme for the modernisation and rehabilitation of the Cotton, Jute and Woollen industries in the Third Plan is likely to be seriously hamstrung due to lack of adequate funds.

Mr. Shivaram Nair, seniormost Indian executive of J. Walter Thompson Company Private Ltd., Bombay, has been elected a Director of the Company at its 23rd Annual Meeting recently.

Investigations conducted at the Central Building Research Institute, Roorkee, indicate that Bhopal clay is suitable for producing a sintered type of lightweight aggregate. Lightweight aggregate is used in all types of concrete construction where weight reduction, thermal insulation and fire resistance are desired.

According to latest estimates, about 7 million KW. of electric power will be added by 1966 to the installed generating capacity in the country. The schemes completed during the Second Five-Year Plan raised the generating capacity by 2.3 million KW.

The Kosi Control Board which met recently decided that Rs. 16-crores Kosi barrage and its eastern canal system should be completed by 1963.

The outstanding balance of the 2½ per cent Government of India loan, 1961, and the 3 per cent Hyderabad loan 1951-61, is repayable at par on August 1, 1961 and no interest will accrue thereon from that date, says a Finance Ministry Press note.

FOREIGN

Daily average crude oil output in the U.S. in the week ended June 30 amounted to 6,653,000 barrels according to the American Petroleum Institute. This compares with 6,860,000 barrels daily in the preceding week.

Canadian exports of wheat and wheat flour in May totalled 45,890,228 bushels, an increase of 30,839,324 over the same month last year.

A series of new measures aimed at curbing internal demand in Norway to help reduce the growing pressure on imports, prices and labour, have been announced in a circular issued by the Bank of Norway.

Britain has paid Jordan £1 million as the second instalment of her grant-in-aid to cover Jordan Budgetary expenses totally £2 million. The first instalment of £1 million for 1961 was paid last May. A £500,000 loan for Jordan development products is to be advanced later this year.

The Netherlands has officially informed the member countries of the International Whaling Convention of its readiness to rejoin the International Whaling Commission subject to certain conditions.

Experiments that point to the successful continuous operation of the new Central Electricity Generating Board nuclear power stations, now under construction have been carried out by the U.K. Atomic Energy Authority at Calder Hall, the world's first nuclear power station of commercial size.

Iraq's request to ENI-AGIP, the Italian State Oil Corporation, for Italian petroleum-technicians to replace those of I.P.C. has now been repeated in a formal request by the Iraqi Government to the Italian Government.

Ghana's budget, introduced in Parliament recently imposes increased import duties on all consumer goods and initiates purchase tax on luxury goods.

Imperial Chemical Industries is to spend £7 million on an acrylic products plant at Rotterdam as the first stage of its investment within the Common Market. Construction is expected to begin this year.

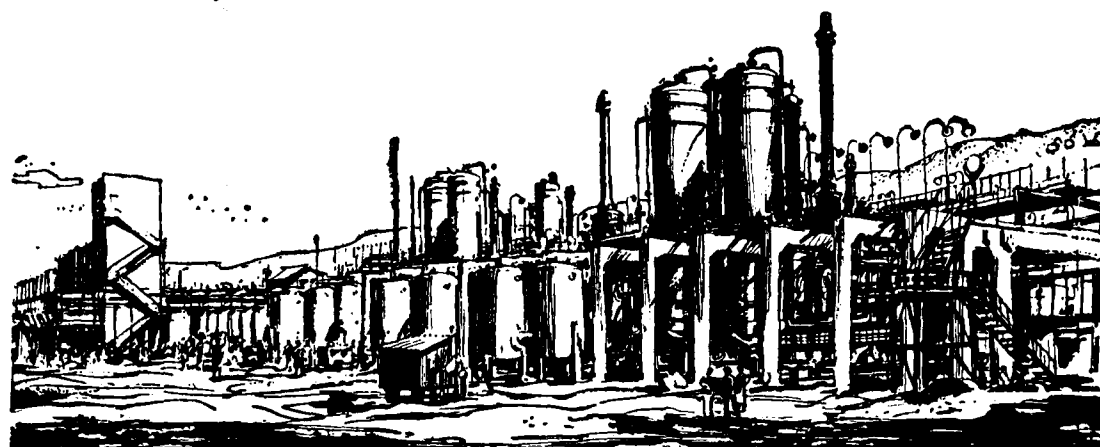
New import regulations for the period from July 1 to the end of the year have been announced by the Pakistan Government. They are in the direction of further liberalisation and effective transfer of large number of items to "open general licence" from automatic licence.

It is reported, reciprocal organisations are to be set up in London and Budapest to promote Anglo-Hungarian trade.

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Special Article

FOREIGN EXCHANGE: LOSSES THROUGH IMPORT DISPERSAL?

A CASE STUDY FOR LUBRICATING OILS

AT a time when India's sterling balances have reached an all-time low of Rs. 103 crores, it is natural that there should be renewed agitation on the possibility that there might be a further cut on imports to sustain a precarious payments balance. The need for a constant scrutiny of every item in the import bill remains in spite of the IMF credit and the certainty that maintenance imports will now be included in the Aid-India allocations. Much of the scrutiny of the past has been concerned with a straight elimination of imported articles or, a reduction in volume. Very little has been done to examine foreign exchange losses which occur as a result of methods used to import given quantities, such as the dispersal of licences reducing bulk purchases and so on. There is no doubt that in particular cases the foreign exchange allocated to special items could go further if there were a clearer understanding as to the manner in which the trade operates under alternative importing procedures. A classic but, by no means, a unique case is provided by a study of the import licensing system for lubricants. This case study is presented in the hope that it will stimulate thinking in similar cases.

Upto the year 1957, lubricating oil import licences were issued almost lavishly. All importers had, in fact, more licence cover than they actually needed. Indeed, from 1955 to 1957 licence issues varied between 200 and 280 per cent of the quota for soft currency areas and 100 to 150 per cent for dollar areas. The quota itself was based on the best year's imports upto 1951-52, which itself could not be described as ungenerous. Since 1957-58, with the foreign exchange crisis dominant, the quota was reduced to 100 per cent in best year's imports upto 1957-58, and the manner in which the licences were utilised in 1959-60 is exhibited in the following table rounded conveniently in rupees lakhs.

ESTIMATED IMPORT FIGURES IN RS. LAKHS OF LUBRICATING OILS APRIL 1959 - MARCH 1960 (ROUNDED TO NEAREST LAKH)

	Lubricating Mineral Oils N.O.S.	Trans- Oil Oil	Greases & Petro- leum	Total
a. Burmah-Shell, Stanvac, Caltex	792	22	38	852
b. Gulf, Castrol	115	13	9	137
c. Other Established Importers	155	5	6	166
d. Sub Total = (b) + (c)	270	18	15	303
e. Actual users	7	—	0.09	7
f. Grand Total (a+b+c+e)	1069	40	53	1162

The result of the operation of the current system and the policy to disperse licences has been that importers, other than three major companies, received 26 per cent of the licences whereas their sales in terms of volume amount to not much more than 12 per cent of the total. It is believed that there are now 150

licences and licencees are either unable to use them in full (which means that they are selling them in part to the "bulk" importers) or when they use them wholly or partially they are importing at a higher cost because of the difference between "the bulk" import price and import in barrels or in packed form.

It would appear that the bulk imports of lubricating oils are at landed cost of Rs. 390 per ton while blended oil in barrels (inclusive of barrels) amounts to as much as Rs. 900 per ton. In respect of transformer oils, greases and certain specialised oils, they have to be imported packed. On the basis of certain calculations relating to the table above, one might assume that 80 per cent of non-bulk imports, that is, Rs. 216 lakhs, could have been utilised for the import of bulk if the importers concerned had the necessary facilities and organisation to handle trade on this basis. This would imply some blending facilities which the three major oil companies have; it would imply the availability of barrels which, until recently, were short; also import of some chemicals required in the blending process. Now, however, that 18 gauge sheets are available and barrels can be made locally, the argument on barrels has less force. All in all, one might assume that after making provision for the additional barrels imported, blending and chemical costs, non-bulk imports might be reckoned at Rs. 600 per ton. If these figures are applied to Rs. 216 lakhs at Rs. 390 per ton and Rs. 600 per ton respectively, it would appear that an additional quantity of 19,400 tons could have been imported for the same foreign exchange. Alternatively, if the same quantity of lubricants had to be imported "bulk" at Rs. 390 per ton, the saving would have been about Rs. 48 lakhs. It is true that there would be an additional cost on account of the chemicals for blending, but this is increasingly payable in rupees, and it is doubtful if the foreign exchange component is much more than Rs. 8 lakhs in all. In any case, therefore, there would appear to be a net advantage of Rs. 40 lakhs by bulk purchase with domestic blending and distribution in Indian barrels.

It is not contended that the major oil companies should be given the benefit of these savings if it is a major issue of policy that a foreign company with a right to expatriate its profit in foreign exchange should not acquire additional remittance opportunities. This does not in any way militate against the point that bulk purchases should be made and that the economies of foreign exchange, or alternatively, additional oil imports should be obtained by a modification of existing procedures.

Only a postscript need be added to these general considerations. It is to the effect that, notwithstanding the reduction in licences issued to them, the major oil companies have managed to import larger quantities of lubricants generally. This is because they have progressively developed bulk imports, permitting the import of much greater quantities for a given outlay in foreign exchange. For example, in 1956 Burmah-Shell imported 68 per cent (by quantity) in bulk; the corresponding figure for 1960 was 92. In terms of value, the figures were 45 per cent and 83 per cent. This implies that they have already contributed very largely to savings in foreign exchange in the direction indicated. There is, however, room for more.

THE BUSINESS WORLD

Coherent Policy for Cement

By CROESUS

THE public inquiry into the revision of cement prices that began on July 11, 1961, bids fair to yield more promising results, from the point of view of the industry, than the last inquiry, that is the one held in 1958. From the speeches of the Chairmen of cement companies that have followed the publication of the 1958 T.C. Report, it seems that the industry suffered grievously at the hands of the Tariff Commission in 1958. As if this were not enough, in accepting and implementing them, the Government made matters worse by not only delaying to give effect to the T.C.'s recommendations (instead of from 1-1-1958, effect was given only from 1-7-1958), but also by not implementing all the recommendations accepted by it, as, for instance, the "coal escalator clause". The Government also did the industry grave injustice by refusing to accept "stockists' rebate" as a legitimate incidence of distribution cost. No wonder then that, long before the date of expiry of the current ex-works prices of cement based on the 1958 T.C.'s recommendations—i.e. June 30, 1961—the cement producers began representing to the Government the need not for just a revision of prices but a complete reorientation of the approach to the problems of the cement industry. Indeed, those who have given the subject some thought go so far as to declare that there has so far been no coherent long-term policy as such for cement. It is just as well, therefore, that Mr. K. R. P. Ayyangar, the present Chairman of the Tariff Commission, believes that, according to the terms of reference, the Government wants the Commission "to make a comprehensive review of the industry and to make recommendations covering all aspects without limiting the scope of the present inquiry to the price factor alone." The spokesmen of the industry too have been stressing the need for such a policy.

What then should be the main objectives of a sound long-term policy? Although Mr. Ayyangar exhaustively analysed the progress of the cement industry in India during the last two price periods—1953-1958 and 1958 and since—and gave the entire background of the problems of the industry in his fairly long speech whilst opening the public inquiry, one was rather disappointed that there was nothing in it to indicate that the Tariff Commission is even now seized of the desirability and the urgency alike of a sound long-term policy for cement. The farthest that he can be said to have gone in this direction, if he did at all, is this: "We are conscious of the fact that the price which we are to recommend will have an important bearing on the attainment of the above target (the Planning Commission's target of 15 million tons capacity for cement by the end of 1965-66). But, in a planned economy, the price policy by itself will not achieve the desired results." One wishes Mr. Ayyangar had dwelt on this point at some length. Even as it is, it is noteworthy that the T.C. Chairman conceded the important bearing of price on the target to be achieved and felt that the price policy would have to be supplemented with something more, if the "desired results" are to be achieved.

Now, before venturing any views on what a sound cement policy ought to be, one must take note of the outstanding and persistent features of the present

cement situation. Briefly, these may be summed up as follows:

1. A continuing shortage of cement, in greater or lesser degree, for the past 10 years and more and the likelihood of its persisting indefinitely. [It has been estimated that the demand for cement has been increasing by 10 per cent (compound rate) every year and that, so far as one can foresee, this trend will continue for at least the next 10-15 years]. It may be noted here, incidentally, that there has been a steady increase in installed capacity all along, and yet the shortage of cement has been nowhere near disappearance.
2. A concomitant of the above, that is price control, again, for over 10 years, and the probability of its continuance and this, again, for an indefinite period;
3. The inevitable sequel to price control—control on distribution, rationing of cement—which too will probably go on almost for ever.

This is verily an abnormal state of affairs, at least in a democracy, and it must be ended soon. No one in his proper senses will want either an indefinite continuance of persisting cement shortage or its inevitable consequences—controls on price and distribution of cement. The fundamental objective of any sound cement policy must, therefore, be to encourage an adequate growth in installed capacity, "adequate growth" meaning a growth commensurate with the volume and tempo of the growth in demand for cement for at least the next 10-15 years. It has been estimated that the demand for cement in 1970-71 will be 216.72 lakh metric tonnes, which means that the installed capacity required to meet this demand—on the basis of a production efficiency of 95 per cent of installed capacity—will have to be about 230 lakh metric tonnes. By way of caution, one may as well add here that, merely by issuing licences, one will not achieve an expansion in capacity. There are other decisive factors besides. There is, for example, the vital role of the price factor which has yet to receive proper attention.

It is admitted on all hands that, in a free economy (this may be taken also to include a mixed economy such as ours), the function of price should be something more than to serve as a mere balancing mechanism, that is, to equate demand with supply; it should so stimulate expansion as not merely to catch up with the present shortage but to grow 'pari passu' with the steadily rising demand in the country. According to the spokesmen of the industry, any sound price-fixing policy should provide, among others, for the following specific objectives:

- (i) The price fixed must cover all costs at the levels presently established;
- (ii) It must also cover all prospective cost increases (say, upto the next price revision) to the extent that such increases can reasonably be foreseen and allow something over for contingencies to cover not merely unforeseen specific increases but also the foreseeable rise

in the general price level due to inflation, on the one hand, and to heavy anticipated indirect taxation, on the other; and

- (iii) The price fixed must allow for a profit element by way of return on capital employed, such return being conceived as a "net distributable return", after tax, and after meeting all costs. In other words, the level of the return must be such (a) that the existing units are assured of adequate resources for ploughing back for modernisation, rehabilitation and some expansion, (b) that it may be competitive with alternative avenues for investments available to the new investor (and to units in the industry itself in respect of the investment of their internal resources), and (c) that it may thereby encourage an adequate flow of additional resources into the industry—both into existing units and into new units—for the enormous expansion that is needed.

It may be argued that all this sounds excellent in so far as the industry is concerned, but it betrays a complete lack of concern for the consumer. This is an

age-old argument that tends to be dismissed by many as the customary "consumer canard". That may appear rather too cavalierish. But if it is left to the option of the consumer himself as to whether he would prefer an uneconomical price that can only hold out the eternal prospect of inadequate growth in installed capacity, shortage of supplies, price control, rationing, black marketing and so on, or a reasonably fair price that will induce more investment in the industry, steady expansion and adequate supplies at a given price anywhere in the country, he is certain to choose the latter. For what the consumer of cement in this country wants today is more cement for which he will readily and willingly pay even a price higher than the controlled price. In other words, the inhibiting factor is not so much the high price as the shortage of supplies. So long as the industry knows that, beyond a given level, consumer resistance is certain to manifest itself and so long as there is an autonomous statutory body which is not influenced by any political considerations in fixing prices, there is assured for the consumer a built-in safety valve, as it were, that may be expected to take care of either excessive cupidity on the part of the industry or any extra indulgence to the industry on the part of the Tariff Commission.

Business Notes

Investment Centre

GOOD START

THE INDIAN INVESTMENT CENTRE, inaugurated in February last by the Union Finance Minister, Mr. Morarji Desai, has got off to a good start. During its short existence, the Centre has already received as many as 35 enquiries, both from foreign and Indian entrepreneurs, on prospects of setting up new industries in this country. Twenty-five of these enquiries have already been processed by the Centre and 10 of them, from Indian entrepreneurs, have been forwarded to potential foreign collaborators for their personal and reaction. The Centre is a statutory organisation set up with the primary object of providing information to Indian and foreign entrepreneurs on Government of India's policies, laws, regulations and various other aspects relating to investment of foreign private capital in India.

It is, indeed, encouraging that some of the prominent U.S. entrepreneurs have addressed enquiries to the Centre seeking its assistance for finding suitable Indian partners for setting up in this country basic chemicals, construction equipment, industrial ceramics, steel tubes, electrical equipments, pharmaceuticals and drugs and food processing industries. These proposals are said to be receiving careful scrutiny by the Centre. In course of time, the Centre will suggest suitable Indian parties, both from amongst those already active in the industrial field—the Centre on the advice of the various Chambers of Commerce and Industry in the country has drawn up a panel of nearly 110 Indian industrialists—and new entrants from amongst those who are in the import and export business, for these collaboration arrangements.

Indian industrialists, of course, have addressed a larger number of enquiries to the Centre. They relate to seeking of the Centre's assistance in securing technical and financial collaboration from abroad for setting up industrial units to manufacture alloy and tool steel, cast iron pipes, steel tubes, malleable castings, industrial ceramic, water meters, paper and pulp, automobile tyres and tubes, fine chemicals, machine tools, hand tools, scientific glassware and plastics. The enquiries are from large-scale manufacturers as well as small industrialists.

The Centre is preparing brochures on "Basic Facts of the Indian Economy", "Objects and Functions of

Investment Centre" and "Starting an Industrial Enterprise in India" and booklets on 'Taxation', 'Exchange Control' and 'Company Law'. They are expected to be issued in the near future. The Centre is also making preparations for publishing a 'Monthly News Letter'. It will disseminate information on various aspects bearing on investment in the country.

The Centre is planning to open its own representations abroad, particularly in the United States, on the European Continent and in Japan. The office in New York is expected to be opened soon. The opening of these offices in the countries from where private foreign capital is expected to flow for investment in India will undoubtedly give a great fillip to the Centre's activities. The Centre's plans to start in due course the service of rendering advice to Indian investors requiring help in India itself in matters of raising financial resources, procurement of capital equipment and guidance on dealings with the Government is a step in the right direction and can go a long way in reducing the drain on foreign exchange resources. As the Centre's procedures are closely co-ordinated with the policies of the Government of India and the industrial targets and capacities laid down in the Third Plan, and since it has already set up an efficient and competent machinery for processing enquiries addressed to it, it is in an enviable position to render correct advice on setting up of new industrial units in the country.

Foreign Exchange

IDLE CAPACITY IN INDUSTRIES

A SUBSTANTIAL portion of the additional capacity to be created in several industries during the Third Plan period has been licensed, according to a press release recently issued by the Union Ministry of Commerce and Industry. As a result, the existing capacity, in many cases, has come to form only a small proportion of 20-50 per cent of the total licensed capacity. A major portion of the foreign exchange outlay on this additional capacity has been covered by foreign collaboration arrangements, but, even so, it should be noted that such is limited to capital equipment only, so that we are in a worse off position than before as regards foreign exchange for essential raw materials that have to be imported. As it is (that is, not taking the capacity scheduled to be licensed under the Third Plan), there is a large idle capacity in the existing industries,

ranging from some 25 to 60 per cent, mainly due to non-availability of raw materials and components, thanks to the drastic cuts in raw material imports. When the maximum utilization of even the existing capacities is thus rendered impossible, to license and bring in new projects will only lead to acute competition by the newly licensed units with the existing ones for the severely limited supply of maintenance imports (essential raw materials and components). This was the sensible view expressed by Mr. G. V. Puranik, Chairman of the All-India Manufacturers' Organisation, in his speech at the first quarterly meeting of the Central Committee of the Organisation, held at Coimbatore a few days ago. He further warned that the continuation of the indiscriminate "licensing of new industries and issue of licences without proper phasing" would give rise to a serious exchange crisis, as happened during the Second Plan period. "Maintenance imports of essential raw materials should, therefore, be given precedence over developmental imports of capital equipment", Mr. Purnaik emphasised.

Mr. Purnaik also dwelt on the subject of limited participation of the public in the share capital of selected State undertakings. It may be recalled that this proposal found favour with the Estimates Committee of Parliament as well as the Krishna Menon Committee on Public Undertakings. But it was rejected as undesirable by the Special Committee of Secretaries, headed by Mr. Vishnu Sahay. This probably explains why the Government of Maharashtra has chosen to achieve the same results in a slightly different way. Thus, it has taken the initiative in State participation in some private ventures. For this purpose, the Maharashtra Government has allotted a sum of Rs. 2.7 crores during the Third Plan period. A Study Group, appointed by the State Government in this connection, has made it clear that joint ventures such as these should have autonomy in regard to day-to-day working, purchases, appointments, promotions, etc. For some reason, however, the Madras Government, which too was very eager to go in for such joint ventures, has abandoned the idea. (It is alleged, the proposal has been dropped due to the opposition of the Planning Commission). Strongly deprecating this trend, the AIMO chairman made the pertinent point that public participation in State enterprises would give them "a real public character", which they cannot be said to possess save only in appellation now.

Planning

EVERY STATE A DEMOGRAPHIC ENTITY

A DECADE of planning in India has helped to bring about a substantial rise in industrial production (67.5 per cent) and agriculture (41 per cent), but, even so, the rate of economic growth has averaged only 3 per cent per annum, which is lower than the rate of growth in respect of many under-developed countries over the corresponding period. Many reasons have been attributed to this relatively slow growth, but the main impediment to a more rapid growth in India is undoubtedly the high rate of growth of our population. It may not be known to all that India has recorded a rise of 87.5 per cent in her population over the past 60 years. Thus, India's population, which was 235 million in 1901, rose to 436 million by 1961, thereby registering an increase of 201 million. As though this is not enough, there will be a 20 per cent increase in population within next 15 years, estimate the demographers. Thus, by 1976, we are told, India's population would be somewhere near 625 million! Such a "population explosion" is bound to be a scourge to all our national development.

Highlighting the magnitude of this problem, Dr. V. K. R. V. Rao, Director of the Institute of Economic Growth, pointed out, in his Convocation Address to the

Faculty of Demographic Training and Research Institute, Chembur, that although, in terms of planning, India was one State, and "we are concerned with the national rate of population growth", in reality, the different States of India "constitute demographic entities in themselves." Amplifying this thesis, he said: "With internal migration practically stable," with the reorganisation of India into linguistic States, and the rapid and alarming growth of the sub-continental sentiment in the country, the study of population growth should be conducted in States individually before an all-India policy could be evolved.

Referring in particular to the Kerala State, which has the highest natural rate of increase in population, Dr. Rao wondered how this State, in spite of its poverty and high rate of unemployment, a high degree of female education, as well as a social and economic system which is supposed to elevate the status of women, could have such a high rate of population growth. His own reading seems to be that there are some local factors that favour this rather abnormal growth. It is undoubtedly because of this that, while emphasising the apparent need to control the population in all States, Dr. Rao suggested that the programmes, priorities and policies require to be fitted to regional and State requirements so as correctly to diagnose the real causes of growth of population and effectively to regulate it.

Engineering

TELCO'S ALL ROUND PROGRESS

THE STATEMENT of Mr. J. R. D. Tata, Chairman, Tata Engineering & Locomotive Co. Ltd., for the year 1960-61 shows that the Company has made during this year all round progress in production, in sales and in profits. Gross profit of the Company in 1960-61 was Rs. 110.44 lakhs higher than in the previous year. After providing an additional Rs. 19.93 lakhs for depreciation, Rs. 30.84 lakhs for development rebate reserve, and Rs. 28.93 lakhs for taxation, the Directors have been able to recommend dividend on ordinary shares at the rate of Rs. 14.50 gross or Rs. 10.15 tax-free, subject to tax relief under Section 15C of the Income-tax Act — an increase of 16 per cent over the previous year. In order to ensure that the shareholders obtain the full benefit of such relief part of the dividend on ordinary shares will be paid out of the undistributed balance of 15C profit earned in previous years and the whole of such 15C profits earned in the year under report.

The bulk of these profits have come through the operations of the Automobile Division of the Company, the demand for whose vehicles has gone up to such an extent that it has been decided to expand capacity and to double the rate of output. Initial steps have already been taken to implement this expansion programme, estimated to cost Rs. 18 crores. The programme is intended to be completed in a period of about 3½ years during which production and the percentage of indigenous content will be progressively increased.

On the locomotives front, the Company has received orders to supply 65 locomotives a year on an average for the next five years to the Railway Board although now it is under no obligation to supply them, the 16-year agreement with the Railway Board having come to an end. The cheaper prices of the locomotives produced by the Company appear to have brought out this order. The Company's project for the manufacture of excavators and similar equipment under licence from Messrs. Hanischfeger of Milwaukee, U.S.A., is also faring well. But the most satisfactory aspect of the Company's working is that it is now producing to an increasing extent plant and equipment required for its own purposes. That not only reduces capital outlay but also saves a good deal of foreign exchange.

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FROM THE CAPITAL'S CORRIDORS

THE INDIAN TAX STRUCTURE

SOME elucidation is now available on the changes effected in the tax structure by the Finance Act of 1961.

The changes effected by the Act in the super-tax rates for dividends received by companies are as follows:

(i) Dividends received by any company (Indian or foreign) from an Indian subsidiary company formed before April 1, 1961, will continue to be charged to super-tax at the rate of 10 per cent, but dividends received by any company (Indian or foreign) from an Indian subsidiary formed and registered on or after April 1, 1961, will be charged to super-tax at the rate of 20 per cent;

(ii) Dividends received from any Indian company (other than a subsidiary) formed and registered before April 1, 1959, will continue to be taxed to super-tax as before, i.e. at the rate of 20 per cent in the case of an Indian company in which the public are substantially interested and whose total income does not exceed Rs. 25,000; at the rate of 25 per cent in the case of any other Indian company and at the rate of 43 per cent in the case of a foreign company which has not made the prescribed arrangements for the declaration and payment of dividends in India;

(iii) Dividends received from an Indian company (other than a subsidiary) formed and registered on or after April 1, 1959, will be taxed to super-tax at the uniform rate of 20 per cent in the case of all companies.

ROYALTIES & BONUS ISSUES

The Finance Act, 1961, has also prescribed a reduced rate of super-tax in respect of royalties received by a foreign company (i.e. a company which has not made the prescribed arrangements for the declaration and payment of dividends in India) from an Indian concern in pursuance of an agreement made with it on or after April 1, 1961, and which has been approved by the Central Government. The reduced rate is 30 per cent so that such royalties will be taxable at the overall rate of 50 per cent (Income-tax 20 per cent, Super-tax 30 per cent). For royalties received (even after April 1, 1961) in pursuance of agreements made before April 1, 1961, whether with or without the approval of the Central Government, or in pursuance of agreements made on or after April 1, 1961, but which are not approved by the Central Government for this purpose, the aggregate rate of tax would continue to be 63 per cent (Income-tax 20 per cent, Super-tax 43 per cent) as before.

A suitable procedure for approving royalty agreements for the purposes of this provision is being evolved in consultation with the Ministry of Commerce and Industry. The reduced super-tax rate of 30 per cent would not be applied to any royalty income unless the Income-tax Officer is in receipt of the Government of India, Ministry of Finance (Department of Revenue)'s approval of the relevant royalty agreement.

The rate of super-tax payable by companies with reference to bonus issues has been reduced from 30 to 12½ per cent on the amount of such issues. This reduced rate will apply to bonus issues made during the previous year relevant to the assessment year 1961-62.

TAX DEDUCTION AT SOURCE

There is no change in the rates for deduction of tax at source during 1960-61 except that in the case of dividends and certain royalties payable to such foreign companies as do not declare their dividends in India, changes have been made for this purpose corresponding to the changes made in the effective rates of tax applicable to such companies for assessment. The proposed rates for deduction of tax at source during the financial

year 1961-62 in the case of such foreign companies are as follows:

RATES FOR DEDUCTION OF TAX AT SOURCE FROM INCOMES OF FOREIGN COMPANIES WHICH DO NOT DECLARE THEIR DIVIDENDS IN INDIA

(In percentage terms)

Source of Income	Income-tax	Super-tax	Total
1. On interest on any security of the Central Government issued or declared to be free of income-tax	—	43	43
2. On dividends from an Indian company referred to in section 56A of the Income-tax Act	20	—	20
3. On dividends from a subsidiary Indian company formed and registered before April 1, 1961	20	10	30
4. On dividends from a company (not being a subsidiary) formed and registered before April 1, 1959	20	43	63
5. On dividends from any other Indian company formed and registered on or after April 1, 1959, i.e.			
i) Any Indian company, other than a subsidiary, formed and registered on or after April 1, 1959; and	20	20	40
ii) A subsidiary Indian company formed and registered on or after April 1, 1961			
6. On royalties received from an Indian concern in pursuance of an agreement made with it on or after April 1, 1961, which has been approved by the Central Government	20	30	50
7. On any other income	20	43	63

SALARIES OF FOREIGN TECHNICIANS

At present, a foreign technician whose contract of service is approved by the Central Government before the commencement of his service in India, is exempt from tax on his income under the head "salaries" for the financial year of his arrival and the two subsequent financial years. Depending on the date of his arrival in India, the exemption may extend for a period varying from 24 to 36 months. The second proviso to section 4(3)(xiva) has been amended to secure that the exemption will be available in all cases for a uniform period not exceeding 36 months from the date of the arrival of the technician in India.

It has further been provided that if the technician continues to remain in employment in India after the said period of 36 months and the employer pays tax on the technician's income chargeable under the head "salaries" for a period not exceeding 24 months following the expiry of the said 36 months, such tax shall not be treated as the income of the technician. In the absence of such a provision, if the technician were to be paid a tax-free salary, i.e. if the tax on the salary of the technician were to be borne by the employer, it

would have had to be calculated on tax-on-tax basis. Now, the employer will have to pay only the tax on the salary itself and the tax so paid by the employer shall not be regarded as the income of the technician.

The benefits of both these concessions will apply to technicians whose contracts have been approved under the existing regulations. Thus, the benefit of the first concession will be available in the case of such technicians who are already serving in India in respect of the salary for such part of the period of the said 36 months as falls after March 31, 1960. For example, if such a technician came to India on October 1, 1957, his salary income upto March 31, 1960, only would have been exempt under the second provision to section 4(3)(xiva) before its amendment by the Finance Act, 1961. By virtue of the present amendment, the salary income from April 1, 1960, to September 30, 1960, also would become entitled to exemption. Similarly, the benefit of the exemption for the period of 24 months following the said period of 36 months will be available to those technicians who are already serving in India under contracts of service which have received the prior approval of the Central Government. No further approval of the Central Government (in the Ministry of Commerce and Industry) will be required for the availability of these two concessions provided, of course, the technician continues to serve under the same employer and under the same conditions of service as were initially approved by the Government.

DLF LOANS

Section 4(3)(xvi) of the Income-tax Act has been amended so as to extend the Development Loan Fund of U.S.A. the exemption now available in the case of the International Bank for Reconstruction and Development in respect of the interest on, or premium on the redemption of, any bonds issued by the Central Government under a loan agreement between the Central Government and the said Fund or by any industrial undertaking or financial corporation in India under a loan agreement with the said Fund which is guaranteed by the Central Government except where the holder of such a bond is a person resident in India.

DEFENCE SERVICES GRATUITY PROVISION

It has been provided that retiring gratuity payable to members of Defence Services received after the 1st day of June, 1953, under the New Pension Code applicable to them would be exempt from tax in the same manner as the payment of death-cum-retirement gratuity received by a Central Government servant under the Revised Pension Rules. The amendment has been given retrospective effect and, as such, if any such gratuity has already been taxed in the hands of any assessee, the relevant assessment would be revised under section 33A(1) and necessary refund allowed to the assessee on receipt of an application from him for this purpose. The time-limit under section 33A would be waived in such cases. The exemption applies only to such retiring gratuity as is paid to the Defence Services officers under the New Pension Code, which came into effect on June 1, 1953. Any retiring gratuity paid otherwise than under the New Pension Code would not be exempt from tax under this provision.

CONCESSIONAL RATE FOR RESIDENTIAL BUILDINGS

In order to encourage construction of residential buildings for persons in low-income brackets, a concession has been provided in respect of any new building the erection of which is begun and completed after April 1, 1961. In computing the income assessable under section 9 in respect of such a building, its annual value shall be reduced by a sum equal to the aggregate of:

- (a) in respect of each residential unit (comprised in the building) whose annual value does not

exceed Rs. 600, the amount of such annual value; and

- (b) in respect of each residential unit (comprised in the building) whose annual value exceeds Rs. 600, an amount of Rs. 600.

The exemption applies for a period of three years from the date of completion of the building. The following points are to be carefully noted:

(i) The concession will apply only to those buildings the erection of which is begun and completed after April 1, 1961. It will not apply at all to buildings the construction of which was completed before April 1, 1961 or the construction of which was initiated before April 1, 1961.

(ii) The reduction in the annual value is to be made for a period of three calendar years (i.e. 36 months) from the date of the completion of the building. This may fall for consideration in the four assessment years. Thus, if a building is completed on December 1, 1961, the annual value for the period December 1, 1961, to November 30, 1964, will have to be reduced in the manner provided and this will affect the calculation of annual value for the assessment years 1962-63, 1963-64, 1964-65 and 1965-66.

(iii) The reduction in the annual value of the property is to be made with reference to each residential unit comprised in the building. A portion of a building would be regarded as a separate residential unit if it is meant for being occupied by, and is rented separately to, a tenant. The Income-tax Officers would see that no unintended concession is allowed to the assessee through any attempt at an artificial division of a building into small units which cannot be regarded as separate and self-contained residential units in the sense referred to above.

This concession is subject to two limits. First, it has been provided that in no case the computation of income in respect of any residential unit should result in a loss. If it does, the loss will be ignored and the net income in respect thereof will be taken at nil. Secondly, it has been provided in the explanation to the new proviso that where the residential unit is in occupation of the owner of the property for the purposes of his own residence, the computation of the annual value of such a unit in the hands of the owner would be made in accordance with the first proviso to section 9(2) as if the newly added proviso did not exist, i.e., the method followed hitherto in respect of self-occupied houses would continue to apply and the concession provided by the new proviso will not be available in respect of such houses.

An amendment has been made to clause (vi) of section 10(2) to the effect that an initial depreciation allowance of an amount equal to 20 per cent of the actual cost shall be allowed in respect of the following types of buildings to an assessee in the computation of his business income for the previous year of erection of the building:

(i) Buildings newly erected after March 31, 1961 (i.e. whose construction is initiated and completed after March 31, 1961) by a person carrying on a business and used solely for the purpose of residence of person employed in the business and drawing remuneration not exceeding Rs. 200 per month; and

(ii) Buildings newly erected after March 31, 1961 (i.e., whose construction is initiated and completed after March 31, 1961) by a person carrying on a business and used solely or mainly for the welfare requirements of the said employees in the form of hospitals, canteens, schools, canteens, libraries, recreational centres, shelters, rest rooms and lunch rooms.

The initial depreciation so allowed will not be deducted for determining the written-down value for the purpose of allowing normal depreciation on such

buildings from year to year. However, such initial depreciation shall be taken into account for the purpose of determining the written-down value for other purposes of the Act, such as computing the terminal allowance or charge under section 10(2)(vii). It shall also be taken into account for computing the total depreciation allowed in respect of such buildings for the purpose of clause (c) of the proviso to section 10(2)(vi).

Buildings belonging to the owner of a business and used by him in order to house his employees are to be regarded as buildings used for the purpose of business where the occupation by the employer who carries on a business is subservient to and necessary for the performance of their duties. Before a building can be said to have been used for the purpose of business, and hence entitled to depreciation, it is necessary that the said condition should be fulfilled. However, in the case of buildings described under (i) and (ii) above, the Income-tax Officers would not insist on a strict compliance with this condition. Such buildings would be regarded as having been used for the purpose of business carried on by the assessee and, therefore:

(a) Income from such buildings would be computed under section 10 and not under section 9; the deductions admissible under section 9 (including the new concession referred to above) will not be applicable to such buildings; and

(ii) Depreciation according to the provisions of section 10(2)(vi)—(including the new allowance for initial depreciation referred to in the preceding paragraph) would be allowed in respect of such buildings.

The following further points are to be noted in this connection:

(i) Any part of a building even though newly erected after March 31, 1961, which is used for the purpose of residence of (a) persons not employed in the business, or (b) persons employed in the business but whose remuneration exceeds Rs. 200 per month, would not be regarded as used for the purpose of business unless in the case of (b) the condition referred to above is satisfied. Income from such parts of any building would be computed under section 9 and not under section 10.

(ii) Buildings which are used for welfare purposes need not be exclusively used for the welfare of business employees drawing a remuneration not exceeding Rs. 200 per month. The initial depreciation would be allowed even if they are mainly used for this purpose. But if a building is meant mainly for catering to the welfare needs of the employees drawing a remuneration of more than Rs. 200 per month (such as a club or rest house for the senior officers of the business), such a building will not be given the benefit of the new concession.

(iii) The term 'remuneration' would be regarded as comprised of the pay and salary, dearness allowance and fixed bonus or commission and exclusive of variable bonus or commission or any other benefit or perquisite.

(iv) This concession applies only to buildings used for the above-mentioned purposes by persons carrying on a business. It does not apply to persons carrying on a profession or vocation.

DEVELOPMENT REBATE

The rate of development rebate in respect of machinery or plant installed after March 31, 1961, has now been prescribed at 20 per cent of the actual cost, as against 25 per cent in respect of machinery or plant installed before April 1, 1961. There is, however, no change in respect of ships acquired by an assessee, the rate of development rebate in respect of which continues at 40 per cent of the actual cost.

A new clause (xic) has been added to section 10(2) of the Income-tax Act, 1961, to preserve the benefits of development rebate when plant and machinery is transferred in the course of the amalgamation of com-

panies and the succession to the business of a firm by a private limited company if certain conditions are satisfied. Corresponding amendments have also been made in the proviso to section 10(2)(vib) and section 35(ii), vide section 6(ii)(2) and section 9 of the Finance Act.

Under the existing proviso to section 10(2)(vib) read with section 35(11), development rebate already granted to an assessee is withdrawn in a case where the asset on which the rebate was allowed is sold or otherwise transferred by the assessee to any person other than the Government at any time before the expiry of ten years from the end of the previous year in which it was acquired or installed. Accordingly, where a company is amalgamated with another company or where a firm is converted into a private limited company, within the above period, the assets of the amalgamating company or of the firm would fall to be treated as having been sold or transferred to the successor company and any development rebate allowed to the former would stand to be withdrawn. Further, the successor company would not be entitled to set off against its profits any portion of the development rebate remaining unabsorbed in the hands of the amalgamated company or the firm due to paucity of profits.

The amendments referred to above provide that where an amalgamation of companies takes place, the development rebate already allowed to the amalgamating company or companies will not be withdrawn and any balance of development rebate still outstanding to the amalgamating company or companies on the date of amalgamation will be carried forward and allowed in the assessments of the successor company in accordance with Explanation I and II of section 10(2)(vib), subject to the restriction that the total period for which the balance of the development rebate shall be carried forward both in the hands of the successor and the predecessor shall not exceed the period of eight years as specified in Explanation I to section 10(2)(vib). Thus, for example, where a company is amalgamated with another company at the end of four years from the expiry of the previous year of the acquisition of a particular asset and the whole or a part of the development rebate in respect of the asset is still outstanding to it, the amalgamated company would be allowed to carry forward the outstanding rebate for a further period of four years only.

It has been provided that this benefit will be admissible only if the amalgamated company continues to comply with the obligations placed by the first proviso to section 10(2)(vib) on the amalgamating company had it continued to exist. Thus, the amalgamated company should continue to maintain the reserve as required by clause (b) of the proviso to section 10(2)(vib). Similarly, it should not sell or otherwise transfer the asset to any person other than Government at any time before the expiry of ten years from the end of the previous year in which it was acquired by the amalgamating company. If it violates any of these obligations, the provisions of section 35(11) will be attracted and it has been specifically provided that the tax resulting from the recomputation of the total income of the amalgamating company for the relevant previous year in which the development rebate was originally allowed, shall be payable by the amalgamated company. The rights, liabilities and obligations of the amalgamating company have thus been transferred to the amalgamated company in respect of the development rebate on the assets transferred to the latter in the course of amalgamation.

It should be noted:

(i) This concession does not apply to all situations where assets are transferred by one company to another, but only where an amalgamation or merger of companies takes place so that all the property, liabilities, and

shareholders of the former companies immediately before the amalgamation become respectively the property, liabilities, and shareholders of the successor company. For this purpose, the term 'amalgamation' has been specifically defined in the explanation to section 10(2)(vic)(i). The benefit of this concession would, however, be given also in a case where a wholly-owned subsidiary company is merged with its parent company if all the conditions other than that mentioned in clause (c) of the explanation to section 10(2)(vic)(i) are satisfied. Further, the definition covers only two types of cases: (a) where two companies (A) and (B) amalgamate to form a new company (C), and (b) where one company (X) amalgamates with another company (Y).

(ii) The definition excludes cases of mere acquisition of property of one company by another company pursuant to the purchase of such property by the other company or as a result of distribution of such property to the other company after the working up of the first company.

Section 10(2)(vic)(ii) of the Income-tax Act, newly introduced by section 6(iii) of the Finance Act, provides that the benefits which are allowed in the case of amalgamation of companies as mentioned above will also be allowed in the case where a firm is succeeded to by a private company in the business carried on by it and the firm sells or otherwise transfers any ship, machinery or plant to the company as a result of such succession, subject to the same conditions 'mutatis mutandis'.

It is to be noted that this concession in the case of succession to a firm will be available only where the firm is succeeded to by a private company (as defined in the Companies Act, 1956) and not where an individual transfers his business to a private or a public company or where a firm is succeeded to by a public company. Further, though the provision does not specifically mention so, the intention is that the benefit of this concession should be available only where all the shareholders of the company hold the shares in exactly or nearly the same ratio as the interest of the partners in the quondam firm. If this benefit is claimed in a case where this condition is satisfied, the facts of the case should be reported to the Board.

FINANCE CORPORATIONS

A new clause (xiva) has been added to section 10(2) to provide that a financial corporation which is engaged in providing long-term finance for industrial development in India, may claim as a deduction an amount, carried to any special reserve created by it, not exceeding 10 per cent of the total income as computed before making a deduction for such a reserve. The allowance is, however, subject to the restriction that where the aggregate of the amounts carried to such a reserve account from time to time exceeds the paid-up share capital of the corporation, no further deduction shall be allowed under this clause. For this purpose, any amount capitalised from reserves has to be excluded from the paid-up capital.

It has further been provided that only the financial corporations which are approved by the Central Government for this purpose will be allowed this concession. A list of such institutions will be issued in due course.

It will be noticed that, unlike the development rebate reserve, there are no restrictions placed on the manner in which such a reserve may be utilised by the corporation. If, however, the reserve is utilised for a purpose totally unconnected with the business of providing long-term industrial finance in India, the facts of the case should be brought to the notice of the Board. It is to be noted that it is not the amount standing to the credit of the reserve account at the end of the relevant previous year but the total amount carried to

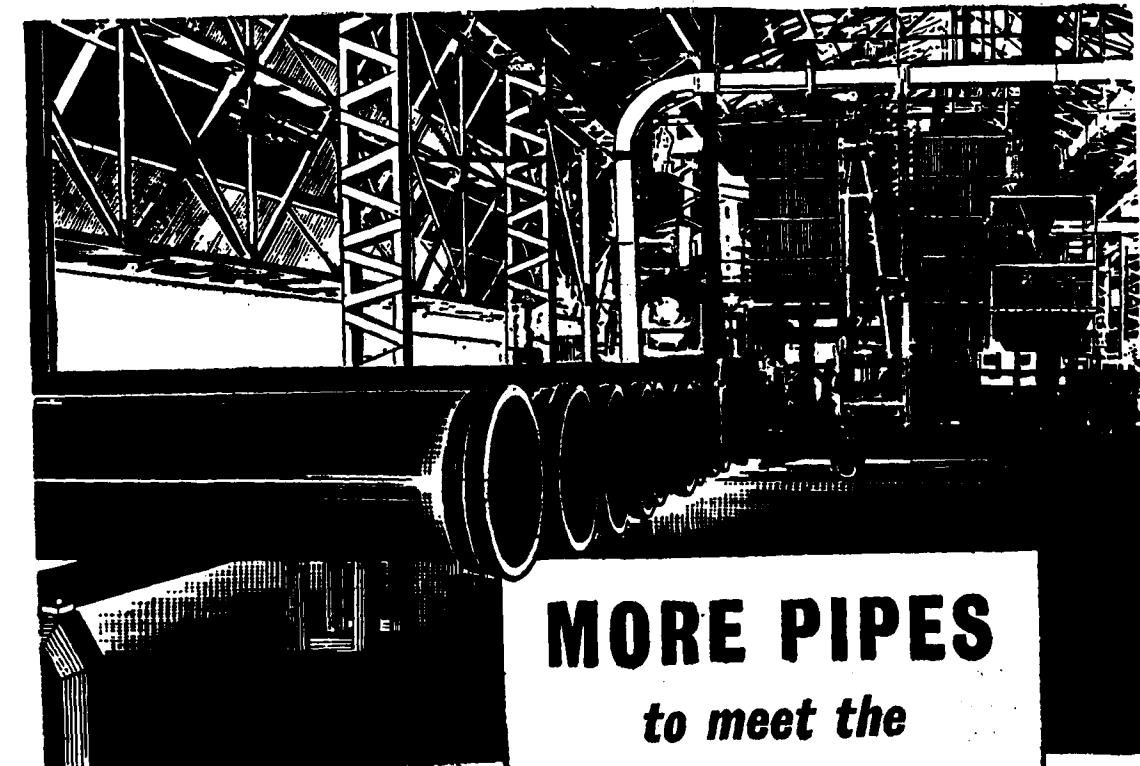
such reserve account from year to year which will determine the question whether any further appropriations to the reserve account should be allowed as a deduction. A statement of the amounts carried (or appropriated) to such a reserve account from year to year should be maintained in the permanent record and when the aggregate of such amounts becomes equal to the paid-up capital (as at the end of the relevant year), no further appropriations to such a reserve account would be allowed as a deduction. Any amounts which may be written back from the reserve account to the Profit and Loss Appropriation Account or to any other account having the effect of reducing the amount standing to the credit of the reserve account at any point of time, would be ignored for this purpose.

ENTERTAINMENT EXPENSES

A proviso has been added to clause (xv) of section 10(2) prescribing certain limitations to the amount of entertainment expenses that may be allowed in the assessment of a company. The entertainment expenditure desired to be allowed as deduction will have first to satisfy the test that it is genuine business expenditure laid out or expended wholly and exclusively for the purpose of business. But even after the expenditure has passed this test, its admissibility is restricted to certain maximum limits mentioned in the new proviso to section 10(2) (xv). The maximum amount that can be allowed in a particular case depends on the amount of the profits and gains (computed in the manner laid down in section 10 but before allowing any development rebate or any entertainment expenses) of the business in connection with which expenditure has been incurred and not the total profits and gains assessable under section 10 in respect of all the business carried on by the assessee. The maximum allowance that can be made on account of entertainment expenses in excess of this amount should, therefore, in any case be added back to the company's assessable profits.

It will be seen that if the profits and gains of the company from the relevant business, computed in the manner indicated above, do not exceed Rs. 10,00,000 or the company has incurred a loss it is entitled to a deduction of one per cent of the amount of such profits or Rs. 5,000, whichever is higher. Thus a minimum limit has also been prescribed which will be operative where the profits, computed as aforesaid, are less than Rs. 5,00,000 or where there is a net loss, similarly computed. In such cases, the actual amount of entertainment expenditure incurred or Rs. 5,000, whichever is less, will be admissible as deduction. It is intended by the Central Board of Revenue that where the entertainment expenditure incurred and claimed by an assessee company does not exceed Rs. 5,000, the Income-tax Officer need not be meticulous about putting it to strict proof and such expenditure should be allowed after a broad check to ensure that expenditure totally unconnected with the business or patently inadmissible on other grounds is not claimed in the garb of entertainment expenditure.

It is difficult to lay down precisely in this context as to what expenses should be treated as covered by the term 'entertainment expenditure'. Each case will have to be decided on its own facts. Different expense accounts of the company would be carefully scrutinised to safeguard against any attempt to pass off entertainment expense through other accounts. It is, however, to be noted in this connection that where any entertainment allowance as such is paid to any employee of the company as a part of his remuneration, the amount of such allowances would not be included in the entertainment expenses for the purpose of the new proviso to section 10(2)(xv) if it is subjected to tax in the hands of the employee. Where instead of being paid an allowance as a part of his remuneration, an employee is allowed to operate an expense account for the purpose of entertainment of the customers of the company.



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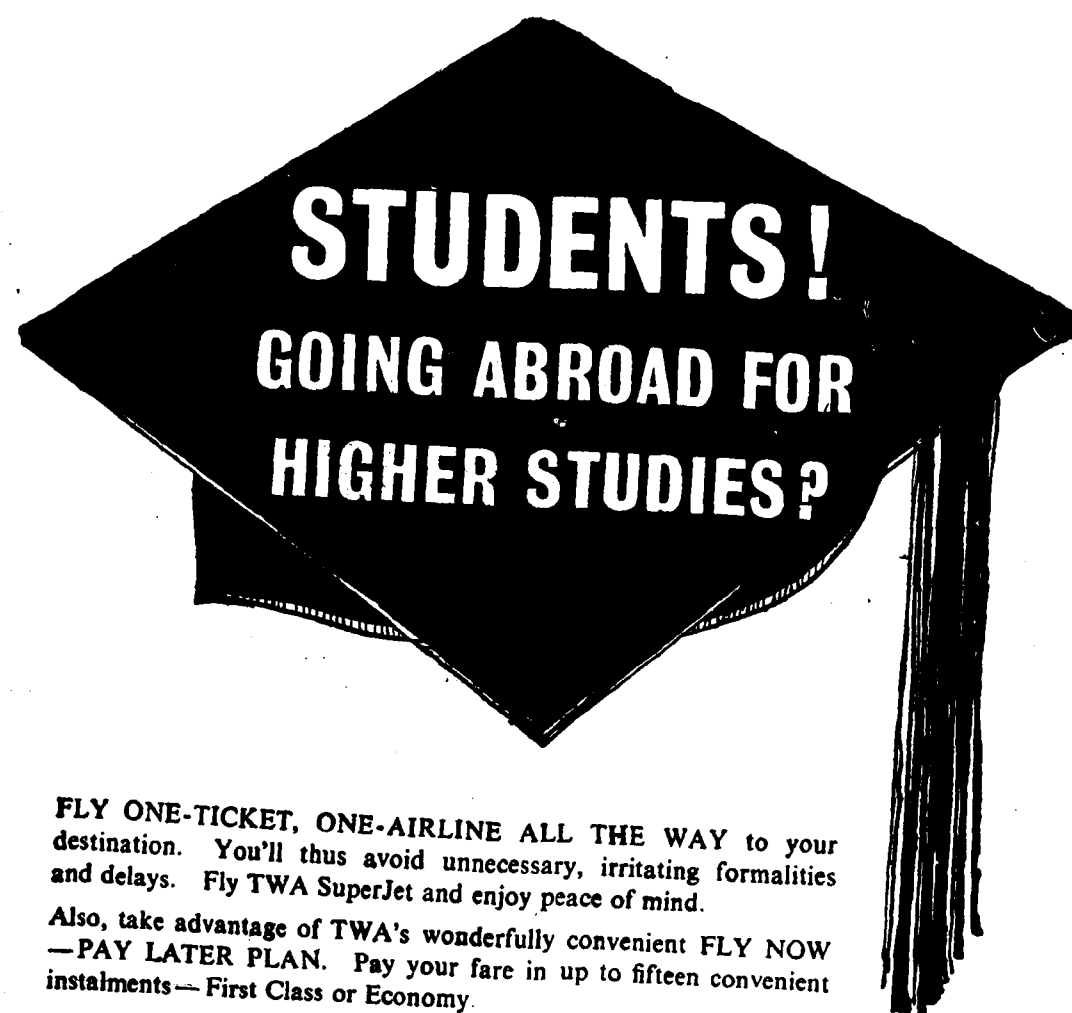
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the expenses through such an account would be included in the entertainment expenses of the company for this purpose.

It is further to be noted that while the law has been changed with regard to the admissibility of entertainment expenses in the cases of companies, no change has been made in the matter of allowance of such expenses in the hands of assesseees other than companies, in whose cases such expenses will continue to be allowed in the same manner as before.

The Income-tax Officers would maintain a record in respect of the cases in which entertainment expenses are disallowed by them under the new proviso to section 10(2)(xc). At the end of the current financial year, the Commissioners would send a consolidated report to the Central Board of Revenue in respect of their charges showing the number of such cases, the amount of such expenditure disallowed and the tax demand attributable thereto.

TAX HOLIDAY FOR HOTELS

Amendments have been made to section 150 of the Act to provide a tax holiday in respect of new hotels in the same manner as in the case of new industrial undertakings. The exemption will apply in respect of the profits of a hotel for five assessment years starting with the assessment for the previous year in which it starts functioning. The benefit of exemption under section 15C(4) in the hands of shareholders with regard to the dividends attributable to the exempt profits will also apply to the new sub-section (2A) of section 15C. These conditions are somewhat different from those applicable to industrial undertakings for the purpose of section 15C. Thus, whereas any other industrial undertaking need not necessarily be run and owned by a company, a hotel must be owned and run by a company registered in the taxable territories and with a paid-up capital of not less than Rs. 5,00,000. The condition that the hotel must be run in the premises owned by the company is also peculiar to hotels. A hotel has also to satisfy the condition regarding the number of type of guest rooms and the amenities that should be provided by it; these are to be prescribed having regard to the population and the tourist importance of the place in which the hotel is located. The rules for this purpose are being separately framed. The most important condition is that the hotel must be approved by the Central Government for this purpose. No exemption would be allowed either to the hotel or the shareholders unless the Central Government has accorded its approval of the hotel for this purpose.

An explanation has also been added to sub-section (4) of section 15C to the effect that rules may be prescribed by the Central Board of Revenue for the computation of the amount of dividend in respect of which tax is not payable by the shareholders under the said sub-section. The rules for this purpose are being separately framed and when finalised will apply to dividends distributed not only by an industrial undertaking but also by a hotel covered under section 15C.

CHARITABLE INSTITUTIONS

A new clause (iii) has been inserted in section 23A(1) to provide that where at least 75 per cent of the share capital of a company has been beneficially held throughout the relevant previous year by charitable institutions or funds the income of which is exempt under section 4(3)(i), the provisions of section 23A(i) will not be applied to such a company. In fact, till the financial year 1959-60, the provisions of section 23A(1) were not, in view of the existing clause (ii) of that section, applicable to the companies whose share capital was held mostly by charitable institutions or trusts, as in their cases the result of a distribution of a dividend or a larger dividend by the companies would have

been a net refund to the shareholders and, therefore, a loss to revenue. As under the new scheme of taxation of dividends, the question of grossing up the dividend and deeming the tax paid by the shareholder does not arise, clause (ii) became ineffective to safeguard the cases of such companies from the operation of section 23A. Hence, the present amendment. The amendment has been given retrospective effect from April 1, 1960, and, as such, if in the case of any such company an order under section 23A(1) has been passed in respect of the assessment year 1960-61, the same would be rectified under section 35 and necessary refund, if any, would be allowed to the company.

MR. THORNEYCROFT'S VISIT

The Government of India Ministers and officials in their talks with Mr. Peter Thorneycroft, who arrived here on July 12 on a three-day visit to ascertain the reaction of the Indian Government on Britain's joining the European Common Market, are said to have emphasised the points that Britain's entry into the ECM without securing safeguards for her trade with the Commonwealth countries would result in serious damage to be caused to India's export trade (the damage, according to official circles is likely to be of the order of 20 per cent) and that it would also lead to weakening of the Commonwealth ties. It was pointed out by them that principal exports of India were subject to high tariffs, internal taxes and quantitative restrictions of a discriminatory character in some of the countries of the ECM, while these products were being admitted duty-free and without restrictions to the United Kingdom. If the United Kingdom joined the European Economic Community without suitable provisions for her future trade with the Commonwealth, with special emphasis on the types of products which come from developing countries, India would find it extremely difficult to maintain her export trade which was a matter of vital concern for her since the earnings from her exports provided, as in the case of other developing countries, external resources for her economic development.

Mr. Peter Thorneycroft is said to have explained to the Government of India that although the British Government had reached no decision on the question as yet, it was concerned about the economic division of Europe which was emerging and, therefore, was examining carefully the problems that could arise if the United Kingdom decided to join the ECM. He is said to have drawn attention of the Government of India to the economic consequences of continued division and to the importance of maintaining and expanding European economy, both as a market for the products of developing countries and as a source of investment funds for them.

Addressing a Press Conference after the conclusion of his talks with the Government of India, Mr. Thorneycroft emphasised the point that during his talks with India, Pakistan and Ceylon, the dominant impression which he had gathered was that the decision on whether to join or not the European Economic Community rested with the British Government and the Commonwealth countries would not stand in the way of Britain's starting negotiations for her entry into the ECM.

About the argument that Britain's joining the ECM would weaken the Commonwealth links, Mr. Thorneycroft observed that all big changes had the possibility of weakening or strengthening an organisation. He recalled that when Ottawa Preferences were negotiated in early thirties, the present-day ruling party in India, then in opposition, was dead set against the Ottawa Agreement. Today, nearly 30 years later, it is now hugging the Ottawa Pact to its bosom.

The principal consideration before the United Kingdom which would influence her decision to join the European Economic Community, Mr. Thorneycroft

said, was whether Britain would be a bigger market and a stronger investor if she were to join the "Inner Six". He added that Britain was a part of Europe and this consideration could not be ruled out.

Mr. Thorneycroft indicated that Britain with its traditions of following liberal trade policies would try to persuade the present six members of the European Common Market to have liberal trade outlook towards the underdeveloped countries.

Mr. Thorneycroft has assured the Government that if negotiations for Britain's joining the European Common Market were embarked upon, the British Government would keep in the closest touch the Government of India in all matters affecting India's interest. It was agreed during the meeting which the Indian Ministers had with Mr. Thorneycroft that arrangement should be made for such consultations and for further discussions between the two Governments when the British Government takes a decision to join the European Economic Community.

CENTRAL LOANS

The Government of India has announced the issue of a further tranche of the existing 3½ per cent Bonds 1969 at Rs. 98.40 per Rs. 100 (nominal) repayable at par on July 1, 1969, and 4 per cent Loan 1981 at Rs. 98.50 per Rs. 100 (nominal) repayable at par on July 24, 1981. Subscriptions are to be in the form of cash/cheque or securities of 2½ per cent Loan 1961 or 3 per cent Hyderabad Loan 1951-61 (H.E.H. the Nizam's Government 3 per cent O. S. Rupee Loan 1360-70F).

The subscription lists open on July 24 and close on July 26, or earlier without notice as soon as the total subscriptions amount to Rs. 100 crores. The Government reserves the right to retain subscriptions upto 10 per cent in excess of the notified amount.

The securities of 2½ per cent Loan 1961 and 3 per cent Hyderabad Loan 1951-61 will be accepted for conversion at par. Interest on the securities tendered for conversion will be paid at the respective rates upto July 31, 1961. Interest on the securities to be issued will accrue from July 24, 1961. Interest on 3½ per cent Bonds 1969 will be paid on January 1, 1962, for the period July 24, 1961, to December 31, 1961, inclusive, and thereafter half-yearly on July 1 and January 1. In the case of the 4 per cent Loan 1981, interest will be paid half-yearly on January 24, and July 24. Interest on the new securities will be liable to tax under the Income-tax Act, 1922.

CREDIT FROM I.M.F.

The Reserve Bank of India will be receiving on August 1, 1961, a credit of \$250 million (Rs. 109.04 crores) from the International Monetary Fund. The credit will be available in six foreign currencies — \$110 million (Rs. 52.38 crores) in U.S. dollars, \$60 million (Rs. 28.57 crores) in pound-sterling, \$45 million (Rs. 21.43 crores) in D' marks, \$15 million (Rs. 7.14 crores) in French francs, \$15 million (Rs. 7.14 crores) in Italian lira and \$5 million (Rs. 2.38 crores) in Japanese yen. This is the first occasion when drawings from the IMF are being made by any member in yen.

India's share in the Fund amounts to \$600 million (Rs. 285.71 crores). Of this, \$77.5 million (Rs. 37.90 crores) has been paid in gold and the rest in Indian currency.

This is not the first time that India has sought assistance from the IMF to meet her short-term balance of payments deficit. In 1948-49, India drew \$100 million (Rs. 47.62 crores) from the Fund. This amount was repaid by April, 1956. In 1957, India made a straight drawal of \$127.5 million (Rs. 60.71 crores) from the Fund and another \$72.5 million (Rs. 34.59 crores) as "stand-by" credit. While the "stand-by" credit was fully repaid within three years ending June, 1960, the straight drawal of \$127.5 million was repaid to the extent of \$64.25 (Rs.

30.76 crores) on June 26 this year. The balance of \$63.25 million (Rs. 30.11 crores) is expected to be repaid in the near future.

JHARIA, RANEEGUNJE ROPEWAYS PROJECT

The completion of the Coal Board's aerial ropeways project in the Jharia and Raneegunje coalfields is likely to be delayed by a year. Originally, the project was scheduled to be completed by March, 1963. The delay, it is understood, is being caused by two factors, (1) the final alignment surveys in some areas could not be completed in time as alternative routes had to be selected, and (2) prospective tenderers had asked for an extension of time in the case of three ropeways. The Coal Board, it is learnt, has submitted for the approval of the Government revised time-schedule for the completion of the project.

The project envisages the construction of four cable ropeways in the Jharia coalfields and three similar ropeways in the Raneegunje area. Each of these seven ropeways will have a carrying capacity of 1.5 million tons of sand per annum. Sand will be extracted from the rivers Damodar and Ajoy and transported by means of these ropeways to central dumps. From there it will be subsequently distributed to the collieries for use in coal stowing.

STEPPING UP COAL OUTPUT

An agreement is expected to be signed shortly with the West German Government under which West Germany will place at the disposal of the National Coal Development Corporation the services of three experts who will advise the Government of India and the NCDC on setting up of coal washeries in selected areas and stepping up of coal output during the Third Plan period.

The Government of India has already entered into agreement with Poland and the United States for the development of the coal industry under the Third Plan. An agreement is envisaged to be signed in the near future with the United Kingdom as well for the same purpose.

For the development of the coal industry in the private sector, the World Bank is making available a sum of \$20 million.

MANUFACTURE OF TRACTORS

The Government of India, it is understood, is favourably inclined to grant permission to the Ghazialabad Engineering Company to manufacture 3,000 tractors per annum in the 35 H.P. range, in collaboration with Renaults of France. The company has plans to manufacture about 50 per cent of the components indigenously in the very first year of the start of production, nearly 86 per cent in the second year and 90 per cent in the third year. The balance 10 per cent components, considered to be proprietary parts, would have to be imported. The French collaborators have agreed to make the transmission unit for the Indian company during the second year of their collaboration.

The Chairman of Renaults, Mr. Pierre Dreyfus, is arriving here on a three-day visit on July 29. He is expected to meet the Prime Minister.

MANUFACTURE OF ASPHALT & FUEL OIL

The Government of India, it is learnt, will be shortly granting a licence to Duncan Brothers Limited, Calcutta, for the manufacture of 150,000 tons asphalt and 50,000 tons fuel oil per annum from crude to be imported from Kuwait through the American Independent Company in the form of vacuum feed-stock. Duncan Brothers will float a new Indian company with an issued capital of Rs. 1,25,00,000. The U.S. company will invest in the equity capital of the new Indian company to the extent of foreign exchange requirements of the undertaking, nearly Rs. 35,00,000.

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GOVERNMENT OF INDIA

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Interest on the securities tendered for conversion will be paid upto 31st July, 1961 inclusive.

The new bonds and loan will bear interest from 24th July, 1961. Interest on the bonds will be paid on 1st January, 1962 for the period 24th July, 1961 to 31st December, 1961 and thereafter half-yearly on 1st July and 1st January. In case of the loan interest will be paid half-yearly on the 24th January and 24th July.

Subscription lists will open on 24th July, 1961 and close on 26th July, 1961 or earlier without notice.

Applications for the bonds and loan will be received at:-

- Offices of the Reserve Bank of India at Bangalore, Bombay, Calcutta, Madras, Nagpur and New Delhi;
- Branches of the State Bank of Hyderabad conducting Government work, and those at Bhainsa, Jaggaypet, Mancheria, Nagarjunasagar and Sirpur Kagaznagar in Andhra Pradesh, Manwath, Purli-Vaijnath and Sailu in Maharashtra State and Shahabad in Mysore State;
- Branches of the State Bank of Mysore in the State of Mysore except those at Bangalore, Mangalore and Gulbarga; and
- Branches of the State Bank of India at Mangalore and at other places in India, except at the places specified in (a), (b) and (c) above.

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A Letter to the Editor

INDIAN AIRLINES FARES

Dear Sir,

Comments have recently appeared in the press on the proposed increase of fares on IAC. Most of these have bracketed the proposal with the increased wage-bill since IAC's pay-scales were revised. What seems to have been generally ignored is the fact that the cost of operations and maintenance has been rising as well.

For years now the Corporation has been doing its best within the limitations of extraordinarily high fuel costs (possibly the highest paid by any airline) and a fare structure that is about the lowest in the world. Normal increases in expenditure can be, and are, offset by increasing revenues due to increased traffic, but even here IAC is faced by the limiting factor of the near-maximum capacity already offered. IAC's revenue-earning potential is now levelling off while unavoidable expenditure continues to rise.

Since 1957, the price of Aviation Turbine Fuel used by Viscounts and Friendships has gone up by about 4.5 per cent, and that of High Octane Gasoline consumed by piston-engined aircraft by nearly 17 per cent. The impact of the latter increase is very considerable as the IAC fleet is made up largely of piston-engined aircraft. Fuel alone accounts for nearly one-third of our total expenditure.

Aircraft and engine spares have also been going up in price. Items:

- Dakotas:** The main source of supply for Dakota spares has been the war surplus market in the U.S.A. The pool of unused spares manufactured years ago has almost dried up, and whatever is available sells at a higher price. In the last five years alone, Dakota spares have gone up by over 150 per cent on an average, with some regularly replaceable parts costing five times as much. As the spares position becomes

more difficult we are forced to buy newly manufactured parts, which cost a lot more.

- Viscounts:** Modern though the Viscount is, the prices of its engine and aircraft spares have gone up by varying degrees in the last four years. Aircraft spares now cost at least 18 per cent more, and vendor items (such as radio equipment) between 4 per cent and 50 per cent more. Engine spares which are changed at every overhaul have gone up by nearly 97 per cent.

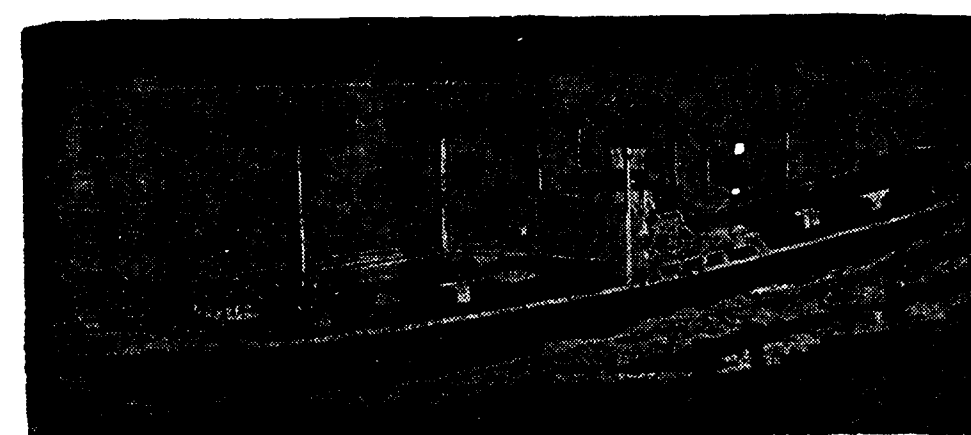
To these must be added higher duties on some items, increased cost of freight and the increased incidence of Sales Taxes on local purchases.

Despite all these added costs, the fares and freight rates on IAC have been static since 1958, but for a few minor adjustments. Even with the proposed increases IAC will continue to offer fares that are lower than almost anywhere else in the world.

Yours faithfully,
P. C. LAL,
General Manager

Indian Airlines,
New Delhi,
July 12, 1961.

['The Eastern Economist' finds full justification for the increase in the Indian Airlines Corporation's fares. In a Leading Article in this journal dated December 23, 1960, we advocated an increase of 10 per cent in the fares charged for the Vickers Viscounts which is the same as announced last month. In another Leading Article in the issue of June 30, 1961, we stressed the point that there were important factors, besides the rising wage and salary bill, which necessitated the increases in fares. We are glad to publish the above clarification of these factors.—Ed.]



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COMPANY AFFAIRS

KESORAM COTTON'S EXPANSION PROGRAMME

Kesoram Cotton Mills Ltd., which after sometime may be called Kesoram Industries and Cotton Mills Limited, has decided to broaden its sphere of activities and with that end in view the directors have decided to alter and enlarge the Memorandum of Association of the Company. After getting consent of the shareholders an application has been made by the Company to the High Court at Calcutta. The Court has approved of these alterations subject to the condition that the name of Company be changed to Kesoram Industries and Cotton Mills Ltd., necessary application for which has been made to the Central Government. The directors have proposed to issue four lakh shares of Rs. 10 each at par in proportion to one right share for four existing ordinary shares.

The textile section of the Company is being modernised and now has 75,040 spindles and 1991 looms. By the end of the current financial year, the rayon section will have 48 spindles with an installed capacity of about 11½ tons per day based on 120 deniers of yarn. The transparent paper section will have casting machines with an installed capacity of 7½ tons per day. The Directors are examining some other proposals too to diversify the activities of the Company. The Directors add that in spite of the efforts of the management, it has not been possible for the Company to obtain import licences for steel tubes project. In the meantime, in anticipation of the import licences provisional orders for machinery have already been placed by the Company. The Company has received permission for a plant to manufacture 30,000 tons of spun pipe per annum. The import licences for this project too are being awaited.

During the year under review the Company made a net profit of Rs. 81.81 lakhs after making a provision for depreciation, development rebate and contingency reserve etc. A sum of Rs. 51 lakhs has been transferred to general reserve. The Directors have decided to pay dividends on 16 lakh ordinary shares of Rs. 10 each at the rate of 12 per cent gross which comes to 8.4 per cent net. This will absorb Rs. 19.20 lakhs.

The Directors have pointed out that the cost of production which was already quite high further increased due to increased wages and other amenities of workers, higher prices of stores, fuel coal etc. In this connection they have pointed that the Company experienced a serious shortage of power supply as a result of break down in the generation stations of the Calcutta Electric Supply Corporation. The output of the Company suffered during the months of March, April and May this year. The position nevertheless is now more or less normal.

The spinning plant of Bharat Kala Bhandar Ltd., a 100 per cent subsidiary of the Company, is expected to go into production before the middle of 1962.

BENGAL PAPER

During 1960, the Bengal Paper Mills Company Ltd. worked quite smoothly and its output increased from

15,927 tons in 1959 to 18,105 tons during 1960. The Directors have reported that the expansion and modernisation scheme of the Company to increase its production to 100 tons per day is making satisfactory progress. During the year the Brown Stock Washing Plant was put into commission and in the current year a Re-causticizing Plant, a Water Clarification Plant and other machines also started functioning. These plants which have been installed at a cost of Rs. 36 lakhs approximately have resulted in reducing the loss in washing and better caustic recovery. Orders for a new paper machine of latest design have already been placed with Messrs. Walmsleys (Bury) Limited of England, shipment of which is expected to commence from the second half of 1962. Negotiations for the purchase of machinery from U.S.A. for which Import Licence has already been received, are also in advanced stage and orders will be finalised as soon as approval of the Development Loan Fund, U.S.A. is received to the Dollar Loan Application made through and sanctioned by the Industrial Finance Corporation of India. The Directors are considering to raise fresh capital for modernisation and expansion of the Company.

The profit for the year was Rs. 50.83 lakhs. After providing for depreciation and taxation, the Board of Directors transferred Rs. 10,000 to capital reserve, Rs. 4 lakhs to general reserve and Rs. 4.69 lakhs to development rebate reserve. Dividend proposed to be paid on ordinary shares at the rate of 32 per cent will absorb Rs. 14.4 lakhs.

HONGKONG BANK GROUP INTERIM DIVIDEND

The Hongkong and Shanghai Banking Corporation has declared an interim dividend of £5 a share on its paid-up capital of 3,161,845 shares (£4,940,383). This interim dividend is a distribution of £790,461 and is unchanged from that declared in July 1960. The Hongkong and Shanghai Banking Corporation is the parent Company in a group comprising the Mercantile Bank Ltd. and The British Bank of the Middle East.

UNITED WIRE ROPES

Besides the production of wire ropes (black and galvanised) with a rated capacity of 3,600 tons per annum, the United Wire Rope Limited has also a programme for the manufacture of 2,100 tons per annum of Stranded Wire and 3 mm Wire — special categories of high tensile steel wire — which are widely in use for prestressed concrete construction all over Europe and in some of the advanced Asian countries. The Company will be able not only to cater to the needs of the Indian market where the prestressed method of concrete construction is being increasingly adopted, but also hopes to export its product with the assistance of its collaborators, Messrs. Lepage Consulting Engineers of Antwerp, who are themselves established exporters of wires and allied products. The Company's collaborators have finalised plans for the machinery layout and details of furnace placed for machinery and capital equipment to be imported from the United Kingdom, France, West Germany and Belgium. It may be mentioned that each item of machinery selected for installation at the Company's factory is of the latest type.

Company Meeting

TATA ENGINEERING & LOCOMOTIVE CO., LTD.

STATEMENT OF THE CHAIRMAN, SHRI J.R.D. TATA

The following is the statement of Shri J. R. D. Tata, Chairman of Tata Engineering & Locomotive Co. Ltd. for the year 1960-61:

The year that has passed has been a good one for this Company. As shareholders will see from the attached Report and Accounts, we made all round progress in production, in sales and in profits.

2. The Company's performance in the past year has brought substantial benefits to many sectors of the economy. The rail and road transport industries were provided with Rs. 33 crores worth of Indian made transport equipment of the highest quality and performance; 13,000 men and women were provided direct employment and earned from us over Rs. 4 crores in wages and bonuses. The Company paid Rs. 7.7 crores in taxes and duties.

3. Ordinary shareholders, assuming they approve of the Directors' recommendation, will have received Rs. 1.16 crores as dividends and added Rs. 3.92 crores to their assets.

4. In addition to the above benefits, which can be expressed in money terms, we made intangible, but not less real, contributions to the nation's economic development: for instance, in the training and additional experience imparted to our staff at various levels, in the continued building up of the managerial and technological skills of our organisation: in the stimulus which our operations will have given to the development of ancillary industries and to road transport.

5. The results we have achieved and the manner in which we have conducted our affairs in the past year demonstrate what private enterprise, properly organised and financed and given the necessary scope for initiative, can do for the country in its plans of industrial development.

6. It should be noted that it took the Company some fifteen years of hard work to achieve its present stage of maturity and efficiency. There is a tendency in our country to believe that the establishment of new industries requires little more than the provision of the necessary buildings, plant and equipment, and to criticise the lack of immediate results. We have ourselves had our share of such criticism. Enterprises such as ours are not, however, made up merely of buildings and machines. There are the mere bones of industry; the flesh, muscles, blood and nerves essential to productive effort, which in industry are represented by materials and money, management and staff, take nearly as long to build up as it takes for a child to develop into a grown and productive human being. Productivity and efficiency can be achieved only step by step with sustained hard work, relentless attention to details and insistence on the highest standards of quality and performance. I trust that this important aspect of industrial growth will not be ignored in the implementation of the great plans of industrial development on which the country has embarked.

7. Now that the Company has reached maturity, by which I mean not only the ability to pay its way but also the capacity for self sustaining growth, I would like to thank the shareholders for their support and continued confidence during the ten weary years they waited for a dividend. When so much is so often said with so little understanding about the inadequacies of private enterprise and the inequities of the profit motive, I trust the record of this Company will not be overlooked nor the fact that its shareholders and management bore with patience this long period of waiting for some return on their investment of money and effort.

8. I would, on your behalf, also like to thank all those responsible for the Company's progress over these past fifteen years; our workers and staff at Jamshedpur and elsewhere for the skills and productivity they have acquired (I am glad that they are now getting tangible evidence of the value of the training and experience they have been given in the Company's employment and the opportunities available to them for advancement and higher standards of life); the supervisory staff, and particularly the higher echelons of management, for the unremitting and at times thankless work they have put in; our past General Managers who laid the foundations for the present progress of the Company; Mr. da Costa, our present General Manager; Mr. Stoehr, head of our Automobile Division, who has been mainly responsible for building up this Division to its present high state of efficiency and productivity; Mr. Broacha, head of our construction and engineering activities; and finally our technical associates, Messrs Daimler-Benz, Krauss-Maffei, Henricot, Harnischfeger, and Johnsons for their invaluable assistance in our various projects.

9. Our thanks are also due in no small measure to the Ministry of Commerce and Industry, particularly the Development Wing of the Ministry, for their realistic and constructive policies and sound decisions on the problems of the Automobile Industry.

10. Very much against his own wish, I must also mention my colleague, Mr. Moolgaokar, Director-in-Charge of the Company, who, through the dedicated application of his outstanding technical and managerial talents and an immense capacity for work, has contributed more than any other single person to the growth, efficiency and success of the Company.

PROFITS AND APPROPRIATIONS

11. As you will see from the Directors' Report and Accounts, the gross profits accruing from the past year's operations were Rs. 110.44 lakhs higher than in the previous year. After providing an additional Rs. 19.33 lakhs for depreciation, Rs. 30.84 lakhs for development rebate reserve, and Rs. 28.93 lakhs for taxation, the Directors were able to recommend an increase of 16 per cent over the previous year in the rate of distribution on ordinary shares which, if approved by you,

will be Rs. 14.50 gross or Rs. 10.15 tax-free per share, subject to tax relief under Section 15C of the Income Tax Act. In order to ensure that the shareholders obtain the full benefit of such relief, a part of the dividends on ordinary shares will be paid out of the undistributed balance of 15C profits earned in previous years and the whole of such 15C profits earned in the year under report. As a result of this treatment of appropriations and dividends, the tax on dividends borne by the shareholders will be reduced from 30 per cent to 21.9 per cent, subject to finalization by the Income Tax authorities.

AUTOMOBILE DIVISION

12. As in the past year, the operations of the Automobile Division produced the bulk of our revenues and profits. Tata-Mercedes-Benz vehicles have maintained and in fact further enhanced their leadership in the industry, and the demand for our vehicles continues greatly to exceed our capacity to produce them even after expanding our output to 1,000 units a month. I mentioned to you last year, that in order to meet this unsatisfied demand, we have decided to embark on a further scheme of expansion of our capacity intended to double once again our rate of output. I am glad to report that our proposals have been approved by the Government of India and that the necessary initial steps have already been taken to implement this important project which is estimated to cost about Rs. 18 crores, including its share of the expansion of capacity for castings, forging and other components. It is planned to complete the programme over a period of about three and a half years during which production and the percentage of indigenous content will be progressively increased each year.

13. In my statement last year, I discussed at some length the project for an economy car in regard to which we had put forward to Government proposals for the manufacture of the DKW-Junior under licence from Messrs. Auto-Union, an associate company of Messrs. Daimler-Benz. Nothing has come of this scheme nor is it likely to materialise in the future as the Government of India seem to have decided, on grounds which are yet to be justified publicly, to manufacture such a car themselves. It remains to be seen whether the public will in due course get from the Government project a good, durable and economical small car at a price anywhere near Rs. 5,000 or Rs. 5,500 as indicated by Government.

LOCOMOTIVES

14. On the expiry of the sixteen years agreement between the Railway Board and the Company in May, 1961, the Railway Board's obligation to place regular orders for locomotives on the Company, and the Company's obligation to supply them, have come to an end. Although this agreement caused headache to both sides and brought us hardly any profit, we may be grateful for the part it played in enabling the Company to come into existence and to create the initial industrial base from which we developed into other more profitable fields making possible our subsequent progress. We are grateful to the Railway Board for the support extended to us during the last sixteen years.

15. Although we are no longer obliged to supply locomotives to the Railway Board, we have readily agreed to meet their further requirements on an *ad hoc* basis and have received orders for the supply of about sixty-five locomotives a year on an average for the next five years, at a price which, while yielding us only a very small profit will enable the country to

secure its requirements of metre-gauge steam locomotives more cheaply than, we believe, the Railways could secure from any other source.

TATA-P & H EXCAVATORS

16. Since I reported to you last year, the project for the manufacture of excavators and similar equipment under licence from Messrs. Harnischfeger of Milwaukee, U.S.A., has got into its stride and is being energetically pursued. Subject to the availability of foreign exchange, the shortage of which, incidentally, was responsible for delaying the start of the project, we shall be in regular production of these heavy machines essential to the mining, heavy construction and other industries. An initial batch of twenty 2½ cubic yard power shovels has been put into production. Although, naturally, the number of units manufactured initially will be relatively small, I believe that the Tata-P & H power shovels, cranes and similar machines will establish for themselves the same high reputation for performance and quality as has characterised our Tata-Mercedes-Benz trucks and buses.

MANUFACTURE OF PLANT AND EQUIPMENT

17. An important activity of the Company which has grown considerably in the last year and which is not specifically reflected in the Directors' Report or Accounts, is the increasing extent to which we have been making plant and equipment for our own use. Amongst such items may be mentioned special machine tools, materials handling equipment, presses, furnaces, cranes, etc. This development is of great value, both to ourselves and to the country. It assists development of design talent, enables expansion activities to be better co-ordinated, and not only reduces capital expenditure but also saves a good deal of foreign exchange of which, as you know, there is a critical dearth today.

18. I have little further to add to the Directors' Report and the annexed Accounts which give a clear picture of our operations during the past year. We can, I think, view the future with sober confidence in our ability to surmount such obstacles and difficulties as we may find on our road to further growth and achievement. I can safely assure you that with the equipment, the financial and human resources, the knowledge and experience now at our disposal, and given reasonable freedom of initiative and action, we should do at least as well, if not better than any similarly placed enterprise in the country, and in the process satisfy some of the most vital needs of the country as well as the legitimate aspirations of the shareholders.

19. In closing, I wish on behalf of the Directors and yourselves, to refer to the great loss suffered by the Company, the industrial and business community, and the country as a whole by the death of Sir Purshotamdas Thakurdas on the 4th July, 1961. A man of outstanding intellect and ability and unrivalled experience of business and industry, Sir Purshotamdas has rendered valuable services to the Company of which he had been a Director since its inception.

20. The Directors have placed on record their sorrow at the passing of Sir Purshotamdas, and I am sure you will wish to join them in conveying our deepest condolences to Lady Thakurdas and other members of the family.

J. R. D. TATA
Chairman

BOMBAY, 6th July, 1961

COMMODITY NEWS AND NOTES

TRADING IN JUTE GOODS

With continued favourable weather conditions, the next season's jute crop is reported to have made very satisfactory progress, and consequently the prices of jute and jute goods have been gradually receding since May 1961 from the extremely high levels prevailing earlier this season. In view of the easier conditions ruling in the markets, and the prospects of an early return to normal price levels next season, the Forward Markets Commission recently concurred in the resumption of hedge trading in jute and jute goods with effect from June 15, 1961. As a further step in restoring normal trading conditions in the jute market the Forward Markets Commission has, with effect from June 13, 1961, withdrawn its orders issued in November 1960 imposing special margins on purchases of raw jute and certain standard constructions of jute goods on transferable specific delivery contracts. The Commission has also withdrawn the restrictions imposed in November 1960 on the number of transfers of pucca delivery orders issued against transferable specific delivery contracts in certain standard constructions of jute goods. The Commission has, however, directed the East India Jute and Hessian Exchange Ltd., Calcutta to continue in force the procedure of registration of transferable specific delivery contracts and the submission of trading returns in these contracts by members of the Exchange.

FOUR VARIETIES OF HYBRID MAIZE SELECTED FOR SEED PRODUCTION

Four varieties of hybrid maize have been selected for large-scale seed production as a result of research carried out under the Co-ordinated Maize Breeding Scheme of the Indian Council of Agricultural Research, New Delhi. These hybrids, which possess flint type of grain very similar to those of local varieties grown in India are likely to be readily acceptable to the maize growers and the consumers. Of these, the Ganga Hybrid Makka No. 1 has given a per acre yield of 2,141 pounds in large-scale sowings made in rabi 1960-61. This variety has been found adaptable in the maize-growing areas in the plains of the Punjab, U.P., Bihar and West Bengal. The Ganga Hybrid Makka No. 101, which has yielded, 3,288 pounds, has been found suitable for the maize-growing areas in the plains of the Punjab, U.P., Bihar, West Bengal and north Madhya Pradesh. With a yield per acre of 3,942 pounds, the Ranjit Hybrid Makka has been found suitable for Rajasthan, Gujarat and Maharashtra. The fourth variety, the Deccan Hybrid, has yielded 4,365 pounds per acre and the areas for its adaptation are Peninsular India, including Andhra Pradesh, Mysore and the southern parts of Madhya Pradesh. Intensive research is being carried out for the selection of a suitable hybrid for the Himalayan region.

STABILISATION FUNDS FOR BASIC PRODUCTS

Creation of a revolving fund to help stabilise prices of Latin American basic products, including coffee,

copper, sugar and tin, has been urged by a study group headed by Senor Earnesto Fernandez Hurtado, manager of the Bank of Mexico and Senor Feliz Ruiz of the Central Bank of Chile. The plan could be carried out over the next few years with a fund of about \$900 million, the group considers. The recommendations were contained in a report to the Inter-American Economic and Social Conference, opening in Uruguay on August 5. The group believes help could be expected from the U.S., Canada, Western Europe, Japan and other nations. Latin American countries would be expected to contribute to the fund when conditions were good. Money from the fund would be used on a loan basis.

U.S. MAIZE FORECAST

A major change in the monthly production forecasts of 1961 maize crop was announced recently by the U.S. Agriculture Department. From now on the estimates will only include maize to be harvested for grain. The change will eliminate estimates of silage and forage maize, which have been included in estimates of maize for all purposes in previous years. The change is being made, officials explain, because farmers and grain dealers are interested chiefly in grain that moves off the farm to market, or is placed under government loan.

COTTON AND WOOL HOSIERY FABRICS

The Government of India have decided to grant import entitlements against exports of mixed hosiery fabrics made out of cotton and wool to the extent of 15 per cent of the f.o.b. value of such exports. A public notice issued in this connection says that the entitlements will be valid for the import of coal tar dyes, textile chemicals etc, zip fasteners, elastic tapes and trimmings for the use in the making of hosiery fabrics, knitting machines for hosiery fabrics, their accessories and knitting needles, which are not indigenously available. Items like zip fasteners, elastic tapes, knitting machines and accessories and knitting needles will be licensed only to manufacturer-exporters of hosiery fabrics. It has been further laid down that in the case of zip fasteners, elastic tapes and trimmings for use in the making of hosiery fabrics, the value of import licences in respect of any one of these articles will be limited to 5 per cent of the entitlement value. Exporters and manufacturer-exporters of hosiery fabrics, importing coal tar dyes, textile chemicals etc., under this scheme will be required to sell the imported articles to any unit of the textile industry. The manufacturer-exporters of hosiery fabrics should in the first instance register themselves with the Textile Commissioner; only exports effected by registered manufacturer-exporters of hosiery fabrics will qualify for receiving import entitlements under the scheme. The licencing authority will be Joint Chief Controller of Imports and Exports, Bombay, on certification by the Textile Commissioner of the value of the import entitlement. Licences will be granted once in a quarter on the basis of exports effected in the preceding quarter.

WILL INDIA SUFFER IF BRITAIN JOINS THE COMMON MARKET?

The question is fully analysed in

"THE COMMONWEALTH AND EUROPE"

(Price: 42 Sh.)

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Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Manufactures							
	Food articles & Tobacco	Liquor & Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Inter- mediate Products	Finished Products	Total	All Comme- dities
1953-54	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1955-56	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	102.3	84.3	104.2	116.0	110.9	105.5	105.3	105.3
1957-58	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61	120.0	110.0	119.6	145.4	130.5	122.8	123.9	124.8
April 1960	117.6	103.1	118.1	134.2	123.2	116.9	117.8	120.4
May	120.3	107.3	119.2	140.1	125.4	119.0	119.9	122.8
June	120.3	109.5	118.0	139.7	127.2	118.7	119.9	122.9
April 1961	117.5	112.0	122.3	152.9	136.0	125.3	126.8	125.7
May	117.2	104.1	122.8	152.8	136.9	124.5	126.3	125.2
June	119.9	100.1	122.2	148.7	135.2	127.4	125.3	125.6
27-5-1961	117.4	98.9	122.7	152.0	137.1	124.3	126.1	125.1
3-6-1961	118.0	101.9	122.8	149.1	137.7	123.8	125.8	124.9
10-6-1961	118.7	100.3	122.8	147.1	139.3	121.8	124.3	124.5
17-6-1961	121.0	99.5	121.5	148.1	141.0	140.7	125.3	126.0
24-6-1961	121.8	98.6	121.5	150.6	122.8	123.4	125.8	126.9

*Revised.

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS
(August 1939 = 100)

Period	Bombay									
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi	Calcutta	Kanpur	Nagpur	Jabalpur	Madras June 1936=100	All India†
1939 (Aug.-Dec.)	103	—	—	—	—	105	104	—	106	—
1954	342	359	244	138	327	408	373	139	341	148
1955	322	338	217	130	321	371	364	133	321	134
1956	336	352	244	142	347	424	397	151	358	152
1957	352	368	259	150	364	448	422	162	374	157
1958	376	394	274	150	384	468	447	165	401	157
1959	393	412	308	158	384	469	498	163	429	166
1960	401*	420*	296	158*	397*	476*	512*	165	462*	167
1960 July	404	423	302	160	406	484*	515	165*	467	169
August	402	421	304	160	410	484*	515	163	470	169
September	399	418	302	161	403	489	520	163	472	167
October	402	421	304	162	396	488	517	163	477	171
November	404	423	300	159	392	489	509	163	484*	171
December	400	419	297	160	385	478*	507	163	488*	169
1961 January	400	419	296	161	385	480	—	165	470*	171
February	401	420	—	163	389	487	491	165	474*	172
March	404	423	—	164	392	483	488	—	479*	—
April	409	428	—	165	389	471	—	—	482*	—
May	412	431	—	166	—	464	—	—	479	—
June	—	—	—	—	—	474	—	—	478	—

†Base 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)
WEEK ENDED

	14-7-1961	7-7-1961	30-6-1961	23-6-1961
Gold (per 10 grams)	120.75	119.90	120.22	122.40
Silver (per kilogram)	200.80	199.75	200.18	201.60
	120.75	119.90	120.22	122.40
	200.80	199.75	200.18	201.60
	120.75	119.90	120.22	122.40
	200.80	199.75	200.18	201.60
	120.75	119.90	120.22	122.40
	200.80	199.75	200.18	201.60

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Note + Coins)	Balances with Reserve Bank	(5+6) as percent- age of (4)	Advan- ces	Bills Discount- ed	(8+9) as per- centage of (4)	Invest- ments in Govt. Secur- ities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1953-54	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	59.56	321,29
1954-55	559,62	351,86	911,55	32,66	53,91	9.50	468,39	84,66	60.68	339,74
1955-56	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	63.02	370,71
1956-57	653,34	453,92	1,107,26	36,94	50,23	7.96	626,08	155,56†	71.39	359,35
1957-58	723,89	619,19	1,343,08	39,34	77,55	8.72	723,79	167,32†	66.77	385,54
1958-59	735,93	860,33	1,596,26	40,30	83,99	7.74	766,56	133,27†	56.37	565,14
1959-60	745,83	1,086,79	1,832,62	44,84	75,81	6.58	842,75	144,49†	53.87	725,20
1960-61*	794,49	1,155,87	1,950,36	47,04	93,09	7.17	995,75	162,94	59.48	688,52

Average of Fridays

January 1961	793,54	1,103,32	1,896,85	44,79	78,39	6.49	1,042,22	169,59	63.89	621,24
February 1961	803,25	1,092,13	1,895,38	45,46	71,07	6.15	1,071,18	183,27	66.19	593,27
March 1961	820,31	1,074,28	1,894,59	45,14	70,03	6.07	1,107,98	197,93	68.92	566,54
April 1961	854,21	1,093,17	1,947,38	47,78	74,18	6.27	1,111,89	205,35	67.64	553,13
May 1961	845,27	1,108,21	1,953,48	48,43	73,26	6.23	1,085,24	194,17	65.49	548,23
June 1961	837,02	1,119,91	1,956,93	48,46	79,72	6.55	1,102,90	179,40	65.53	542,17

Week Ending

9-6-1961	822,87	1,127,70	1,950,57	46,37	76,76	6.31	1,102,88	185,61	66.06	537,11
16-6-1961	835,14	1,114,11	1,949,25	47,14	81,64	6.61	1,103,11	181,19	65.89	528,91
23-6-1961	837,52	1,122,71	1,960,23	47,62	73,64	6.19	1,096,50	177,74	65.00	545,39
30-6-1961	862,49	1,114,41	1,976,90	54,56	87,62	7.19	1,110,63	166,32	64.54	549,01
7-7-1961	855,27	1,119,82	1,975,09	49,43	86,72	6.89	1,109,81	162,44	64.41	547,55

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees)

Last Friday	Deposit money with the public					
	Money supply with the public	Total currency with the public	Total	Demand liabi- lities of banks	Other depo- sits with Reserve Bank†	Total variations in money supply
(1)	(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1954-55	1,920,63	1,311,77	608,86	599,16	9,71	+126,65
1955-56	2,184,32	1,505,09	679,23	67,22	12,01	+263,69
1956-57	2,312,89	1,556,50	756,39	744,74	11,65	+128,57
1957-58	2,388,83	1,606,60	782,22	762,36	19,87	+75,94
1958-59	2,498,76	1,724,53	774,23	754,98	19,25	+109,92
1959-60	2,703,13	1,862,72	840,41	818,62	21,79	+204,38
1960-61	2,901,72*	2,026,89*	847,83	855,87	18,96	+198,59*
November 1960	2,668,68	1,843,44	825,24	804,15	21,09	+7,99
December	2,737,29	1,898,73	838,56	813,05	25,50	+68,60
January 1961	2,792,66*	1,944,99	847,67	821,72	25,94	+55,38*
February	2,815,17*	1,966,28	850,28	829,74	20,54	+23,91*
March	2,908,07*	2,026,89*	874,83	855,87	18,96	+85,15
April	2,940,58*	2,025,68*	897,95	868,73*	19,22	+11,91
May	2,870,53	2,010,63*	859,90*	839,65*	20,24	-43,10*

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

GROWTH PATTERN OF GROSS DOMESTIC PRODUCT: 1950-59

	Rate of growth in gross domestic product (per cent per an- num)	Gross domestic capital forma- tion as percent- age of gross domestic product	Incremental capital out- put ratio	Total net savings	Foreign savings	Net domestic savings
				As a percentage of gross domestic product		
Industrial Economies						
Japan ..	9.1	28.5	3.0	19.9	-1.2	21.1
West Germany ..	7.5	23.9	3.1	14.1	-3.1	17.2
Austria ..	5.7	21.8	4.0	14.7	1.4	13.3
Italy ..	5.7	20.8	3.6	11.9	1.3	10.6
Netherlands ..	4.6	24.3	5.3	14.5	-1.4	15.9
Australia ..	4.3	28.4	6.5	22.5	2.3	20.2
Finland ..	4.2	—	7.0	20.6	-1.1	21.7
France ..	4.0	18.6	4.6	9.3	0.2	9.1
Canada ..	3.9	24.5	6.0	13.9	2.5	11.4
Norway ..	3.4	29.7	8.9	19.8	2.6	17.2
United States ..	3.3	18.0	5.3	9.3	-0.6	9.9
New Zealand ..	3.1	23.2	7.8	16.6	0.7	15.9
Belgium ..	2.7	16.3	5.7	6.6	-1.4	8.0
United Kingdom ..	2.5	15.6	6.1	6.7	-0.5	7.2
Denmark ..	2.7	18.9	6.7	12.6	0.2	12.4
Underdeveloped Economies						
Israel ..	11	26	2	—	21	—
Iraq ..	9	15	2	10	-3	13
Greece ..	7	17	2	12	8	4
China (Taiwan) ..	7	17	3	12	7	5
Burma ..	6	19	3	13	-1	14
Mexico ..	6	16	3	—	1	—
Brazil ..	6	16	2	11	1	10
Turkey ..	6	14	3	10	2	8
Spain ..	5	18	3	10	2	8
Cyprus ..	5	19	5	15	12	3
Republic of Korea ..	5	13	2	8	9	-1
Union of South Africa ..	5	23	4	15	1	14
Ghana ..	5	11	3	—	2	—
Thailand ..	4	16	4	—	2	—
Indonesia ..	4	6	1	3	1	2
Portugal ..	4	16	4	11	5	6
Egypt ..	3	12	4	—	3	—
India ..	3	8	2	8	1	7
Argentina ..	2	20	12	10	2	8

Source: World Economic Survey.

PRODUCTION TRENDS: 1955-60
(Index Numbers)

(Base: 1951 = 100)

Industry	1955	1956	1957	1958	1959	1960	Percentage change of 1960 over 1955
I. General Index (crude)							
..	122.4	132.6	137.3	139.7	151.9	170.3	+ 39.1
II. Mining and Quarrying							
..	111.7	115.0	126.8	133.7	142.0	159.8	+ 43.1
Coal ..	111.4	114.9	126.8	132.2	137.1	150.9	+ 35.5
Iron Ore ..	116.7	116.1	126.3	156.3	212.2	286.5	+145.5
III. Manufacturing							
..	122.7	133.3	136.9	138.5	150.4	168.5	+ 37.3
1. Food manufacturing industries							
Sugar ..	143.0	166.5	185.5	175.6	186.8	228.7	+ 59.9
Wheat flour ..	100.7	110.7	149.5	168.3	197.7	186.0	+ 84.7
Tea ..	106.2	106.0	106.9	113.8	113.5	110.3	+ 3.9
Salt ..	109.0	119.5	132.7	151.3	114.5	123.8	+ 13.6
Vanaspati ..	151.3	148.3	174.9	171.3	183.8	192.8	+ 27.4
2. Cigarettes ..	106.4	122.6	134.7	139.1	150.0	178.8	+ 68.0
3. Textiles (total)							
..	113.6	119.9	116.8	112.6	114.9	117.5	+ 3.4
(a) Cotton Textiles ..	111.9	117.5	115.6	108.9	111.5	115.4	+ 3.1
Cotton yarn ..	117.3	122.0	127.5	123.1	128.2	134.5	+ 14.7
Cotton cloth ..	109.2	115.2	109.7	101.8	103.1	105.9	- 3.0
(b) Jute textiles ..	118.9	127.3	120.5	123.9	125.4	126.9	+ 6.7
4. Paper & paper products ..	140.2	146.6	159.3	191.8	222.9	257.6	+ 83.7
5. Leather and leather products							
..	89.5	93.9	93.8	106.3	120.7	134.5	+ 50.3
6. Rubber and rubber products							
..	140.2	151.6	165.5	181.3	206.7	237.3	+ 69.3

PRODUCTION TRENDS: 1955-60 — (Contd.)

(Index Numbers)

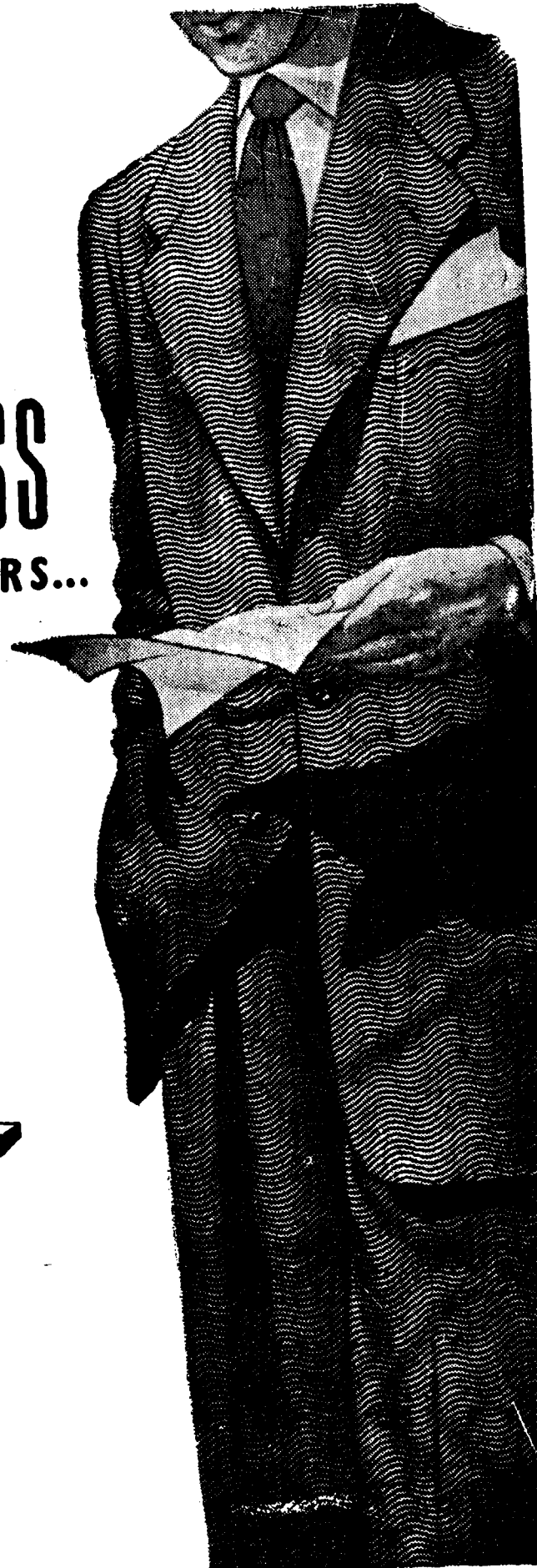
(Base: 1951 = 100)

Industry	1955	1956	1957	1958	1959	1960	Percentage change of 1960 over 1955
7. Chemical and Chemical Products							
..	159.0	171.1	181.3	206.2	227.5	255.6	+ 60.8
Sulphuric acid ..	155.4	154.5	183.3	211.9	273.2	332.7	+114.1
Caustic soda ..	232.7	267.7	289.7	388.5	467.1	662.8	+184.8
Soda ash ..	162.6	177.2	193.4	188.2	197.4	300.9	+ 85.1
Bleaching powder ..	75.3	130.0	149.1	181.7	142.5	162.9	+116.3
Superphosphates ..	121.5	133.0	232.2	273.4	405.9	519.9	+327.9
Ammonium sulphate ..	745.8	738.1	720.3	729.0	718.2	725.4	- 2.8
Paints and Varnishes ..	116.6	124.2	126.2	143.3	162.0	149.7	+ 28.4
Matches ..	106.6	106.6	100.1	108.3	112.3	114.7	+ 7.6
Soap ..	118.7	132.1	133.8	148.0	155.8	166.2	+ 40.0
Rayon ..	280.2	355.8	459.8	644.0	724.5	924.8	+230.0
8. Manufacture of Non-metallic Mineral Products							
..	134.8	153.1	173.7	197.0	223.2	242.5	+ 79.9
Sheet glass ..	350.7	429.5	489.0	666.1	726.5	732.2	+108.8
Laboratory glass ..	126.2	169.7	159.7	185.4	263.3	238.0	+ 88.6
Cement ..	140.4	154.2	175.3	189.9	213.6	241.4	+ 71.9
Ceramics ..	127.5	156.1	174.0	208.5	256.2	259.2	+103.3
Asbestos cement sheets ..	127.5	146.8	193.9	228.1	219.2	255.3	+100.2
Refractories ..	115.9	134.0	154.4	182.9	210.0	215.3	+ 85.8
9. Basic Metal Industries							
..	112.6	117.1	119.5	121.1	159.2	216.4	+ 92.2
Iron and steel ..	113.3	119.4	119.3	119.1	163.1	208.8	+ 84.3
Pig iron and ferro-alloys ..	103.9	107.2	104.8	115.2	167.7	226.2	+117.7
Finished steel ..	117.1	124.2	125.1	120.7	161.3	201.8	+ 72.3
Aluminium ..	187.7	166.9	202.3	212.6	448.2	472.2	+151.6
Copper (virgin metal) ..	102.8	107.7	110.8	110.7	107.9	124.9	+ 21.5
10. General Engineering and Electrical Engineering							
..	183.3	218.1	241.3	254.1	287.8	350.0	+ 90.9
Diesel Engines ..	141.0	165.8	229.6	355.6	418.6	575.2	+307.9
Power Driven Pumps ..	83.3	113.6	154.0	188.1	205.8	247.5	+197.1
Sewing Machines ..	228.2	293.3	376.7	461.5	568.2	665.3	+191.5
Machine Tools ..	157.3	254.1	530.3	794.8	927.5	1,269.1	+706.8
Dry Cells ..	112.3	126.5	116.2	117.3	130.6	144.7	+ 28.9
Storage Batteries ..	112.0	149.6	154.5	169.3	210.6	242.6	+116.6
Electric motors ..	176.3	251.4	328.9	436.6	402.9	476.3	+170.1
Power Transformers ..	289.5	471.1	624.9	577.5	520.8	639.5	+120.9
Electric Lamps ..	156.2	198.0	213.6	196.4	224.5	266.7	+ 70.7
Electric Fans ..	132.8	159.5	246.9	299.1	341.4	466.1	+251.0
Radio Receivers ..	98.1	181.9	230.3	239.3	258.3	322.2	+228.4
Razor Blades ..	763.3	1,159.5	1,471.3	1,557.6	1,890.6	2,468.7	+223.4
11. Manufacture of Transport Equipment							
..	129.3	178.7	186.6	173.7	219.2	286.2	+121.3
Automobiles ..	103.7	144.3	143.4	120.3	163.8	232.0	+123.7
Bicycles ..	429.8	581.0	691.8	798.6	867.0	919.5	+113.9
12. Electricity generated							
..	144.5	164.1	184.9	209.0	248.5	280.1	+ 93.8

Source: C.S.O.

UNDERTAKINGS LICENSED FOR MANUFACTURE OF SUGAR MILL MACHINERY AND EQUIPMENT
(As on March 1, 1961)

Name of Firm	Location of Unit	Item of Plant/machinery licensed for	Annual licensed/ approved capacity (Rs. lakhs)	Name of collaborator, if any
1. Walchandnagar Industries Ltd., Poona	Walchandnagar (Poona)	General items of sugar mill m/c milling plants	200.0	Skoda
		Gears & equipments)	160.0	
		2 Complete plants)	360.0	
2. Texmaco, Belgharia (W. Bengal)	Belgharia	Complete sugar mill plants except centrifugals	160.0	Stork Werkspoor, Holland
3. Indian Sugar & General Engg. Co. Ltd., Ambala	Yamunanagar	-do-	160.0	A.F. Craig, Glasgow.
4. Binny's Engg. Works Ltd., Madras	Madras	2 complete sugar mill plants except centrifugals	160.0	Mirrless Watson Co. Ltd., Glasgow.
5. K. C. P. Ltd., Madras	Madras	2 complete sugar plants	160.0	Fives Cail Ltd., France.
6. New India Development Corporation Ltd., Pimpri	Pimpri	2 complete plants including centrifugals		Buckau Wolf, West Germany.
7. Port Engg. Works, Calcutta	Calcutta	General items of sugar mill m/c like vacuum pans, evaporators, etc. & centrifugals	60.0	Watson Laidlaw, Glasgow.
8. Berry Bros., Calcutta	Calcutta	General items	50.0	
9. Saran Engg. Works, Marhowrah (Bihar)	Marhowrah	General items of sugar mill m/c	20.0	Nil
10. Arthur Butler & Co., Calcutta	Muzzafarpore (Bihar)	General item	30.0	Nil
11. R. R. Engg. Co., Bareilly (U.P.)	Bareilly	General item	3.0	Nil
12. Saharanpur Engg. Works, Saharanpur (U.P.)	Saharanpur	General item	5.0	Nil
13. Richardson & Cruddas, Bombay.	Saharanpur	General items	25.0	Nil
14. Garlick & Co., Bombay.	Byculla	General items of sugar mill machinery	10.0	
15. Rai Bahadur Lachman Das Sugar & General Mills Ltd., Lucknow.	Bombay	General items and vacuum filters	10.0	Dorr-Oliver, USA
16. Andhra Sugars Ltd., Tanuku (A.P.)	Jarwal Road	General items of sugar mill m/c	20.0	
17. Ramkola Sugar Mills Co. Ltd.			Against orders	
18. Ganesh Dass Ramgopal & Sons, Lucknow.	Tanuku	General items	5.0	
19. Rajkumar Mills Ltd., Indore.			Against orders	
20. Ravalgaon Sugar Firms Ltd., Maharashtra.	Ramkola	General items	10.0	
21. Vijay Steel & Genl. Mills Co. Ltd., Phagwara.			Against orders	
22. Chitram & Co., Madras.	Lucknow	General items of sugar mill m/c	1.0	
23. Trwani Engg. Works Ltd., New Delhi.	Indore	-do-	2.0	
24. W. H. Brady & Paral Co., Bombay.	Ravalgaon	General items of sugar mill m/c Sugar graders & surplus valves	10.0	
	Phagwara	Mostly castings	1.0	
	Madras	Mostly structural items	1.0	
	Naini (Allahabad)	Sugar mill plants, mill gears, engines and turbines and centrifugal	150.0	Booker's Engg. (Holdings) Ltd., London.
	Bombay	General items of sugar mill m/c	2.0	Nil



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OF THE

The Eastern Economist

JULY 28, 1961.

Accent on Accelerated Growth

THE Economic Survey of Europe in 1960 has lit a fire which will not be put out for many years. In a comprehensive review of the growth of European economies, it has found opportunities to point to the widening gap between the developing countries of Europe and the underdeveloped countries and even to outline a policy for correction. But the important lesson is really to be found in the juxtaposition of the growth patterns of what are described as industrial economies and underdeveloped economies in the non-Communist world, both in the World and European Surveys. One of these is so revealing that it deserves repetition in full. It is true the story from 1950 to 1959 is not complete and, for India at least, 1960

has given us a much more favourable figure. Nevertheless, even if our average rate of growth were raised to 4 per cent over the decade, India would still be at the bottom of this group, below Portugal and only surpassing Egypt and Argentina. It is right that Mr. S. P. Jain, President of the Indian Chamber, Calcutta, should have raised the question in a challenging form in his presidential address at the first quarterly general meeting last Friday. Mr. Jain asked the Federation of Indian Chambers of Commerce and Industry and the Planning Commission to address themselves to the challenge of our slow rate of economic growth. This is much more than a problem for businessmen and the Government; it

GROWTH PATTERNS IN OUTPUT, GROSS CAPITAL FORMATION AND NET SAVINGS, 1950 TO 1959

	Rate of growth in gross do- mestic product (per cent per annum)	Gross domestic capital for- mation as per- centage of gross domestic product	Incremental capital-output ratio	As a Percentage of Gross Domestic Product		
				Total net savings	Foreign savings	Net domestic savings
Industrial Economies						
Japan	9.1	28.5	3.0	19.9	— 1.2	21.1
West Germany	7.5	23.9	3.1	14.1	— 3.1	17.2
Austria	5.7	21.8	4.0	14.7	1.4	13.3
Italy	5.7	20.8	3.6	11.9	1.3	10.6
Netherlands	4.6	24.3	5.3	14.5	— 1.4	15.9
Australia	4.3	28.4	6.5	22.5	2.3	20.2
Finland	4.2	—	7.0	20.6	— 1.1	21.7
France	4.0	18.6	4.6	9.3	0.2	9.1
Canada	3.9	24.5	6.0	13.9	2.5	11.4
Norway	3.4	29.7	8.9	19.8	2.6	17.2
United States	3.3	18.0	5.3	9.3	— 0.6	9.9
New Zealand	3.1	23.2	7.8	16.6	0.7	15.9
Belgium	2.7	16.3	5.7	6.6	— 1.4	8.0
Denmark	2.7	18.9	6.7	12.6	0.2	12.4
United Kingdom	2.5	15.6	6.1	6.7	— 0.5	7.2
Underdeveloped Economies						
Israel	11	26	2	—	21	—
Iraq	9	15	2	10	— 3	13
Greece	7	17	2	12	8	4
China (Taiwan)	7	17	3	12	7	5
Burma	6	19	3	13	— 1	14
Mexico	6	16	3	—	1	—
Brazil	6	16	2	11	1	10
Turkey	6	14	3	10	2	8
Spain	5	18	3	10	2	8
Cyprus	5	19	5	15	12	3
Republic of Korea	5	13	2	8	9	— 1
Union of South Africa	5	23	4	15	1	14
Ghana	5	11	3	—	2	—
Thailand	4	16	4	—	2	—
Indonesia	4	6	1	3	1	2
Portugal	4	16	4	11	5	6
Egypt	3	12	4	—	3	—
India	3	8	2	8	1	7
Argentina	2	20	12	10	2	8

is a challenge directed to all thinking persons in an age in which economic growth has acquired, properly, topmost priority.

It is to be noted that the current debate is not related to the slow rate of growths of free economies against those propelled by the forces of Communist teaching. There is, in fact, quite a substantial amount in the Economic Commission for Europe's Economic Survey of Europe in 1960 which shows that the Communist countries are not doing so well as is currently believed in the Indian Union. Soviet agriculture has stagnated for two years and a Special Article in the current issue sets out the tables from which one can judge progress in the largest of the Communist countries. It is obvious, whatever might be happening in terms of Soviet Industry, that the rate of overall economic progress in the Soviet Union is not higher than in the free economies. However this may be, the fact remains that both in Eastern Europe and in Western Europe there are now operating both technological and human factors, which have changed entirely the pattern of slow and stately development and have made possible, in advanced economies, rates of development substantially higher than those reached over the long haul. Most European countries now anticipate levels of growth of between 5 and 7 per cent notwithstanding their current advanced position. The crisis in psychology, both in the U.S.A. and the U.K. today, is connected with the dissatisfaction widely prevalent in both countries at the fact that they have abandoned themselves over the last decade to rates of growth between 2 and 3 per cent. The challenge everywhere, therefore, is for a recognition that even a wide industrial base is no justification for a rate of rise less than 4 per cent. In the case of the underdeveloped countries, the figure should be between 7 and 8 per cent. This is both technologically and humanly possible elsewhere. Why, it should be asked, are we still at the bottom of the Free World list and powerless to raise our targets to the level of our needs?

A vast amount of literature outside the classic report of the Economic Survey of Europe in 1960 is now accumulating on the point that while economists have for many years been unable to place their finger on the essential characteristics of

growthmanship — to use Colin Clark's appropriate term — great growthmanship is patently visible in Europe today. Prof. Galbraith did well to point out that the growthmanship was by no means a matter of rule of thumb or, indeed, a list of principles. It was basically a matter of adapting experience changing over time to the changing circumstances of each country. Nevertheless, there is enough experience to suggest that India's Plans have been conceived too conservatively in the light of this experience of Europe in 1960. What are the insuperable bars for India in raising the rate of growth, saving, employment and, necessarily, external trade?

Currently the issue is not one of method as of conviction. What is needed at the present time is a recognition that we have erred in diffidence, even in the Third Plan. The example of Italy — well set out in the piece "A Real Leap Forward" by our West European Correspondent in the issue of July 7, 1961 — is as suggestive as any other. Italy is not enormously endowed with natural resources. She is not the first of the industrial nations technologically or in terms of skilled labour. Nevertheless, she has maintained over the last decade, at constant prices, per capita rate of advance of about 6 per cent per year. How has this come about? It has been by the application of known techniques in backward areas no less than in the industrial North. Again the whole subject of economic development, which has swayed violently with the fortunes of particular countries in particular years, is now seen in a new light. The Free World is again overtaking the Communist world. It is much more a matter of application of certain technologies in an ordered and predictable way. If the current sense of dissatisfaction with India's rate of growth exposed in the World Economic Survey and the Economic Survey for Europe in 1960 leads to a determination to revise the Plan and to impart a new dynamism into its implementation, no one need regret that the Plan, to be placed before Parliament on August 7, will have proved partially out of date before its presentation. There is no greater sign of dynamism than that we should decline at the outset to be kept within limits unworthy of our place in the contemporary world.

Blunder over Bizerta

NO two States and their heads could seemingly have had better friendly relations and understanding of each other than France and Tunisia and President de Gaulle and President Bourguiba. Ever since Tunisia achieved independence in 1955, relations between the two countries have been cordial, being based on full co-operation and a realisation of its uninterrupted continuance. This makes the battle of Bizerta all the more tragic. Undoubtedly errors have been committed over Bizerta by both States. It is quite obscure from all available reports what immediate provocation there was for President Bourguiba, consistently known for his great sense of moderation, to force the issue of the evacuation of the French navy and the supporting air and land forces from Bizerta. At any rate, he chose a most unfortunate moment for precipitating this issue.

The talks with the Algerians at Evian are being resumed after a long break and not a little diplomacy went between the two sides before resumption could be agreed upon. This was hardly the best time to insist upon an immediate settlement of the question of evacuation as France

could not be expected to agree to it, knowing full well that any such agreement would seriously impair her position in the negotiations at Evian. Mr. Bourguiba further complicated his position by pressing upon President de Gaulle the Tunisian claim over part of Sahara. This claim brings Tunisia into direct clash with Algeria which insists upon a package deal over Algerian independence and settlement of the Sahara issue. Actually the FLN has issued a warning to President Bourguiba that any settlement he would make with France in respect of sovereignty over any part of Sahara would not be binding upon the future Government of sovereign Algeria.

There is, of course, the error of French ways also to be taken into due account. Tunisian national pride was deeply injured and President Bourguiba was placed in an embarrassing position by the ruthless French bombing of the Sakiet Sidi Youssef area of Tunisia in pursuit of Algerian rebels, suspected to have sought refuge there, in 1958. Franco-Tunisian relations came under strain and it was in this year that active correspondence was started by President Bourguiba for

the evacuation of the French forces from Bizerta. This correspondence added to the bitterness of relations. France was in no hurry to expedite the solution of this question. Early in the second week of this month, President Bourguiba again addressed a letter to President de Gaulle asking for nothing more than acceptance of the principle of evacuation, but the French response was not in the least encouraging. If it is argued that forcing the issue of evacuation right on the eve of the resumption of the Algerian negotiations was ill-timed, it is arguable with equal force that it was a great error of judgment on the part of President de Gaulle not to accept such a mild proposal as acceptance of the principle of the evacuation which was indisputable. With the fund of goodwill and understanding between the two sides, the crucial question of the schedule of evacuation could have been held over until the Algerian tangle was resolved.

France's legal right to hold the Bizerta base could not be controverted, but, likewise, the sovereignty of Tunisia over the Bizerta base also could not be controverted. Knowing the highly sensitive nationalist feelings in Africa at this juncture, the least that was expected of France was to respect Tunisian sovereignty over the naval base. But the French authorities on the spot paid

scant regard to this right and their attitude was not rectified by the home government. President Bourguiba had a legitimate grievance over the extension of the runway at Bizerta without his consent, which meant an overt affront to Tunisian sovereignty. It was not only that. It aroused the suspicions about preparation to land air force in large numbers, if need be.

If the blockade clamped by Tunisia was a grave blunder committed by her, the ruthlessness with which bombardment and destruction of life were rained by France on Tunisia was a blunder of equal, if not greater, gravity. The reference of the issue to the Security Council is bound to take its normal course, but the wisest way for both the sides would be to come to an agreement on this thorny question of vacating the base. The argument of the sensitivity of the French navy is matched by the argument of the sensitivity of the nationalist feeling in Tunisia. A long view ought to be taken of this question inasmuch as retention of a base in the midst of a hostile surrounding would serve no purpose. On the contrary, it would complicate France's task of safeguarding her oil interests in Sahara, when the question of the transfer of sovereignty over it comes to be settled with African countries, as it is bound to be at some future time.

Double Standard

MR. SHANTILAL SHAH, Labour Minister of Maharashtra, urged the workers in a speech at Ujjain not to press for bonus as their right in the public sector undertakings. The reason given for this advice was that profits from the public sector undertakings were ploughed back for the good of the entire nation. While the performance of a majority of the public sector undertakings has been extremely poor in the recent years and naturally does not allow much margin of profit, the question of bonus, therefore, does not arise because 'bonus' in this country has been closely linked with the sudden and unexpected profits of a particular industry. The Labour Ministers at the Centre as well as the States are never tired of exhorting the industrialists in the private sector to treat bonus as a deferred wage and freely distribute bonus to the workers whether the balance sheets of the units warrant such a distribution or not. It appears that the Labour Ministers in this country have two different standards for application to workers in the public and the private sectors.

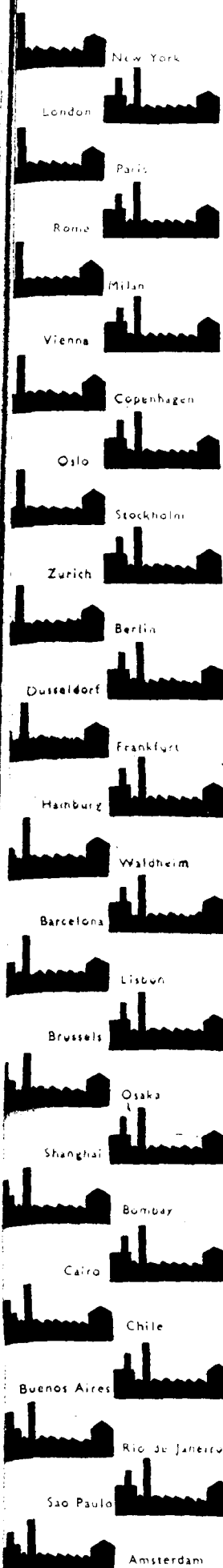
The results of the financial working of the industrial establishments, whether in the private sector or the public sector, are governed by the same principles of accounting. The gross profits are distributed between the State and the shareholders according to an agreed formula. The private sector establishments also continue to plough back a sizable portion of the profits. If capital formation had not taken place in the private sector, the present high level of industrial activity could not have been achieved. Where then lies the difference between the industrial establishments in the two sectors? Why should a double standard be applied in the allocation of emoluments? Why should bonus be made a compulsory item of cost in a substantial majority of the private sector industries irrespective of their margin of profit, while the public sector should be exempted from it?

There is a strong belief in this country that the public sector undertakings are being run with

inefficient management, particularly in financial matters. There seem to be some inherent weaknesses in these undertakings and their financial results have indicated that the capital invested in them has not so far yielded a return even equivalent to the modest yield on bank deposits by way of interest. In view of this stark reality, the question of bonus perhaps in these public sector establishments does not arise because there are small or no surpluses to be distributed or ploughed back. There is no justification for withholding the application of this criterion to industries in the private sector. It is the rank discrimination of the double standard which militates against equitable treatment to the private sector.

The Third Five-Year Plan has, however, envisaged that a sum of Rs. 450 crores would be available from the public sector establishments during the five-year period for reinvestment in the expansion of the undertakings. Is it to safeguard this probable surplus which might emerge during the next five years that the Government takes the precaution to forewarn labour against its erosion through bonus payments and the same reasoning would apply to private industries unless a double standard is to be blatantly resorted to. Labour Ministers need to search their hearts — or is it conscience?—and evolve a national labour policy in regard to bonus based on non-discrimination, in particular, and one which may encourage the growth of both the sectors without giving any preferential treatment to the one over the other.

Can it be gainsaid that the two sectors are the limbs of the same economy? If internal resources of industry are to constitute a vital source of development finance, as they must, when pressures of planned expansion tend to make capital resources scarcer, and fresh equity investment is to be encouraged, the profit margin must be adequate to allow both dividend distribution and retention for re-investment. Priority can be given to bonus only at the risk of these imperatives.



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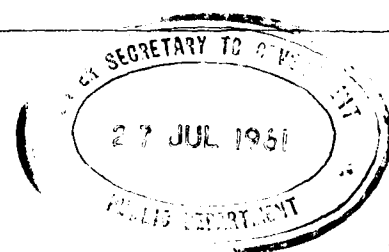
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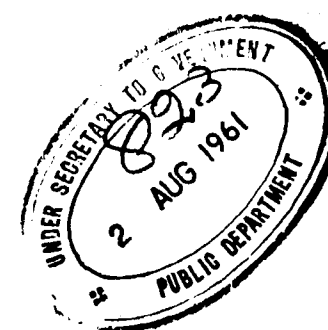


THE EASTERN ECONOMIST

NEW DELHI: JULY 21, 1961

NEW DELHI: JULY 21, 1961

ONE SHILLING



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A DELHI DIARY

THE HIGH ROAD OR THE LOW ROAD?

THE week has been full of personal interest. I shall, however, refer here only to the dominant one, because I am pressed by what might be described as historical forces, to speak of Alfred Marshall's "high theme of economic progress". The dominant personal note this week has been the President Dr. Rajendra Prasad. His severe illness has engendered concern on a scale which is small measure of the extent to which he has enshrined himself in the minds of the Indian people. Some of the bulletins being issued are, to say the least, unnecessarily detailed in anatomical detail and perhaps the panel of doctors might choose a little more discretion in describing alimentary details. But at least they have taken account of public concern which last Saturday mounted to a high pitch. Now that the President has been pronounced out of danger, there has been a feeling of grateful relief. It seems now clear that the President will have to go very slow; there is general expectation that he will complete his term of office as he was desperately anxious to do. I will make no comment on the next President of the Indian Union, bearing in mind the misfortunes of those journalists who were rash enough to make prophecies on the last occasion!

I must return hastily to the theme of economic progress which has erupted — I can find no better word — all over the country and which, I see, has strongly invaded "The Eastern Economist" this week. Not intending to give place to the Editor, who has pronounced this week on the "low" rate of Indian economic progress, I must proclaim that I have long entertained the view that India's Plans, adequate as they seem to us, have always receded to background when I have returned from abroad. I have said as much in Delhi Diaries recently — two on Poland and one on Yugoslavia. I must return to Yugoslavia today because I think it best illustrates what can be done by the right management and the appropriate environment to jump the blocks.

AM I A TITOIST?

I must tarry, however, on a word on personal explanation. One of my journalist friends, seeing my enthusiasm for Yugoslavia a fortnight ago, stopped me abruptly the other day and asked me if I was a Titoist. I was so taken aback that I could not realise how the confusion had arisen. People forget that one can admire the tremendous achievements of Yugoslavia in the last few years and not necessarily accept her entire political fabric. But the truth happens to be — if I might so boldly state it — that the Yugoslavs themselves are not Titoists in the sense that Marshal Tito's views dominate thinking in Yugoslavia. One of the most extraordinary things that I have found in Yugoslavia is that almost no one refers to the Marshal. He is a beloved figure and his picture is everywhere. But every enterprise operates entirely on its own, and Belgrade is almost irrelevant to its operation — I was about to say as much as public opinion is to policy making in this country. The idea that Belgrade operates like Delhi will naturally prevail in the Indian Union, but it is the opposite of the truth. The suggestion that Marshal Tito exercises as much power in detail as Jawaharlal Nehru does in this country is totally false. The substance of Yugoslavia's economic progress is, in fact, the decentralisation of administration in a form which puts to shame our high democratic principles. In theory we are a democratic country and Yugoslavia looks like a dictatorship. In practice economic freedom inside every enterprise is far greater in Yugoslavia than it will ever be in the Indian Union. After this odious comparison let me talk more particularly about what I consider to be the three basic elements

in Yugoslavia's recent economic progress, which, as I said a fortnight ago, is likely, if continued as in the Plan, to set up the highest rate of economic progress that the world will have seen over a period of a decade.

THE TROIKA

It is fashionable to talk about the Troika in political affairs. In Nikita Khrushchev's language, of course, the Troika is the new Trojan horse by which anti-Communists, Communists and neutrals are held together in an international commission which eventually leaves everything as it was. But there is a great deal to be said for an economic Troika in which the great components of modern productive efficiency are allowed full play. I call them, for want of better words, Technology, Management and Participation. In my own (humble) opinion they explain far more of the Yugoslavian production miracle than they would in any comparable case of rapid economic progress of other relatively underdeveloped areas. On the last occasion when I was in Yugoslavia, I thought of technology largely in agricultural terms — the careful choice of Italian wheat, after combing the whole world for varieties and then acclimatising seed to Yugoslavian conditions; the selection of British cattle and the rejection of cover when the numbers became so large that they could not be housed under comparable conditions in Yugoslavia; the subsequent adaptation of feeding and shelter so that milk yields were higher than in Britain. I could multiply instances of this kind in industry where innovation in Yugoslavia has been remarkably swift and capital-saving. These are, however, real triumphs not so much of technology by itself as of Management Plus. And I can repeat the point that I made two weeks ago that Yugoslavia has managed somehow or other to compress the span of experience in its younger managers so that a man rises quickly in capacity in five years, accomplishing what in India would take fifteen years. Another point, namely, that managers should not be allowed to grow stale on their jobs, or lose the original challenge which belonged to the revolution, is well appreciated in Yugoslavia. In India, largely as a result of our traditional forms of management — the civil service in the public sector, and the managing agencies in the private sector — the opportunities for a constant ferment are seldom there. Am I right in suggesting that this leads to staleness not often recognised? The longer experience may well (heresy?) be in the event dearly bought.

Finally, and this is unique in Yugoslavia, is the problem of decentralised management associated with "crashing" individual incentives. From January 1, this year there is a new pattern of distribution of a product of industry, one feature of which is that provision is made out of profits for social obligations and State taxation before the Federal provision of 15 per cent (only!) of profits is made. The essence of the Yugoslavian principle is that the workman participates freely in a decision in regard to allocations for bonus (or enhanced wages) as well as for ploughing back. He is really a portion of management to the extent that he is party to a decision as to what is to be taken out and what is to be ploughed back. Whereas some time ago I took the view that technology was the major element in Yugoslavia's success and a fortnight ago I was talking about managers more than about other factors, I should now correct my heresy and say that the Troika—technology, management and participation—must be worked as a single instrument for total success. If this is being a Titoist, let me proclaim, answering my friend, that I am a Titoist in economics. I have still my reservations on ownership of enterprises. On this I enjoy the delightful conveniences of a split personality!

ARGUS.

THE WEEK'S NOTES

Berlin

PRONOUNCEMENTS WITHOUT SOLUTION

THE WESTERN POWERS' notes presented to Russia on July 17, in reply to the Russian note of June 4 on the settlement of the Berlin issue, reiterate their determination not to be pushed from their rightful position and to defend it against any possible assault. They have reaffirmed the fact that they are in positions of control in Berlin by virtue of the solemn agreement to which the three Western allies and Russia are signatories. International agreements cannot be altered at the option of any single party and no change in the present status of Berlin can be made except by unanimous agreement between the four signatories. The position so firmly taken up by the Western powers is fully vindicated by their legal rights. But if international problems and cold war controversies could be solved by legal arguments and assertion of legal rights, many other issues, like the Berlin question, would have long ceased to be dangerous sources of trouble threatening to push the world to the brink of war. The Western pronouncements are tantamount to a determination not to be bullied by threats, but they do not provide a solution to the Berlin issue. On the contrary, they carry a serious risk of a likely lapse into a situation which may create the possibility of war. This applies to the posture taken by the U.S. and Lord Home has uttered a note of caution where the developments may lead to.

But if Russia concludes a separate treaty with East Germany as a sovereign State, there is nothing in law which can enable the Western powers to prevent her from doing so. On their part they would be right in refusing to recognise the sovereign status of East Germany and that is all. This is a trump card in Mr. Khrushchev's hand and he has threatened to use it before the end of the current year. The Western powers' insistence on self-determination to the German people in deciding the issue of the reunification of Germany is politically and morally right. But the Kremlin has no intention of agreeing to free elections in East Germany and risk its strangle-hold on this State of its creation.

Mr. Khrushchev has taken care not to use any expression indicating that he would block the West's access routes to Berlin. If he concludes a separate treaty with East Germany, Russia will vacate her position in favour of the latter and the Western allies will be faced with a situation where they will need to negotiate the question of the access routes with East Germany. It is problematic how far the agreement on the routes to Berlin concluded between the Western allies and Russia will be honoured by East Germany. If no alternative is possible (airlift is there, but not a permanent one), the West may need to deal with East Germany on a de facto basis, but it cannot be driven to de jure recognition. Such a tight corner strategy will harden Western attitude and Russia will be unable to impose the proposal of a free city of Berlin on the three co-signatories. The pronouncements made by the two sides lead to a blind alley, where they will again find a war of nerves.

Flood Enquiry

SIGNIFICANCE OF THE POONA PROBE

MR. Y. B. CHAVAN, the Chief Minister of Maharashtra, has taken a forthright and courageous attitude in acceding to the public demand in the State for a probe into the cause of the collapse of the Panshet and Khadakvasala dams. The controversy essentially centres round the tragedy of the Panshet dam. Three main

issues have been raised in demanding the enquiry — the failure of the administrative machinery to give a warning of the coming disaster to the public, the consequences of advancing the completion of the dam at Panshet one year ahead of the target date of 1962 and the technical propriety of constructing an earthen dam in preference to masonry construction. There is no ground for a judicial enquiry as the State PSP has demanded.

The real case for a thorough probe into Panshet rests on technical reasons. The issue is of an all-India significance concerning the conditions in which it is technically safe, sound and desirable to construct earthen dams on big scales since they are relatively recent in this country. As far back as 1957, when the plan for Panshet was being drawn up, the Deccan Agricultural Association sent a deputation, consisting, among other experts, of retired Chief Engineers of high repute of the former Bombay State and a former Chief Conservator of Forests, to urge upon the State Government to revise its decision to construct an earthen dam. The plea was based on two reasons. The Deccan terrain was eminently suited for masonry construction for which ample quantities of stone, lime and sand were locally available and earth of the requisite suitability was not easily obtainable. Technically again, the second reason is vitally important. Giant earthen dams are not unknown, but the view is strongly held abroad that local soil is preferably acceptable as it answers the requirements of a firm mixing agent, imparting strength and resistance to the foundation as well as the superstructure. The deputation's advice was not heeded, one of the reasons being economy of about one crore of rupees in expenditure.

In appointing a former judge of the Bombay High Court to constitute the one-man Commission of Enquiry, Mr. Chavan has unwittingly given a handle to the critics, clamouring for a judicial probe, that the Commission's assignment assumes that complexion. What is really needed is a thorough examination of the suitability, justification and, above all, techniques of earth dams in different conditions in the all-India context. The issue ought not to be limited to Panshet alone. A high ranking official of the Central Water and Power Commission has already collected preliminary data in the course of his personal investigation at Panshet which are being processed. These can be used with profit by the Commission. But in view of the comprehensive significance of the issue, it is advisable to appoint engineering and other technical experts on the Commission, including also a foreign expert or experts in the theory and practice of the construction of earthen dams. The Commission's personnel should be enlarged for this purpose.

Iran

AFTER FIFTEEN MONTHS

FIFTEEN MONTHS after the great political shake-up of May 5, 1960, Iran finds herself in a state of complete stagnation. Dr. Amini's choice as Prime Minister had raised high hopes that the country would be provided with a clean administration and progressive economic policies which would mark a firm beginning of a new order. But when the plain truth of the situation is realised that Dr. Amini has been in office, but not in power, much of the explanation of the perpetuation of the political and economic stagnation is offered. The preliminary step to economic reform — dissolution of the concentration of ownership of land in the hands of a few families for redistribution — has been blocked by the resistance of the feudal forces, whose influence

could not be assailed over the years, much less during Dr. Amini's fifteen months of office. The Prime Minister now finds, with a painful sense of helplessness, that corruption is difficult to root out as the campaign for its eradication would implicate many in high positions in the army. Dr. Amini has little hold over the army to take stern action against erring officers, nor can he claim any effective control over the security forces and the police. Even in the Cabinet and the civil administration, the Shah has planted his nominees in strategic posts. Dr. Amini, bereft of party support (for he has none of his own) or control over the armed forces and the administration, invokes sympathy which an honest and well-intentioned man would in fighting a forlorn battle.

The National Front, which derives strength from the intelligentsia with leftist leanings, held its soul in patience until about two months ago to give the Premier a fair chance, unembarrassed by pressures of far-reaching reforms here and now. But this tacit understanding has given way. The recent ban imposed on the National Front's projected spectacular demonstration for immediate and radical reforms marks the beginning of a reluctant phase of repression. Relaxation in political restrictions, like strict control of the Press, has set the temper of quite a substantial section of the public in favour of non-alignment which means repudiation of partnership in Cento. These vociferous advocates of neutrality ignore the plain fact that Cento is the real defence for Iran against a threat to her security from across the frontier with neighbouring Azerbaijan. Dr. Amini has reaffirmed the policy of the existing security pacts, as indeed he could not do otherwise. Meantime, the empty treasury which he took over fifteen months ago remains virtually in the same condition. Attempts are being made to fill it with credits from the World Bank and West Germany. The really effective flow can come from American aid. Possibly the Kennedy administration may need proof of political stability assured by economic reform. So the vicious circle moves and stagnation threatens to make the situation below the surface explosive.

Minor Irrigation

CAPACITY AND UTILISATION

THE RECENTLY released report of the Programme Evaluation Organisation of the Planning Commission on minor irrigation works has apparently erred on the side of recording optimistic conclusions about the effective or actually available capacity and it has drawn unconvincing inferences about the magnitude of the gap between the capacity and its utilisation. It states that about 54 per cent of the irrigation potential of the minor works in the sample areas surveyed remained unutilized in the kharif crop of 1959-60, while under-utilisation in the case of the rabi crop of the same season was lower at 31 per cent. Obviously this gulf between utilisation and the irrigation potential is based on the estimate of the culturable command areas of the minor works, particularly the wells. To assume that a certain command area can be supplied with water by a given number of works with reference to their existing capacity is not the same thing as to demonstrate that the potential is actually available for exploitation to the owners or occupants of land within the command area. Where the works are owned by private landholders, as happens in the case of an overwhelming majority of them, the occupants in the command area cannot claim, as of right, the benefit of the water, assuming that they are willing to pay reasonable rates for its use.

This concept of capacity as related to the command area is no doubt theoretically sound, but it seems to ignore the reality of the situation in regard to the pos-

sibilities of effective use based on access as a matter of right to the adjacent landholders. That this is so is corroborated by an important finding in the report which highlights the fact that as many as 80 per cent of the respondents complained of inadequacy of water. The non-utilization of water from the existing works and its inadequacy of such a high order cannot go together. The obvious inconsistency between these two findings merits full explanation. The report records the finding that in the villages covered by the sample about 29 per cent of the net cultivated area can be served by minor irrigation works. This indicates an encouraging prospect for stepping up food production with the help of minor irrigation. But if the estimate is based on the concept of the culturable command area unrelated to access as a matter of right to owners or occupants in the area, it loses some of its practical force.

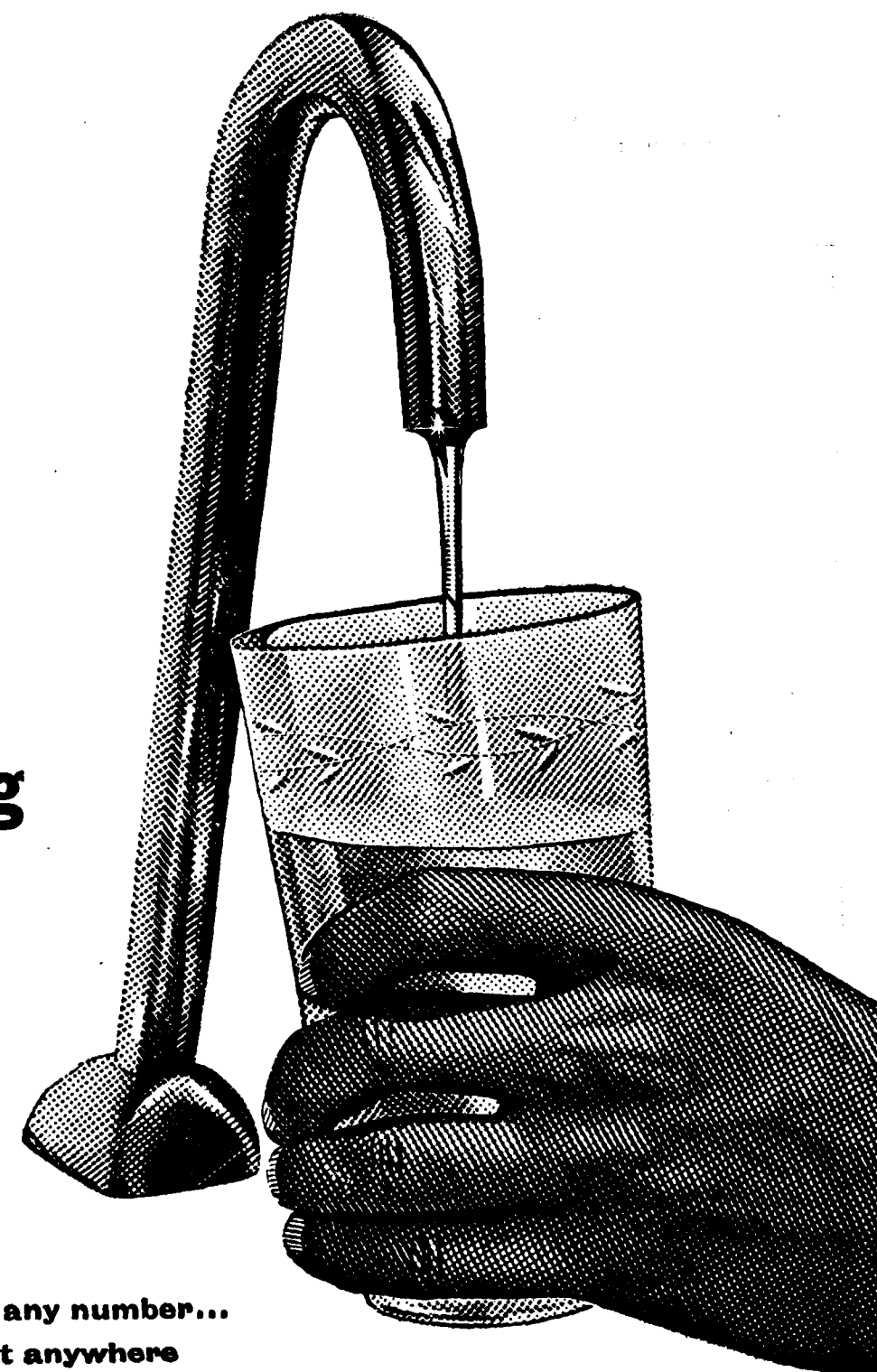
Students' Strike

CLOSURE OF OSMANIA UNIVERSITY

THE DRASTIC action taken by the authorities of the Osmania University in closing the colleges affiliated to it in Hyderabad and Secunderabad and the concurrent action taken by the high school authorities to close down the schools, as a measure to deal with the strike of the students, deserve to be welcomed for several considerations. So far as the students of the high schools are concerned, they were in no way concerned with the supposed cause of the strike and they had no reason to thrust themselves into the picture. The strike arose out of the enhancement of the tuition fees for different courses ranging between 10 per cent and 25 per cent in the Osmania University. The students went on strike for over a week in protest against the enhancement of the fees, but on being disillusioned that the authorities could not be cowed down by direct action, they began to indulge in most objectionable acts of violence, causing damage to the university buildings and smashing street lights.

The Osmania University's case stands in a class by itself and the entire conduct of the students from the start right to the point of the closure is totally indefensible and it has hardly anything to do with the issues involved in the broader national problem of student indiscipline. This University receives higher grants than the two other universities in Andhra State — the Andhra University and the Venketeshwara University and, furthermore, the fees at Osmania are exceptionally low. The gap of deficit in the budget of the University is widening year after year. In this situation the increase was inevitable and fully justified. In absolute terms, it cannot be considered as high. The parties who are really affected are not the students but their guardians, who have not raised even a faint voice of protest. There are further considerations which weaken the students' "cause". About one-third of them in the university receive monetary help through grants of scholarship or subsidised residence in the hostels. Above all, the increased fees were to be applicable to new entrants. It should be clear that the students have been irresponsibly misguided by the so-called leaders of their unions or associations and this leadership appears to be extraneous to the student world. Dragging high school students of tender age even without the semblance of any pretext in this affair corroborates this suspicion. The university and schools, of course, cannot be closed indefinitely. The initiative for reopening should come from the guardians who ought to exercise authority over their wards. If this does not happen on a sufficient scale, the majority who wants to resume their education must be given police protection to attend the courses and in that event severe action would need to be taken against the intransigent elements.

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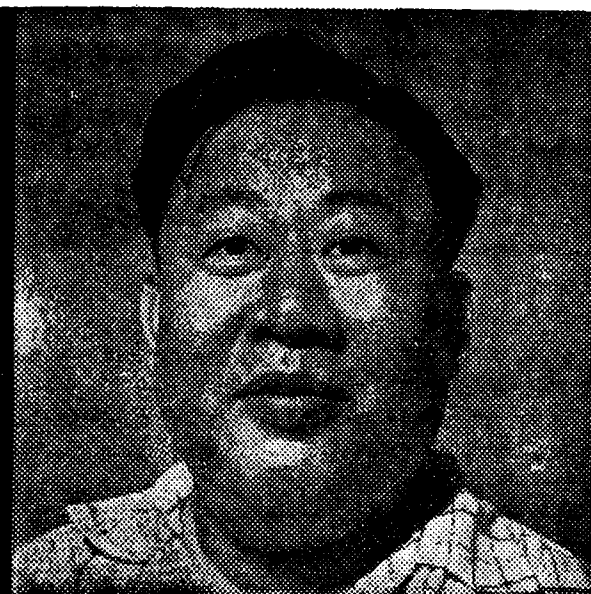
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The European Scene

GOOD WORK AT BAD GODESBERG

From Our Special West European Correspondent

PARIS, July 22.

SEVEN months late, the political summit conference of the Six of the Common Market was held this week in Bad Godesberg, and approved a modified version of the plans for greater unity that President de Gaulle proposed over a year ago. The long delay required before agreement could be reached, and the repeated postponement of the summit meeting, were due to determined opposition (notably in Holland but in other quarters too) to the methods President de Gaulle suggested for extending co-operation beyond the purely economic sphere of the Common Market and the Coal and Steel Pool. This opposition, which was based on considerations of principle, was overcome only in extremis, and because of the seriousness of the Berlin crisis. A display of European disunity at the present moment, everyone realised, could have disastrous consequences, by leading Moscow to believe that the European democracies were so divided that they would not oppose its designs on Berlin. The West Germans in particular were so anxious for a demonstration of solidarity that they would have rallied to almost any scheme for unity, even if it were not the sort of European unity they preferred.

So the decisive step that was taken this week toward Continental unification was taken under stress, and some might think that this limits its significance. This seems to be confirmed by a reading of the communique, which contains a generous salad of all the different conceptions of One Europe. Its main idea is that regular meetings of heads of government will be held to discuss all European problems, and continuity between these meetings will be assured by a permanent commission. This is clearly what remains (and it is the most important part) of President de Gaulle's project for a confederal union of governments, distinct from the larger Western alliance and distinct too from the supranational embryo government they have set up in the administrations of Euratom, the Common Market and the Coal and Steel Pool. Yet the communique contains numerous favourable references to those administrations, to the Western alliance and even to the European Parliamentary Assembly, all of which are to be associated with the move to political unity.

The various sects of the One Europe religion—the federalists, the integrationists, the confederalists—would be hard put to say which path the Six chose at Bad Godesberg. The major question of the immediate future, whether or not Britain is to join the Six, was left untouched although there was an invitation to "other European nations" to join provided they were prepared to "assume in all domains the same responsibilities and the same obligations". In sum, the Six seem to have pressed blindly ahead along the road that leads in the general direction of unity, too afraid to stop at this moment of international crisis to argue about the finer points of their association. Far from being reason for skepticism about the solidity of their union, I think that this attitude is the only reasonable and profitable one. A united Europe will be built, if ever, not because everyone is satisfied with the paper plans for it, but because, at moments of crisis, it becomes clear that there is no practical alternative to pursuing unification by whatever means are available at the time.

The crisis which, for the time being, is the main stimulant to union—the Soviet threat to Berlin—is no isolated accident but an aspect of the situation that makes European unification vitally necessary, a situation that is already at least 13 years old and which will persist for several decades yet. Russian designs on West Berlin are one stage in a process that began with the subjection of East Germany, will be continued, if possible, with the incorporation of West Germany into the Soviet sphere and completed very easily thereafter by the destruction of democracy elsewhere on the Continent. By turning on the heat at Berlin, Mr Khrushchev has not simply provided a pretext for the Europeans to sink their doctrinal differences for the sake of an urgent need for increased unity; he has reminded them of the permanent threat that makes their unity inevitable.

The dangerous phase of the Berlin crisis may well be past by the end of this year, but no matter what form the settlement takes the permanent Soviet threat to West Europe will have become clearer. If the Allies are evinced from West Berlin, the Communists will begin the next stage of their advance: the seduction of West Germany, offering German re-unification in exchange for defection from the Western connection. If the Allies are still in a free West Berlin, Soviet pressure will have been relaxed only temporarily after the calling of their present bluff. If, finally, some negotiated compromise is the upshot, the Communists will soon be exploring to find which aspect of the deal has left the West most exposed (e.g. a recognition de jure of the East German puppet regime). In the improbable but conceivable eventuality of a general Russo-American agreement (both super-powers, unnerved by their experience on the brink, might decide to withdraw to a safe distance), the Six would be left to repair by their own unity the loss of American protection on this side of the Atlantic. On any hypothesis, the Six will be condemned to stumble along the path to unity sometimes snatching a pretext for further cohesion from the imminence of a temporary danger, as they did this week by the Rhine. This, after all, is the way nations have been built in the past, and it will dismay only authors of neat plans for unification according to a juridical formula. The countries of Europe would not be uniting if they did not live in a dangerous world and in a dangerous world the best laid plans "gang at agley". Precisely the same considerations apply, incidentally to the prospect of Britain joining the Continent, a question that is being considered seriously only under the lash of a recent deterioration in Britain's economic situation. Britain will never join the Common Market in calm, orderly fashion because where there is calm and order the need for such a decision will not appear.

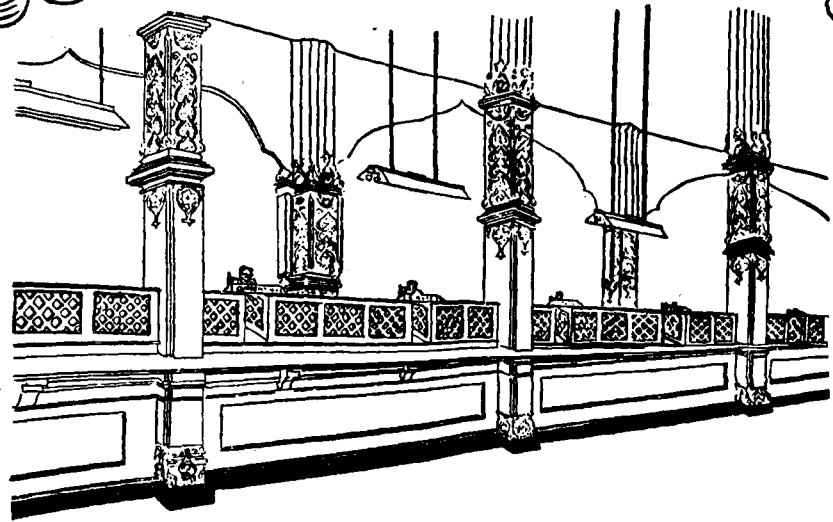
The international crisis was no stranger either to the two other items on the agenda at Bad Godesberg this week: the relations of the Common Market with Africa, Latin America and, by implication, with all the under-developed countries. The creation of the European trade association poses problems for these countries, which will become more acute if Britain joins the Six. In so far as these problems are purely commercial, they are probably not very serious—and certainly not as terrible as some statements in India imply.

where Britain's membership of the Common Market has been described as a disaster for all developing economies. But in the context of the permanent Soviet threat to the democracies, these problems have a more than commercial interest; they raise the question of the aid Europe must provide to the poorer free nations if her flanks are to be protected from Soviet penetration. One sometimes hears resentment expressed about this confusion of aid for development with the anti-Communist strategic calculation, and indeed a narrow-minded bargain (butter for bases) can have disappointing economic results as well as insecure defence gains. Yet it is better to be clear on the fact that, were it not for the menace of Communism, the well-fed Europeans would be much more complacent than they are about a situation where 80 per cent of the world's goods belong to 15 per cent of its population. Development assistance has always been connected, in a more or less broadminded and generous spirit, with ultimate strategic objectives and probably always will be. Certainly this explains why the Common Market's responsibilities towards economies were discussed this week at a meeting dominated by the imminent Berlin crisis.

The substantial political agreement achieved at this meeting sets in perspective the economic difficulties that have arisen in the implementation of the Common Market. As is known, France has refused to go faster with tariff disarmament in the sphere of manufactures unless something decisive is done about writing a joint agricultural policy before the end of this year. There is no question of paralysing the Common Market; the normal 10 per cent reduction in tariffs demanded by the Rome treaty will take place in any case at the end of 1961. The dispute is about whether a supplementary 10 per cent should be knocked off import duties at that date, and this is important because it

would mean that duties had been halved since the venture started and so the Six were bound by the treaty to undertake a whole series of measures, called the second phase. No satisfaction can be given France on the agricultural problem until after the coming West German elections, because any move toward a joint policy would mean that West German farmers would have to accept the entry of cheaper French foodstuffs. This is something that a government whose mandate is about to expire has neither the electoral courage nor the moral right to impose. Since, however, it is virtually certain that the next German government will be the same as the one that opted for greater European unity this week, a decision favourable to continued rapid economic integration seems assured.

Writing last week before the summit of the Six, an Italian paper described the European Community, in an unlovely metaphor, as a creature with the body of an adult but the head of a foetus, meaning that its economic unification had progressed rapidly but was not governed by a coherent political organ. Since the acceptance of French plans for regular governmental meetings entails the appearance of a sort of confederal government, the Community's head has taken on more human shape. It is well that this has happened while the British are still trying to make up their minds about their relations with the Six, for now they have a clearer conception of what association with Europe will mean. There is no room now for any illusions about patching up a trade arrangement with the Six, which would secure as many commercial advantages as possible, avoid as many commercial losses as possible, while leaving the rest of British policy unchanged. The question is now not whether to join the six-nation trade club, but whether to adhere to the political entity that is taking form.



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Notes from West Germany

CLOSER CO-OPERATION BETWEEN EUROPE & AFRICA

By DR. GABRIELE WULKER

A DECISIVE CONFERENCE

AN important conference of world-wide bearing recently took place in Strassbourg, the seat of the European Council. For the first time Members of Parliaments of the Six Common Market countries and of 15 African States plus Madagascar convened to discuss the future co-operation between Europe and Africa. This six days conference was held in an atmosphere of full confidence and sincerity. There was no destructive tension between ideologies, races or power blocs which very often paralyse international meetings such as those of the United Nations. Africans and Europeans were seated in alphabetical order. The chair was held in rotation between Europe and Africa.

HOW DID THIS CONFERENCE COME ABOUT?

Among the six member States of the Common Market, France and Belgium owned colonies in Africa, which have been liberated recently. Even after their liberation, these former colonies are associated members of the Common Market, a status which will officially expire by the end of 1962.

In view of this deadline, it became imperative to lay new grounds for the future co-operation. Previous to this assembly in Strassbourg, German deputies of the Bundestag had repeatedly contacted the African Governments to arouse their interest. The 16 African Governments, represented by their top-men, who were entitled to make binding statements, expressed their opinion that political authority presupposed economic independence. Their countries lack financial resources; their technical development is just beginning; they have no modern civilisation. Ninety per cent of African economy is based on agriculture at a time when agricultural problems are a world-wide issue. The African States cannot solve those problems by their own. They came to Strassbourg to explore whether the assistance needed would be granted on the basis of partnership with equal rights.

The Africans, who had come to Strassbourg with the fear that a new form of colonialism might be inherent, eventually expressed their full conviction that they were faced with a new chance of extending their markets and a new way for technical and economic assistance. All delegates from Europe and Africa based their future co-operation on self-determination and solidarity to the benefit of both sides.

UNION IN AFRICA NECESSARY

The will to create a common African market was another positive outcome of this conference. Africa is split up into an English speaking part and a French-speaking part. It is a fact that Africa is represented by one Joint Office for Africa at the United Nations. Yet, serious political controversies between parties, trade unions and organisations so far shook the Continent and inhibited a common African policy. In Strassbourg agreement was reached among the French-speaking Africans to forget about the different political theories and rather to find ways and means of an economic co-operation within Africa. This can be considered as a milestone on the way to a common African market. One of the Congolese representatives declared: "Our association with Europe must in the future consider all African countries. We are in the stage of industrialisation. The new industries need a consumer market in order to cope with competition. All African States will strive for a common market."

RESULTS OF THE CONFERENCE

It was stressed at this conference that association does not mean dependency. On the contrary, the freedom of the African States and of Madagascar shall be

strengthened. It is presupposed that the one-sided concentration of these economies on one or two raw materials and their export to the former colonial powers has to be replaced by their free access to the world market. This process of change will require a long time and it requires co-operation with the old industrial powers. During this period of transition the African partners should receive similar aid as they did during the time of their colonial dependence.

In order to avoid deterioration of their economic position after independence, the associated States will receive the same tax preferences such as were laid down in the Rome Treaty for the Common Market countries. The conference finally unanimously recommended that a minimum export rate of African goods based on fixed prices should be guaranteed. The European States are to cover the costs for the storage of tropical goods. Proposals were made to create a research institute for Africa and Madagascar to promote the economic co-operation and to co-ordinate planning. A fund will be established to finance the economic and social projects and above all to improve the educational level. On this occasion the following statement was made: "A country which is rich in natural resources but lacks skilled labour will be bound to poverty."

The African States have a longer way ahead towards development than India has. Their industrialization and systems of education are in the first stage of development. Africa has now made the first steps towards independence after a long term of colonial dependence.

The situation is aggravated by the considerable forces of disruption within the various African States and between the States. The Strassbourg conference, based on mutual confidence, has certainly contributed to the economic and political appeasement within Africa and between Africa and Europe.



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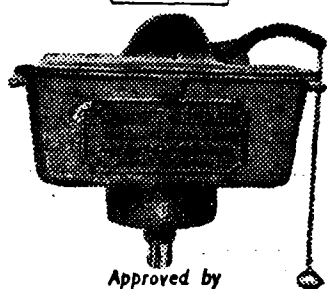
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WORLDGRAM

India.

Location of Refinery in Gujarat: The Oil and Natural Gas Commission has selected Koyali for location of the two million tons refinery to be set up in Gujarat in the public sector. Situated at a distance of 10 miles from Baroda main town, Koyali village is near Bajwa railway station and is very close to Mahi-sagar river. The Commission has also decided to acquire 2,000 acres of land for the plant and the township. A Site Selection Committee appointed in November 1960 has recommended two areas for location of the refinery and suggested that a Technical Site Selection Committee should go into the details and finally pin-point the site. The Technical Site Selection Committee, with which were associated five Russian specialists, recommended three other sites in Gujarat area including Koyali. They, however, did not make a final suggestion because additional data for water supply and sewage disposal had to be collected and certain other tests had to be made. The final selection has been made on the basis of additional technical information supplied by the Government of Gujarat.

Two Loans Being Repaid at Par: The outstanding balance of the 2½ per cent Government of India Loan 1961 and the 3 per cent Hyderabad Loan 1951-61 (H.E.H. the Nizam's Government 3 per cent O.S. Rupee Loan 1360-70F) is repayable at par on August 1, 1961, and no interest will accrue thereon from that date. As August 1, 1961 is a holiday in the State of Maharashtra, the repayment will be effected on July 31, 1961 by the Paying Offices in Maharashtra State. At other places, however, repayment will be effected on August 1, 1961. As already announced, the holders may tender their securities for conversion into 3½ per cent Bonds 1969 and/or 4 per cent Loan 1981. To facilitate repayment on the due date, the securities may be tendered at the Public Debt Office Treasury or branch of the State Bank of India/State Bank of Hyderabad/State Bank of Mysore, at which they are encased/registered for payment of interest on or after July 24, 1961. Full details of the procedure for conversion of the securities or obtaining their discharge value can be obtained on application at any of the above offices.

United Kingdom

More Steel From Cheaper Process of Using Coal: Britain's National Coal Board is helping the steel industry in a plan to introduce a more economical method of using coal in blast furnaces, Lord Robins, Chairman of the Board has disclosed. The new process, never before tried in the United Kingdom, could eventually replace at least 30 per cent of the coke used in furnaces and would have the advantages both of being cheaper and of making possible an increased output of steel. Lord Robins, speaking at the annual dinner of the Society of the Chemical Industry, said the new technique was to be tried out at the Stanton Iron Works Nottingham, towards the end of the year. This process will mean the steel industry will use not more coal but less, "but we regard it as our public duty to get the best we possibly can from the indigenous material beneath our feet." Speaking of dramatic changes likely in the coal industry, he said that in a few years' time the industry would have reached the stage where the

coal could be mined without a single man being employed on the coalface. "It seems to me that this is a very sound development. When this comes about science will have made not only a great economic contribution, it will have made a very great human and social contribution as well".

Fuel Ash Helps Reclaim British Marshes for Pasture Land: Useless marshes have been successfully reclaimed to form rich pasture land in the United Kingdom by means of fuel ash from a power station. The cementing properties of pulverized fuel ash from power stations have already been established. The ash is used in a number of ways, including construction material for dams, highways, embankments, power station foundations, and as a "filler" for roads. One of the latest examples of its versatility is in Flintshire, Wales, where a fertile field has been created from the marshes by means of ash from the nearby Connah Quay power station, which produces some 70,000 tons of fine ash each year. A mixture of water and ash was directed into a lagoon. The water was drained away through filters into the river, and ash, when it reached the rim of the lagoon, was ready for levelling, sowing, and cultivation.

The first experimental 40 acres have been used for arable and grazing purposes with conspicuous success. Grass and clover have grown richly, and sheep and lambs have thrived on the pasturage. Now cattle are to be introduced. The ground has also yielded good root crops, though so far cereals have not come up to standard. By October, another 57 acres will be reclaimed for farmland, and a further 70 acres are planned. Apart from land contribution, the scheme, which may be extended to other low-lying ground in Britain near power stations, helps to relieve the ash-disposal problem.

Electronic Instrument to Check Floor Levels: Minute changes of level in the reinforced concrete floor of a joint Protone Synchrotron now being completed at the Rutherford High Energy Laboratory, of the National Institute of Research in Nuclear Science, Harwell were periodically registered by a unique British measuring instrument. The measurements have been taken over a period of a year on a specially sited concrete pad in a subterranean chamber beneath the Proton Synchrotron. The instrument used to measure the floor level is an electronic level indicator consisting of a pendulum co-operating with transducers which provide an electrical displacement signal. This signal is amplified to feed a centre-zero metre graduated in angle and gradient. With suitable mechanical adaptation, the instrument can be used to measure vertically or angles. Periodic measurements taken beneath Nimrod, weighing 7,000 tons, with the 'Talyvel' have indicated no great change in levels of the Nimrod foundations.

U.S.S.R.

Technological Institute for Burma: An Institute of Technology, a hospital and a hotel built by the joint

efforts of the Soviet Union and Burma were handed to the Burmese Government at a ceremony held in Rangoon recently. To help the Burmese to learn to handle the equipment, the Soviet Government has agreed to send them professors and teachers to work at the Institute for two years, and also 12 doctors to work at the hospital.

*

Building a New Radio Station in Iraq: A new radio station has been built in Iraq in conformity with the Soviet-Iraqi agreement on economic and technical co-operation. The stately three storey building of the Middle East's biggest broadcasting centre was put up in record time of one year and three months. Sixty Soviet specialists and 600 Iraqi workers did their best to commission the radio station for the national holiday of the Iraqi republic; also they had to work in a temperature of 40° centigrade, which prevailed in Iraq during the past few months. Soviet specialists have designed this station, assembled the modern equipment which was delivered from the Soviet Union and commissioned the broadcasting centre. In the course of construction, many unskilled Iraqi workers have acquired new trade with the help of Soviet specialists.

Yugoslavia

Trade Agreement with Britain: With reference to the completion of trade negotiations between Great Britain and Yugoslavia, the participants in these talks had the task of exploring the development of economic relations between the two countries and to examine prospects of further development of these relations in 1961-62. The development of economic relations, a foreign secretariat spokesman emphasized, has been appraised as favourable, for trade has been increasing from year to year. In future it is to be expected that it will continue to increase, which will be helped along on the one hand by Yugoslavia's greater potential in the manufacture of commodities which are in demand in the British market and on the other to a much greater participation of British industrial concerns in the delivery to Yugoslavia of complete industrial equipment, in which special mention should be made of the delivery of equipment for the ironworks at Skoplje. The favourable development is contributed to also by the foreign trade system in both the countries.

Australia

Ford (Australian) Expansion: An expansion programme to cost £15,500,000 has been announced by the Ford Motors Company of Australia. In expanding its plants and facilities, the company will spend £10 million in Geelong, almost £5 million in Melbourne and £7,00,000 in Sydney. The company's headquarters will be transferred during the next two years to a new building to be erected at Broadmeadows. These announcements were made by the Managing Director of the Ford Motor Company of Australia (Mr. John G. W. McIntyre) at a press conference in Melbourne. Among those present were the Prime Minister (Mr. Menzies), the Treasurer (Mr. Holt) and the Minister for Shipping and Transport (Mr. Opperman), whose Federal seat is Geelong. Making the announcement, Mr. McIntyre said, "This expansion programme is a matter of great significance to the company and to the country as a whole". Last month the Prime Minister, in a nation-wide talk, called

for confidence in the country's "unlimited future, and appealed to the public, industry and business generally to take a confident approach to the conditions applying today". Mr. McIntyre said, "We share the Prime Minister's confidence in Australia's future. We know that the country is sound and that it holds out rich and rewarding promises for the future".

Switzerland

Price Reductions in Synthetic Rubber: Du Pont de Nemours International S.A. has announced price reductions on two important types of Neoprene synthetic rubber. Effective August 1, 1961, the price of Neoprene WHV will be reduced by 2 cents per pound (4.4 cents per kilo). The price of Neoprene Latex 842-A will also be reduced by the same amount for tank car quantities. Dr. Russell A. Kurtz, Marketing Manager, said that the price reductions were made possible by improved manufacturing techniques. The lower prices are in keeping with the Du Pont Company's policy of passing on savings in manufacturing costs to its customers. Neoprene, the first commercially produced synthetic rubber, was introduced in 1932. This general purpose elastomer is used widely throughout the world because of its combination of physical properties, including excellent resistance to weather, ozone, heat, flame, abrasion, oils and chemicals.

OEEC

European Market Research: The European Productivity Agency of the OEEC is organising two conferences on European Market Research, to be held in Vienna from 27th to 29th September and from 2nd to 4th October, 1961. In recognition of the growing importance of marketing in industry since the war, the purpose of the conference is to study the advantages which a wider use of market research might offer to different branches of industry, and to discuss how small and medium-sized firms may best be helped with their marketing problems. From 27th to 29th September, leading European marketing experts will deal with "the Role of Trade Associations in the Study of European Markets." From 2nd to 4th October a second conference will be held also in Vienna, on "the Opportunities of Small and Medium-sized Firms in Export Markets." Requests for information regarding these two conferences and applications to attend may be addressed to the National Productivity Centres or to the secretariat of the European Productivity Agency of the OEEC, 3 rue Andre's Pascal Paris 16e.

United Nations

New Sources of Energy: Some 400 specialists and economic development officials from 61 countries have so far accepted invitations to attend the first UN conference on New Sources of Energy scheduled for 21-31 August in Rome. Their discussions will be based on 250 papers submitted by specialists of 30 countries and 20 general papers prepared by Conference Rapporteurs to incorporate basic points presented in each field. The main questions before the participants will include these: how can solar, wind and geothermal energy (from underground steam or hot water) best be put to work to raise living standards in underdeveloped areas? And how, for example, can they be used to light homes, cook meals, pump farm water, operate village industries, provide heat in cool climates, and refrigerate food in the tropics?

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NEWS IN BRIEF

INDIAN

Coffee exports from India are steadily improving. During the first six months of the current year about 20,000 tons have been shipped out of 32,000 tons released for 1961.

The Tata Iron and Steel Company has announced a dividend of Rs. 6.80 and a bonus of 45 nP. per share net on ordinary shares. Last year the company had paid a dividend of Rs. 6.80 free of tax (gross dividend Rs. 9.72 per share) on ordinary shares.

It is reported there is no demand for Indian textiles barring rayon piecegoods in the Sudan. Prospects for textile exports are not bright in view of heavy stocks in the Sudanese market.

Storage schemes on the Beas in the Punjab to be built in consequence of the Indus Waters Treaty will constitute the largest single new project to be undertaken in the Third Plan.

A conference of bankers from Asia and outside has been proposed to be held in Bombay in mid-September 1962 to discuss questions relating to banking techniques, procedures and allied subjects. The proposal has been made by the Federation of Indian Chambers of Commerce and Industry.

The Union Government has granted a manufacturing licence to the Assam State Electricity Board for the establishment of a factory to manufacture electric meters during the current financial year at an estimated cost of Rs. 60 lakhs, of which, Rs. 20 lakhs will be in foreign exchange.

The Nepal Government has entered into an agreement with an Indian industrial firm to set up a modern textile mill in the country at a cost of Rs. 1.65 crores. The mill will go into production in 18 months to two years. It will produce about 20 million yards of cloth.

It is reported in India there are five major units manufacturing motor cars, trucks, scooters and their components.

The Government of India has appointed a special officer to study the economics of the proposed free trade zone at Kandla port.

The Central Government proposes to initiate legislation to make registration of births and deaths compulsory all over the country. The registration will have to be normally done within 72 hours and the law will provide for standard forms of birth and death registration available at the registration offices set up for the purpose.

Capsulation Services Private Limited, Bombay, which has a paid up capital of Rs. 2,52,000 in equity shares of Rs. 10 each, has been granted consent to issue bonus shares of the value of Rs. 2,52,000 in the ratio of one bonus share for every share held.

FOREIGN

Egypt is expanding her cotton acreage for the coming season. The Ministry of Agriculture announced that the area under cotton cultivation is 1,985,000 feddans, compared with 1,874,000 planted last year and 1,760,000 in 1959.

The Federal Rhodesian Government is to float a £3 million two-year local loan at the month end. The stock will be offered at par, carry interest of 5½ per cent and be redeemed in September, 1963.

Sweden's exports in May rose sharply to a record Kr. 1,275 million and because the rise in imports was modest, the result was a Kr. 42 million surplus on current trade.

The International Monetary Fund has agreed to provide the Government of El Salvador with the equivalent of \$11.25 million over the next 12 months.

The German wagon works, Link-Hoffmann-Busch, of Salz-gitter-Watenstadt, has secured an order from Pakistan Railways for 120 rail passenger carriages, two Pullman coaches and 12 motor rail coaches and trailers. The order is worth about DM 24 million.

Holland's foreign trade gap was larger in the first half of this year than during any six monthly period since the first half of 1957.

World production of crude copper fell by 5,752 tons to 311,129 in June and refined fell 11,052 tons to 307,459, according to the U.S. Copper Institute.

The Industriewerke Company is starting an assembly line for an amphibian car, in its Lubeck factory, reports Deutsche Korrespondenz. The first 25,000 are bound for the American market.

U.S. industrial output last month was running less than 1 per cent below its historic peak. Another strong rise in production carried the Federal Reserve Board index up by 2 points to 110, erasing almost all of the recession decline after only three months of vigorous recovery.

Motor Assemblies of Durban is to assemble Japanese trucks for the first time in South Africa starting next month. Another Durban company, Airco Engineering, is to manufacture pickup bodies for these vehicles and Firestone, of Port Elizabeth, will produce the tyres.

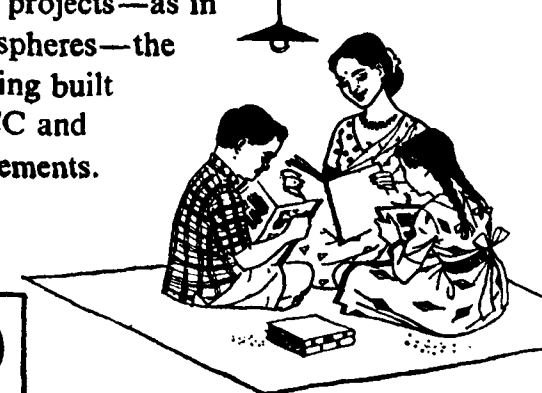
Zim Israel Navigation Company has announced that it is to float abroad an I£10 million share issue. Proceeds will be used to finance an expansion programme.

6 million kwts. more power before 1966

To provide light for every home in India... power for our ever-growing industries... the First and Second Five Year Plans have taken us towards the target of 30 million kwts. of installed generating capacity planned for 1975. And, during the Third Five Year Plan, another 6 million Kwts. are to be added to our output of electric power.

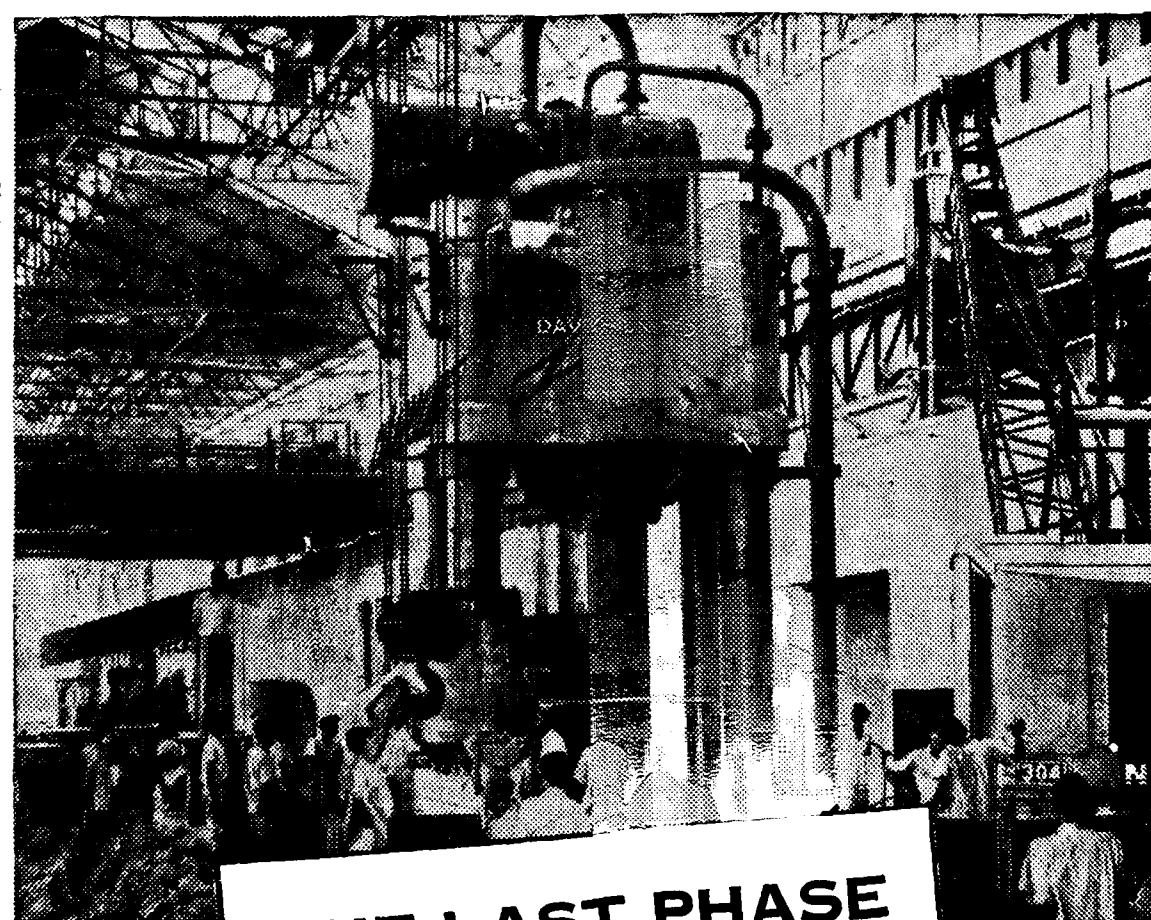
To produce this enormous amount of electricity Nature must be harnessed... huge dams must be built, generating stations erected...

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THE LAST PHASE

ISCON nears completion of Contract as engineers work on to finish the Construction of the Wheel & Axle Plant.

This Plant when in full production will make 45,000 wheel sets per annum for the Indian Railways.

ISCON

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Simon-Carves Ltd. The Wellman Smith Owen Eng. Corp.
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Engineering Company Limited. The Cementation Company
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English Electric Co. Ltd. The General Electric Co. Limited.
Associated Electrical Industries (Manchester) Ltd. Sir
William Arrol & Company Ltd. Cleveland Bridge &
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Ltd. Joseph Parks & Son Ltd. Iscon Cable Group.

BRITISH COMPANIES WORKING FOR INDIA

PSIC 28

Special Article

THE STAGNATION IN SOVIET AGRICULTURE: 1927-1960

THE latest issue of the Economic Survey of Europe[§] is probably unique in the imaginative range of its coverage on the problems of economic growth both in Western and in Eastern Europe. There are collected in various portions of this Report tables of rates of growth which should end for a long time the futile debate on virtues of the various economic systems as distinguished from the brute facts—rates of growth which have been attained by particular countries at different times under systems as different as chalk from cheese. For the present, however, what seems to call for the greatest attention are the startling revelations on the failures of agriculture in the Soviet Union both over the long and the short periods. There have, indeed, been small stretches of progress. But students of Soviet agriculture will be confounded by the statistics in Chapter IV of the Report, particularly those relating to the Soviet Union.

One of the most depressing results of the survey is the long period assessment of Russia's agricultural production in the pre-war era and during the post-war period upto 1952. The Report gives (Table I) the percentage change in the volume of gross output from 1927-29 to 1937-39 (pre-war territory) at plus 2 per cent a year for all production, but minus 13 per cent for animal production. For the period 1940 to 1950-52 which covers the post-war territory, but includes the devastating effects of World War II, all production fell by 3 per cent while animal production was up by 9 per cent. Virtually, therefore, Russia's agricultural progress between 1927 and 1952 was small.

In the survey, an analysis of the recovery from 1950-52 onwards has also been made. But the inputs and output of Soviet agriculture show after 1956 no startling progress. The figures, in fact, are as follow:

TABLE I.

DEVELOPMENT OF SOVIET AGRICULTURE (1927-1952)

	Percentage changes in the volume of gross output	
	1927-29 to 1937-39 Pre-war territory	1940 to 1950-52 Post-war territory
	.. + 2	— 3
All Production	.. + 2	— 3
Animal Production	.. — 13	+ 9

TABLE II.

GROWTH OF OUTPUT AND OF INPUTS INTO SOVIET AGRICULTURE

(Index Numbers—Base 1950-52=100)

	1956	1957	1958	1959	1960
Total	141	144	159	159	163*
of which:					
Animal Production	143	158	165	176	175*

* Estimate.

TABLE III.

VOLUME OF INVESTMENT IN SOVIET AGRICULTURE

Million roubles at constant prices, index numbers and percentages of all investment

	Million Roubles (1951)	Index numbers: 1951=100								
		1951	1952	1953	1954	1955	1956	1957	1958	1959
Investment in agriculture	19,300	—	105	106	154	212	226	234	264	284
Percentage of total investment	—	16	15	15	18	22	20	19	19	18
of which: State investment in agriculture	10,200	—	95	86	151	195	208	229	224	194
Investment of collective farms*	9,100	—	116	129	157	231	246	240	310	385

*Including state credits to collective farms for investment purposes, and excluding payments made in 1958 and 1959 for purchases of MTS machinery.

§ The Economic Survey of Europe in 1960, United Nations, Geneva, 1961.

The investment in Soviet agriculture is shown in Table III (on page 169) which indicates the massive use of resources directed to the purpose.

The question arises how effective these methods have been in turning back the stagnation of the earlier years. This is answered in Table 32 on page 49, Chapter IV, of the Report. The relevant part of this table is reproduced below (Table IV).

It is clear from this table that while agricultural

output in the Soviet Union rose by 10.7 per cent between 1957 and 1958, there was no rise in 1959 and the crop output in that year was 4.4 per cent below 1958. Again, actuals in 1960 showed an increase of 2 to 3 per cent over 1959. If one looks at the figures of 1958 to 1960 in a line, one recognizes that the Plan figure of 1965 (199) is far away from current performance which in a linear projection would only come to 145 and in accumulated projection to 167. This applies equally to crop output and to animal output both of which are running substantially lower than before 1958.

TABLE IV.

GROSS AGRICULTURAL OUTPUT OF SOVIET UNION, 1958 TO 1960,
AND PLANS FOR 1961 AND 1965

	1958 1959		1960		1961	1965†	1965 projection of past trend	
	Plan	Actual	Plan	Actual	Plan	Plan	Plan Linear	Cumulative
	Percentage increase over previous year						Index Numbers (1954-1958=100)	
Total	10.7	—	2*-3*	7.9	199	145**	167	
of which: Crop output	14.6	-4.4	4*	6.9*	189*	141*	160*	
Animal output	4.6	6.3	-1*	9.4*	215*	154*	190*	

*Estimate.

†Cumulative annual percentage rate of growth (1959 to 1965).

** Includes extension of sown area.

The details of various crops to be found in Table 33, Chapter IV, of the Report (Table V alongside) show that the disease is wide-spread. As against 141.2 million tons in 1958, output of grains in 1959 was 125.9 million tons, and in 1960 132.7 million tons. The planned target of 167-180 million tons of grains output is thus far away. Current output of potatoes around 86 million tons is also only 60 per cent of the target for 1965. Similar results hold over most of the other fields. Meat output in 1960 was a little over half the level planned for 1965. Only in wool the progress is satisfactory. Possibly the target for eggs will also be attained.

Those who look upon Soviet planning efficiency with almost superstitious faith and assert that once targets are fixed, they will be accomplished, will do well to look again. No one need wonder whether or not the capacity of the Soviet Union in the field of agriculture has not been seriously overrated. It now transpires that Colin Clark's figures, often derided by Soviet authorities, have been closer to the truth than any others. It is almost certain that in terms of productivity, Western Europe, as shown by the figures in this Report, is far ahead of Eastern Europe. This would not necessarily imply that either the West or the East has established superiority over the other for all time, but it does suggest that in the agricultural field Soviet experience has not been invested with anything like the same success as has attended on its industry and scientific research.

TABLE V.

PRODUCTION OF MAIN AGRICULTURAL
COMMODITIES IN THE SOVIET UNION
1958 TO 1960 AND 1965 PLAN

Commodity/Unit	1958	1959	1960	1965 Plan†
Grains (Mil. Tons)	141.2	125.9	132.7	167-180
Potatoes (Mil. Tons)	86.5	86.6	84.0	147
Sugar-beet (Mil. Tons)	54.5	43.9	56.9	76-84
Sunflower seed (Mil. Tons)	4.63	3.02	3.8	—
Meat (carcase weight) (Mil. Tons)	7.7	8.9	8.7	16*
Milk (Billion Litres)	58.7	61.7	61.5	100-105
Wool (Thousand Tons)	322	355	355	348
Eggs (Billion)	23	25	26.4	37

†1965 Plan figures are from the directives of October 1959.

*Target stated as "Not less than 16".

THE BUSINESS WORLD

Floods Demand First Things First

By CROESUS

WHEN it pours cats and dogs in Bombay, as it often happens during the monsoon season, the common comment one hears is: "there must be a big hole now in the sky". When flood waters gushed out like an avalanche to envelop a good bit of Poona the other day, many must have exclaimed: "the earth has given way to send its subterranean waters gushing up". Actually, however, it was not the earth (bless her, Mother Earth) that gave way, but the earthen dam of Panshet created by mere mortals. It is not my business here to go into any of those controversies now raging, such as whether the flood havoc was due to natural causes or it was man-made; whether the dam should not have been a stone masonry dam (as though stone masonry dams never give way!) and so on. But I consider it every one's business, first, to rush relief to the flood victims, especially the middle class families, and, secondly, to go into the causes of these recurrent floods in our country and devise proper and effective measures to prevent them at least in future.

it is a stupendous problem. And the most expeditious way of dealing with such a problem is to use prefabricated houses by indenting on the assistance of countries like the USA and Japan which have specialised in prefabricated houses. Such could be sought and obtained, if need be, through international agencies. But as this would necessarily take time, immediate efforts should be directed to collection of building materials, especially cement by requisitioning supplies, if need be, from the nearest cement factory. Also, wherever possible, local building materials and traditional methods known to the people before they became familiar with cement might be pressed into service. Incidentally, one cannot conceive of a more deserving claimant than this necessarily large-scale rehousing programme not only in Poona but wherever floods have wrought havoc in the country, for diversion of some of the accumulating P.L. 480 funds for which suitable uses are being explored.

The first task is no doubt being attended to with expedition, thanks to the spontaneous and almost country-wide public response to the appeal for funds for flood relief, but the presence of so many agencies—voluntary and no doubt well-meaning—although helpful in creating the required atmosphere, creates organisational problems. It is of the utmost importance, therefore, that, while not refusing the services and assistance in any form from any quarter, help to the flood victims is channelised through a single agency not only to ensure that there is no duplication (which is, after all, one form of wastage in these circumstances) but also to distribute relief among as many of the afflicted as possible, let alone prevent it being misused. I have said that help must go "especially to middle classes." Here is the explanation for it. These people have lost their all and are simply dazed. There are several instances of this ill-fated section of Poona's population still sitting on the site where once stood their humble dwellings with all their earthly belongings; all they can call their own today is their body and the clothes they were wearing before the floods came. This harrowing spectacle must be seen to be believed. I shudder even to imagine how many would survive the shock and would be able to retain their mental poise. Calamities such as these are known to unhinge the minds of many a weak-willed person.

It is something comforting to learn that efforts are being made simultaneously to provide both temporary 'kutchas' accommodation and more durable 'pucca' housing for as many as possible. According to preliminary estimates, some 4,000 houses have been washed out affecting about 85,000 people. This number is more likely to go up than go down, for it is not known how many of the houses still standing, which are seemingly all right, have been damaged beyond repair. Anyway

Medical aid comes next in importance only to food and, in such situations as the Poona floods, should have priority even over housing. This is fortunately being done and the Haffkine Institute has sent liberal supplies of anti-cholera vaccine. Several drug and medical firms also have donated large supplies of medicines and cod liver oil for the young and the invalid. More than supplies, which do not appear to be greatly lagging behind need, an army of medical personnel would seem to be needed to keep a round-the-clock watch both to prevent and arrest the outbreak of epidemics. One has not so far heard much about what the All-India Medical Council has been doing in this behalf, though the Red Cross and the Rotary are reported to be doing some valuable work. So much for the immediate task.

We have waited long enough, in all conscience, for a long-term solution to the hardy annual of floods in our country. Although there has been talk of every other river project being a so-called multi-purpose project with flood control as one of the invariable features, we do not appear to have achieved much for the immediate present. The Planning Commission is still blissfully planning for flood control in the years to come, as though we have not had enough disastrous floods in the years gone by, not to speak of the floods in recent weeks. As between prevention of floods and control of floods, the former must receive preferential attention. There may be some justification for not giving immediate attention to such elaborate—though eminently sensible—proposals as those of Sir C. P. Ramaswami Aiyar for cross-linking a number of rivers by a series of navigation-cum-irrigation channels, but there can be no justification whatsoever for not taking even such simple steps as periodical removal of silt from our river (and also tank) beds. Surprisingly enough, quite unsophisticated folk are able to ascribe the devastating floods in recent years to this criminal neglect. One lady

of 50 years who volunteered her opinion compared the number of steps (about 40-45) she had to go a few years ago with those she has to negotiate today (15-20) to reach the Cauvery river bed near Mysore and added that, if the river bed is allowed to rise at this rate, there would be more and more disastrous floods with larger and larger tracts of the country experiencing the effects thereof. I am told that, in Hardwar, the people on either banks of the River Ganges make it a point every year to desilt—or is it de-stone?—the river

bed so as to keep it as low as possible. Surely this could not have escaped the vigilance of our planners who treat us with chapter after chapter on minor and major irrigation works and multi-purpose river valley projects. It was fashionable, some years ago, to talk of the D.V.A. in season and out of season, I don't know with what precise profit. How I wish that our planners again indulged in that pastime, if that be the only way they can be made to draw their inspiration and act!

Business Notes

Sugar

ABORTIVE DEAL WITH PAKISTAN

THE CANCELLATION by Pakistan of her deal to import 25,000 tons of sugar from India at £23 per long ton is prone to be dismissed as an off-shoot of the present political estrangement between the two countries. Coming close on the heels of President Ayub's tirade against this country during his visit to the United States, this announcement by Pakistan can, indeed, be interpreted as such. But underneath the political overtones there lie some economic considerations that have apparently weighed with Pakistan in cancelling her contract with India. This raises an issue of wide import for us in the present day foreign exchange crisis.

The case history of this deal obviously cannot absolve the State Trading Corporation and the Indian Sugar Mills Association, the two agencies connected with the deal on India's side, from all the blame for the fiasco in which the deal has ended. It is, indeed, a sorry state of affairs that the Indian Sugar Mills Association, which started the negotiations in the first instance for exporting sugar to Pakistan, rushed into matters without weighing properly the issues involved. The original quotation which ISMA made was £28 per long ton of sugar, c. & f. Karachi. It was only at a later stage that it was realised that India could supply sugar to Pakistan much cheaper at £23 per long ton if supplies were effected over the land border at Attari. The acceptance of the Indian tender by the Pakistan Government should have cleared the way for sugar exports to that country. But the protracted negotiations that followed, both in Pakistan over the schedule for deliveries and on the question of payment in sterling and here between the Sugar Mills Association and the State Trading Corporation which came into the picture at a later stage when the question of bearing the loss on these exports arose, resulted in valuable loss of time which led to the State Trading Corporation submitting a revised delivery schedule to the Pakistan Government. Under this schedule, supplies were to be started on August 1, instead of on July 15, as promised earlier at the time of offering the tender. This gave a plausible excuse to the Pakistan Government which in a falling international market took advantage and negotiated a deal with Czechoslovakia for the purchase of Cuban sugar at £22. 15s. per ton c. & f. Karachi.

Whatever may have been the reason which prompted Pakistan to cancel this deal, the unimaginative handling on our part of the matter has made us lose a good opportunity of earning nearly Rs. 75 lakhs in foreign exchange. Further, it may mean the loss of Pakistan market for Indian sugar when efforts are

being made to find outlets for the huge surplus that we have in this commodity. This abortive deal should set the State Trading Corporation at thinking that if it is to make its mark in the foreign trade of India, it has got to be run strictly on commercial lines and with the same efficiency. The defects of the bureaucratic set-up of the State Trading Corporation which have been brought out in the Economist Intelligence Unit's report on STC's functioning, especially in regard to manganese ore exports, have been underlined by the muddle on sugar deal. It is time that some thought is bestowed on making the State Trading Corporation's functioning more efficient and businesslike.

NAPE

ECONOMY BY EFFICIENT PURCHASE

THE ECONOMY of every country depends, to a great extent, upon the efficiency with which simultaneous and uniform growth in all aspects of production is ensured. Among the many aspects of production, the one that does not appear to have received all the attention that is necessary is that of material purchases and management. The paramount importance of this aspect can be imagined if only one cares to take note of the several heavy construction works like multi-purpose dams, factories and buildings in hand which entail an investment of hundreds of crores of rupees. Out of the total investment of Rs. 10,500 crores in the Third Plan, for instance, the creation of physical assets like buildings, plants and equipment alone accounts for some Rs. 5,000 crores. If only a 5 per cent economy is effected through efficient purchasing techniques, it would mean an enormous saving of Rs. 250 crores. This point was appropriately emphasised by Dr. C. D. Deshmukh, while inaugurating the National Association of Purchasing Executives (NAPE) a few days ago in Bombay. In this connection, he also stressed the importance of standardisation and simplification of items for industrial use which have greatly helped improve purchasing operations in foreign countries. Factors, such as value analysis, market research and inventory management form the core of efficient purchasing, he said.

The Government of India, it may be noted, has set up two cadres of Central Service officers for dealing with purchase and inspection work—the Indian Supply Service and the Indian Inspection Service—which are expected to lead to a greater measure of efficiency and co-operation in the purchase of materials than hitherto. During the period April 1, 1960, to January 31, 1961, the Director-General of Supply and Disposals, which is the sole purchaser on behalf of the Central and the State Governments, as also on behalf of Government undertakings, purchased Rs. 151.5 crores worth of indigenous goods. It is estimated that something like 488 firms have been registered with the Directorate of

BIRDS are stepping up it

To sustain its expanding output, India's steel industry needs increased quantities of essential raw materials like iron and manganese ore, coal, limestone and refractories. By meeting a large part of this demand, Bird & Company (Private) Limited have been making significant contributions to the progress of the steel industry.

Birds have now launched on a programme of expansion, which when completed will step up considerably the annual output of these raw materials.

	PRESENT PRODUCTION	EXPECTED INCREASED PRODUCTION
Iron and manganese ore	2,000,000 tons	3,000,000 tons
Coal	2,250,000 tons	3,000,000 tons
Limestone	2,000,000 tons	2,500,000 tons
Refractories	100,000 tons	120,000 tons

This expansion will assure the steel industry of increased supplies of these vital raw materials.

BIRD & COMPANY (PRIVATE) LIMITED
and
F.W. HEILGERS & COMPANY (PRIVATE) LIMITED
Chartered Bank Buildings, Calcutta-1

Supply and Disposals. Besides, we have the Indian Stores Department in London and the India Supply Mission in Washington. Since the NAPE is intended for the service of the private sector, Dr. Deshmukh welcomed its advent. The birth of NAPE, it is to be hoped, will usher in an era of efficient purchasing which will mean lower costs and, therefore, greater competitive ability. At a time when there are complaints from almost all quarters that the Indian costs of production in respect of many items exceed those of any other country in Europe, it is at once urgent and imperative that increased efficiency is instilled so as to bring down costs of production to the minimum levels feasible.

Textiles

RIISING COSTS AND THIRD PLAN TARGET

IT IS common knowledge that our cotton mill industry has been assigned a target of 5,800 million yards output during the Third Plan period, which is only 800 million yards more than the Second Plan target. What is not equally well known, however, is that, with its present unbalanced and inadequate machinery, the industry may not be able to fulfil even this modest target. Even so, it is noteworthy that the Millowners' Association, Bombay, in its report for the year 1960, released last week, has noted that the higher production in the textile industry could easily be achieved without establishing new units, provided the existing units are allowed to expand by installing additional spindleage and loomage and the maximum utilisation of the installed equipment and the introduction of third-shift working are permitted. Now, as between starting altogether new units and expanding the existing ones, the advantages of economy certainly lie with the latter. The total capital cost of expansion and machinery and technical staff required will any day be lower than that involved in starting wholly new units.

Another snag about achieving the textile target, according to the Report, is the inadequate cotton supply position which has been a source of constant concern to the textile industry for a considerable time. It is feared that, unless the supply position is stabilized, the achievement of the target can only be at the risk of higher costs of production. (Cotton production in the season 1960-61 has been estimated to be around 52 lakh bales, that is, even less than the Second Plan target of 54 lakh bales!) During the current season (1960-61), the textile industry has been forced to buy foreign cotton, which is mostly of the long-staple variety, and, therefore, not exactly suited to our mill industry, at a much higher price than domestic cotton. Left with no other choice, the Indian mill industry was forced to use imported cotton and to resort to spinning down in order to manufacture the kind of cloth and yarn for which the mills have been equipped. In the result, production of cloth was not only slowed down, but costs of production also went up appreciably.

In addition to higher prices paid for cotton, the industry was also called upon, last year, to increase the basic wage by Rs. 6 to Rs. 8 per month in different centres, thanks to the recommendations of the Central Wage Board, from 1st January, 1960. There will be a further increase of Rs. 2 per month in the basic wage of the worker this year. Thus, the total wage bill of the industry will be about Rs. 16 crores, which constitutes 25 to 32 per cent of the total costs of production. According to the Report, the higher prices of cotton, along with the increased wages, thus, has raised the cost of production by at least 50 per cent.

Paper

PROBLEMS OF IMPORTERS

IN ITS attempts to minimise imports of paper, the Government of India has practically squeezed out the established importers and has created a class of 'new importers' known as the actual users. It is true that a favourable attitude towards this class is justified for reasons of economy. But the established importers are quite within their right to protest when they say that the authorities, while issuing licences to the actual users, do not thoroughly ascertain whether an applicant can really be called an actual user within the definition prescribed in the Red Book; whether the stated requirements are essential in the real sense of the term; whether the quantities stated as "consumed or to be consumed" by the applicant are in fact intended for use by the applicant and whether there is any foolproof method for the authorities to ascertain if any of the stores supplied are sold away by backdoor in black market. Various instances have been quoted by the Paper Traders Association wherein several items of paper allowed only to the actual users are available for sale in the open market. This is a clear proof to the fact that actual users misuse their import licences. Perhaps some of them are able to manoeuvre import licences on less dependable evidence. When it is seen in the context that foreign exchange allocation for quotas of consumer goods (excluding foodgrains) during the period April-September, 1961, comes roughly to 9 per cent of the total import bill, and out of this allocation the actual users are able to share 4.8 per cent, the real plight of the established importers is revealed. In fact the value of actual users' licences for paper items is comparatively even more.

There are certain other factors too which make it necessary to give sufficient attention to the demands of Paper Traders Association. For instance, their demand that the validity period of the established importers' licences for paper and paperboard items be extended to 12 months is positively reasonable because the licences granted to them are sometimes for very small amounts and the importers have to club together two or three or more licences in order to make their orders acceptable to the foreign suppliers. This incidentally saves lot of money because at bigger orders they are comparatively in a better position to bargain. Their another demand that the minimum value of licences should be increased from Rs. 500 to Rs. 1,000 also seems quite reasonable because it is not economical to negotiate imports of small quantities.

Trade

EXPORT OF ENGINEERING GOODS

THE REPORT of the Trade Delegation that visited West Asian and West European countries to study the prospects for export of Indian engineering good recently released is quite a useful document. It not only indicates the existence of possibilities for export of a wide range of engineering products to Yugoslavia, United Kingdom, U.A.R., Spain, Lebanon, Italy, Iran and Greece, but also pin-points the handicaps which have been hampering the smooth flow of engineering goods to these countries. The Delegation was sponsored by the Engineering Export Promotion Council which carries on market research with a view to examining possibilities of export for Indian engineering goods. Besides giving its finding in respect of export prospects, the Delegation has provided in the appendices to its report two useful lists — one of importers in different countries and the other of firms interested in taking up Indian agencies for the countries concerned. Statements showing the imports of and the duties

levied on certain engineering goods in the U.K. and Italy enhance the usefulness of the report.

With a view to expanding the exports of engineering goods the Delegation has made a number of recommendations. It urges that bilateral trade agreements be signed as early as possible, with Syria, Spain and Iran. Efforts to have some special agreements with Italy, because certain special types of machine tools, machinery items and castings can be exported to that country in sufficiently large quantities are also highlighted in the report. Invitations to Ministers and Government officials from these countries and adequate publicity and propaganda are asked for to promote the exports of these goods. The main stress is, however, laid on personal contacts and servicing arrangements because Indian products have not so far achieved that fame when business could be expected on the basis of brands. It is a fact that a large number of items can find markets in these countries provided their possibilities are thoroughly studied, improvements made according to the local requirements and prompt deliveries assured.

The Delegation is of the opinion that export services offered by English Merchant Houses in England be fully utilised for export to West African and Latin American countries. Special efforts are also called for for promoting export of castings to Yugoslavia, U.K. and Iran as there exist vast opportunities for castings of all kinds in these countries. Countries in West Asia and Africa offer bright prospects for many items which have not so far figured much in India's export of engineering goods. These items include all types of railway stores, track and signalling materials, railway wagons, locomotives and components, steel and cast iron

machine castings, chassis, auto-engines, transmission line towers, irrigation equipment and heavier electrical goods. The Delegation considers that these items should be included in the Trade and Payments Agreements with these countries. Most of these recommendations are of far-reaching importance and need to be acted upon in right earnest.

General Insurance

UNITED INDIA'S YEAR OF PROGRESS

THE DIRECTORS of the United India Fire and General Insurance Company Limited have recommended a dividend of 12 per cent for the year 1960 which compares favourably with the last year's distribution of 10-2/3 per cent. This is a reflection of the general working of the company which increased substantially in both gross and net premiums especially in fire and miscellaneous departments. The gross premium in the fire department written during the year amounted to Rs. 31.77 lakhs as against Rs. 26.72 lakhs the previous year. In the miscellaneous department, the gross premium written was Rs. 21.00 lakhs as against Rs. 15.51 lakhs and in marine department the gross premium for the year amounted to Rs. 12.70 lakhs as against Rs. 12.39 lakhs the previous year. There was, however, an appreciable reduction in the net premium in the marine department which is explained by the cancellation of a foreign reinsurance arrangement which was not found profitable by the company. Maximum profit of over Rs. 2.4 lakhs was recorded by the fire department. The directors' report reveals that there was an appreciable increase in the value of equity shares held by the company which naturally strengthened their general position.

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A Letter to the Editor**THE ORISSA ELECTIONS, 1961**

Dear Sir,

In your leading article "Stability for Orissa" in your Weekly of June 16, 1961, it is stated "The surprise is that the electorate gave an unequivocal verdict for stability. This is very likely a case of robust common-sense influencing judgment in the right direction after the experience of the futility of the coalition". May I point out that the analysis of the voting results does not bear out any such conclusion. It will be seen that out of the total electorate of 85,52,840 Congress received 12,68,828 or 14.8 per cent votes only. Only 36.5 per cent of the electorate voted and out of the valid votes cast the Congress votes work out at 43.3 per cent only while 56.7 per cent votes were for non-Congress parties. Even with this small percentage of the electorate voting, Congress candidates secured majority votes (over 50 per cent) in 46 seats only. In the other 36 seats Congress candidates won with minority votes due to division of votes because of multiple candidates contesting. Hence, the unexpected majority of the Congress is more accidental than due to any deliberate or conscious judgment and decision of the electorate. Under the circumstances, the result can hardly be described as an "unequivocal verdict for stability". The conclusion drawn at another part of your article that "the electorate hardly had an alternative. It could not trust the Ganatantra Parishad to deliver the goods..." is equally misleading in view of the accidental nature of the result.

In dealing with Orissa in the Week's Notes in your issue dated June 30, 1961 the 21 months tenure of the coalition has been described as "a pointer to a period of stagnation in administration and economic reform, on which the Coalition, by virtue of the orthodox, social and economic philosophy of the Ganatantra Parishad, could not initiate any forward-looking policies." This smacks of partisan propaganda rather than of objective journalism. Such a charge is neither borne out by the policy statement, manifesto or programme of the Ganatantra Parishad nor by facts.

The period of Coalition has been described as the best period of Orissa's administration by others. The

progressive Land Reform Act imposing ceilings on land was passed during this period. It is a pity that you have been misled by interested and irresponsible propaganda into believing that the former Princes in Orissa own 2,00,000 acres of lands which will be brought within the purview of the Land Reform Act by some new law. The fact is that the former Princes of Orissa own only 37,000 acres of land according to official figures given in the Orissa Assembly by the former Congress Government and these lands are already within the purview of the Land Reforms Act adopted by the Coalition Government. It is not understood how you missed the contradiction of the incorrect figure of 20,00,000 acres mentioned in an irresponsible statement by Shri Bijoyananda Patnaik which has already appeared in the Press.

May I request you to publish this letter in your esteemed Weekly to remove misconceptions of your readers?

Yours faithfully,
Shraddhananda Panigrahi.

Balangir, ORISSA.
July 14, 1961.

[Disparity between the votes polled and seats won by contesting parties is not a novel feature of direct elections in India or other democratic countries. The point of our emphasis was the return of a party with a clear majority which makes for stability. Stray instances can hardly affect the overall impression of absence of marked activity during the Coalition regime. It is too much to expect us to keep track of data supplied by Ministers from time to time in all the legislatures in the country. The material fact is not the area of land but the discontinuance of exemption from ceilings which was granted in the earlier land legislation. We are not aware of Mr. Patnaik having claimed the figure of 20 lakh acres, nor have we mentioned it. As for the allegation of propaganda, we have frankly criticised the Chief Minister's industrial policy as being largely wishful.—Ed.]

FROM THE CAPITAL'S CORRIDORS**COLLABORATION WITH ENI**

THE Government of India, it is learnt, has received the draft of the agreement proposed to be signed with Ente Nazionale Idrocarburi, the State-owned oil corporation of Italy, for the development of the oil industry in this country. The draft provides for a 12-year credit of \$120 million to be extended by the Italian company. Thirty-three million dollars of this amount are supposed to be provided for setting up of a refinery. Another \$33 million will be available for financing the laying of two products pipelines — one from Barauni to Calcutta and the other from Barauni to Delhi via Kanpur or Lucknow. Twenty million dollars have been offered for oil prospecting in collaboration with the Oil and Natural Gas Commission. The remaining \$34 million will be available for setting up a gas separation plant in Assam, a naphtha cracker project to manufacture petro-chemicals and a lubricating oil plant.

The Italian company, it is understood, will not initiate any oil prospecting on its own, but would act as agent to the Oil and Natural Gas Commission on such terms as would be mutually agreed upon. The drilling equipment, of course, will be supplied by the ENI. The Italian company is said to have disfavoured prospecting of oil in India on concession basis for it finds the conditions offered by the Indian Government unacceptable. According to knowledgeable sources, the minimum return that it is asking for on oil prospecting is 25 per cent (free of all taxes) on its outlay. The Burmah Oil Company, it may be recalled, only recently signed an agreement with the Government for oil prospecting in Assam, in areas adjacent to the Naharkotiya and Moran oilfields, on an assurance of a net return of 9 to 13 per cent.

The \$33 million credit available from the ENI for setting up a refinery, it is presumed, will go to finance the construction of a refining unit in South India to be based on imported crude, probably from the Soviet Union. The Nunmati and Barauni refineries, which will process Naharkotiya and Moran crude, are already being set up with financial assistance from Rumania and Russia. Russians have also agreed to provide credit for setting up the Koyali refinery near Baroda to process Ankleshwar crude.

The provision for utilisation of a part of the ENI credit for setting up a lubricating oil plant perhaps means that the Esso Standard Oil Company's lubricating oil project has come under cloud. The lubricating oil plant proposed to be set up at Barauni is already included in the Russian collaboration programme. The plant proposed to be set up with ENI's assistance is envisaged to produce such varieties of lubricating oil which would not be produced by the Barauni unit.

The Italian credit will cover the foreign exchange element in the above-mentioned projects. The rupee finance will have to be provided by the Government of India. For instance, for setting up the products pipelines pipes will have to be arranged by the Government of India, while the Italian credit will be available for financing the cost of pumping apparatus and technical know-how.

Contrary to the expectations of the Union Ministry of Oil, the agreement on the main principles governing the use of ENI credit would be signed by the local representative of the ENI, Mr. Gasperini. Separate agreements in respect of each project to be financed by this credit will be negotiated and signed at a later stage.

NUNMATI AND BARAUNI REFINERIES

The commissioning in of the Nunmati refinery, according to reports current here, is likely to be delayed by at least three months. This refinery was expected to go on stream by the end of the current year. The delay, it is said, has been caused by non-availability in adequate quantities of huge pipes to lay a pipeline from Gauhati to a place 11 miles downstream of Brahmaputra for effluent discharge.

The commissioning in of the Barauni refinery also is likely to be delayed by about six months. This refinery was originally expected to go on stream by the middle of 1962.

Meanwhile, the Union Government has finally decided to set up the refinery to process Ankleshwar crude at Koyali, a village near Bajwa railway station, about 10 miles from Baroda. The site selected is very near the Mahisagar river. This refinery will be owned by the Oil and Natural Gas Commission and will have a capacity of 2 million tons per annum.

INDIAN SHIPPING

New Delhi appears to be greatly disappointed with the attitude the Indian shipping interests have adopted in the recent past. The shipping interests have been too quick to ask for increase in freight rates even when they cannot be wholly justified. Two cases are cited in this respect. First is shipment of rice to Kerala under the Indo-Burmese Rice Agreement. Kerala, it is pointed out, was in desperate need of rice sometime ago. To expedite deliveries, the Government of India in response to a request by the shipping interests raised the rice freight rate from Rangoon to Cochin from Rs. 47 per ton to Rs. 48 per ton. It would have considered sympathetically some further increase in this rate as well if the shipping companies had responded to its call and had carried the Burmese rice to Kerala to meet the emergency. The shipping interests, however, asserted that a rise in rice freight rates was a sine qua non to any carriage of rice to Kerala.

The second case cited is that of shipment of coal by sea from East Coast ports to West Coast. The Indian shipping companies employ 36 ships in the coal trade to carry one million tons of coal and have been charging Rs. 35 per ton as freight from Calcutta to Bombay. In view of the difficulties encountered in transport of coal by railways, the Government sometime ago, decided to move another one million tons of coal by ships. The shipping interests taking advantage of this fact asked for a higher freight rate.

This attitude of the shipping interests is being resented here. It is, indeed, a paradoxical situation that while the Indian shipping interests have been demanding the right to carry Indian goods in Indian bottoms, they demand higher rates when goods are offered even to meet an emergency.

As reported earlier in these columns, the volume of opinion is growing in favour of nationalisation of the coastal shipping trade of India.

Meanwhile, a new shipping company has been floated in the private sector. The Government of India has reversed its earlier decision of carrying oil by tankers owned by its own shipping corporations and has directed the three western oil companies to negotiate with a company formed by Mr. Teja. This company proposes to acquire at least 13 ships and has asked

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for a loan of Rs. 20 crores in foreign exchange to be repaid in a few years from its earnings. The proposal is said to be quite an attractive one and is being seriously considered here.

MANUFACTURE OF DIESEL ENGINES

Manufacture of diesel engines in the higher ranges upto 800 H.P. may start at Poona in the near future, if the plans of Messrs Kriloskar Oil Engines are approved by the Government.

Kriloskar Oil Engines already holds licences for the manufacture of diesel engines in the ranges 100 H.P. to 330 H.P. in collaboration with MAN of Germany. The manufacture of engines in the higher ranges is proposed to be started in collaboration with the U.S. firm Commins.

The project is expected to cost Rs. 1,76,95,000. Of this, rupee expenditure will be Rs. 62,05,000 and the rest in foreign exchange — Rs. 73,50,000 in sterling and Rs. 41,40,000 in dollars. The U.S. firm will be providing the whole of the foreign exchange component in lieu of its share in the equity capital of the Indian company which is to be 60 per cent of the total.

Plans are to manufacture 210 diesel engines per month. The manufacturing programme envisages gradual reduction in the imported components from 57.2 per cent in the year in which the production is started to 32.5 per cent in the third year.

Commins engines are eminently suitable for mobile role as against the MAN engines which Kriloskar are producing for stationary role. The only engines for mobile role that are at present manufactured in this country are made by Ashok Leylands for heavy duty buses. Their generating capacity ranges from 150 H.P. to 180 H.P. Commins engines will be used in various equipments such as P and H shovels, Marion shovels

and Kamatsu tractors, whose production plans have already been finalised by the Government.

MANUFACTURE OF FOOD YEAST

No further applications for undertaking the manufacture of food yeast are likely to be entertained by the Government for the next 12 months, during which period two schemes already under consideration are expected to materialise. Messrs Sarvaraja Sugars, Chellur, are expected to set up a factory in Andhra Pradesh for the manufacture of food yeast. Foreign exchange requirements of this unit will be financed by exports of yeast. Jeypore Sugar Company of Madras is expected to undertake the manufacture of dried yeast to the tune of 150 tons per month. This company proposes to produce adequate quantities of fodder yeast for exports to the United States to earn the requisite amount of foreign exchange for its requirements. The foreign exchange component of the Jeypore Sugar Company's programme is placed at Rs. 10 lakhs.

MANUFACTURE OF SULPHURIC ACID

In view of the drain on foreign exchange resources on account of import of sulphuric acid — currently sulphuric acid imports are Rs. 3 crores per annum, but they are likely to increase to Rs. 6 crores per annum by the end of the Third Plan period — the Government of India would like the producers of sulphuric acid in the private sector to come forward with a helping hand.

Large-scale resources of pyrites, exceeding 80 million tons, are said to be available. There are plans to set up a 400-tons-a-day capacity smelter at Amjor. To manufacture sulphuric acid from these pyrites, technical collaboration has been arranged with a Norwegian firm. The Pyrites and Chemical Development Corporation, which will be setting up this smelter, has taken on hand a programme for mining pyrites on a large scale. The Corporation has also plans to set up

sulphuric acid units of 400 to 500 tons per day capacity near the fertilizers factories at Durgapur and elsewhere. The Corporation's plans envisage meeting of sulphur requirement of the country to the tune of about 50 per cent by the end of the Third Plan. The private sector, it is suggested, can fill the rest of the gap to a considerable extent.

EXPORT OF CHEMICALS

In view of there being surplus capacity for the manufacture of certain chemicals such as biochromates, hydrogen-peroxide, ammonium chloride, alum and aluminium sulphate, bleaching powder and chlorine, the Government of India thinks that there is a need for exporting these chemicals to the neighbouring countries where they are in demand. According to official calculations, India, to begin with, can export these chemicals to the tune of Rs. 1 crore per annum.

PAKISTAN CANCELS SUGAR DEAL

Pakistan has cancelled her deal to import 25,000 tons of white crystal sugar from India. It will now be importing Cuban sugar from Czechoslovakia. India had tendered to supply this sugar at £23 per long ton f.o.r. Attari. The Cuban sugar, it is learnt, is being supplied to Pakistan at Karachi at £22.15s. per long ton.

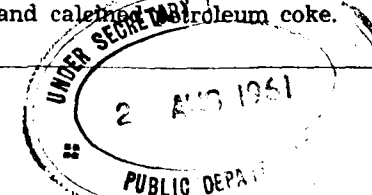
According to Pakistani sources, the deal has been cancelled because India failed to start deliveries on July 15 as contracted. The State Trading Corporation on whose behalf the Indian Sugar Mills Association was to supply sugar to Pakistan, however, contends that Pakistan herself had delayed finalisation of the deal because she wanted to pay in rupees instead of in pound-sterling. Valuable time was also lost due to Pakistan's insistence on modification of the conditions regarding inspection and arbitration. Negotiations were carried on for a longer period than warranted and the Pakistan Government finalised the deal only

on June 27. The State Trading Corporation proposed to start deliveries from August 1 and complete them by the end of September. The Pakistan Government did not indicate any revised schedule for the delivery and insisting on technicalities cancelled the deal straightaway, presumably because it had received an offer for the supply of Cuban sugar at more favourable rates.

IMPORTS FROM U.S.A. ONLY?

Reference was recently made in these columns to certain items imports of which may exclusively be reserved from the United States. The commodities under discussion are as follows:

Fertilizers; steel; copper, zinc, aluminium and their alloys; synthetic rubber; compressors, ball bearings, and similar general purpose components; tyre cord synthetic yarn; sulphur; rock phosphate; carbon black and acetylene black; pulp including rayon grade pulp; dyes; cutting tools; small tools; abrasive grains; various types of machine tools required by engineering industries; refractories and rollers for steel plants; lubricants; aviation spirit; newsprint; rutile titanium dioxide; styrene monomer; phenol; cellulose acetate butyrate; borax and boric acid; penicillin (sterile and non-sterile in bulk); Crude vitamin B₁₂ (B₁₂ intermediate); 4, 7, Dichloroquinoline; P-nitroacetophenone; P-acetyl aminophenol; 16-alpha-methyl-delta-1, 4, 9, (II)-Pregnatrien-17-alpha-21-diol-3, 20, dione-24-acetate; 3, 11, 20 Triketo 17-hydroxy-21-acetoxy-pregnane (EA ix); 5-chloro-2, 4-disulphonamide aniline; chlorothiazide (in bulk); benzathiazide (in bulk); chloramphenicol (in bulk); chlorpropamide (in bulk); nialamide (in bulk); M-aminophenol; acetazolamide (in bulk); methyl Isobutyl ketone; filteraid (supercel hyflo); acetyl sulphadiazine; diethyl carbamazone (in bulk); streptomycin (in bulk); tetracyclin and its derivatives (in bulk); trimethoprim (in bulk); and calcium petroleum coke.



TRAVEL TALK IN TUBELESS TIMES

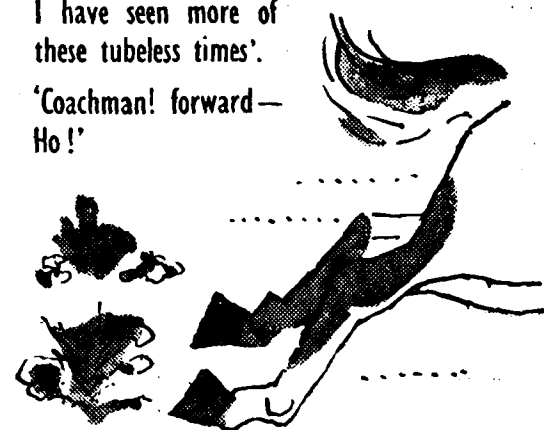
'A tube, a tube, my kingdom for a tube', quoted Time-Master Tubophile getting his Shakespeare all mixed up.

'Listen', said the coachman. 'You ain't got a kingdom to give and we ain't got a 'tube' to travel in...so now we walk, see!'

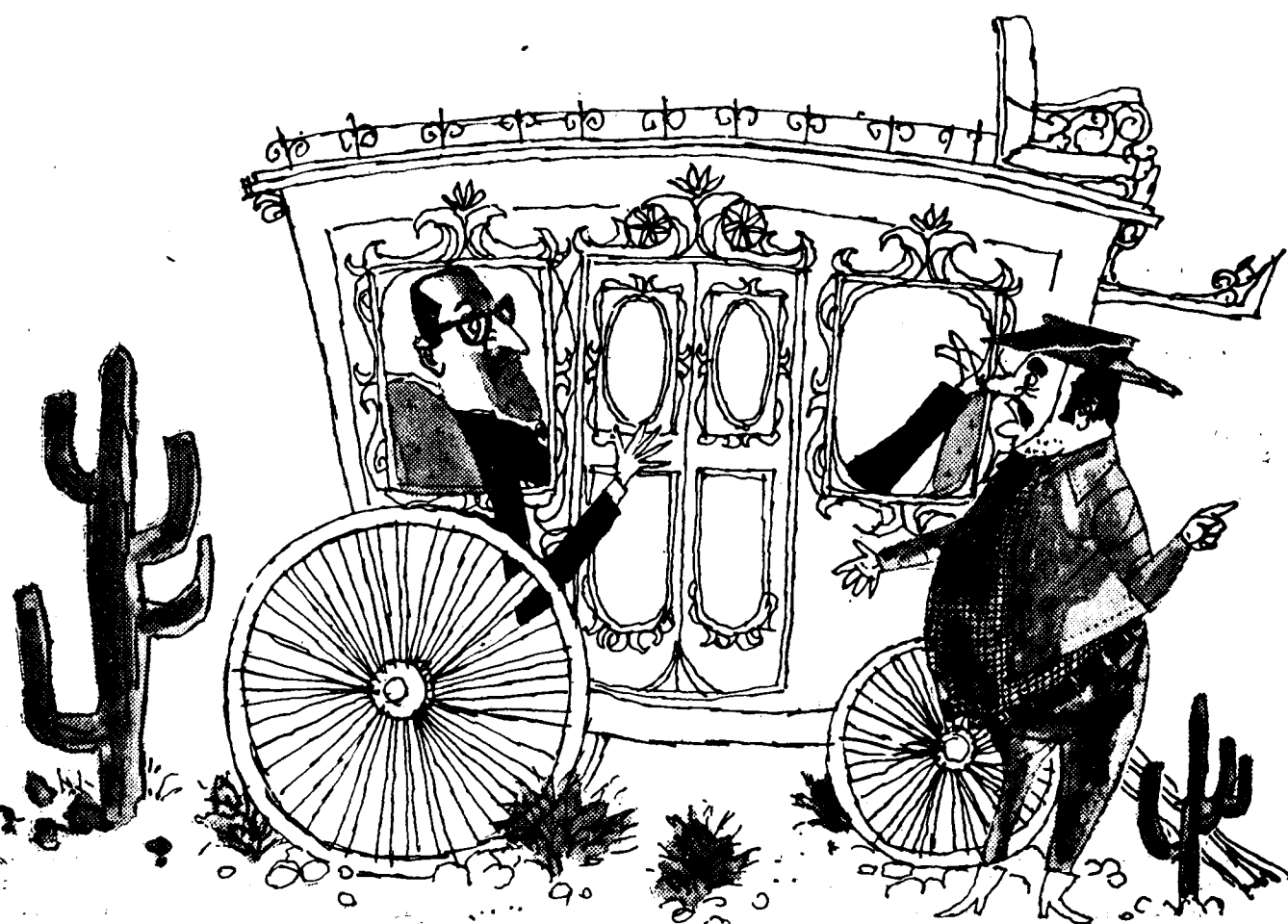
'Zounds, Sir', thundered Time-Master Tubophile, still Shakespearean, 'you don't have to remind me that this is a tubeless land in tubeless times. Full well do I, Chairman, Tube Time Inc., know it. Not a car, train or plane for conveyance...not even a bicycle to take the ache out of travelling. Nothing to take you from here to there save a horse...and that

too run away. Such is tubeless travelling. Comforting, though, to think, there is my tubular time machine to take me back to my own well-tubed time. And back I'll go after I have seen more of these tubeless times'.

'Coachman! forward—Ho!'



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TEA EXPORTS

An idea how India's tea exports would be affected by Britain's joining the European Common Market can be had from the following data. Of the total Indian tea exports, nearly 60 per cent go to the United Kingdom and 2.5 per cent to the six countries of the European Economic Community. In absolute terms, the United Kingdom imports from India about 300 million lbs. of tea (valued at approximately Rs. 82 crores), while the E.C.M. countries — France, Italy, West Germany, Netherlands, Belgium and Luxembourg — take nearly 12.50 million lbs. (valued at approximately Rs. 3.41 crores), either directly from this country or through Britain. India's tea exports to the United Kingdom and the Common Market countries have been in the recent past roughly of the following order:

IMPORTS OF TEA BY UNITED KINGDOM

(In million lbs.)

Origin	Quantity
India	300
Ceylon	140
British East Africa	40
Pakistan	10
Other Countries	30
Total	520

E.C.M. IMPORTS OF TEA

(In million lbs.)

Country	Total Imports	Imports from India
France	0.50	0.25
Italy	2.50	0.55
West Germany	14.00	7.00
Netherlands	20.00	4.50
Belgium and Luxembourg	1.00	0.20
Total	38.00	12.50

Indian tea enters Britain duty-free while Britain levies an import duty of 2d. per pound on tea imports from countries like Indonesia, Japan and Portuguese territories. This preferential treatment accorded to the tea of Commonwealth origin has to a great extent been helpful in keeping India's share in the British tea market at a sufficiently high plateau. If Britain joins the European Common Market, she will have to build up a tariff wall which not only will make tea costlier for the British people, but will also hamper re-export of tea from Britain. The position

regarding tariffs imposed by various Common Market countries on tea is as follows:

EUROPEAN COMMON MARKET TARIFFS ON TEA

Country	Import Duty	Internal Revenue Taxes	Total
France	30%	29%	59%
Italy	50%	—	50%
Germany	52%	45%	97%
Netherlands) Belgium) Luxembourg)	12%	—	12%

It would be apparant from the above fact that it would be in the interest of both India as a producing country and Britain as a major consuming country if tea from all the Commonwealth countries continues to enter Britain free of duty even after Britain joins the European Economic Community.

JUTE EXPORTS

Another major commodity whose exports from India are likely to be affected consequent upon Britain's joining the E.C.M. is jute goods. India's exports of jute goods to the United Kingdom and the Six countries of the Common Market during the year to March 31, 1961, have been as follows:

INDIA'S JUTE GOODS EXPORTS TO BRITAIN AND**E.C.M. COUNTRIES**

(In million rupees)

Exported to	Value	% of total Indian exports (Rs. 1,351.32 million)
United Kingdom	90.88	6.73
France	—	—
West Germany	26.31	1.95
Italy	3.81	0.28
Belgium	16.26	1.20
Netherlands	10.66	0.79
Luxembourg	—	—
Total	147.92	10.95

It will be observed from this table that jute goods exports to the United Kingdom earned for India more than Rs. 9 crores, equivalent to 6.73 per cent of the total value of the goods shipped overseas during the financial year ended March, 1961, while shipments to the European Common Market countries earned nearly Rs. 6 crores (4.23 per cent of the total value). Exports to France and Luxembourg were nil.

It is to be noted that India and the European jute manufacturing countries at present adhere to their own particular lines of manufacture, with India concentrating on standard hessian and sacking constructions (which constitute the bulk of the exports to Europe). The pattern of production is to some extent common to both centres and the European countries could undoubtedly cater for a much larger part of their domestic needs if they were enabled to do so by a collective trading policy and a weakening of India's competitive position. The installed capacity of the European jute industries is not fully employed, the main reason for this being (i) the access that the competitive Asian producers at present have to the European market, restricted only by such controls as the mark-up in the United Kingdom, high tariffs in France, and currency allowance in West Germany, and (ii) the fact that India has been able to recapture some of the export business in other markets that went to the European jute industries at the time when the sale of Indian jute goods was handicapped by heavy export duties. This revival of competition has led to a progressive curtailment of production in Europe, but the trend is one that could be reversed by closer economic integration in that area.

If France succeeded in maintaining its protectionist policy and created a tariff barrier against cheap Asian jute industry, the Indian jute industry would be seriously handicapped in its trade with the United Kingdom, which, at present permits free entry to Indian jute goods. It is believed that the attitude of the West German and Belgian Governments is more sympathetic, because of a growing realisation of the imbalance of trade between India and their countries.

NON-DIVIDEND PAYING COMPANIES: EXEMPTION FROM SOME PROVISIONS OF COMPANIES ACT

The Government of India has decided to exempt companies engaged in the promotion of art, commerce, science, religion, charity or any other useful object from certain provisions of the Companies Act. This step has been taken since compliance with some provisions of the Act is not as necessary in their case as in the case of companies which have been formed with the profit motive.

Under the new orders, such companies will now be able to hold their annual general meetings not only at any place within the country, but also on a public holiday and even outside the normal office hours.

They need not also file with the Registrar every year, along with the annual returns mentioned in Section 160 of the Act, the names of their members and the respective dates on which they became members and the names of persons who ceased to be members since the date of the annual general meeting of the immediately preceding year. It will not be necessary for these companies to publish their names strictly in terms of Section 147 of the Act; they will be free to indicate their names in a manner suited to their needs.

Fourteen days' notice, instead of the twenty-one days' notice which normally is required, would suffice in the case of these companies for the purpose of calling their annual general meetings. Similarly, it will hereafter be enough if such companies preserve in good order their books of accounts for four years, instead of eight years as prescribed in the Act.

By virtue of another exemption, a person intending to stand for election as a director or any member intending to propose him for election as a director will

not have to leave at the office of the company any notice signifying his candidature for the office or the intention of such member to propose him as a candidate for that office. For the same reason, a candidate for the office of a director in any of the companies will not be required to signify this consent in writing to act as a director, if appointed. He will, however, have to file with the Registrar, within thirty days of his appointment as director, his consent in writing to act as such.

Persons who have attained the age of sixty-five years will henceforth not be ineligible for appointment as directors of these companies in terms of the exemptions from the provisions of Section 280 and 282 of the Act.

The boards of the companies, by whatever name they are called, need not meet once in three calendar months, as provided in Section 285. It would be enough if they hold at least two meetings in a year. The quorum for a board meeting for such companies has been fixed at either eight directors or one-fourth of the total strength of the board, whichever is less, provided that it must not fall below two members in any case.

It will also not be necessary for these companies to notify the changes in their boards of directors, managers or secretaries at any time during the year. The names of the members of the board, managers, secretaries, etc., are, however, required to be filed with the Registrar once every year along with the annual returns as provided in Section 160 of the Act.

THIRD SILO

An agreement has been signed between the Government of India and the Polish organisation CEKOP, under which the latter would prepare a project report for the construction of a 50,000-ton port silo, either in Bombay or Madras. The report is required to be submitted within three months.

In May, 1960, a credit agreement was concluded with Poland, one of the items being the construction of a silo for bulk storage of foodgrains. Subsequently, a technical team from Poland visited this country to collect data for the preparation of a project report.

India already has two silos (grain elevators) — one at Hapur in Uttar Pradesh and the other, recently completed, in Calcutta. Each of these is of 10,000-ton capacity, but it is intended to augment the capacity of the Calcutta silo to about 20,000 tons. Both these silos were constructed with the aid received from the U.S. Technical Co-operation Mission.

INDIA'S TRADE WITH MOROCCO

A protocol has been signed between the Government of India and the Kingdom of Morocco bringing the trade agreement between the two countries, negotiated in September last, into force from August 1, 1961. The revised arrangements provide for exchange of goods between India and Morocco on a larger scale than previously envisaged, but on a balanced basis. Morocco is likely to offer a substantial outlet for Indian green tea. Non-traditional items like diesel engines and engineering and electrical equipment are also likely to be exported from India. India will be importing from Morocco mainly rock phosphate, lead and cork.

In 1960, India exported to Morocco goods worth Rs. 48 lakhs. Imports from Morocco during this year amounted to Rs. 52 lakhs.

COMPANY AFFAIRS

INDORE MALVA

During the year to December 31, 1960, the Indore Malva United Mills Ltd. improved its trading conditions. To some extent, however, the advantages were offset by the increase in the prices of raw cotton, heavier wage bill and enhanced prices for stores, chemicals etc. During the year under review even cotton output was lower and prices of most varieties of cotton pierced ceilings. Import of foreign cotton, though, rendered the situation slightly better.

The Directors point out that as a result of an improved demand in cloth and yarn, the stock returned to normal. The Government of India urged the industry to reduce the prices of cloth and it affected this company considerably because it has been manufacturing cloth of coarse and medium counts.

The Company has started producing additional yarn to cater to the fast growing demand of the decentralised sector of the industry. For this purpose the mills have started running third shift of its spinning section since May 1960.

The profit during the year, after providing depreciation for the years 1958-1960 and development rebate reserve, comes to Rs. 16.94 lakhs. The Directors have proposed a dividend at the rate of Rs. 8.50 per share subject to deduction of tax.

NEW FLOATATIONS

Consent to the issue of capital of Rs. 943.74 lakhs was granted by the Controller of Capital Issues (during the period 15th May to 15th June, 1961). The amount was divided among 18 companies.

Consents for a total of Rs. 1 crore or more have been granted to the following three companies:

- (1) Mysore Paper Mills .. Rs. 1 crores
- (2) United Malleable Co. Pvt. .. Rs. 1.25 crores
- (3) Asian Cables Corporation .. Rs. 1.55 crores

The three companies, which have foreign collaboration, are: (1) Asian Cable Corporation, (2) T. I. Miller Private and (3) United Malleable Company Private, the share of their collaborators being Rs. 55.00 lakhs, Rs. 2.50 lakhs and Rs. 4.00 lakhs respectively.

The following are the companies in which Government participation in share capital is more than fifty per cent, in respect of which the consent by the Controller of Capital Issues was granted during 1960:

Name of Company	Business	Amount consented to (Rs. lakhs)
The Singareni Collieries Company Limited.	Production of non-coking coal	531.78
Neyveli Lignite Corporation Limited	Mining of lignite etc	1,900.00
National Coal Development Corporation Ltd.	Raising of coal	1,500.00
Pyrites and Chemicals Development Co. Ltd.	Prospecting and exploring of mines	100.00
National Industrial Development Corp. Ltd.	To promote and operate schemes for the industrial development of India	15.00
Bolani Ores (Private) Limited	Raising and supplying iron ore	30.00
National Mineral Development Corp. Ltd.	Production of iron ore	200.00
The Hutti Gold Mines Company Limited	Gold mining	19.50
The Kalyani Spinning Mills Limited	Manufacture of cotton yarn	250.00
Assam Spun Silk Mills Limited	Spinning of silk yarn and oil	66.00
Tungabhadra Steel Products Limited	Fabrication of iron and steel structural, castings and forgings	50.00
Hindustan Aircraft Ltd. Heavy Electrical Ltd.	Aircraft project Manufacture of heavy electrical equipments	519.75
Radio and Electricals Manufacturing Co. Ltd.	Manufacture of radios, electricity meters and extrusion of plastic wires, cables, etc.	858.00
Hindustan Teleprinters Limited	Manufacture of teleprinters and ancillary equipments	75.00
Hindustan Organic Chemicals Limited	Manufacture of basic chemicals	70.00
Andhra Pradesh Fertilizers & Chemicals Ltd.	Manufacture of nitrogenous and mixed fertilizers	200.00
Hindustan Chemicals & Fertilizers Limited	Fertilizer factory	969.70
The Fertilizers Corporation of India Limited	Production, distribution and research relating fertilizers heavy chemicals, heavy water, etc.	393.55
Indian Refineries Ltd.	To construct, operate and maintain and control oil refineries	800.00
Hindustan Housing Factory Limited	Production of pre-cast and pre-stressed concrete and ordinary reinforced concrete products for building industry	5.00
National Instruments Limited	Manufacture of scientific and precision instruments of all types and descriptions	90.52
National Building Construction Corporation Private Limited	Construction of buildings, roads and other civil works throughout India	15.00
National Projects Construction Corporation Ltd.	Execution of work on the river projects	5.00
Assam Government Marketing Corporation Ltd.	To undertake the marketing of small scale industries	20.00
Andhra Pradesh Industrial Development Corporation Limited	Development of large and medium scale industries	100.00
The Eastern Shipping Corporation Limited	Cargo services	580.35
The Western Shipping Corporation Limited	Shipping trade	1,005.00
TOTAL:		Rs. 13,950.21

As already reported, the Eastern and Western Shipping Corporation are being amalgamated into one Corporation. It is expected that the new company will be incorporated on October 2, 1961.



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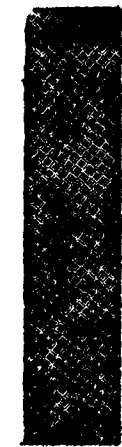
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 Parliament Street.

BOMBAY:
 254, Dr. Annie Besant Road,
 Worli.

AMHEDABAD:
 Chotelal Bldg.,
 Kadai Kuli, Rallal Road.

COIMBATORE:
 374, Variety Hall Road,
 Post Box No. 142.

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 New India Merchantile Co.,
 8, India Exchange Place.



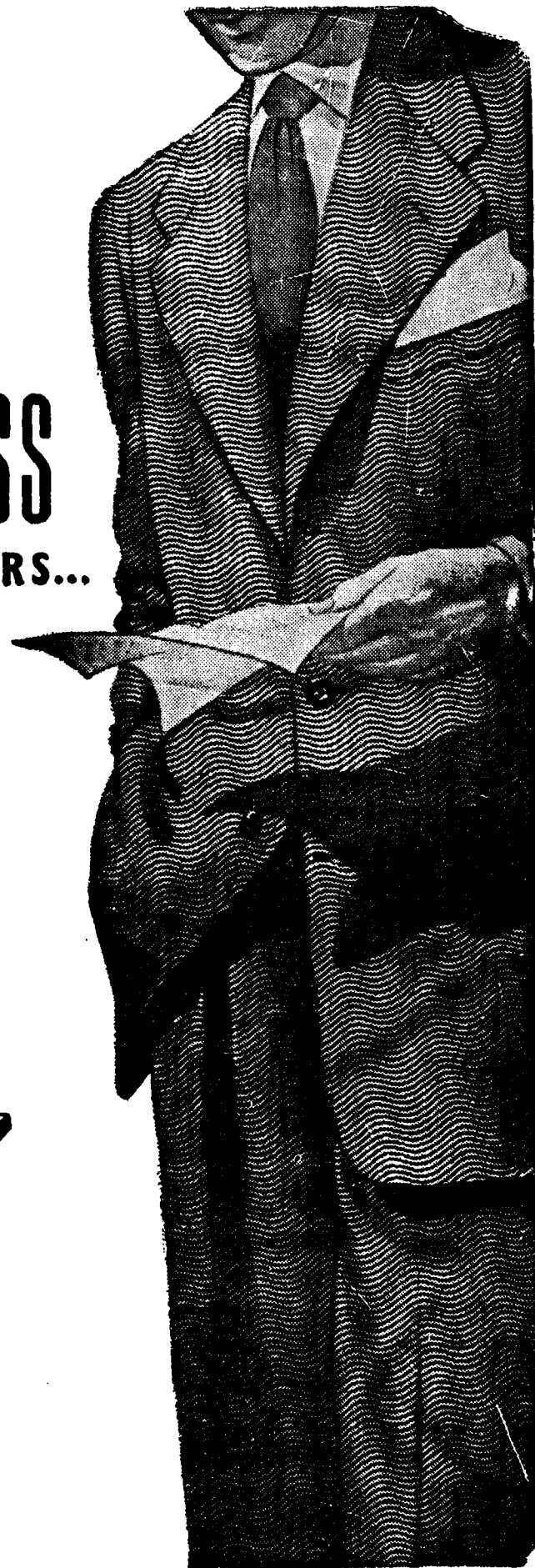
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COMMODITY NEWS AND NOTES

SUGAR PRODUCTION

According to the Indian Sugar Mills Association the Sugar Production during the month of June 1961, was 43,000 tons as against 2,000 tons during the corresponding period last season. This brings the total production for the season 1960-61 upto 30-6-1961 at 29,49,000 tons as against 24,01,000 tons produced last season by this date. The off-take of sugar from factories during the month of June 1961, was 1,89,000 tons as against 1,98,000 tons during the corresponding period last season. The total despatches including despatches for exports upto 30-6-1961 were 14,23,000 tons as against 1,24,000 tons by the same date last season. The total closing stock of sugar with factories on the 30th June, 1961, was 20,65,000 tons as against 12,19,000 tons on the same date last season.

WHEAT PRODUCTION HIGHEST EVER

An all-time record in production and an increase of 8.2 per cent in yield per acre over last year's figure are features of the 1960-61 All-India Final Estimate of Wheat. According to the Directorate of Economics and Statistics of the Ministry of Food and Agriculture, the area covered by wheat and the production of this cereal in 1960-61 were 31,751,000 acres and 10,648,000 tons, respectively. Compared with the partially revised estimates for 1959-60 of 32,542,000 acres and 10,089,000 tons, the estimates for 1960-61 show a decrease of 791,000 acres in area, or 2.4 per cent, but an increase of 559,000 tons, or 5.5 per cent, in production. The yield per acre works out at 751 lbs. as against 694 lbs. last year. Decreases in area in 1960-61 were reported mainly from the States of Rajasthan, Madhya Pradesh and Gujarat, while increases occurred in Uttar Pradesh, Maharashtra, Punjab and Mysore. Production rose mainly in Uttar Pradesh and Punjab, due to increase in area and to favourable weather conditions during the growing period of the crop. It fell in Madhya Pradesh and Rajasthan.

REBATE OF EXCISE DUTY ON EXPORTED GOODS

The Government of India have decided to extend the procedure under the Central Excise Rules of export out of India articles under claims for rebate of duty on the goods used in their manufacture, to Cotton Ropes as well. The Cotton Yarn component in the ropes will be eligible for such rebate. This concession is already applicable to ready-made apparel, tents, sugar products, cotton bags, umbrellas, chaddars, pillow cases, table covers and several other articles.

Manufacturers of Cotton Ropes who wish to export them under this procedure may contact the Collector of Central Excise in whose jurisdiction their factory is situated, for further information.

ALL-INDIA FINAL ESTIMATE OF DRY CHILLIES 1960-61

The All-India Final Estimate of Dry Chillies, 1960-61 puts the current year's area and production at 1,492,000 acres and 363,000 tons respectively, according to the Directorate of Economics and Statistics, Ministry of Food and Agriculture. As compared with the partially revised estimates of 1,472,000 acres and 337,000 tons for 1959-60, the estimates for 1960-61 show an increase of 20,000 acres or 1.4 per cent in area and 26,000 tons or 7.7 per cent in production. There is slight increase in the overall acreage under chillies. The increase in area has been reported mainly by the States of Rajasthan and the Punjab due to favourable weather conditions at the sowing time. The increase in area has, however, been offset to some extent by the decreases reported by Andhra Pradesh, Maharashtra and Mysore. The increase in production during the current year is accounted for mainly by Rajasthan and Maharashtra and to some extent by the Punjab and is attributed mainly to favourable weather conditions during the period of growth of the crop.

ALL-INDIA FINAL ESTIMATE OF BARLEY, 1960-61

The All-India Final Estimate of Barley for 1960-61 shows that in spite of a decrease in acreage the current year's production of the crop has increased as compared to last year's, thus showing a higher yield per acre. According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the current year's area and production are placed at 7,916,000 acres and 2,734,000 tons respectively. As compared with the partially revised estimates of 8,345,000 acres and 2,674,000 tons, the estimates for 1960-61 show a decrease of 429,000 acres or 5.1 per cent in area but an increase of 60,000 tons or 2.2 per cent in production. The decrease in area during the current year has occurred mainly in the States of Rajasthan, Bihar, the Punjab and West Bengal and is attributed generally to unfavourable weather conditions at the sowing time. The increase in the current year's production is accounted for mainly by Uttar Pradesh and is attributed to favourable climatic conditions during the growing period of the crop. This increase in production has, however, been offset to a considerable extent by the decrease reported by Rajasthan and Madhya Pradesh.

THE BRITISH INDIA CORPORATION LIMITED, KANPUR

BRANCHES DIVISION

Cawnpore Woollen Mills Branch Cooper Allen Branch
New Egerton Woollen Mills Branch North West Tannery Branch

LONDON OFFICE. BEGG SUTHERLAND DIVISION

SECRETARIES & TREASURERS

The Elgin Mills Co. Ltd. Cawnpore Sugar Works Ltd.
Cawnpore Textiles Ltd. Champaran Sugar Co. Ltd.
Brushware Limited Saran Engineering Co. Ltd.

Secretaries for: Beta Picker & Co. Ltd.

Royal Exchange Assurance.

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Fuel Power			Manufactures			All Commo- dities
		Food articles & Tobacco	Liquor & Tobacco	Light and Lubricants	Industrial Raw materials	Inter- mediate Products	Finished Products	Total
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	104.6
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	117.1
1960-61	..	120.0	110.0	119.6	145.4	130.5	122.8	123.9
April	1960	117.6	103.1	118.1	134.2	123.2	116.9	120.4
May	"	120.3	107.3	119.2	140.1	125.4	119.0	122.8
June	"	120.3	109.5	118.0	139.7	127.2	118.7	122.9
April	1961	117.5	112.0	122.3	152.9	136.0	125.3	125.7
May	"	117.2	104.1	122.8	152.8	136.9	124.5	125.2
June	"	119.9	100.1	122.2	148.7	135.2	127.4	125.3
3-6-1961	..	118.0	101.9	122.8	149.1	137.7	123.8	124.9
10-6-1961	..	118.7	100.3	122.8	147.1	139.3	121.9	124.5
17-6-1961	..	121.0	99.5	121.5	148.1	141.0	122.8	126.0
24-6-1961	..	122.2	98.6	121.5	150.7	140.7	123.4	127.1
1-7-1961	..	122.6	97.8	121.5	149.3	141.3	123.0	127.1

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS
(August 1939 = 100)

Period	Bombay			Delhi Bengal U.P.			Central Provinces			Madras E.P. Bihar		
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	All India†
1939 (Aug.-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	217	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	157	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	308	158	384	469	498	163	429	166	173*	168
1960	401*	420*	296	158*	397*	476*	512*	165	462*	167	166	171*
1960 July	404	423	302	160	406	484*	515	165*	467	169	164*	174
August	402	421	304	160	410	484*	515	163	470	169	168*	174
September	399	418	302	161	403	489	520	163	472	167	168*	173
October	402	421	304	162	396	488	517	163	477	171	164*	173
November	404	423	300	159	392	489	509	163	484*	171	168*	171
December	400	419	297	160	385	478*	507	163	488*	169	167*	171*
1961 January	400	419	296	161	385	480	—	165	470*	171	166*	170*
February	401	420	—	163	389	487	491	165	474*	172	164*	170*
March	404	423	—	164	392	483	488	—	479*	—	167*	171*
April	409	428	—	165	389	471	—	—	482*	—	—	170*
May	412	431	—	166	—	464	—	—	479	—	—	—
June	—	—	—	167	—	474	—	—	478	—	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)
WEEK ENDED

	21-7-1961			14-7-1961			7-7-1961			30-6-1961		
Gold (per 10 grams)	120.70	119.30	120.13	120.75	119.90	120.22	122.40	120.75	121.44	122.10	120.10	121.02
Silver (per kilogram)	200.60	199.80	200.06	200.80	199.75	200.18	201.60	199.95	200.81	203.35	200.90	201.93

RESERVE BANK OF INDIA ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES					ASSETS				
	Notes in Circula- tion	Notes Held in Bank- ing Dept.	Total Notes Issued (a)	Gold Coin & Bullion (b)	Foreign Securi- ties (c)	Total of (b+c)	(b+c) as Percent- age of (a)	Rupee Coin	Rupee Securities	Total Assets
1956-57	1,475,77	18,75	1,494,52	40,02 (117,76)	545,61 (663,37)	585,63 (44,37)	39.95 (28.79)	115,93	755,22	1,494,52
1957-58*	1,529,36	23,18	1,552,53	117,76	329,65	447,41	28.79	1,30,06	975,06	1,552,53
1958-59*	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
1959-60*	1,730,90	19,86	1,750,77	117,76	167,62	285,38	16.30	131,50	1,333,83	1,750,77
1960-61*	1,863,13	18,94	1,882,07	117,76	134,99	252,75	13.4	126,84	1,502,48	1,882,07
Average of Fridays										
April 1960	1,887,42	17,25	1,904,67	117,76	163,01	280,77	14.74	127,16	1,496,74	1,904,67
May "	1,886,74	20,78	1,907,52	117,76	163,01	280,77	14.72	125,34	1,501,41	1,907,52
June "	1,860,95	26,56	1,887,51	117,76	149,26	267,02	14.14	125,34	1,495,15	1,887,51
April 1961	2,017,13	18,87	2,036,01	117,76	118,01	235,77	11.58	121,90	1,678,33	2,036,01
May "	1,989,60	16,63	2,006,23	117,76	113,01	230,77	11.50	118,51	1,656,95	2,006,23
June "	1,958,79	30,43	1,989,22	117,76	108,01	225,77	11.35	118,54	1,644,92	1,989,22
Week-Ending										
16-6-1961	1,968,99	26,63	1,995,62	117,76	108,01	225,77	11.31	117,94	1,651,90	1,995,62
23-6-1961	1,945,75	41,41	1,987,15	117,76	108,01	225,77	11.36	119,47	1,641,91	1,987,15
30-6-1961	1,933,41	44,81	1,978,22	117,76	103,01	220,77	11.16	120,52	1,636,93	1,978,22
7-7-1961	1,949,27	27,46	1,976,72	117,76	93,01	210,77	10.66	119,03	1,646,93	1,976,72
14-7-1961	1,937,98	19,85	1,957,83	117,76	93,01	210,77	10.77	120,08	1,626,98	1,957,83

BANKING DEPARTMENT

(Rs. Lakhs)

Period	Deposits						Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad§	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Gov- ernment	Other Gov- ernments	Banks	Others	Total										
1954-55*	..	89,13	20,66	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	26,55	80,52	9,82
1955-56*	..	60,11	19,85	53,77	18,31	152,04	35,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
1956-57*	..	57,52	14,10	52,46	19,73	143,81	91,21	245,02	18,91	5,69	64,77	4,89	85,34	51,82	13,60
1957-58*	..	54,61	11,28	81,00	111,38	258,27	84,36	407,63	23,30	4,81	40,47	32,90	77,91	213,92	14,32
1958-59*	..	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,18	25,57	28,23	65,83	284,49	11,73
1959-60*	..	55,50	23,24	79,61	123,48	281,83	83,18	450,01	19,94	15,54	28,97	25,53	88,92	258,90	12,22
1960-61*	..	61,73	21,27	97,30	98,76	279,06	100,33	464,39	19,02	28,71	20,74	38,19	132,78	209,56	15,38
Avr. of Fridays															
April	1960 ..	62,26	21,36	90,66	100,04	274,72	119,50	479,25	17,33	47,71	21,96	41,01	117,33	219,04	14,86
May	" ..	55,55	27,20	96,35	98,14	277,23	108,96	471,19	20,85	27,39	12,66	49,43	115,02	230,51	15,34
June	" ..	73,15	13,28	107,89	90,72	285,05	111,02	481,07	26,63	28,14	13,57	45,94	122,56	228,02	16,21
April	1961 ..	59,70	8,73	77,38	101,68	247,48	134,15	467,38	18,99	55,31	10,60	84,08	135,28	142,78	20,37
May	" ..	61,61	16,21	78,38	116,50	272,69	145,08	501,78	16,73	41,65	21,40	83,99	125,26	191,55	21,22
June	" ..	64,96	13,54	84,67	123,86	287,04	134,21	506,25	30,47	39,78	14,49	68,97	121,34	208,22	22,97
Week-Ending															
16-6-1961	..	80,73	5,44	86,25	126,59	299,01	140,74	524,75	26,67	44,58	15,78	83,02	118,24	214,66	21,80
23-6-1961	..	82,05	14,63	80,37	128,49	305,55	144,43	534,98	41,44	41,01	12,65	77,43	115,71	223,09	23,64
30-6-1961	..	59,68	15,18	94,73	115,27	284,87	101,43	471,30	44,84	35,53	10,78	34,30	130,41	189,49	25,95
7-7-1961	..	54,51	8,96	91,69	111,14	266,30	101,18	452,48	27,50	38,43	16,54	37,16	123,79	183,56	25,50
14-7-1961	..	49,83	13,37	96,08	111,22	270,49	98,76	454,25	19,90	27,74	9,89	41,73	117,52	213,45	24,04

* Average of Fridays. **Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. †Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. §Includes cash and short-term securities.

STATE BUDGETS

TABLE I
PLAN OUTLAY*

State	(Rs. Crores)			
	Actuals	Second Plan Targets	1961-62 Targets for (B.E.) Third Plan	
Andhra Pradesh	177.63	175.74	48.00	305.00
Assam	53.56	57.94	18.75	120.00
Bihar	176.01	174.00	47.83	337.00
Gujarat	)	)	33.19	235.00
	) 363.29	350.29		
Maharashtra	)	)	54.60	390.00
Jammu and Kashmir	32.76	33.90	11.65	75.00
Kerala	91.50	87.01	28.15	170.00
Madhya Pradesh	150.60	190.90	43.75	300.00
Madras	186.19	152.27	47.87	290.89
Mysore	142.64	145.13	36.51	250.00
Orissa	88.41	99.99	25.14	160.00
Punjab	151.67	162.68	38.85	298.00
Rajasthan	99.74	105.27	34.00	236.00
Uttar Pradesh	234.08	253.00	71.22	497.00
West Bengal	155.08	157.67	50.82	346.00
TOTAL	2,103.16	2,145.79	600.33	4,009.89

* Figures given in this table are based on the budget papers of the State Governments and differ from the figures given by the Planning Commission as the budget figures include outlay on schemes included in the Centre's Plan but executed in the States as also certain other schemes which are technically outside the Plans of the Centre and States.

TABLE III
CENTRAL AID
(Rs. Crores)

Year	Shared Taxes	Grants	Loans	Total
1951-52	52.9	33.9	73.3	160.1
1952-53	73.8	36.0	111.8	221.6
1953-54	72.8	45.3	154.7	272.8
1954-55	71.6	51.4	220.7	343.7
1955-56 (R.E.)	73.6	103.7	246.7	424.0
Total for First Plan	344.7	270.3	807.2	1,422.2
1956-57 (B.E.)	79.4	84.3	209.5	373.2
1957-58	120.9	114.4	283.6	518.9
1958-59	162.1	141.5	284.1	587.7
1959-60	169.9	175.7	295.0	640.6
1960-61 (R.E.)	178.8	235.6	356.1	770.5
Total for Second Plan	711.1	751.5	1,428.3	2,890.9
1961-62 (B.E.)	160.0	231.7	409.2	800.9

Note: Figures from 1951-52 to 1956-57 relate to Part A and Part B States and those from 1957-58 onwards to re-organised States including Jammu and Kashmir.

TABLE II
BUDGETARY POSITION

Period	(Rs. Crores)		
	On Revenue Account	On Capital Account	Overall*
1951-52 (Acct.)	+3.8	-53.7	-48.3
1952-53 (Acct.)	-8.6	-9.6	-26.6
1953-54 (Acct.)	+5.7	+18.1	+18.9
1954-55 (Acct.)	-14.1	+49.8	+38.7
1955-56 (R.)	-78.5	+9.9	-69.4
Total for First Plan	-91.7	+14.5	-86.7
1956-57 (B)	-83.6	-27.2	-109.9
1957-58 (Acct.)	+27.8	-32.1	-19.9
1958-59 (Acct.)	+47.5	+6.6	+52.5
1959-60 (Acct.)	+37.2	-25.4	+11.4
1960-61 (R.)	+13.9	-101.0	-91.7
Total for Second Plan	+42.8	-179.1	-157.6
1961-62 (B)	-36.0	-29.9	-66.6

* Including miscellaneous transactions.
(B) Budget; (R) Revised; (Acct.) Accounts.

TABLE IV
EXPENDITURE ON REVENUE AND CAPITAL ACCOUNTS

Year	(Rs. Crores)			
	Revenue* Capital**	Total Ex- penditure	Share of Central	Aid to Total
	Account	Account	Expenditure (%)	
1951-52	392.6	151.3	543.9	29.4
1952-53	416.9	155.5	572.4	38.7
1953-54	446.5	176.8	623.3	43.8
1954-55	494.4	205.9	700.3	49.1
1955-56 (R.E.)	603.4	342.3	945.7	44.8
Total for First Plan	2,353.8	1,031.8	3,385.6	42.0
1956-57 (B.E.)	630.5	410.0	1,040.5	35.9
1957-58	683.9	347.2	1,031.1	50.3
1958-59	765.1	357.3	1,122.4	52.3
1959-60	869.8	396.5	1,266.3	50.6
1960-61 (R.E.)	996.9	515.5	1,512.4	50.9
Total for Second Plan	3,946.2	2,026.5	5,972.7	48.4
1961-62 (B.E.)	1,057.4	523.2	1,580.6	50.7

* Excluding transfers to funds

** Excluding appropriations to contingency and other funds, State Trading Transactions and all debt and deposit items except loans and advances by States.

Source: Reserve Bank of India.

STATE BUDGETS

TABLE I
NON - DEVELOPMENT EXPENDITURE: 1951-61
(Rs. crores)

	Non- development Expenditure	Total Expenditure	Ratio of (1) to (2)
	(On Revenue & Capital Accounts)		
	(1)	(2)	(3)
1951-52	.. 223.70	520.20	43.00
1952-53	.. 197.76	527.45	37.49
1953-54	.. 213.59	573.74	37.23
1954-55	.. 221.76	642.94	34.49
1955-56	.. 257.12	856.31	30.03
1956-57	.. 268.84	971.91	27.66
1957-58	.. 318.15	950.48	33.47
1958-59	.. 348.26	1,004.33	34.68
1959-60	.. 401.33	1,142.25	35.14
1960-61	.. 431.88	1,330.46	32.46

TABLE III
DETAILS OF TAX REVENUE
(On Revenue Account)

	(Rs. Crores)	
	First Plan	Second Plan
Taxes on Income	3,00.97	4,12.96
Income-tax	2,77.86	3,72.22
Agricultural Income-tax	22.67	39.35
Profession tax	0.44	1.39
Taxes on Property and Capital	4,75.34	6,69.33
Transaction	2.46	12.92
Estate Duty	3,29.04	4,65.36
Land Revenue	1,34.41	1,80.26
Stamps and Registration	9.43	10.79
Urban Immovable Property Tax	8.26.71	14,76.80
Taxes on Commodities and Services	8,26.71	14,76.80
Union Excise	64.62	2,80.25
State Excise	2,28.42	2,34.91
General Sales Tax	2,98.61	5,47.99
Sales Tax on Motor Spirit	33.44	58.31
Motor Vehicles Taxes	63.58	1,16.73
Tax on Railway Fares	—	42.50
Entertainment Tax	31.13	48.61
Electricity Duties	22.44	46.95
Other Taxes and Duties*	84.47	1,00.55
Total Tax Revenue	16,03.02	25,59.09

* Include sugar-cane cess, tax on passengers and goods, tobacco duties, inter-State transit duties, tax on raw jute etc.

TABLE II
TAX REVENUE: 1951-61
(Rs. crores)

Year	Tax Revenue	Total Revenue	Ratio of (1) to (2)
	(1)	(2)	(3)
1951-52	281.05	396.40	70.90
1952-53	304.92	420.58	72.50
1953-54	330.30	467.52	70.65
1954-55	337.22	496.61	67.90
1955-56	349.53	546.31	63.98
Total for First Plan	1,603.02	2,227.42	71.97
1956-57	366.73	570.65	64.27
1957-58	471.98	711.71	66.32
1958-59	537.06	812.59	66.09
1959-60	577.42	906.99	63.66
1960-61	605.90	1,010.76	59.94
Total for Second Plan	2,559.09	4,012.70	63.77
1961-62	611.56	1,021.37	59.88

TABLE IV
DETAILS OF NON - TAX REVENUE
(On Revenue Account)
(Rs. Crores)

	First Plan	Second Plan
Administrative Receipts (a)	2,32.79	5,18.70
Net Contribution of Public Enterprises (b)	1,37.72	2,07.79
Forests	61.36	1,21.21
Irrigation (c)	45.19	41.58
Electricity Schemes	23.95	22.40
Road and Water Transport	5.78	23.12
Industries and Others	1.44	—0.52
Other Revenue (d)	1,51.71	2,53.52
Grants-in-Aid and Other Contributions	2,02.18	4,73.61
Total Non-Tax Revenue	7,24.40	14,53.62

(a) Include receipts from civil works and receipts of the various departments such as education, public health, etc. and certain grants from the Central Government.

(b) The contribution of public enterprises to revenue is not as given in the budgets and does not constitute a commercial surplus.

(c) Irrigation works for which capital accounts are not kept, are taken on a gross basis.

(d) Comprises receipts on account of debt services, stationery, and printing and miscellaneous receipts; exclude transfers from reserve funds.

Source: Reserve Bank of India.

STATE BUDGETS

DEVELOPMENT EXPENDITURE

(Rs. crores)

	First Plan	Second Plan
1. Revenue Account		
Education	3,95.48	7,63.25
Medical and public health ..	1,81.01	3,14.50
Agriculture, veterinary and co-operation	1,60.60	2,75.69
Irrigation*	98.27	1,33.09
Electricity schemes*	28.78	35.49
Rural and Community Development Projects	51.14	2,00.66
Civil Works	2,57.67	2,79.94
Industries and Supplies	36.15	96.73
Other development expenditure (a)	62.43	1,71.71
Total Development Expenditure (on revenue account)	12,71.53	22,71.06

2. Capital Account		
Multi-purpose River Valley Schemes	2,46.23	2,82.82
Irrigation and Navigation ..	1,90.21	3,51.79
Schemes of Agricultural Improvement and Research	8.98	22.51
Electricity Schemes	1,39.24	1,76.11
Road Transport	9.73	17.95
Buildings, Roads, and Water Works	1,10.95	4,21.78
Industrial Development	26.90	80.06
Others	2.94	6.86

Development Expenditure (on capital account) 7,35.18 13,59.90

Total Development Expenditure (revenue and capital accounts) 20,06.71 36,30.96

* Including interest on capital outlay.

(a) Includes expenditure on scientific and miscellaneous departments; aviation ports, and pilotage.

NON-DEVELOPMENT EXPENDITURE

(Rs. crores)

	First Plan	Second Plan
Revenue Account		
Collection of taxes, Duties and Other Principal Revenues(a)	1,84.62	2,94.45
Debt Services(b)	64.46	2,65.90
Civil Administration(c)	5,63.52	7,29.44
Miscellaneous(d)	1,23.21	1,75.53

Famine 44.97 69.53
Other non-development expenditure(e) 1,65.10 1,64.01

Total non-development expenditure (on revenue account) 11,45.88 16,98.86

Capital Account

State Trading* —39.85 30.04
Compensation to Landholders on the abolition of Zamindari 7.64 38.73
Other Financial Transactions 0.26 0.85

Non-development Expenditure (on capital account) —31.95 69.62

Total Non-development Expenditure (on revenue and capital accounts) 11,13.93 17,68.48

(a) Excludes forests.

(b) Include appropriation for reduction or avoidance of debt.

(c) Comprises general administration, administration of justice, jails and convict settlements and police.

(d) Covers expenditure on displaced persons, grants and other contributions to local bodies and private parties, irrecoverable loans and advances etc.

(e) Includes pensions, stationery and printing and extra-ordinary charges; but excludes transfers to funds.

* Figures are net.

Source: Reserve Bank of India.

ADDITIONAL TAXATION PROPOSALS IN 1961-62

(Rs. crores)

State	Estimated Yield
1. Assam	0.145
2. Gujarat	0.80
3. Kerala	2.13
4. Madhya Pradesh	3.00
5. Mysore	1.70
6. Maharashtra	1.00
7. Orissa*	0.69
8. Punjab	1.31
9. Rajasthan	1.35
10. Uttar Pradesh	5.21

Total additional taxation 17.335

* Orissa has also taken credit in its budget for additional revenue of (1) Rs. 41 lakhs on account of consolidation of cess on land and (2) Rs. 45 lakhs on account of irrigation rates under the Orissa Irrigation Act.

Source: Reserve Bank of India.



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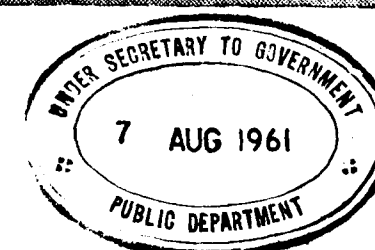
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THE EASTERN ECONOMIST

VOL. XXV, NO. 5 NEW DELHI, AUGUST 1, 1961 ONE RUPEE



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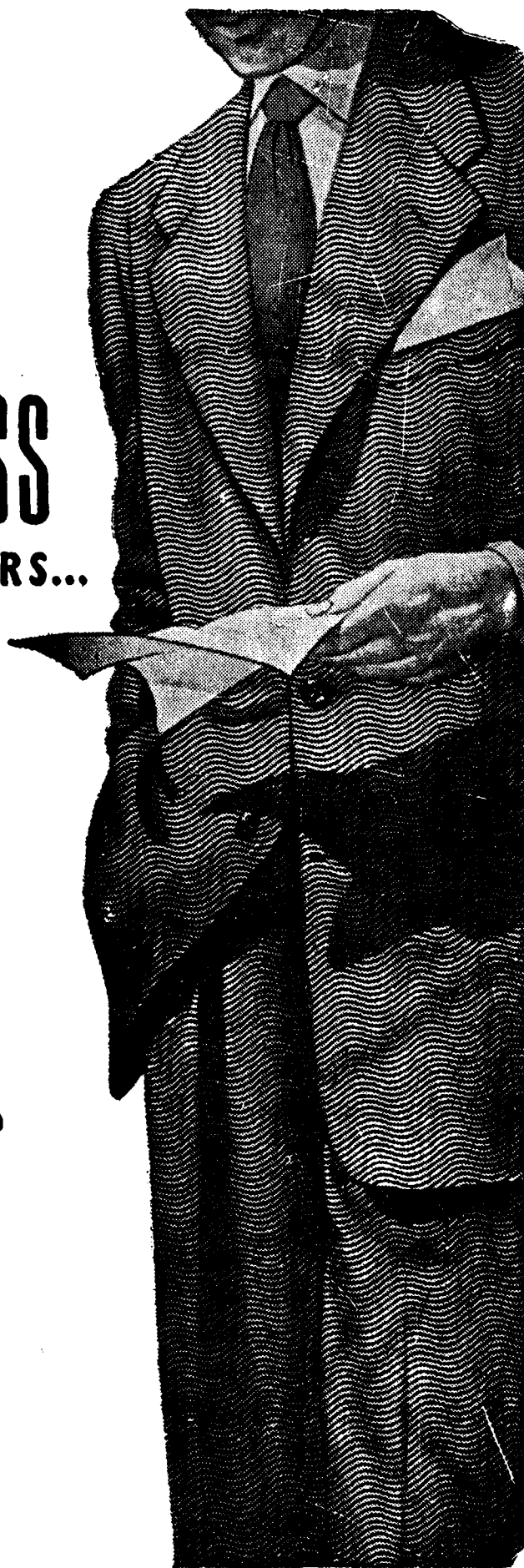
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The Eastern Economist

AUGUST 4, 1961.

The Comic Crisis and Economic Confusion

THE curious, almost comic, crisis in Delhi, revolving round Mr. Manubhai Shah, Minister of Industry, and the reshuffling of the portfolios in the Ministry of Commerce and Industry, which has absorbed all Delhi this week carries only one immediate advantage to the country. This is that it has shown, or at least has purported to display, an immediate recognition of the need for India's export promotion policies to be drastically recast. If this were the prelude to action of a dramatic kind, it might be reckoned an advantage worth the price in distracted thinking which has occupied at least five days of the week. That a crisis in exports exists one need not deny; the comedy was in the supposition that it could be resolved merely by two ministerial transfers. Nevertheless, it is a blessing in disguise that in the highest place of all it is now recognized that our export effort has to be revolutionised. It is, however, not merely our export effort which needs thus to be challenged today and every day; nor can a mere personal equation (however vigorous the personalities involved) change the fundamentals of India's current inadequacies. Following last week's Leading Article on 'Accent on Accelerated Growth', it is necessary this week to indicate at least three of the directions where fierce and unrelenting effort is necessary if India is to break through the obstacles which keep her at the bottom of the international table in economic growth.

To deal with exports first, since they have acquired current topical interest, more than the other weaknesses of the body economic, one need only point to the historical fact that India has reached a high cost structure so early in the industrial race that her capacity to export, albeit with rising internal production, has never been commensurate with her rise in production. It is not generally known that the Indian Index of Industrial Production, with base 1951 = 100, underestimates over the decade India's rise of industrial production by something like 30 per cent. Between 1951 and 1960 India's industrial production, according to the latest calculations of the Indian Institute of Public Opinion, rose to 110 per cent as against a little over 70 per cent in the official

index; even this takes insufficient account of entirely new industries not weighted at all in the official index. The fraction of these industrial exports which have found their way abroad is so petty as hardly to deserve either study or correlation with this seemingly impressive rate of industrial progress. The reason for failure is simply that, with a domestic market yielding such high prices, both the incentives and the feasibility of exports at low prices abroad have been small. In the net result India continues to operate on the basis of an inefficient high cost structure of industry in a world in which her vital balance of payments problem depends immediately upon her building up a surplus to repay her foreign loans.

It is obvious that production by itself is not enough, though since our rate of economic growth is still so low in comparison with all the countries noted in the table last week, there is need for more, and not less, internal production. For exports, however, productivity and low cost output is more important than the total volume of production, meaning, in fact, that India will only be able to balance her payments when her structure of costs is such that she is competitive on an international basis. The means to productivity is not all labour-saving; indeed in many cases an approach to productivity might well mean more employment, not less. In a Special Article in *The Eastern Economist* written by Morris J. Solomon in the issue of February 17, 1961, it was pointed out that, even in India's best factories, actual time at which machines were fully operated was somewhat less in most cases than half a working shift. Labour has little to do with these errors which are the basic responsibilities of managements, though there are a wide number of cases where labour is unwilling to raise productivity when management applies the higher norms required by improved technology.

It is obvious except to the blind that much of the non-competitive character of Indian industry has been caused by Government regulations which restrict competition within or discourage improved technology otherwise called rationalisation. The idea that great pools of Indian industry

can be kept stagnant in order to maintain employment and, at the same time, Indian industry can meet its payment liabilities is Utopian. India's surplus, in order to repay her foreign loans must arise from efficient exports. Whether these can subsist or not alongside inefficient industries provides a nice academic debate. Professor Galbraith argues that both conditions must co-exist. There is something to be said for the maintenance of employment at almost any price. But where a ring of restrictions have to be inserted round efficient industry in order to maintain inefficient operation, the total effect on the economy must mean that India's rate of economic progress will be further reduced and her balance of payments problem left more obdurate than ever. Fortunately efficiency cannot be pursued everywhere at the same time; but we need not strive officiously (and officially) to keep inefficiency alive.

It should be clear that the rate of economic progress in the Indian Union can now only be substantially raised well beyond the target of the Third Plan by releasing energies on a scale far exceeding those now impounded. In the first place, the bottlenecks of power and transport must be allowed to be opened by the private sector if the public sector is unable, as it has patently shown, to provide adequate plants and efficient working. For this purpose there should be no objection to the private sector being allowed to import power plants provided it arranges its own foreign exchange, and the servicing charge in terms of foreign exchange is compensated fully by additional export earnings. The breaking of bottleneck in the power field would be a major release from the creeping paralysis. Power is a single front of attack.

It is obvious that if progress is to be rapid much the most important factor

should be releasing entrepreneurship from the deadening weight of official scrutinies and sanctions which often take over a year before the blue print of a project begins to be translated into construction. India needs to consider at once a drastic reorientation in its Planning Commission apparatus and the vast range of authorities who have to concur for a single industrial approach. It ought to be possible, within three months of an examination, for all the details of a scheme to be sanctioned and for the necessary arrangements to be made for negotiations on as wide a range as is possible. Similarly, in agriculture which has frequently been our Achilles heels and may still be — now that complacency has invaded another Ministry — there is need for an efficient apparatus of processing by which the needs of agriculturists largely ill-equipped for presenting their grievances to Delhi or State capitals, are anticipated and adequately met.

All this implies a radical approach to current economic thinking in the country. The philosophy of the approach is neither socialistic nor is it opposite. It is primarily to obtain the rapid economic development which other countries have attained by one or other means, or by the virtues of the mixed economy, which we proudly profess, but never exploit. It is essential that before we commit ourselves to the targets of the Plan we should recognise how much more we can do with existing capital equipment and with the freedom which will enhance it in the quickest possible time with no net burden on the balance of payments or on the weaker sections of India's population. The stakes are heavy; the time is short. But the rewards are unlimited. For who can measure the happiness of four hundred and thirty-eight million released in one grand sweep from the crushing burdens of useless and pitiless destitution?

The Battle for Berlin

THIS week the battle for Berlin has been joined. On July 26, President Kennedy asked the Congress of the United States for \$3,500 million in new defence funds in preparation for a possible showdown with the Soviet Union. On July 31, the Congress gave the President full authority to put 250,000 military reservists into uniform and to extend for any period the claim on 2.5 million members of the ready reserves. On the other side, Russia chose Soviet Navy Day to display its naval might in a review stated to be the greatest ever seen, and Marshal Malinovsky's order of the day called for the strengthening of "military discipline and an increase in military preparedness". The gilt is thus on both sides off the gingerbread, and we are in for a gruelling time, in the oven banking new. The Armed Neutrality rises again with the passionate belief that armed might, amongst other things, increases bargaining power at the conference table. No one need deny this as a central principle of high diplomacy, but there are dangerous limits within which the theory of peace-through-strength must be contained.

It is obvious that, while the world is seeing on both sides a stupendous increase of armaments and deeper determination to drive differences to a trial of strength, negotiations must take place before the Soviet Union concludes its treaty with East Germany. These negotiations assume that there must be something to give on both sides.

The real difficulty is that Berlin itself is not negotiable, in that it is generally agreed in the West that access to Berlin must not be dependent on permission of the East German Government. What then can, in fact, be negotiated? Those who know the pressures behind the Iron Curtain, are well aware of the insecurity on the Oder-Neisse line directly affecting Poland, but indirectly Czechoslovakia, and even to some extent Russia itself. This is as real an issue as Berlin itself. This line has already been guaranteed by the treaty between Poland and East Germany, but the fact that West Germany has not recognised the line implies that it is, by no means, determined. With the German elections due in the middle of September, it is impossible for the Chancellor now to make any concession which would anger the vast refugee vote inside West Germany. But it is not beyond the bounds of possibility that the Chancellor, under strong Allied pressure, might concede that, even after German unification, should it ever come, Germany's border in the East will not be extended beyond the current line. Again, if a treaty is signed with East Germany, East Germany, under Russian guarantees, must provide that there will be no change in the *status quo* in Berlin so far as accessibility and other relevant matters are concerned. It is the view of *The Eastern Economist* that war can be averted by an agreement on these lines. On the other

hand, if agreement is not reached, there should not be any doubt that the West would be justified in maintaining its rights in Berlin at the risk of total war.

This is the time for recognition that countries in the neutral group, in terms of Realpolitik, are unlikely to weigh in the international scene on Berlin. This is not to say that the Neutral Nations Conference at Belgrade should not be concerned with Berlin. It is vital that it should be. But it

is even more vital that, in doing so, it should not create the impression that it is in any way deviating from neutrality. The Russian claim looks so plausible that many Indian observers have been readily deceived; and the Troika is a Trojan horse. It is the path of wisdom, at this hour of crisis, to desist from a course of armchair advice which will be mistaken by our friends on either side. True neutrality should serve as a bridge, not a new irritant which prevents a bridge from being built when anger is mounting on both sides.

Sugar: A Conspiracy Against the Consumer

THE annual meeting of the Indian Sugar Mills Association made it clear that the conspiracy against the Indian consumer of sugar in the form of maintenance of high prices, unbearable excise duty, high cane prices, industrial wages and profits, is to be continued, notwithstanding the fact that the consumer has a vote which apparently is larger in volume than that of cane-growers, industrialists and sugar workers. Any attempt today to deny the existence of a serious crisis in the sugar industry is a triumph of political blindness over economic realities. It is unfortunate that the dynamic Minister for Food and Agriculture, Mr. S. K. Patil, should have made himself the presiding deity of both complacency and political expediency in preventing a quick solution to this growing and unbearable crisis. There is no justification for this conspiracy to be continued.

There is no denying the fact that the sugar mill industry today faces a crisis born out of its own abundance. The 1960-61 production of sugar is estimated to touch 29.8 lakh tons, which with a carry-over of nearly 5 lakh tons from the previous year brings the total availability of sugar this year to around 35 lakh tons. Allowing for exports to the tune of 3.5 lakh tons, internal consumption of the order of 20 to 21 lakh tons and a carry-over of 5 lakh tons to the next year, there remains a balance of 6.5 lakh tons stock to service which the industry's resources have been strained to the utmost. Mr. Patil may prefer to call the problem created by this surplus stock anything but a crisis, but the situation obviously is a serious one and calls for immediate attention.

A solution of the crisis created by the current surplus production of sugar has, in fact, been long overdue. It had become apparent as long back as March last that the country this year would have sugar output of the order of nearly 30 lakh tons, which would create a difficult problem unless energetic action was taken. But the measures taken so far by the Union Food and Agriculture Ministry and the industry to relieve the situation have only been half-hearted and leave much to be desired. It is time that all heads are put together to hammer out a solution to the problem.

The current sugar crisis has obviously been caused by the incentives given by the Government to the industry and the cane-growers in the shape of 50 per cent rebate in excise duty on production in excess of the previous year and maintaining of cane price at Rs. 1.62 nP. per maund. That the consumer has been asked to pay for the prosperity of the industry and the cane-grower is a fact that cannot be denied. To expect him to bear any further burden in an attempt to relieve the situation through exports is apparently unjustified. The loss on export of sugar, justice demands, should be borne by the industry, the Government

and the cane-growers who have benefitted by the incentives given at the expense of the consumer.

Exports of sugar alone cannot solve the problem at the present juncture; firstly, because there are limitations on export arising out of India becoming a member of the International Sugar Agreement, and secondly, the high cost of production of sugar is an inhibiting factor. But every effort has to be made to avoid such costly mistakes as have been committed in the matter of exports of sugar to Pakistan. The real solution of the present-day sugar crisis lies in stepping up the internal consumption which, according to the Indian Sugar Mills Association's President, has shown a downward trend during the last two years. High sugar price is undoubtedly an important reason which has hampered increase in consumption despite a growing population. But a far more important factor in our view is the defective and cumbersome system of sugar distribution that has been allowed to continue despite a bumper output. There are still pockets in the country today where consumption of sugar can be appreciably increased even at the current controlled or fair prices, provided the commodity is made available in the required quantities. The cases in point are Assam and Kerala where sugar in the free market is being sold at anything upto Rs. 1.75 nP. per seer. That transport bottleneck is not, in any way, responsible for this situation is apparent from the fact that there are agencies in these areas — trade and others — which are prepared to move sugar expeditiously provided their quotas are enhanced. The first step towards a solution of the current crisis in the sugar industry has thus to be found in abolition of all controls and restrictions on distribution and movement of sugar. This will help in alleviating the distress in the scarcity pockets in the country.

The second step that is immediately called for is the lowering of sugar prices in general — say by about 10 per cent. This can be achieved by reduction in excise duty which was stepped up in 1957 with a view to curb consumption, and some relaxation in price control. It is, indeed, intriguing that the industry which only a year ago was clamouring for price decontrol should be finding serious disadvantages in this remedial measure. The objection of the industry to decontrol of sugar prices at the present juncture emanates from fears that it would lead to slump in the market. The objection is hardly tenable; the fears are unwarranted. If releases of the commodities from factories are judiciously regulated, there is no reason why a calamitous fall should occur in sugar prices. A mild recession in prices, of course, cannot be ruled out. But that will be a good incentive for increase in consumption.

A DELHI DIARY

THE PRESIDENT

ON Tuesday this week, the President left Dr. Sen's Nursing Home and returned to Rashtrapati Bhavan. I have only one impertinent question to ask at this stage. Why was no public hospital in Delhi fit to receive the President in this emergency? There are great medical institutions and the largest of them, near the Safdarjung Hospital, is reputed to be equipped with the latest gimmicks for surgery, therapy and all associated sciences. Can it be that even in a field like medicine and public health, in which the public sector has never displayed a want of resources, that the private sector is still necessary? I ask this question which I think many others in Delhi are asking. Something must be wrong with public hospitals in New Delhi if the Head of the State cannot be committed to their care. For my part, I am by no means against a 'mixed economy' in medicine, but what will the Accountant General say when he finds expenditure incurred on a private institution when a public institution had all the requisite funds for the purpose? For the rest, let me only repeat what I said last week that the President's return in greatly improved health to Rashtrapati Bhavan has been marked by great rejoicing amongst all his admirers.

CONCENTRATION: WHERE?

This is probably not the most tactful time to make an observation in regard to the relations between the President of the Indian Union and the Cabinet, and more particularly the Prime Minister. But, rushing in where angels fear to tread, I make the point that the President does not provide a brake on the Prime Minister. During the week a quite remarkable affair arose in connection with the shuffle of portfolios in the Ministry of Commerce and Industry. People are asking the question as to who advised the Prime Minister hastily to precipitate a crisis in this Ministry on an issue on which some little reflection must have shown that the disturbance was far greater than any possible advantage which may accrue in the short period. Surely we are arriving at a stage where the Prime Minister's personal ascendancy over the political apparatus is fraught with some dangers to the country. In the Preface to his great book "The General Theory" Keynes has drawn attention to the extraordinarily unwise things that the great men are prone to think in isolation. What he said of economics is certainly applicable to politics or to that 'mixed marriage' often called political economy. The truth seems to be that on these matters the Prime Minister is thinking alone. This, if I might speak rashly, is a major error.

ANIMATED SUSPENSE: WHY?

Whether it is an error or not, there is only one opinion on the point that, when a decision has been taken by the Prime Minister, either it should be carried through or reversed without unnecessary speculation or delay. For seven whole days the Press has been kept in animated suspense whether or not to report Mr. Manubhai Shah's acceptance or rejection of the Prime Minister's directions. This is not merely bad for the Press, which has chosen, at least in two cases that I recall, to stand on both sides of the fence, indicating a compromise without being enabled to confirm it. But it is bad for industry not to know with whom to deal, and it is bad for the public at large to speculate on changes in personnel rather than on problems. The real difficulty seems to have been a premature announcement that the change was contemplated; now both the Prime Minister and the Minister for Industry are impaled on prestige issues which make accommodation more difficult. It is sincerely to be hoped that the unwisdom of, firstly, deciding a matter without prior consultation, and, secondly, letting it escape to the Press while reconsideration is being undertaken, will not be repeated again.

COMMON MARKETS IN FASHION

We have now been flooded with common markets and common market talk. I shall refrain from saying 'I told you so' in regard to Britain's entering the European Common Market, which I had prophesied—not that I expect to be called a great astrologer—a fortnight ago. The application is shortly to be made and it seems Denmark is to follow suit. Various noises are appearing from other members of the Free Trade Area, the net effect of which—I again prophesy—will be that there will be several additional members. If the whole European Free Trade Area comes about and the 'Sixes' and 'Sevens' make up the terrible figure of Thirteen, there will, the statisticians tell me, be 300 million people in the greatest market the world will ever see. I can feel the importance of this market, and it does seem to me that other common markets now in fashion are very petty game by comparison. But practically each day this week has produced notes in one paper or another of new Common Market proposals. As far as I can remember, amongst the old contenders was an African common market proposed by both Egypt and Ghana for different reasons. Will some deep scholar of African affairs tell us exactly what is happening on that front? Meanwhile, there has been talk about a South-East Asian common market in which presumably, India is to have a place, though curiously she has not been approached to be a sponsor. Again, there is the proposal that those Commonwealth countries "dispossessed" form some sort of trade association which—to be in the fashion again—is to be called a Common Market. This includes Australia, New Zealand, and presumably, ourselves, and perhaps Canada. Let us call it the Commonwealth Common Market, if Hamlet can really be played without the Prince, and decisions taken without association with the Mother of Parliaments. This does not exhaust the list of the common markets proposed. The latest is a Pacific Common Market which is to have the Philippines, Japan and Canada as Pacific powers, but will (since the Indian Ocean also belongs!) attract India, Pakistan, Burma, South-East Asia and Australia. All this must give the great planners magnificent opportunities for paper planning which, no doubt, they will accept in due measure. But would not it be a good idea for a plan to be prepared before the announcement in the papers that a new common market has been born? Cannot the thought come first and the wishes be based on a more practical understanding of the effects of the Common Markets in question? For my own part, I would like to see India in with the 300 million market in Europe: let us play big or not at all. This might sound snobbish, even a little un-Afro-Asian, but after all where the carcass is, there will the eagles be gathered!

THE PLAN: AUSPICIOUS HOUR?

I am commanded by the Editor to write this Delhi Diary on Wednesday since 'The Eastern Economist' is to make a supreme effort to come out on Thursday evening or Friday morning. I can, therefore, only "think" of a major event which has been planned for Thursday in the Planning Commission, which means that, like so much else, it may not materialise. Nevertheless, the signing of India's Third Plan is fixed for Thursday at 5 p.m. in the magnificent new building of the Planning Commission, happily situated opposite 'The Eastern Economist' Office in Parliament Street. While I am in no position to criticise the Plan, may I say that inconvenient questions are asked that it is to be signed at an auspicious hour? It is launched on its exacting career, therefore, with the blessing of the stars; will it enjoy equal consideration by mortals dressed in all-too-brief authority? Equally, dogmatic, I answer in the negative!

ARGUS.

THE WEEK'S NOTES

British Economy

STRENGTH OF STERLING

MR. SELWYN LLOYD has more than justified the anticipation that he means business in administering a strong dose of monetary as well as fiscal measures to revitalise the British economy. The measures announced on July 25 constitute the first strategy and aim at a tough policy of short-term deflation. But they are to be followed by long-term measures of which the Chancellor has given an indication. It was too much to expect that he should state them in something like precise terms. But there can be little doubt that they are in the offing. The short-term policy aims at restricting expenditure which means a defensive strategy. Positive action will depend upon to what extent the long-term policy will give a sustained stimulus to production. Both the policies will be calculated to aim at imparting strength to sterling—the basic indicator of the health of the economy. Already sterling has started gaining in strength in the London Market and a psychological climate has been created that the question of maintaining its par value is just not open to debate. A change is ruled out. The IMF credit will be ready at hand to meet excess liabilities of external payments, if necessary.

Putting up the Bank Rate by 2 per cent to 7 per cent is a ruthless measure, but ruthlessness is what was needed in the short-run. The flight of short-term capital will be arrested and the strain on the reserve will be eased. The lead given by this hard stroke of monetary policy will be followed up in other ways. The Bank of England has called for additional deposits from the banks. Reduction in their liquidity will restrict bank credit. Then there are to be restrictions on credit for hire-purchase, speculative building, property development and speculative activity in general. Most of the measures announced will show results next year.

Overseas expenditure is to be reduced by 20 per cent next year. Defence expenditure abroad is to be brought into alignment with what the economy can bear. £65 million out of £80 million is spent in West Germany and talks for reallocation are to be opened for which the NATO Council has been given an intimation. Economic aid abroad is not to be cut back, but any increases are ruled out. This means adjusting the rising requirements of aid-receiving countries within the same volume. At home public expenditure will be axed.

The economic regulators authorised by an extraordinary provision in this year's Finance Act have been brought into play in the fullest measure. The surcharge of 10 per cent has been levied on excise and customs duties as well as on the purchase tax on the permissible items. This stroke of fiscal strategy aims at mopping up £210 million worth of purchasing power in a full year.

The weapon which Mr. Selwyn Lloyd is using is double-edged. If its deflationary edge is sharper, the likely inflationary effects cannot be altogether ignored—higher cost of credit producing its repercussions on industrial output and the surcharges perhaps exerting pressure on wages, for instance. The sharp stroke of the axe may bring some measure of recession and unemployment. But the deflationary policy, whatever the extent of its immediate painful results, raises hope for the British economy of early emergence from stagnation. Real expansion, however, will have to await long-term policy for positive stimulation. Britain's decision to seek entry in the ECM is a correct step to put the

era of recurring stagnation behind and to enable the economy to take a big leap forward.

Economic Growth

THE PERIL OF COMPLACENCY

MR. H. V. R. IENGAR'S Madon Memorial lecture of Wednesday last week seeks to put up an unconvincing defence for the tardy rate of the growth of the Indian economy during the first decade of planning. The critical verdict which the slow rate has invited cannot be taken lightly as an indulgence in the denegation of India's economic progress. It is fully vindicated by the substantial shortfall in the target fixed at a moderate point for the Second Five-Year Plan—a shortfall of 7 to 8 per cent in the projected increase of 25 per cent in the national income—even if the remarkable rates achieved by other countries are to be ignored for a moment. Explanations are not lacking for this sizeable underfulfilment of the target. They could not but be taken as plausible in view of the large share of responsibility which must be apportioned to human failure arising from avoidable causes. When growth—consciousness has become a driving force behind the effort for economic development everywhere and it is substantiated by the records in growth rates attained by industrialised as well as economically backward countries in the last ten years, this apologia threatens to create a sense of complacency that we are lagging behind because of factors beyond our control.

Some searching introspection and not complacency would queer the pitch for a determined drive to eliminate the tardiness in the tempo of our growth. Mr. Iengar himself has elaborated the point that a cause of serious concern in our economic policies is the absence of the corrective of a reversal of the pronounced trend of inflation by short phases of deflation. If, as he puts it squarely, at no time during the period of the Second Plan was price inflation punctuated by calculated reduction, it was a serious failure of policy for which human judgment and absence of objectivity ought to share a blame. The Governor's rather elaborate exposition of the monetary policy pursued by the Reserve Bank was perhaps not altogether unconnected with an effort at defence. It is not only the price policy which has detracted from the results of planning in real terms. Recurring failures in the supplies of transport, power, fuel and raw materials have imposed the penalty of keeping installed capacity of a wide range of industries idle. Even now the necessary moral is not being drawn and new capacity is being added in the current plan, while there is no reasonable certainty that under-utilisation of the existing potential will not be allowed to recur. But the major cause of retardation of progress must be found in the lopsided emphasis on the creation of a welfare State, when the foundation of a self-sustaining growth potential is still to be firmly laid.

Russia

THE 20-YEAR PLAN

IT IS an imposing array of targets which highlights the spectacular features of Russia's Twenty-Year Plan—1961-80. The Plan is to be formally approved at the 22nd Congress of the Communist Party in October. The targets, when achieved, will see Russia rise to the position of the world's No. 1 power in economic potential. The confidence has been expressed in emphatic terms that in 10 years' time Russia will exceed the industrial

output of contemporary America. The industrial output is to be raised by 150 per cent at the end of the first 10 years and by 500 per cent when the life of the plan expires. The target for steel at the end of twenty years is pitched at 250 million tons per annum. In agriculture the first half of the plan period will see an increase of 150 per cent and the plan period as whole will achieve an increase of 250 per cent in output. The national income will increase by 150 per cent in the first ten years and by 400 per cent over the twenty-year period, the latter giving an average annual growth of 20 per cent. The shortening of the week to 36 hours is a clear indication that it is technology on which the planners rely to do the trick. Whether the increase in industry will be stepped up precisely as planned is problematic. Total collectivisation of farming raises greater doubts (as evidenced by current failure in spite of the retention of the benefit of private initiative and enterprise) about the target assigned for agriculture. But it would be dangerous complacency to dismiss this tall order of targets as wishful a product of ideology.

The arrival of the millenium is promised after the plan is half way through. Food, clothing, housing, transport, electricity and a wide range of goods and utilities of everyday life are promised free to every citizen. So are education, medical attention, drugs, and so forth. The interesting aspect of the targets and distribution of welfare is that, while a sizeable part of the national income cake will be eaten away by the social services, enough will be left for other normal requirements and also for investment to achieve an average rate of growth at 20 per cent per annum. There is a significant secret let out about the free supply that has been announced — half the income of the earner will accrue in the form of the free provision of goods and services. It is a free supply with payment of 50 per cent of the income. The nation has been warned to bear fully in mind the possibility of imperialist aggression and regular forces as also security forces are exhorted to be ever alert. If thermo-nuclear arms are to be produced for competitive and progressive stockpiling as a defence against imperialist aggression, it is a matter for inference how much the residual national income will leave for rapid improvement in the standard of living. Is the bourgeois contagion of higher standard of comfort (as typified by America) to be resisted as a corrupting influence?

Southern Rhodesia

CONSEQUENCES OF THE REFERENDUM

IT IS idle to pretend that Southern Rhodesia's referendum of July 26 on the new constitution was anything but a farce. Referendum for whose verdict? Among the registered electorate of 83,486, Africans, who constitute 94 per cent of the population, numbered a mere 4,000. The surprise is that in the votes cast 21,846 were for and 4,949 against acceptance of the constitution. With the Africans expected to give their verdict by abstaining from voting, if not en bloc, by an overwhelming majority, the number of adverse votes amounts to a record figure. This is easily a censure on the proposed constitution and in the face of it Sir Edgar Whitehead's claim to the effect that the referendum amounts to a solid verdict of approval is not in the least sustainable. Out of the approximate 5,000 adverse votes, presumably most were cast by the Dominion Party whose grievance was that Africans were allotted 15 seats in the advisory Constitutional Council of 80. In the earlier unofficial referendum, held by Mr. Joshua Nkomo's National Democratic Party, 15,000 votes were recorded — all against the constitution. But even this poll was superfluous.

The Constitution is patently untanable in the long-term perspective. Southern Rhodesia, which is to be a part of the Central African Federation, comprising Northern Rhodesia, Nyasaland and Southern Rhodesia, will retain its present distinct personality as an internally self-governing entity and its legislature will have the power to override any federal legislation by amendments carried out by a majority of two-thirds, the only exceptions being the constitutional position of the Sovereign and the Governor, international obligations and certain loan obligations to Britain to which Southern Rhodesia stands committed. The two-thirds majority is virtually assured for the veto. The Bill of Rights is a paper charter so far as Africans are concerned and the advisory Constitutional Council can be bypassed on the plea of emergency.

It is incomprehensible how Mr. Duncan Sandys — or more correctly, the British Cabinet — believes that a constitution which denies the people's sovereignty can be propped up in a democratic set-up. There was an enlightened section of the white population of Southern Rhodesia which recognized the eventual African rule and argued for adaptation to it over a sufficient period of transition. It is now likely to lose heavily in strength. The drift will cause polarisation on a racial basis and the emergence of the South African spirit is not an imaginary possibility. Whether in the short or long run, the prospect is one of acute disharmony and a bitter struggle for political power.

France

PRIDE AND PRESTIGE

PRESIDENT DE GAULLE has never made a secret of his contempt for the United Nations and, as if to give an emphatic demonstration of his attitude to the world organization, France's representative at the Security Council flatly refused to participate in the debate on the Bizerta dispute, although present at the session. Nothing but a feeling of pride and a sense of prestige, assumed to be France's own by inherent right, can explain the contempt with which President de Gaulle has decided to treat the authority of the Security Council. The United Nations Charter has vested the five permanent members of the Security Council with the veto, but it has not conferred on them immunity from its jurisdiction. Whatever the present weaknesses of the United Nations, its eventual evolution into an effective world authority is the only hope of substituting the method of peaceful settlement of international disputes for the discredited method of war. To put self-righteous considerations of pride and prestige above considerations of respecting the United Nations authority is to do a great disservice of undermining it. The rank discourtesy shown to Mr. Hammarskjöld by the French paratroopers was yet another act not only of a personal affront to the Secretary-General but of disrespect to the organization which he represents. Mr. Khrushchev might be laughing in his sleeve at the acquisition of an ally from an unexpected quarter.

France's readiness to enter into direct negotiations with Tunisia stands in a class outside the conventional settlement of disputes out of court. Her new-found claim that retention of the Bizerta base is vital for the defence of the free world squares ill with this offer. The untentability of this self-imposed obligation apart, it may be interpreted by Tunisia as a preliminary condition for the settlement. The earlier President de Gaulle appreciates that statesmanship lies in abandoning bases where the sovereign power demands their restoration, the better it would be for France to help avert further alienation of Africa where she has a valued stake.

The World Abroad

DO YOU WANT ANOTHER MUNICH?

By
ODYSSEUS

SIR BASIL BLACKWELL, that amiable publisher, and proprietor of the famous book shop on Broad Street, Oxford (to whom so many of us have owed so much, both while and since we were undergraduates at that ancient seat of wit and wisdom), has once more earned our gratitude (and something more, if we buy copies of them) by publishing four volumes entitled "They Saw It Happen", respectively covering the period 55 B.C. to 1485 A.D., 1486 to 1688, 1688 to 1897, and now 1897 to 1940. They are anthologies of eye-witness accounts of momentous events in British history. The first volume began with the inside story of the invasion of Britain by its organiser, Julius Caesar. The new volume begins with a description of Queen Victoria's Diamond Jubilee and ends with Winston Churchill's appointment as Prime Minister in the darkest days of the U.K.'s long (and as some of us hope) as yet unfinished story.

I was particularly interested in this volume because in my various capacities as foreign correspondent, Government of India bureaucrat, and columnist of this journal, I have reported, watched, or commented upon, many of the events recorded.

MYTHS OF OUR OWN TIMES

That events in a distant past should need disentangling from the mythology that has grown up around them, one takes for granted. But perusal of these pages reminds one that there is a mythology of the recent, as well as of the distant, past, and also leads one to fear that we may be in danger of repeating some of the tragic mistakes of the years between the World Wars.

It is, I think, around the "betrayal" of Abyssinia to Mussolini by the Hoare-Laval plan of December, 1935, and of Czechoslovakia to Hitler by Neville Chamberlain at the Munich Conference of September, 1938, that mythology's thickest mists have gathered. The popular belief is that Stanley Baldwin's Conservative-dominated Coalition government sold the Abyssinians to Mussolini, and that Chamberlain's Conservative government sold the Czechs to Hitler — just like that.

Now, before examining the facts, I want to make it clear that I defend neither of these transactions, which revealed British foreign policy as its weakest and most inglorious. At the same time, let us put the blame fairly where it is due. After the holocaust of World War I a natural war-weariness gradually gathered pace. The peoples of France, Britain, and the United States, refused to face the unpleasant truth that with the seizure of power, first, by Mussolini in Italy in 1921, and then by Hitler in Germany in 1933, world peace was threatened by two states whose leaders proclaimed their belief in brute force. Both the USA and the UK had for all practical purposes, disarmed. The USA had retired into "holier than thou" isolationism, that is to say the Americans were ready to tell everyone else to stand up to the international gangsters, but were not themselves ready to stir a finger to help. In the UK, "collective security" became the gospel. The theory was that if any power violated the peace, the powers would declare it the "aggressor" at the League of Nations in Geneva, and would then collectively enforce economic sanctions, and if they proved insufficient, would pool their armed forces against the aggressor. In practice, "collective security" meant that what was every nation's responsibility was the individual responsibility of none.

France certainly maintained a large army, but as was subsequently proved in her early surrender in World War II, that great nation's will to survive seemed to have been undermined by the 1,397,388 casualties that she had suffered in the blood-letting of 1914-18. She became obsessed by the defensive Maginot line mentality, and was so riddled by internal dissensions, with her star dust of political parties and series of toppling nine-pin governments, that she was capable of no positive foreign policy. In the UK, war weariness, combined with the League mystique, led to unilateral disarmament and reliance on "collective security".

"COLLECTIVE SECURITY"

Today, faced with the Communist bloc threat, "collective security" in the form of the North Atlantic Treaty Organisation exists, but between 1919 and 1939, the free countries made no attempt, even on paper, to set up a similar deterrent to Mussolini and Hitler. Malcolm Muggeridge, whose Leftist sympathies make him an unimpeachable witness in this context, described the atmosphere thus in his book "The Thirties" (H. Hamilton):

"Like a reformed drunkard eagerly reiterating his renunciation of drink whenever an opportunity offers, the European Powers continued to assert their pacific intentions, and jointly and severally to swear solemn oaths that they would never under any circumstances again resort to war. Parliamentary candidates vied with one another in proclaiming their enthusiasm for the League of Nations; clergymen made League activities the burden of their sermons and addresses, and sometimes prayers, and the League of Nations Union had on its governing body distinguished Conservative, Liberal and Labour politicians, as well as archbishops and bishops, professors, peers, and other eminent persons. A large amount of propaganda was carried on, most well-intentioned, whose effect was to persuade the public that by supporting the League they would prevent the necessity ever again arising of having to shed their blood in defence of what blood had been shed to gain. The League came to seem like one of those much advertised life insurance policies which the prudent take out to guard against finding themselves in old age forlorn and destitute. Improvident nations which neglected thus to insure against the contingency of war, might have to endure another Armageddon; but the provident ones had their policy, stamped and witnessed and paid up to date, their Covenant to procure them exemption."

It was this state of public opinion (prevailing with local variations throughout France, the UK and the USA) which caused such an outcry against the "betrayal" of Abyssinia when the Hoare-Laval compromise was revealed. But although Sir Samuel Hoare was forced to resign, there was never any possibility of enforcing sanctions against Italy because, while everyone screamed "collective security," no NATO existed to enforce it.

HITLER'S "PEACEFUL CHANGES"

Neither Conservatives nor Socialists are in a position to throw mud at each other in all this. The Conservatives argued that the middle of a depression was not the time to build up armed forces, while the Labour party not only denied the need for them but insisted that the Tories were not to be trusted with armaments.

The failure to stop Mussolini in Abyssinia led directly to the second "betrayal" at Munich. Hitler's rise brought the question of "peaceful change" of frontiers to the fore. Hitler accompanied each breach of the Treaty of Versailles with fervent promises that he had no further claims. But after his successful, unopposed entry into the Rhineland and his defiant rebuilding of the German air force, his peaceful professions were naturally accompanied by threats to devastate any country which opposed him.

At this point some Communist comrade will perhaps remind me that the USSR joined the League in 1934 in order to uphold collective security. True, but since the USSR's policy was combined with Communist propaganda and penetration in the West, no one could trust the USSR's sincerity.

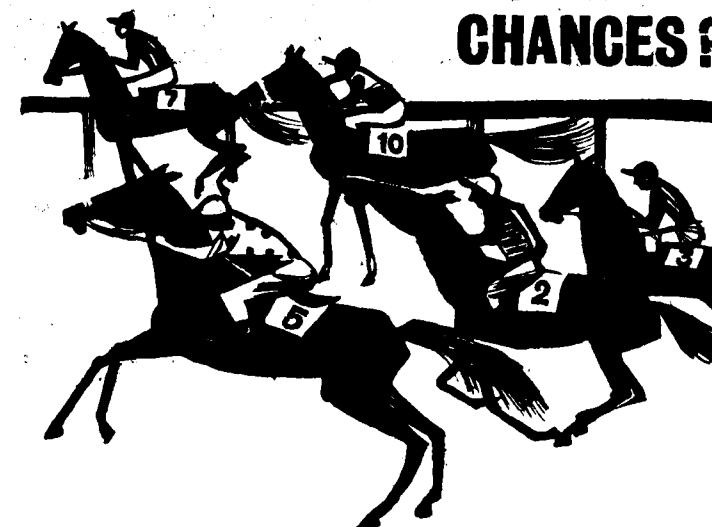
Ironically, the first definite advocacy in an important national journal that the frontiers of Czechoslovakia should be rectified "peacefully" seems to have been made (according to Professor Sir Charles Webster writing in "International Affairs" of April, 1961) in — of all papers! — the "New Statesman" of August 27, 1938. With the honourable exceptions of the permanent officials of the British Foreign Office (headed by the much execrated Vansittart) in private, and of Winston Churchill in public — voices crying individually in the collective wilderness — Chamberlain's policy of appeasement had support for virtually all sections of British opinion. Chamberlain returned from Munich with well-nigh universal acceptance of his belief that the cession of the Sudetenland minority sector of Czechoslovakia to Germany was the necessary preliminary to further negotiations with Hitler to produce a peaceful world. The cheers of the London crowds echoed round the globe. The bitterest critics of Munich were

in neutralist America, yet President Roosevelt's constant exhortations to keep the peace, and his persistent refusal of any material aid if war came, had reinforced the policy of appeasement. The president's own relief was shown by the praise which he gave Chamberlain after Munich.

That we have suffered no "betrayal" over Korea or Berlin, or over the problems of the Congo and Laos, is because a working majority of countries have learned the lessons of Munich. Appeasement of an armed aggressor by a virtually disarmed non-aggressor is suicidal. To disarm unilaterally is not an example of courage and wisdom but of cowardice and folly. If the USA were to give up nuclear weapons today without simultaneous agreement with the USSR, she would merely hand us all, bound hand and foot, over to the USSR. By all means let us work for agreed disarmament, but until it is secured, peace will only be maintained by the closest co-operation between threatened states.

"They Saw It Happen" is so full of well-chosen eye-witness accounts that it may seem ungracious to carp. But as further editions are certain to be published I suggest that the editor, Professor Asa Briggs, of Leeds University, should insert an extract bringing out the points that I have tried to make here, namely, that neither political party can escape blame for failing to warn public opinion that "collective security" without the equivalent of a NATO was merely collective illusion. He, and you, might look at Professor Sir Charles Webster's article "Munich Reconsidered: A Survey of British Policy" in the April, 1961, issue of "International Affairs" (Price 7 sh. from the Oxford University Press, Neasden, London N. W. 10).

WHY TAKE CHANCES?

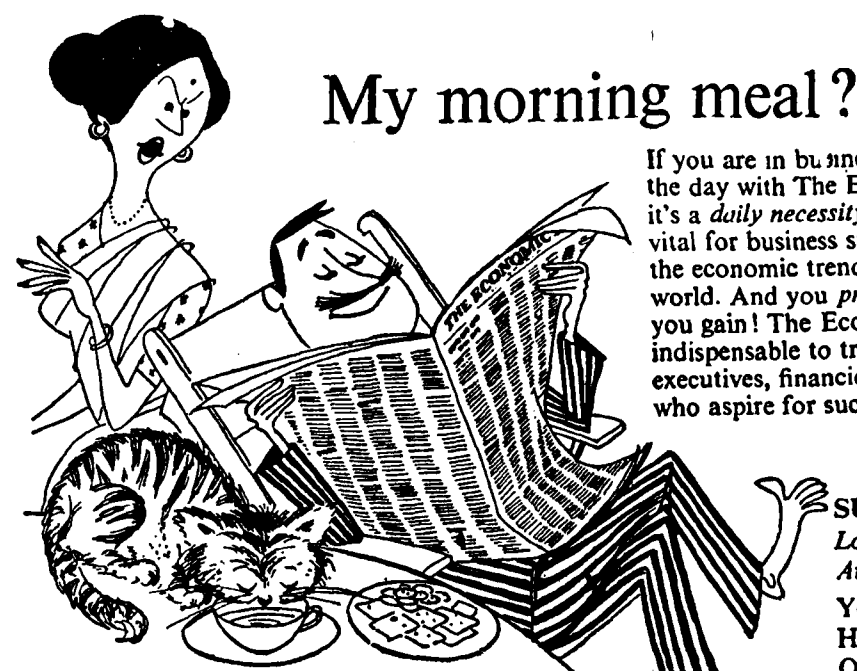


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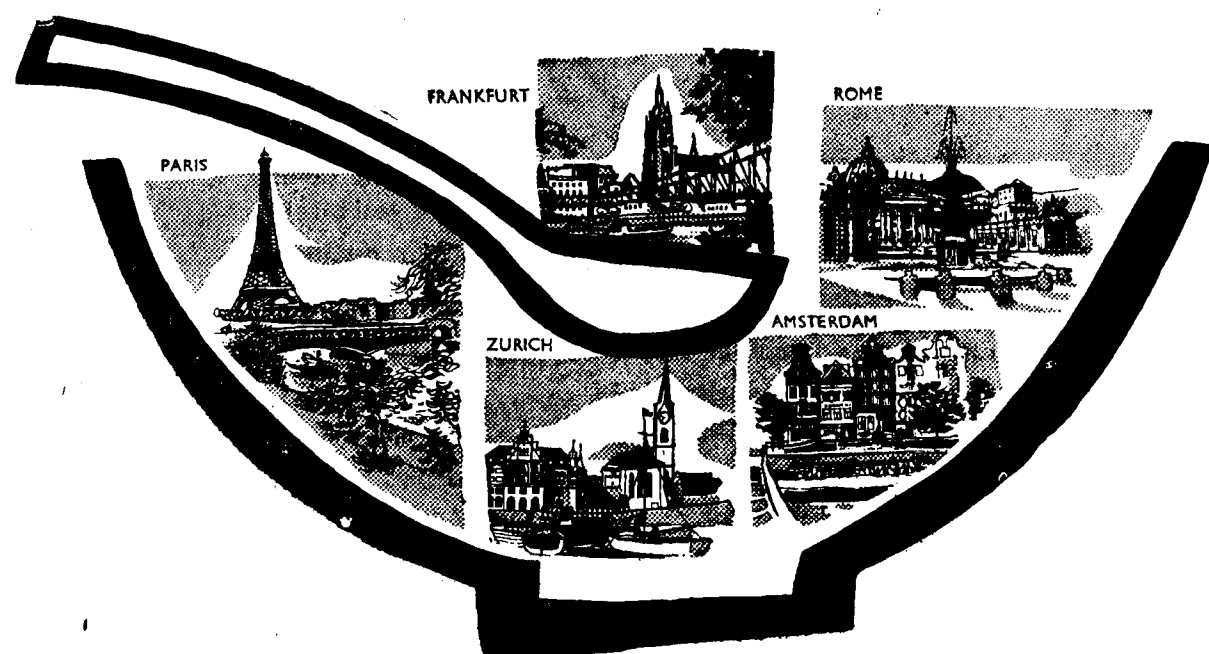
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The European Scene

EUROPE'S BOOM AND INDIA'S EXPORTS

From Our Special West European Correspondent

PARIS, July 31.

ALTHOUGH it has contributed to the more cautious mood now reigning in European stock markets, the uncertain international situation has had no effect on economic activity in this region. Professional operators in shares have struck a balance, as best they can, between two contradictory influences: economic news, and notably corporate news, which inclines them to bullish optimism; and political dangers, in Berlin and North Africa, which suggest considerable caution. The point at which they have chosen to strike the balance is quite arbitrary, in that these two opposing influences are totally unconnected and have no common measure. This, in the past, has usually not been the case: Europe's economic problems were generally closely related to her political situation, as during the imperialist period and between the World Wars. Now, however, economics and international politics seem to have got on to two different planes. Current international questions relate to the tidying up of the sequels of a half-forgotten past — the war and colonialism. In economic activity, Europeans are engrossed solely by the future, and not the remote future but the immediate prospect of bringing their living standards up to American levels.

Thus, business men and politicians seem, more than is usually the case, to be living in two different worlds: in one, there is nothing but rising consumption, bigger investments and swelling company profits; in the other, there are the dangers stemming from absurd rearguard actions on the colonial front (Bizerta, Algeria) and from byzantine disputes about the aftermath of the last war. One hears expressed, perhaps somewhat naively, the opinion in the stock market that these two levels, the future and the past, could never really get entangled — that is, the international situation holds no threat for economic prosperity — because, after all, the same contradiction must be evident on the other side, in Russia, where there is the same confidence in the immediate economic future and a similar horror at the thought of its immense promise being clouded by military conflict. "War can't happen when business is so good", sums up the opinion of Continental optimists.

The recovery in the USA is proceeding very slowly, it is true, but then the recession also developed slowly and was not deep; President Kennedy's decision to increase military outlays should stimulate progress from here on. Until this week, activity in the UK, despite the long period of virtual stagnation, had been maintained and was supporting business in Europe and in the developing countries. Now, however, the restrictions enforced by the Chancellor for the sake of the currency might cause a depression unless British export industries are able, thanks to expansion on the Continent and in the USA, to keep industry working at the same pitch for the export markets. Pessimists who doubt that this can be done are predicting a setback in Britain that would constitute a retarding factor for expansion on the Continent and overseas. Business men in the Common Market will be content if the Chancellor's moderately sanguine forecast is confirmed: a pause of six months, followed by a 3 per cent growth rate for the next five years. This is notably slower than on this side of the Channel but — in a period in which the Continent relies less on Britain than Britain relies on the Common Market — it would be enough to ensure that Britain's necessary spell of re-adjustment did not restraint progress abroad.

The prospects for international trade being, therefore, satisfactory, the Common Market economies are confident they can keep expanding faster than was foreseen at the start of the year, although more slowly than was the case last year. The World Economic Survey, published this month by the U.N., gave the following forecasts of percentage increase in GNP in 1961 (with last year's figure in brackets); West Germany 5.5 (8), France 5 (5), Italy 5 (7) and Holland 4 (9). For industrial production it forecast: West Germany 9 (11), France 6 (11) and Holland 6 (13); for Italy it guessed that last year's 15 per cent increase would be approached without being equalled. For the six-nation region as a whole, the Euromarket Commission in its latest report declines to make any pretence at a precise forecast; it had predicted in March that industrial production would rise by 6 to 7 per cent over the year, compared with last year's 12 per cent, yet in its June report it admits that output has grown so far this year by 8 per cent. At all events, it is plain that the long-term European boom continues and, although the pace may vary from time to time, there is no sign of it ceasing.

To judge by the increases in GNP, this boom seems to be more marked in some Common Market countries than in others. In fact, when one separates out the two factors that lead to increase in GNP (on the one hand, the rise in the active population and, on the other hand, the rise in productivity per person employed), it emerges that all the differences from country to country are due to the first factor. The rise in productivity is constant, notable and more or less equal throughout the region. To illustrate: in the ten years of the 1950's GNP rose by 89 per cent in West Germany, 63.5 per cent in Italy and 45.5 per cent in France (against 34 per cent in the USA and 22 per cent in Britain). But in the same period, the active labour force rose by 24 per cent in Germany (because of the refugees), 12 per cent in Italy (because of reduced unemployment) and only by 1 per cent in France. It follows that the increase in productivity per worker was almost identical: 4.8 per cent a year in Germany, 4.6 per cent a year in France and 4.5 per cent a year in Italy. The French Finance Minister, M. Baumgartner, expresses this by saying that growth varies quantitatively throughout the region but is qualitatively the same.

This is an important fact, since it shows that the European boom is solidly based on a long-term investment programme for technological progress that is being implemented at an equal pace in all parts of the Common Market. This constitutes the invisible undercurrent, and the waves on the surface are due to variations in the supply of labour. Gross progress has been slower in France as long as the working population was steady but it will quicken now as the larger post-war generation comes of age. Progress in West Germany was faster than elsewhere as long as the refugee influx lasted, it slowed down when labour became short last year but will quicken again now as tens of thousands of East Germans cross the border. It could slow down for a longer period in Holland, where manpower is scarce, and in Italy where almost all the unemployed who are immediately employable without training are now in work. Yet none of these slowdowns is serious (as was mistakenly thought last year when the

manpower shortage was expected to put a stop to German expansion) because all the time the increase in productivity is maintained, and in those circumstances (as the French case shows) substantial increases in output can continue to be achieved with a stable labour force. Moreover, the Six have just taken the first steps to ensure free movement of labour throughout their region, which could eventually mitigate even the surface fluctuations due to availability of manpower. Thus, the expansion of the Common Market is more assured and more harmonious than the gross figures suggest.

The fact stands that inflationary dangers are created by sustained investment in technology, higher wages and rising living standards, especially because the farming class demands to share in this advance and thus has to be overpaid (in comparison with free market prices) for its production. Fortunately, the payments surplus of the Common Market and the solidity of its members' reserves make it possible to contain this inflationary pressure without clamping down on domestic demand. The Euromarket Commission, accordingly, has just advised members to limit price rises by importing more and by reducing their tariffs. The remark was addressed mainly to West Germany, but it applies to the region as a whole. In France there has been talk of another universal and unilateral reduction in import duties, of the sort that was effected at the end of last winter — despite the fact that France is refusing to hasten tariff disarmament within the Common Market unless her partners agree on a joint agricultural policy. In other words, we would have the paradox of France refusing to grant

a reciprocal reduction in tariffs by more than the statutory 10 per cent to her partners, while she granted an unrequited reduction in tariffs to all the world. Her situation is typical; all the Common Market countries need, and can well afford, freer imports from outside to stifle the inflationary threat contained in their current boom.

The considerable importance of this for India is that it creates ideal conditions for persuading the Continentals to import more from India, thereby easing the pain of an eventual loss of Commonwealth preferences. This situation contributed to the success of the Geneva conference on world textile trade, where the Continentals agreed to buy more Asian yarn, cloth and piece-goods. It will also ensure a good hearing to the Euromarket Commission's proposal to reduce tariffs over a range of tropical produce, including beverages, fruit and food. Some people in India are so busy lamenting the possible loss of preferential access to the limited British market that they are in danger of missing the fact that circumstances have never in a century been so propitious to an export drive aimed at the Continent. For some products, this would have to be preceded by a diplomatic campaign to clear away some of the obstacles (tariffs, quotas and internal excises) to an expansion of Indian trade with this region; the circumstances are eminently propitious for that too. To the extent that a large increase in Indian sales of certain goods to the Continent would entail some contraction of the corresponding European industries, this would be more readily accepted in a period, such as the present, of full employment, technological re-organisation and rising standards.

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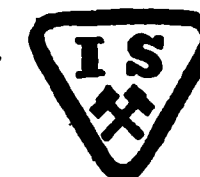
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PROMOTION**

THE latest attempt to encourage India's exports has come from the Export Risks Insurance Corporation, a public sector undertaking set up only four years ago. All delegations which have been sent abroad for purposes of export promotion and all export promotion councils have stressed the need for exploring overseas markets through the relatively new and more scientific technique of marketing research. Indian exporters have not, in the past, made use of this valuable weapon for locating new overseas markets for Indian products. Attempts made hitherto by the Government of India through its embassies to procure marketing data about certain products have often resulted in wooden and ineffective reports which are of no immediate use to the exporter, not the least because they are published so late.

The exporter has, on the other hand, hesitated to investigate many foreign markets for one reason or the other, the most important being the high cost of investigation. Sometimes it so happens that a marketing survey for a particular product conducted by an exporter in a particular land produces negative results. It means that the exporter is forced to incur an expenditure which may not result in locating a new market for him, while it may add to his immediate financial burdens. A couple of such attempts are likely to discourage him because of the time and money involved. The Export Risks Insurance Corporation, having visualised all these obstacles in the path of the enterprising exporter, has planned a new type of insurance policy which would assist the exporter in recovering a part of his expenditure for market development in case the results of the findings are of a negative nature. In the last few days, the Corporation has made known details regarding the arrangements for issuing to the exporters a 'Market Development Policy' which would cover half of any possible loss arising from the export promotion efforts undertaken by the exporter or manufacturer in the initial stages. This is an imaginative application of insurance principles to a complex problem and a new path-breaking approach which would certainly be of great help in locating India's new foreign markets if the Corporation is able to publicise its new schemes widely. Unfortunately, the Corporation has not publicised its activities in a manner which may help it in attaining its due status in the economic structure of the country.

According to the preliminary details made available by the Corporation, it is proposed to issue the new Market Development Policy in three different forms, dealing with three different facets of the problem, namely, (a) the marketing survey (b) the advertising campaign, and (c) the sales promotion activities. Under whatever head the policy is issued by the Corporation, the exporter is assured that 50 per cent of the loss incurred by him will be covered by the Corporation for all the initial export promotion effort which may fail to produce sufficient revenue and may not bring forth even the cost during the stipulated period.

Here is a specific illustration of the policy. Let us assume that the manufacturer or exporter of an oil engine or a fan or a sewing machine feels that a reasonably responsive market for his product can be cultivated in East Africa and for that purpose, he will have to undertake some initial expenditure either by way of

a market survey or publicity or by way of keeping his stocks in that country with some of the stockists or in maintaining a technician or an engineer there. Let us suppose he incurs an expenditure of Rs. 60,000 in that country in the first three years so as to build up an annual sale valued at Rs. 6,00,000. It is supposed that this volume of sales would be sufficient to cover the initial cost of Rs. 60,000. If, however, the events do not turn out to be favourable to the exporter and the actual sales do not exceed Rs. 3,00,000, he will have, according to these tentative computations, suffered a loss of about Rs. 30,000. The insurance policy taken out by the exporter with the Corporation will entitle him to a sum of Rs. 15,000 so as to cover half the loss on initial promotion.

It is not necessary that an exporter should lock up his stocks for Rs. 6,00,000 in East Africa in order to locate the potentials of the market. He can commission a marketing organisation to conduct a marketing survey of the area to find out if there is any potential demand for his product. If the survey shows that the product cannot be sold in that particular market, he would have lost all the expenditure over the survey. ERIC's new policy safeguards him upto 50 per cent of the expenditure on the market survey if the exporter takes out a "Marketing Survey Policy" before placing the order for a marketing survey with the marketing agency. Even if the marketing survey shows reasonable prospects but subsequent sales for one reason or another (which may not be in operation at the time of conducting the survey) do not rise to expectations, the policy not only assures half the cost of the marketing survey but also "an agreed percentage of the value of the ensuing sales made by the exporter in the market over an agreed period".

This also applies to any expenditure incurred on advertising. In order to build up a large volume of sales, the exporter may have gone in for a big advertising campaign and other sales promotion expenditure; if later performance does not come up to expectations, he is entitled to 50 per cent of the promotion expenses as well as 50 per cent of all possible losses which he may suffer if the cost of his sales promotion activities is not recovered by the sales.

For certain products such as engineering goods, it may be necessary to maintain high stocks in a foreign country. Maintenance of stocks is needed not only for display purposes but also for making supplies available on spot to meet urgent demand. If the stocks are not cleared within the expected time, there are likely to be some losses and the Corporation's "stocks policy" covers the exporter upto 50 per cent of any loss on this account.

The new policies being issued by the Corporation need wide publicity so that exporters as well as manufacturers may know the facilities which are available for assisting them in the expansion of the markets for their products. Insurance cover has been available for years for a variety of risks but this particular type of policy being issued by the Corporation is anticipated to be of great use to the businessmen in order to encourage them for extending their promotional activities. This is a positive contribution to the searching problem of raising India's exports and any steps taken in the next two years in this direction cannot fail to show concrete results.

THE BUSINESS WORLD

"High Theme of Economic Progress"

By CROESUS

THERE are very few people in our country who can expound important economic issues in a way that even laymen can grasp the implications thereof. Many are apparently disposed to avoid such issues as "high theme of economic progress", as Alfred Marshall described them. It is this fact which explains why these still continue to form "a mystique intelligible only to the chosen few", although there is no reason why this should be so as Mr. H. V. R. Iengar, Governor, Reserve Bank of India, remarked in the course of an illuminating lecture under the auspices of the B.F. Madon Memorial Fund of the Indian Merchants' Chamber Economic Research and Training Foundation, Bombay. In a single lecture, he discussed the question of economic development in India from the point of view of the growth of national income, the maintenance of the stability of the currency and the role of monetary and fiscal policy in stimulating development without endangering stability. One cannot improve upon the summary given by Mr. Iengar himself of what he said to give the gist of his lecture. To quote him, "the rate of growth of national income in India in the last ten years, having regard to the difficulties facing us, could not have been really better; and this growth has been achieved with reasonable stability, though some strains have emerged in the last five years requiring corrective action. But...no one can remain satisfied with the current rate of progress. It is essential to step up the rate of growth, because, at the current rate, it will take us years before even the barest essentials of existence are available to our rapidly increasing population."

No one can dispute these conclusions as such, but, in presenting them, Mr. Iengar chose to have a dig at the critics of the Government and also made no secret about his dislike of those "who are prone to exaggerate our difficulties and to work ourselves into a mood of gloom".

The first shaft that the Governor of the Reserve Bank had at the critics of the present process of economic development was directed towards what he described as "the frequent attempt to denigrate our present rate of progress." He said he was astonished that, "while distinguished foreigners and great organisations like the World Bank paid tribute to Indian plans for economic development and, generally speaking, the manner in which these were being carried out, there should be so much attempt on the part of some of our own people to decry the value of what we are doing." If this is astonishing, one may ask: is it not equally astonishing that we accept all the good things said about our achievements by the foreigners, conveniently forgetting their criticisms and, perhaps, what is worse, not caring to get over the shortcomings pointed out by experts in the field? Had official spokesmen given equal prominence in their pronouncements to the criticisms of the foreigners as to their praises, the psychological reaction from the public might have been different.

Mr. Iengar was justifiably critical of the attempt to compare the rate of growth of income in India with the rates of growth in countries like Germany and Japan and to draw the conclusion that, while these countries are making spectacular progress, Indian achievement has been negligible. The various limitations that a student of economics is confronted with in making a dispassionate comparison of the economic progress made by different countries mentioned by Mr. Iengar are noteworthy. "The size of country, the nature of its resources-endowment and its investment pattern, the importance of export industries in national output and world demand conditions for its export and, finally, the economic state of the country during the base year on which growth rates are calculated", as he said, differ from country to country. Comparison even with countries in a more or less corresponding stage of economic development like Mexico and Brazil is not without its limitations. The density of population, the state of literacy, the political status of the country concerned before growth, and the pet ideologies of the authorities are also factors which influence the course and pace alike of economic progress. In a brief article like this, it is hardly possible to deal with all of these at length, but I would commend to all students of economics to peruse the full text of Mr. Iengar's lecture for a fuller and proper understanding of the subject.

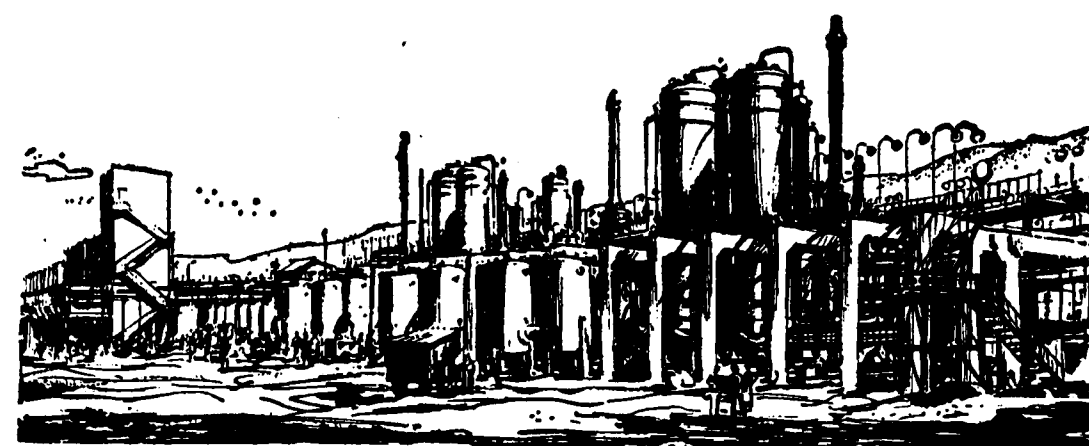
No exception can be taken to Mr. Iengar's definition of the saving of the community as "the quantum that remains between total production, on the one hand, and depreciation and consumption, on the other," but I suppose, it is permissible to point out that the effect saving of the community even in identical situations could differ with the extent of waste involved. If, for instance, there is relatively more waste as unfortunately we have in India—this, I daresay, even Mr. Iengar will not dispute—the quantum of saving would diminish correspondingly—this is important—avoidably. By the same token, it would take sooner to reach a higher stage of economic development if all waste could be eliminated.

At this point, a reference would seem to be necessary to the relation between the rate of growth of savings and that of national income mentioned by Mr. Iengar. The Governor of Reserve Bank said that, in the U.K. and the U.S.A., despite a higher rate of savings (about 10 per cent), the rate of growth of national income has been of the order of only 25 to 33-1/3 per cent of the rate of growth of savings and added that these comparisons would be inappropriate, because "the base of the national income of these countries is very high and even a small rate of growth means a substantial increase in real resources available to the community". At the same time, any comparison ceases to be relevant, it would appear, after a country has reached a very high stage of economic growth. For, while spectacular records can easily be established when the

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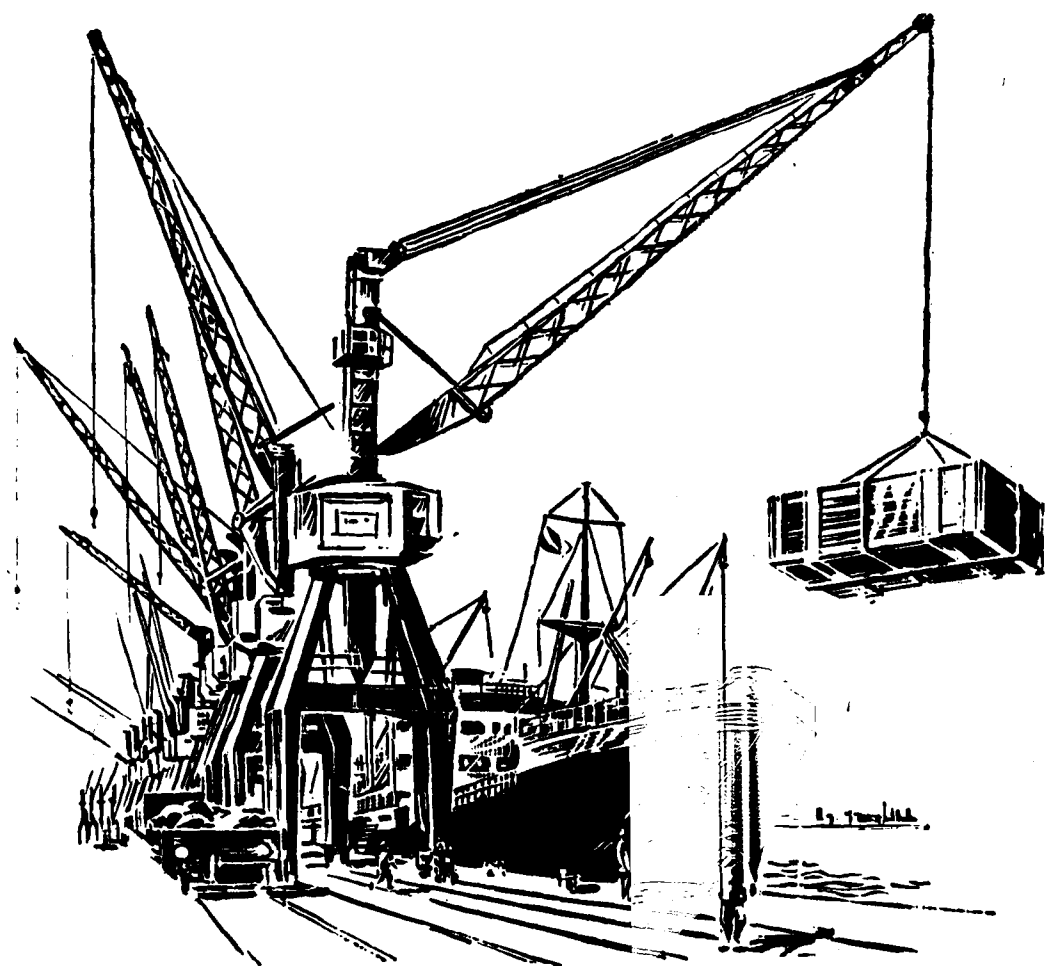
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leeway to be made up is very large, the scope for doing so becomes narrower and narrower after fully advanced stages of economic growth.

Be that as it may, after having sounded a note of caution, Mr. Iengar went on to say: "On the whole, taking everything into account, comparison between India and other countries at a somewhat similar stage of economic evaluation seems to me reasonably valid and leads to the conclusion that, seen against the background of economic history, our current rate of progress is by no means unsatisfactory." This is no doubt so, absolutely speaking, but the question remains whether our rate of progress would not have been even more satisfactory, had we taken care to eliminate the several items of waste that have bedevilled many of our projects, as stated already.

There is one particular observation of Mr. Iengar which requires to be carefully looked into. It was, in my opinion, somewhat dogmatic on his part to declare that "one of the major causes for the decline in the Indian economy was the doctrinaire adherence of Government to a policy of 'Laissez Faire'." Apart from the fact that it was a sort of diarchy in 'Laissez Faire'—'Laissez Faire' only for the Britishers but not so for Indians—the era of 'laissez faire' in other countries has had a completely opposite effect. In other words, instead of bringing about the decline, as Mr. Iengar maintained with regard to the Indian economy, there was a tremendous growth in economy in those countries.

Evidently, Mr. Iengar has no quarrel with the present public sector expanding bias in the economic policy of the Government of India, judging from the approving reference he made to the economic progress of Japan as being "partly the result of massive initiative taken by the State in the whole process of economic development and partly the result of the capacity of the people of that country to adapt these to rapid changes in technology." He might well have added that it was also the result of the capacity of the Government of that country also to adapt itself likewise. Instead of that, we find the powers-that-be in our country still clinging to antiquated techniques in the name of handlooms and so called cottage industries. It is perhaps this which prompted Mr. Iengar to describe the effort to push the country up in the direction of technological progress as one of tremendous difficulty.

Broadly speaking, one must agree with what Mr. Iengar said about the role of monetary policy, viz. "that of maintaining reasonable stability in the economy while stimulating development". Translating this formula into figures, he saw no reason for alarm and despondency "in a price increase of 2 to 3 per cent per year for periods, provided it is possible for us to keep the price level steady for a time and possibly to secure some reduction in it at times, particularly in respect of certain essential commodities". It is significant that, although Mr. Iengar tried to explain away the sharp rise of 35 per cent in the wholesale price index between

the 1955-56 average and the 1960-61 average, he had no hesitation in adding that "the continuous increase in price at the rate of about 6 per cent per year, without being punctuated by a reduction in the price level except for temporary seasonal fluctuations of minor consequences could not be ignored". Indeed, he regarded this as "really a matter for concern." Accordingly, said Mr. Iengar: "consistently with assisting the process of development, this need to arrest a further increase in price level forms a focal point of policy for the immediate future".

Proceeding, Mr. Iengar dealt succinctly with the meaning of monetary and fiscal policy and their interrelations. There are two important points that Mr. Iengar made while on this subject. First, he said: "in recent years the public sector activities have become more and more important with the consequence that fiscal policy is assuming pronounced importance in the general shaping of the economy." Secondly, stemming from this, he referred to the need of mutual harmony between fiscal and monetary policies. Pointing to the dangers of a conflict between the views of the Reserve Bank and the Government, he assured his audience that there was complete identity of views between the two and instanced how, before the last budget the Reserve Bank had advised the Government to increase the tax burden and reduce the budgetary deficit and how this advice had been acted upon.

Finally, Mr. Iengar brought out very nicely the point that, although the whole philosophy as well as the investment policy of the centrally planned economies are basically different and are calculated to yield the maximum results in a short period, the social cost and sacrifices involved cannot be enforced in a democratic set up. Hence, while affirming that "no one can remain satisfied with the current rate of progress" and that "it is essential to step up the rate of growth, because, at the current rate, it will take up years before even the barest essentials of existence are available to our rapidly increasing population", he raised the relevant issue: "how to do this without sacrificing individual freedom and the democratic process is the real problem before the country." The answer that he himself gave with reference to this poser will, I have no doubt, form the main theme of the introductory chapter to the Third Five-Year Plan which the Prime Minister is reported to have drafted himself. "What is essential for the success of our plans is that the country must recapture some of the spirit of the patriots—both big men and humble people—who fought for the freedom of India." So also the following peroration: "Let us make no mistake about it; in the field of economic development, we are making definite, systematic progress and are laying foundations on which we can build a more rapid rate of growth. In a short period—10 to 15 years—I am confident we shall have reached a stage of self-sustaining growth which will enable us progressively to make the degrading poverty of the present no more than an unhappy memory." That indeed, is a fine thought to end this piece on.

Business Notes

Foreign Aid

ASSISTANCE FROM THE WEST

Although assistance to the tune of \$2,225 million has been offered by the Aid-India Club for the first two years of the current Plan, firm commitments have been made only for the first year during which India will be receiving aid to the extent of \$1,055 million from the

consortium countries and \$250 million from the World Bank and the International Development Association. No firm commitment has yet been made in regard to the second year during which the rest of the aid offered is to be made available. The lack of any firm commitment in respect of the second year is explained by the fact that the five consortium members other than the U.S.A. have yet to make up their minds and come forward with a matching contribution to the aid offered by the United

States. If they, along with the new countries that may join the consortium, fail to step up their contribution for the second year from the indicated level of \$270 million to \$500 million, the United States may also have to cut its contribution.

According to official assessment, India will be needing from the consortium members firm commitments to the tune of \$3,285 million to see the Third Plan through during the first two years of its operation. The assistance promised so far by the Aid-India Club, therefore, falls short of our requirements by \$1,060 million. This gap, however, has been narrowed down by \$250 million through arranging of credit from the International Monetary Fund.

India's foreign aid requirements for the whole of the Third Five-Year Plan are estimated around \$5,500 million. Of this, \$800 million are expected to be available from the East European countries. Another \$600 million are available as carry-forward from the Second Plan. Approximately \$300 million are expected to be the net inflow of foreign private investment. This will leave \$3,800 million to be provided by the consortium countries, the World Bank and the International Development Association. These figures, however, do not take into account the adverse effect which Britain's joining the European Economic Community may have on India's balance of payments. The foreign exchange requirements will go up to the tune to which India's exports are hampered if Britain joins the Common Market. No firm assessment has yet been made of the quantum to which India's exports are likely to suffer by Britain's entry into the Common Market. As there is always time-lag between initiation and completion of a project, total aid to be committed by the West will have to be something more than \$3,800 million. The Aid-India Club is meeting again in November. It is expected to step up its assistance for the development of this country to the required extent.

Finance

ANDHRA STATE FINANCE CORPORATION

THE INCREASING tempo of industrial development in the Indian Union has enhanced the significance of State Financial Corporations set up only a few years ago. This fact is revealed by the recent annual report of the Andhra Pradesh State Finance Corporation. Between 1957 and 1961, the Corporation's outstanding loans have increased from Rs. 30.42 lakhs to Rs. 81.87 lakhs. Its working has improved in various other ways too. For instance, the loans sanctioned during 1960-61 are considerably more than those during the previous year—Rs. 55.9 lakhs against Rs. 42.0 lakhs. Apart from the increased industrial activity, this encouraging performance is also on account of the fact that the Corporation has liberalised its terms of lending for units established in the Private Industrial Estates. As an experimental measure, the Corporation has agreed to provide them finance upto 70 per cent of the cost of construction of building including services, and 75 per cent of the cost of machinery excluding erection charges. This is likely to provide the necessary incentive to the entrepreneurs to promote new units. The Corporation, however, is aware of the risks attendant on such liberalisation, because it has to function on a commercial pattern by looking to the safety of the money lent. The Corporation has, nevertheless, departed from the traditional financing methods and has assumed more than the normal risk.

The guarantee scheme introduced by the Central Government for approved credit institutions for sharing the risks involved in lending to small-scale industrial

units is likely to be of considerable assistance to the Corporation. A few centres have been selected in each State as an experimental measure where the scheme is made applicable. On payment of a nominal guarantee commission, protection is offered to the lending institutions against the risks involved in financing small-scale units which are inherently weak in their financial structure. One provision of the scheme is that the period of loan has to be limited to seven years. It may be pointed out that the Corporation has been lending normally for periods from 10 to 12 years. It seems the Corporation would not find it difficult to operate within the limits of this guarantee scheme because it would find it worthwhile to take advantage of this facility.

At the annual general meeting of the Corporation, Mr. Bikkani Venkataratnam, Chairman of the Corporation, made a pointed reference to the fact that the conditions during the last 10 years have considerably changed and many of the rigidities originally incorporated in the State Financial Corporation Act might have to be done away with. As an instance he pointed out that the upper limit of Rs. 10 lakhs over which the Corporation cannot lend to a single concern is a provision which might have been desirable at that time, but has definitely outlived its utility now. An amendment to the Act in this connection is an absolute necessity. In view of the widening scope of such lending institutions and the increasing needs of certain industrial units where the requirements go beyond the limit of Rs. 10 lakhs, the amendment is evidently a must.

Exports

ONLY SOLUTION TO EXPORT PROMOTION

"A STABLE price level is essential if the targets of the Third Plan are to be achieved and, to maintain a stable level of prices and remove the existing imbalance deflationary measures of the type already adopted by the authorities, effective action to check tax evasion and a more realistic rather than an ideological fiscal policy are the necessary steps. For we cannot afford to waste scarce resources by putting prestige ahead of real need, by ignoring hard economic facts and by refusing to mobilise productive capital, while we debate the respective roles of public and private enterprises or the merits of capitalism." Such is the note of caution sounded by Messrs. Premchand Roychand & Sons, Bombay, in their latest Annual Market Review, 1960, which is in keeping with the customary high standard that readers have come to expect of this publication.

The observations about deficit financing made by the review are interesting. Making a comparison of the amount of deficit financing envisaged under the Third Plan with that actually incurred during the Second Plan period, the review remarks that the Rs. 550 crores deficit financing proposed during the Third Five-Year Plan is less than half of Rs. 1,175 crores actually incurred during the Second Plan. A significant point to which attention has been drawn by it is the fact that, during the Second Plan, as much as 64 per cent deficit financing was done in the first two years alone. While this may have enabled the State to get better value for the "created money," because it was exchanged for goods and services before it had full impact on the price level, the review has expressed the view that "a more regulated and gradual release of 'created' money supply would have enabled the authorities to exercise better control over the price level." On the other hand, it apprehends that the extensive tax effort envisaged in the Third Plan may offset this advantage by generating power-

ful inflationary forces by pushing up costs and reducing savings. In the opinion of the publishers, "taxation, both direct and indirect is so high that it has materially reduced the incentives that are necessary in a democratic system to increase per capita production."

The review is particularly critical of the system of export incentives. Such "gimmicks as permitting sale at high profit margin of essential raw materials imported against export earning can only increase domestic costs and, in the long run, hamper exports and not promote them."

It has in this connection put forward a rather common thesis that, once the gestation period of our newly established industries (which has taken longer than anticipated) is over and growing internal competition begins to be effective, the seller's market within the country will disappear and force the manufacturers to find export markets. Plausible as this sounds, we are afraid, the review has overshot the mark in adding that "this is the only real solution to the problem of export promotion."

Machine Tools

OUTPUT UP

THE PRODUCTION of machine tools in this country is increasing by leaps and bounds. While the production was valued at only Rs. 50 lakhs in 1951, it rose to Rs. 10 crores in 1960. The major contribution, of course, has come from the Hindustan Machine Tools which earned the praise of the Advisory Mission from Britain as far back as 1957 that called it a first class unit in the light-medium range and now of the Prime Minister who visited Bangalore recently. The congratulations offered by Mr. Nehru to Hindustan Machine Tools Ltd. will be widely echoed. This by no means is less of an achievement that there has been created a second factory from its own internal resources and without any foreign technical assistance. During 1960-61 Hindustan Machine Tools produced 1,000 machines against the plan target of 400 machines, thus exceeding the Plan target of 250 per cent. Whether the example set by Hindustan Machine Tools will be followed by other public sector industries is still to be seen. It can well be that those factors which have given it characteristic ascendancy may not come together in other ventures, but that does not mean that efforts should not be made in right earnest. The pleasing precedent that has been set at Bangalore can certainly be emulated.

It is encouraging that to obtain a sizable increase in indigenous production, which could be related to the effective requirement for machine tools, several schemes have been undertaken. These include doubling the capacity of Hindustan Machine Tools and expansion of the Praga Tools Corporation in Hyderabad for the manufacture of light and medium varieties of machine tools. Among the new manufacturing units to be set up in the public sector, the factory to be set up in Punjab will have a production capacity of 1,000 machine tools per year. The Heavy Machine Tools Plant at Ranchi, which is to be set up by the Heavy Engineering Corporation is expected to have Rs. 8 crores worth of annual output. Schemes are also being evolved to set up two medium type machine tool factories during the Third Five-Year Plan. To improve the quality of indigenous production, the Government has also decided to set up prototype training-cum-production centres in different parts of the country in addition to the assistance already being given through Small Industries Organization. The expectation is that by 1965-66, the value of machine tools produced in the country would reach a figure of about Rs. 45 crores per year, with public sector producing about Rs. 18 to 20 crores, private sector large-scale

units about Rs. 15 to 20 crores and small-scale industrial sector about Rs. 10 crores. The demand for machine tools is expected to be of the order of Rs. 60 crores. This means that machine tools worth about Rs. 15 crores will still have to be imported by 1965-66.

Builders Hardware

PROGRESS AND PROBLEMS

MR. AJOYENDER PAUL, Chairman, Builders Hardware Industries Association of India, pointed out at the seventh annual general meeting of the Association that the builders' hardware industry was well on the road to progress. It has attained self-sufficiency in almost all the items of builders hardware and fittings such as hinges, pad-locks, pad-bolts, tower-bolts etc. Production of all types of hinges had also increased from 9,52,545 in 1955 to 22,04,662 in 1960. And if sufficient quantity of raw material was made available, the Chairman opined, production would be much more. The need of the hour was, however, diversification of production. The urgency of it arises from the fact that the National House Building Programme has been envisaged in the Third Plan period and the export promotion drive had to be strengthened. With the coming into operation of the various steel plants at Durgapur, Bhilai and Rourkela and the one proposed to be set up in Bokaro under the Third Five-Year Plan, it was likely that the steel, shortage for the industry may be removed. And it was, in the interests of the manufacturers that new items such as hydraulic door closure, superior type of butt hinges, cabinet hardware, mortise locks and other door and window fittings required for modern house construction be manufactured.

The industry, of course, had its own troubles—short supply of raw materials being a notable one. And so long as steel plants were not in a position to supply flat products, it was imperative that actual users should be allowed to import raw materials depending upon the availability of foreign exchange. There had also been difficulty in the supply of sheet cuttings and cold rolled steel strips. Since the production of cold rolled steel strips was limited, the Chairman pleaded, that the Government should arrange to issue import licences immediately at least for some quantity to the manufacturers as a special case to keep their factories going.

The position on the export front was satisfactory. The value in rupees of exports of builders hardware had risen from Rs. 19,05,273 in 1956 to Rs. 24,59,944. The decline in 1960 was to be attributed to the fact that there was shortage of raw materials. The Chairman considered that if adequate supply of steel for economic working of factories and supply of steel consumed for exports at retention prices could be ensured, the industry was bound to make a further headway in the export drive.

New Issues

CHEMICOAT LIMITED

A NEW company, Chemicoat Limited, has been set up to carry on the business of vacuum metalising of paper, plastics, yarn fibres, films, packaging materials, decorative materials, radio, telephone, television and other electronic equipment parts and materials. It would also carry on business of manufactures, importers, exporters, dealers in paper, plastic films, natural and synthetic yarns, fibres and films, publicity, decorations of all kinds and other materials coated with metals, chemicals and other substances. The factory of the company will be located in Baroda (Gujarat) and is expected to

go in production in 1962. Technical collaboration has been entered into with Metal Coating Establishment, Vaduz, Liechtenstein. This German firm would supply to the Indian company necessary machinery and spare parts, train Indian personnel in its plant in Germany and supply technical personnel for guidance in the erection and starting of the plant. It will also provide technical know-how for the production of new products. About Rs. 30,000 would be paid as fees to the German concern for the services rendered by it.

The resources of Rs. 33 lakhs are proposed to be raised by going in the market, by a foreign exchange loan to be obtained from the Industrial Credit and Investment Corporation of India Ltd., and by share capital subscribed by directors, promoters, their friends and associates. The present issue offered to the public is of Rs. 10 lakhs consisting of 10,000 equity shares of Rs. 100 each. With application Rs. 25 per share will have to be paid and on allotment again Rs. 25. The balance will be paid by two calls of Rs. 25 each. Applications must be made for a minimum of five shares and a multiple thereof and in all cases must be accompanied by a remittance of the amount payable on application. The subscription list will open on August 7 and will close on August 12 or earlier at the discretion of the Directors, but not before August 9. The capital subscribed by Directors and their friends is also of Rs. 10 lakhs. Loans by the ICICI is to the tune of Rs. 13 lakhs and will bear an interest at the rate of 7½ per cent per annum payable in half-yearly instalments commencing from November, 1963 and ending on 1st November, 1970. The response of the public to this issue is likely to be favourable on account of the developing market in India that may be able to absorb the full output of the company's plant. Tax benefits offered to the company are expected to help the company to a certain degree.

TENSILE STEEL

WITH THE establishment of a factory to manufacture high tensile steel wire at Baroda, a good deal of shortage of this wire is expected to be removed within the country. Tensile Steel Limited have obtained an industrial licence from the Government for this new industrial undertaking. The company has entered into technical and financial collaboration with one of the largest commercial houses of Japan, M/s. Kobe Steel Works Ltd., M/s. C. Itoh and Co. Ltd. and M/s. Shinko Wire Co. Ltd. who will design, manufacture and supply the plants and equipments for the factory.

The authorised capital of the company is Rs. 1,00,00,000. Issued capital is Rs. 45,00,000, consisting of 45,000 equity shares of Rs. 100 each, out of which 15,600 shares have been reserved for allotment to the Company's Japanese collaborators. Out of the balance 29,400 equity shares, promoters, directors, their associates and friends have subscribed 9,994 shares and the Life Insurance Corporation of India to 5,000 shares. The balance of 14,406 shares is now offered at par for public subscription. The entire issue offered to the public is underwritten by the Industrial Credit and Investment Corporation of India and the Devkaran Nanjee Banking Co. Ltd., Bombay.

Since there is a wide scope for the use of this wire in all concrete constructions, a favourable response of the public to this issue is a foregone conclusion. The subscription list which opened on August 3 will close on August 12 or earlier at the discretion of the directors but not before August 7.

Travancore Rayons

FOURTH CELLULOSE FILM PLANT

TO MEET the increasing demand for Trayophane, the Travancore Rayons Limited has plans to instal a fourth

Cellulose Film Plant which will increase the daily production of trayophane to 18 tons a day from the present production of 13 tons. A licence to step up production of rayon yarn to about 18.56 tons per day in terms of 120 deniers from the present production of 6.88 tons has also been obtained by the company and orders have been almost finalised for the plant and machinery. To procure quality raw materials the company is producing important raw materials like sulphuric acid and carbon disulphide. Now, it is proposed that the production of carbon disulphide should be increased by five tons per day by installing an electrical plant before the end of this year. In regard to rayon grade pulp, the company has already received a licence for the manufacture of pulp from cotton linters. The initial capacity of the plant will be 10 tons per day. Production is scheduled to commence by the latter half of 1962.

In order to meet the demand of moisture proof heat sealing transparent film in recent years, the company has stepped up production from two tons per day to five tons by the installation of a new machine. To satisfy the packaging requirements of certain products, a laminating machine will now be installed before the end of this year. One more bag making machine, a new type, called the Simplex Automatic Heat Sealing Type, will be installed in the factory shortly. The company has recently erected a new printing machine capable of printing four different colours. The plans, as they are laid down are of an expanding nature and are expected to give a boost to the company's products.

Hotel Industry

U.S. LOAN FOR OBEROI HOTEL

THE OBEROI INTER-CONTINENTAL HOTEL in the metropolis of India is likely to be completed and ready for occupation in mid-1962, now that the authorisation of loans totalling \$2.3 million (Rs. 1.1 crores) to East India Hotels Ltd., that would remove the financial hurdles existing in the way, has been announced by the U.S. Government. It would make it possible to import the necessary equipment which so far could not be procured on account of foreign exchange difficulties. The construction of the hotel, which will have 350 rooms, besides special suites for visiting dignitaries of high status, was started in 1957.

Of the American loans, one for \$717,000 (Rs. 34 lakhs) in U.S. currency is being given by the U.S. Export-Import Bank to meet foreign exchange needs. The other loan for Rs. 76 lakhs is in Indian currency to meet local costs. This is being provided out of the PL 480 counterpart funds. The Oberoi Hotel will also receive services from Inter-Continental Hotel Corporation of New York, a subsidiary of Pan-American Airways, by becoming a part of international group of hotels.

This hotel on its completion would compare with any first rate hotel in the world and would help increase facilities for tourists.

Oils and Oilseeds

RISING COSTS

ALTHOUGH THERE has been a general rise in the prices of all commodities, the price increase in respect of oils and oilseeds has been of particularly serious proportions. Thus, when the wholesale prices of raw cotton in 1960-61 were a bare one per cent above those in the first year of the Second Plan and those of sugarcane only 12 per cent higher, the corresponding rise in the wholesale prices of groundnut was as much as 32 per cent, while that in the case of copra it was even higher at 60 per cent! A price rise of such a magnitude in the case of any commodity, let alone oils or oilseeds, is bound to impair our competitive capacity. To take the

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case of copra, the price of indigenous copra was as much as Rs. 1,530 per ton, as against only Rs. 820 per ton in Ceylon.

As Mr. J. R. D. Tata, Chairman of Tata Oil Mills Co. Ltd., has observed, the Indian growers might benefit more by this higher price—a fair price for their copra not only compensating them adequately for their investment and labour, but also encouraging them to increase production by planting more trees and improving their yield—but, then, as he added, "there is no justification for copra prices consistently soaring above the prices of other agricultural raw materials in India" like this.

As Mr. Tata suggested, prices have to be brought under control either by increasing indigenous production or by importing or by a combination of both. It is, however, evident that an immediate increase in the indigenous production is not possible. Nor can imports be increased, as the Government is unwilling to sanction large imports in view of the foreign exchange crisis. When appreciating this plight of the Government, the soap industry offered to release a substantial quantity of groundnut oil for export, provided it was allowed to import an equivalent quantity of cheaper oils, such as palm oil, one thought the authorities would readily seize the offer. For, on balance, the country would have gained in foreign exchange, but, for some inexplicable reason, the Government did not favour the proposal. What will happen at this rate is that Indian soaps, which are already uncompetitive in the foreign markets, will become much more so. This is a strange way, indeed, of promoting India's exports.

Jute

HIGHER OUTPUT

THE CENTRAL Supervisory Body for Jute at a recent meeting in Calcutta was apprised by the representatives of the State Governments that there had been a general increase in jute production. It was estimated at about 25 per cent in West Bengal, over 50 per cent in Bihar, 35 per cent in Orissa, almost 100 per cent in Uttar Pradesh and 66 per cent in Tripura. Since the weather has been favourable, the yield per acre is expected to be better than last year. The estimate of the acreage under mesta, which normally accounts for roughly 25 per cent of the total fibre supply, however, is not yet available.

At the meeting, it was emphasised that the minimum price for jute every season be fixed well in advance of the sowing time. Although the statistical position of jute was such that any possibility of the prices of the fibre being depressed could be ruled out, the States' representatives were of the view that some firm indication of the floor price even for the 1961-62 crop would be welcome. This they thought would not only inspire confidence but would also help in carrying on the campaign for intensive cultivation of jute. The floor price for jute, of course, must be in parity with world price of jute goods as jute industry will have to sell its pro-

duction in world markets in highly competitive conditions. Particular attention was drawn towards the jute industry in Pakistan, the comparative costs of which will have to be borne in mind. In this context, it may be pointed out that the IJMA have already submitted to the Central Government a buffer stock scheme for jute, which would ensure effective price support.

Import Policy

IMPORT OF GIANT TYRES, TUBES AND FLAPS

The Union Government, it is learnt, has now decided to consider applications from State Transport Undertakings, Transport Co-operative Societies and owners with a fleet of at least 25 vehicles for import of giant tyres, tubes and flaps of different sizes from rupee payment sources. The Controller of Imports and Exports will entertain applications for the import of tyres, tubes or flaps of the following sizes:

- 9.25 x 20 of 10 x 12 ply ratings
- 7.50 x 20 of 10 x 12 ply ratings
- 9.00 x 20 of 10 x 12 ply ratings

The current import policy provided for import of these items through established importers. Such imports from rupee payment sources have also been allowed through the State Trading Corporation of India.

The supply position in respect of giant tyres and tubes has considerably eased and adequate supplies are now available with the State Trading Corporation. With the decision of the Government to allow imports by State Transport Undertakings, Transport Co-operative Societies, etc., it is hoped that these items will be freely available to all consumers.

IMPORT OF NEWSPRINT

The Government of India has decided to permit newspaper establishments to utilise their licences valid for import of newsprint from rupee account countries for importing newsprint from the United States and Canada as well upto 50 per cent of the face value of these licences. Hitherto, newspapers, whose entitlement was 100 tons or above, were given licences to the extent approximately 33-1/3 per cent for imports from free sources and the balance of 66-2/3 per cent from rupee payment countries against contracts entered into by the State Trading Corporation.

Imports from U.S.A. will be made against free foreign exchange, which will be released for the purpose. Imports from Canada will be allowed under the Colombo Plan Aid Programme. Licences for import of newsprint from Canada will be issued to newspaper establishments or the State Trading Corporation on the basis of c.i.f. value, with the endorsement on the Exchange Control copy that they will be permitted to remit exchange to the extent of 15 per cent of the face value of the licences towards freight and insurance charges (provided insurance is not done through Indian companies). The face value of the newsprint will be paid to the supplier in Canada by the Canadian Government from the Colombo Plan funds.

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FROM THE CAPITAL'S CORRIDORS

ALUMINIUM IN THE THIRD PLAN

FOUR new aluminium projects have been approved by the Government of India. Three of them envisage setting up of new aluminium smelters, two in the private sector and one in the public sector. The fourth project relates to the expansion of a private sector aluminium manufacturing unit now under construction.

The expansion of the aluminium industry under the Third Plan to over 87,500 tons output envisaged initially under the Third Plan has been necessitated by an assessment made by the Committee set up some time ago by the Union Ministry of Commerce and Industry under the chairmanship of the Senior Industrial Adviser, Mr. G. P. Kane. This Committee has come to the conclusion that total requirements of electrical grade aluminium by the end of the Third Five-Year Plan will be of the order of 55,000 tons per annum, made up as follows:

	(Tons)
(i) Transmission and Distribution Lines	40,000
(ii) Bus bars and die-castings	6,000
(iii) Substitution in power cables and house wiring	5,000
(iv) Miscellaneous	4,000
TOTAL	55,000

The requirements of commercial grade aluminium for various industrial purposes in 1965-66 are estimated as follows:

	(Tons)
Domestic utensils, etc.	25,000
Transportation and aluminium alloys	12,000
Packaging (foils)	7,500
Building construction	4,000
Food, Farming, Sugar Industries, etc.	4,000
Miscellaneous, including, the requirements of steel industries and normal exports	8,000
TOTAL	60,500

The total requirements of aluminium at the end of the Third Plan period thus come to 1,15,500 tons. By then about 10,000 tons of aluminium per annum will be available from secondary sources. The requirements of new metal are, therefore, expected to be of the order of 1,05,500 tons.

In arriving at the above estimate, the Kane Committee, it is understood, has taken into account the following facts:

- There will be increasing use of aluminium in electrical industries in place of copper.
- In the field of domestic utensils and other requirements substitution of copper and brass by aluminium will only be marginal.
- For export purposes only a nominal provision of 1,000 tons per year (as at present) has been made. All other exports of aluminium, whether for discharging the repayment obligations incurred on account of import of plant and equipment for setting up the new units or for earning foreign exchange otherwise in view of the foreign exchange shortage, have not been taken into consideration in arriving

at the above estimate. Exports over and above 1,000 tons per annum will require additional capacity to be set up.

EXPORT POTENTIAL

There is sufficient potential for export of aluminium from India to the neighbouring countries. Messrs. Raynolds, of U.S.A., who have shown keen interest in collaborating in the establishment of a large-sized aluminium smelter in this country, have expressed the belief that the potential export market for Indian aluminium will grow with time just as with the increasing application of aluminium to different purposes the world demand for the commodity is increasing. Annual aluminium imports of the countries in the close proximity to India are estimated at 25,000 tons ingots and 19,000 tons semis out of the total world export trade of 6,37,000 tons ingots and 120,000 tons semis and manufactures. In view of the advantage that India has got in manufacture of aluminium due to availability of bauxite reserves in abundance and owing to comparatively low labour costs, India can very well make its mark in the export market.

There is also scope for stepping up exports of aluminium from India to Communist countries which are generally short of bauxite. Two or three of these countries have already displayed keen interest in entering into long-term arrangements with India for meeting a part of their aluminium requirements.

In view of these facts, the Committee thinks that India, on a conservative estimate, should be in a position to export about 30,000 tons of aluminium per year by the end of the Third Plan. Exports can even be higher if some determined effort is made.

Another consideration that probably has weighed with the Government for allowing higher aluminium manufacturing capacity to be installed is the long period of gestation required for an aluminium plant to come to fruition. The normal gestation period for an aluminium plant is anything between 3 and 5 years.

NEW ALUMINIUM PROJECTS

The following are the details of the four projects approved by the Government of India last week:

(1) **Murari Valda-Reynolds Project:** This project will be located in the Hubli-Karwar region of Mysore State. Its annual output will be of the order of 30,000 tons aluminium ingots. Fabrications will be done to the tune of 75 per cent of ingots output. The exact product-mix will be determined by the foreign collaborators, Messrs. Reynolds, International Inc., Hamilton, Bermuda. It is proposed to produce at this smelter electric grade ingots upto 60 per cent of the total output. Bauxite will be available for this project from Belgaum and the adjoining uncommitted areas in Maharashtra and Kutch. The Mysore Government will be providing 60,000 to 75,000 kw. of power as initial block by 1963-64 from the Sharavathi Hydro-Electric Project. The total cost of this scheme is estimated to be around Rs. 36.934 crores—Rs. 20.063 crores in rupees and Rs. 16.871 crores in foreign exchange. Of the Rs. 20.063 crores rupee expenditure, Rs. 7.37 crores will be available from the share capital and Rs. 12.676 crores will be raised as loans. The foreign exchange component, Rs. 16.871 crores, is envisaged to be provided partly (to the tune of Rs. 4.924 crores) by the foreign collaborators in the form of their contribution to the equity capital of the company. The rest Rs. 11.947 crores will be secured through loans

from the U.S. Export-Import Bank, Development Loan Fund and other foreign financing agencies. The D.L.F. assistance that might be negotiated for this project, it is understood, will not affect the assistance otherwise available from this source.

(2) **J.K.-A.I.A.G. Project:** This project is proposed to be undertaken by J.K. Industries Private Limited in collaboration with Messrs. Aluminium-Industries-Aktien-Gesellschaft (AIAG) Zurich, Switzerland. The smelter will be located at Annapore, near Amarkantak, or at a site near Korba, in Madhya Pradesh. It will have a capacity to produce 20,000 tons of aluminium ingots per annum. They will be fabricated into products like sheets, circles, foils and extrusions. Enough bauxite reserves—it is stated they can support a smelter of the capacity of 1,00,000 tons per annum—are available in the Amarkantak region. The Madhya Pradesh Electricity Board is said to have assured for this project power supply to the tune of 50,000 kw. to start with. The project is estimated to cost about Rs. 20 crores, of which the foreign exchange component will be nearly Rs. 12 crores. The rupee expenditure of Rs. 8 crores is proposed to be met by equity capital to the tune of Rs. 4 crores and raising of loan for the remaining Rs. 4 crores from the Industrial Finance Corporation or from the PL 480 counterpart funds or from other financial institutions or banks. Foreign collaborators will be providing nearly Rs. 2 crores in foreign exchange in lieu of their share in the equity capital. The contribution of the foreign collaborators will be serviced through foreign exchange to be earned by the company by exports of its products. Remaining Rs. 10 crores foreign exchange expenditure is proposed to be met through raising of loans in the United States or from Continental financial agencies and private investors.

(3) **Hindustan Aluminium Corporation:** The capacity of the Hindustan Aluminium Corporation's smelter at present under construction at Pipri, near Rihand, in Uttar Pradesh, is to be increased from 20,000 tons to 50,000 tons per annum. The Hindustan Aluminium Corporation is a public limited company in which Birlas have controlling share. Kaiser Engineers of the United States are the foreign collaborators. Bauxite requirements of this expansion programme will be met from Lohardaga and Amarkantak areas for which mining leases have already been secured. The total cost of the expansion programme is estimated to be around Rs. 18 crores. Another Rs. 11 crores will be required for setting up a thermal electricity plant. The foreign exchange component of the expansion programme is put at Rs. 8 crores. Part of this will be made available by the foreign collaborators in lieu of their increased share in the equity capital. The rest is proposed to be arranged through loans from the U.S. Export-Import Bank or from the Development Loan Fund.

(4) **Public Sector Project:** The smelter to be set up under this project of the Government with technical assistance from Hungary will have a capacity to produce 25,000 tons of aluminium ingots per year.

STEPPING UP COAL OUTPUT

The National Coal Development Corporation proposes to undertake 19 new projects to raise an additional 18.5 million tons of coal per annum during the Third Plan period, instead of 17 million tons as originally envisaged. This output will be in addition to the three million tons to be produced by the Corporation from its Singareni collieries. The increased allocation of coal output by the N.C.D.C., it is understood, is meant to serve as a cushion.

Five countries have offered assistance to the N.C.D.C. for stepping up coal output under the Third

Plan. They are: United States, United Kingdom, France, West Germany and Poland.

The United States has sent out a senior coal-mining adviser to assist the N.C.D.C. in the survey of Ramgarh mines which are expected to yield one million tons of coking coal per annum. A coal washery is also to be set up there. Another team of U.S. experts will be arriving later to assist in the preparation of a project report for these mines.

The United Kingdom will be assisting in the development of coal mines in the Jarandih area where mines were closed down about three decades ago because they were found to be full of gas. Development of this area is expected to result in the production of one million tons of coal per annum.

Poland will render assistance to the N.C.D.C. for undertaking deep-mining in Sudamtih (Jharia) area. French and West German assistance will be available for the development of coal mines elsewhere. Two French experts are already here to advise the N.C.D.C. on various coal matters. Two experts from West Germany are expected to arrive next month.

The Government of India has also received the project report prepared by Soviet experts for the underground mines at Korba. It is proposed to raise a million tons of coal from these mines.

For the development of coal mining in the private sector negotiations for a loan of Rs. 30 crores are understood to have been successfully concluded with the World Bank. Announcement in this regard is expected to be made shortly. The loan will be routed through the Government of India. A World Bank expert, Mr. D. Jeffries has arrived to explore the possibility of assisting the development of Chasnallah coalfields of the Indian Iron and Steel Company. The proposal envisages construction of a ropeway to connect the coalfields with the steelworks.

INDUSTRIAL POLICY RESOLUTION: RELAXATION IN THE OFFING?

The Economic Secretaries Committee, it is understood, has recommended to the Government of India to relax the Industrial Policy Resolution of 1956 so as to promote the manufacture of certain categories of electrical goods in the private sector. Hitherto, manufacture of these categories has been reserved for the public sector. If the Government accept this recommendation, English Electricals, Madras, Kirloskar Jyoti, Mysore, and the Mysore Government's electrical factory would be able to manufacture transformers, electric motors and switchgears in higher ranges. Two other applicants also are likely to benefit by this relaxation. One of them is Westinghouse.

WORLD BANK AID FOR RAILWAYS

Negotiations for a World Bank loan for the development and expansion of railways in India are expected to start in Washington in the middle of next month. The Indian delegation will be led by Mr. Karnail Singh who has got an extension as Chairman of the Railway Board for one year. The Railway Board Chairman, it is understood, is not going to specify any figure for this loan. He will only indicate to the World Bank that the railways' Third Plan of Rs. 1,250 crores involves foreign exchange expenditure to the tune of Rs. 186 crores. It is proposed to be left to the discretion of the World Bank to make available whatever loan it thinks proper.

The 7-member World Bank Mission, consisting of railway experts from Canada, which visited India early this year and had discussions with the Railway Board, the heads of the railway zones and visited the various railway enterprises to assess the progress made by the

railways in the Second Plan period and the possibilities of their expansion in the Third Plan, it is learnt, has submitted its report to the International Bank for Reconstruction and Development. The report, it is understood, is quite complimentary to the working of the Indian railways. The Mission is understood to have appreciated the difficult task that lies ahead under the Third Plan for the Indian railways. It is in the light of this report that the World Bank will be deciding on the help which it can extend in the form of loans for development of railways in this country.

Since Independence, the World Bank has advanced \$328 million in five instalments, for the development of Indian railways. The last instalment of \$70 million was drawn by India in 1960.

It is expected that the new loan which would be negotiated next month will be utilised for import of steel for wagon-building, for implementation of the dieselisation and electrification programme of the railways and for procurement of such equipment which is not indigenously manufactured, either in public sector or in the private sector.

There are also possibilities of some loan being granted by the Development Loan Fund to help the Indian railways to fulfil their Third Plan Targets.

GREATER ALLOCATION FOR RAILWAYS' DEVELOPMENT

Meanwhile, current thinking in the Planning Commission is understood to be in favour of stepping up the allocation in the Third Plan for development of railways by Rs. 50 to 70 crores. This increased provision will be wholly earmarked for laying of new railway lines in the South.

MANUFACTURE OF ELECTRIC LOCOMOTIVES

The first India-made electric locomotive is expected to roll out of the Chittaranjan Locomotive Works next month. The Chittaranjan Works at present have on hand manufacture of 10 DC electric locomotives. The mechanical parts of these locomotives are being completely manufactured and fabricated at Chittaranjan. Only the electric equipment has been imported from abroad.

Plans are on hand to create a capacity to manufacture 60 electric locomotives per year at the Chittaranjan Works, in addition to the normal manufacture of 104 steam locomotives per annum during the Third Plan period. Preliminary work for undertaking the manufacture of AC electric freight locomotives is also said to be progressing satisfactorily.

The first DC locomotive coming out of the Chittaranjan Works will be commissioned on the Central railway system after the usual testing operations.

MANUFACTURE OF SMALL CAR

The Chairman of Renault Corporation, Mr. Pierre Dreyfus, has arrived here for negotiations with the Government of India on the manufacture of Renault's latest model small car Dauphine. The manufacture of this model in India has been recommended by the Pande Committee which has indicated that if 50,000 units of this car are manufactured, the ex-factory price can be Rs. 5,100. If, however, only 20,000 units are manufactured, the cost of production will be Rs. 6,150. The market price of this car on the basis of 20,000 units production per year is estimated around Rs. 7,700.

The French Corporation is expected to provide an adequate loan in foreign exchange to cover the cost of the plant required for setting up this

project. A meeting of the Economic Secretaries was held here recently to discuss the project, but no definite decision could be taken on going in for this project during the Third Plan period. Opinion is yet divided on whether this project should be included in the Third Plan or not. The Union Minister for Industry, Mr. Manubhai Shah, and other officials of his way of thinking are said to be in favour of including this project in the Third Plan. The Planning Commission, however, is understood to be not in favour of this proposition. It is asserted by the Planning Commission that the small car project will not fit into the general conception of the socialistic pattern of society. Moreover, even if the Renault Corporation is prepared to grant adequate loan for financing the purchase of the plant without any liability for repayment during the Third Plan period, the launching of the project is bound to increase India's import bill in respect of raw materials and equipment.

Another argument also is sometimes heard against the inclusion of the small car project in the Third Plan. It is to the effect that if a small car is manufactured in the country, it is bound to affect the saving drive. In the absence of availability of a small car, the middle class people are expected to invest more in Government securities.

INDUSTRIAL LICENSING REVIEW COMMITTEE RECONSTITUTED

The Reviewing Sub-Committee of the Central Advisory Council of Industries has been reconstituted under the chairmanship of Mr. H. N. Kunzru, M.P. The new members of the Committee are: Mr. A. V. Poddar, Mr. A. Ramaswami Mudaliar, M.P., Mr. D. C. B. Pilkington, Mr. N. D. Sahukar, Mr. Karam Chand Thapar, Mr. N. Stenhouse, Mr. S. R. Vasavada and Mr. S. A. Dange, M.P.

The Sub-Committee will review all licences issued, refused, varied, amended or revoked from time to time and also advise the Government on the general principles to be followed in issuing licences for establishing new undertakings or substantial expansion of the existing units.

OIL EXPLORATION IN ASSAM

Formal agreement covering the grant of approximately 1,800 sq. miles, in the vicinity of Naharkotiya-Moran oilfields, for oil prospecting to Oil India (Private) Limited was signed here on Thursday. The agreement on main heads in this connection was signed on May 31, 1961.

The formal agreement has been signed by Mr. M. M. Kohli, Deputy Secretary, Department of Mines and Fuel, on behalf of Government of India, and Mr. M. J. Condon on behalf of Burmah Oil Company and Assam Oil Company. Oil India (Private) Limited was represented by Mr. W. B. Metre.

Under the agreement, Oil India will be reconstituted on the basis of parity between the two partners—the Government of India and the Burmah Oil Company. The foreign exchange requirements of exploration and development of oil in the new concession area will be provided by the Burmah Oil Company. The Government of India will make available the required rupee finance.

LOK SABHA'S MONSOON SESSION

The Lok Sabha is meeting on August 7 for its "Monsoon Session." Two important statements are expected to be made on behalf of the Government; one on the likely impact of Britain's joining the European Common Market and the other on the economic assistance offered by the Aid-India Club for the first two years of the Third Plan.

In all, about 16 new Bills will be introduced in this session. One very important Bill that is to be introduced in this session is to the effect of making disturbance of communal harmony and promotion of enmity between different classes of citizens specific offences. The Bill will amend the Indian Penal Code.

The Representation of the People Acts, 1950 and 1951, are to be amended through a Bill so as to remove certain lacunae experienced in the working of these two Acts.

The scope of the Act on voluntary surrender of salaries is to be extended to make it applicable to all classes of salaried employees. The High Court Judges (Conditions of Service) Amendment Bill, is being brought to provide for grant of death-cum-retirement gratuity, etc., to High Court Judges in addition to pension and additional pension admissible at present.

One bill will define the duties and powers of the Comptroller and Auditor General of India. Another, the Extradition Bill, 1961, will seek to replace the existing Extradition Act, 1903.

The maximum amount payable to victims of passenger train accidents will be increased from Rs. 10,000 to Rs. 20,000, through an amendment of the Railways Act. The same measure, the Indian Railways (Second Amendment) Bill, 1961, will also provide for a minimum and enhanced deterrent punishment under certain sections of the parent Act.

To validate the sugarcane cess levies of some States, the Sugarcane Cess (Validation) Bill, 1961, will also be introduced.

The programme of training apprentices in industry will be regulated through another Bill. Yet another Bill will extend the Industries (Development and Regulation) Act to the State of Jammu and Kashmir.

The slum clearance work in Delhi is sought to be quickened through an amendment of the Slum Areas (Improvement and Clearance) Act. This amending Bill will give protection to Ameldars against eviction. Another Bill will replace the existing Atomic Energy Act, 1948.

Certain amendments are proposed in the Delhi Municipal Corporation Act. The main purpose is to make provision for single member wards for election of Municipal Councillors. For holding elections on the basis of adult franchise in the Union Territory of Manipur, the Assam Municipal Act, 1956, which has been extended to the area, will be amended.

Upto certain specific limits, the deposits of commercial banks are to be insured. For this purpose, the Deposit Insurance Corporation Bill will be introduced. The life of the Newspapers (Price and Page) Act, 1956, will also be extended for a further period.

The Third Five-Year Plan will also be discussed in the next session of Parliament. The other things to come up include the Second and Third Reports of the Commissioner for Linguistic Minorities and the Report of the Aligarh Muslim University Enquiry Committee.

Discussion will also take place on the Tenth Annual Report of the Union Public Service Commission, on the Supplementary Demands for Grants (General), 1961-62, and on the Report of the University Grants Commission for April 1959 — March 1960.

UPGRADING OF CITIES

On the basis of the provisional 1961 census figures, the Government of India has decided to upgrade Delhi from the category of 'B' Class cities to 'A' Class cities. This brings the total number of cities in 'A' Class to three. The other two 'A' Class cities are Bombay and Calcutta.

Varanasi and Agra have been upgraded from Class

'C' to Class 'B', bringing the total number of cities in this category to 11. Twenty-six more cities have been listed in Class 'C', bringing the total number of cities in this category to 90. The new cities that have been listed in Class 'C' are:

States	Cities
(1) Andhra Pradesh	Bandar (Masulipatnam), Eluru, Kakinada, Kurnool, Nellore.
(2) Bihar	Darbhanga, Muzaffarpur.
(3) Jammu & Kashmir	Jammu.
(4) Madhya Pradesh	Raipur, Sagar.
(5) Madras	Nagercoil, Tuticorin.
(6) Maharashtra	Ahmednagar, Akola, Amravati, Malegaon, Nasik, Ulhasnagar.
(7) Mysore	Belgaum.
(8) Punjab	Patiala
(9) Rajasthan	Kotah, Udaipur.
(10) Uttar Pradesh	Mirzapur.
(11) West Bengal	Bally, Burdwan, Kamarhati.

This reclassification is to have effect from July 1, 1961. It is, however, subject to review when the final census figures become available. The reclassification entitles Central Government employees to increased compensatory (city) and house rent allowances.

THE CALCUTTA PROJECT

The Ford Foundation has announced two related grants, totalling \$1.4 million, for solving the problems of Calcutta city. One grant, of the value of \$8,00,000, will be made available for financing the cost of provision of technical consultants to help in building a permanent Metropolitan Planning Organisation for Calcutta. The second grant, valued at \$6,00,000, will go to the Institute of Public Administration in the United States for undertaking urban research and training based primarily on the Calcutta project. The Institute will conduct research on housing and industrial design, urban community planning, utilisation of regional resources etc., on the request of the Foundation's consultants whose services are made available to the Calcutta Metropolitan Organisation under the first grant.

BRIEFS

The Government of India has decided to allocate nearly Rs. 6 crores during the Third Plan period for doubling the output of motor buses and for stepping up the production of motor cars by 150 per cent.

The Kashmir Government has signed an agreement with a Jullunder firm for setting up a ceramics and sanitary fittings plant in the State. The State Government will have 51 per cent share in this undertaking whose authorised capital will be Rs. 1 crore.

The Government of India has released 60,000 bales of cotton for export. This export quota is to be equally divided between Bengal Deshi and other cottons stapling 1" and below.

The Rs. 7.5 crores Ammonia Plant of the Bourkela Fertilizer Project is reported to be fast nearing completion. Production at this plant is expected to start by October. Production to full capacity is expected to be achieved by January, 1962.

The Government of India has approved a contract made by the Assam Government with Sofregaz of France for the engineering work on the transportation and distribution network for natural gas from the Nahorkatiya deposits along the middle Brahmaputra.

DRINK JAY SHREE TEA

COMPANY AFFAIRS

TELCO PLANS EXPANSION

Tata Engineering & Locomotive Company Ltd. during the year to March 31, 1961 recorded a profit of Rs. 146 lakhs, a figure substantially higher than the previous year's profit of Rs. 114 lakhs. The Directors of the Company were able to recommend an increase of 16 per cent over the previous year in the rate of distribution on ordinary shares, i.e. Rs. 14.50 gross or Rs. 10.15 tax free per share subject to relief under Section 15C of the Income Tax Act.

After negotiations with the Government of India, the pattern of the Company's future capital investment has become clear. The proposal submitted to Government to increase the output of diesel vehicles to 24,000 units per year has been approved and a licence has been granted to the Company. The expansion envisaged is of a major nature for which substantial additional funds will be required. A portion of these funds will be available from retained earnings. It is proposed to secure the balance mainly through a long-term credit from the Development Loan Fund to which a loan application for an amount of \$22.89 million has recently been submitted by the Company with the concurrence of the Government of India. The Controller of Capital Issues has sanctioned the issue of 5 per cent mortgage debentures of the value of Rs. 5 crores ranking pari passu in all respects, except date of repayment, with the existing 5 per cent mortgage debentures of the Company.

Most of the plant and equipment for the expansion programme will have to be imported from the U.S.A. in terms of the DLF Loan. For the special production devices and certain essential items that will have to be purchased from West Germany, the Company hopes that the Government of India will find it possible to licence imports under the German Credits granted to India by the Federal Republic of West Germany.

The Company made substantial effort to complete according to schedule the expansion programme and raise the output of automobile division to 12,000 vehicles per annum where the indigenous content was nearly 78.8 per cent per vehicle. Despite this substantial increase in the output of Tata-Mercedes-Benz vehicles during the year under review, the gap between the rapidly increasing demand and available supplies has increased further. Naturally, therefore, the Directors want the expansion programme to go ahead.

Another significant feature, according to the annual report of the Company, is that during the year under review 100 locomotives were delivered, each locomotive having an indigenous content of 98 per cent. The 16-year agreement between the Company and the Railway Board for the manufacture of steam locomotives and boilers came to an end on May 31, 1961. The Railway Board have placed with the Company ad hoc orders to be delivered during the five-year period ending 31st March, 1966.

MULTIPLE SHIFTS FOR TEXTILES

It is common knowledge that the Third Plan has set 5,800 million yards as the target for mill-made cloth. This represents an increase of 800 million yards over the Second Plan target. In order to achieve the target (5,800 million yards) the present installed capacity is

admittedly inadequate and has to be considerably augmented. If only regional considerations are not imported to satisfy certain sections, Mr. Naval H. Tata, Chairman, Ahmedabad Advance Mills Ltd. told the annual general meeting that the existing units themselves could meet the enhanced target, provided the existing units were allowed to have the necessary balancing equipment and work multiple shifts. This would not only be economical but also save much needed foreign exchange that would otherwise be required for textile machinery for establishing new units, Mr. Tata further noted. By multiple-shift working, he said, the textile industry could also absorb as many as 125,000 additional workers. To facilitate this, he, of course, emphasised the need for suitable incentives to industry by way of rebate of excise duty on additional production in excess of the average production of the past few years, even as for diverting for export a part of the increased production.

THE INDIAN OVERSEAS BANK

It is reported that the net profit of the Indian Overseas Bank Ltd. for the half year ended June 30, 1961, subject to audit including the sum of Rs. 1.92 lakhs brought forward from the last year's account, amounts to Rs. 19.97 lakhs.

HONGKONG BANK GROUP INTERIM DIVIDEND

The Hongkong and Shanghai Banking Corporation has declared an interim dividend of 5s. a share on its paid-up capital of 3,161,845 shares (£4,940,383). This interim dividend is a distribution of £790,461 and is unchanged from that declared in July 1960. The Hongkong and Shanghai Banking Corporation is the parent Company in a group comprising the Mercantile Bank Ltd. and The British Bank of the Middle East.

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Association Meeting

INDIAN SUGAR MILLS ASSOCIATION

Presidential Address by Shri D. D. Puri

RECORD SUGAR PRODUCTION AND STOCKS

SUGAR INDUSTRY FACES SERIOUS PROBLEMS OF STORAGE AND FINANCE

In his Presidential address at the 28th Annual General Meeting of the Indian Sugar Mills Association, held at New Delhi on 31st July, 1961, Shri D. D. Puri, President of the Association said:

RECORD PRODUCTION AND CRISIS OF SURPLUS

On the sugar front, we are meeting under the shadow of deep crisis. Every day that passes deepens the shadow. We have moved far ahead of the time when scarcity of sugar was the order of the day. With the shift of emphasis in the Government policy from mere regulatory and distributive measures to maximising production, adopted last year, we have not only turned the corner so far as the availability of supplies is concerned, but paradoxically enough, are now in the midst of what I have called a crisis of surplus.

In the current season production has almost reached the figure of 30 lakh tons. Here is the Third Plan target in the bag, five years ahead of schedule.

STATIC CONSUMPTION TREND

The consumption of sugar on the other hand has not shown the corresponding increase. In fact, contrary to the Plan premises, there was a slight fall last year. As against 20.66 lakh tons in 1958-59, consumption last year was only 20.24 lakh tons showing a decrease of more than 40,000 tons from the previous year. It was expected that this year with increased production and better availability, consumption would pick up. But these expectations have not materialised and the current rate of off-take is practically the same as last year. By the end of June, two-thirds of the current sugar season being over the off-take from factories for internal consumption has been 13.31 lakh tons against 13.28 lakh tons for the corresponding period last year.

HUGE STOCKS CREATE PROBLEMS OF STORAGE AND FINANCE

Increased production accompanied by lower consumption last year left the industry with a large carry over stock of 5.5 lakh tons on November 1, last, against only 153,000 tons a year earlier. Production this year has reached 29.5 lakh tons and with a further addition of about 25,000 tons before the year comes to a close, it will have reached about 29.75 lakh tons. After accounting for the off-take during the remaining part of the year, I do not expect consumption this year to exceed 20.5 lakh tons. This will leave the Industry an unmanageable stock of 14.75 lakh tons (less the quantity exported) at the time when the next crushing operations start.

Unless some satisfactory arrangement is made to solve this problem, the future prospects are indeed bleak. Obviously, at the moment export is the only solution. Exports are possible only at a heavy loss because the World Free Market prices are much below our cost of production. Exports can, therefore, be effected only if adequate compensation for the loss in-

volved is provided, and without exports I shudder to imagine the consequences.

We are thankful to Government for having appreciated this position, as a consequence of which the Food Minister announced in the Lok Sabha in April last that the losses involved in further exports would not be borne by the Industry. On our part, we have agreed to share a part of the loss on exports to the U.S.A. Earlier, we had to meet the total loss on the first one lakh tons already sold for exports. Besides in response to Government's appeal, the Industry agreed to implement the Wage Board Award even though both the export loss and increase in wages were not provided for in the controlled price of sugar.

POSITION REGARDING EXPORTS

The actual exports that we have so far been able to contract for do not, however, give much cause for comfort. We have so far exported one lakh tons to Malaya and West Asian countries. On present indications, it may be possible to export another half a lakh tons this year, besides the U.S. quota of about 2 lakh tons, bringing the total to about 3.5 lakh tons at the outside. This will hardly touch the fringe of the problem. After providing for a carry over of 5 lakh tons, there will still be an exportable surplus of 0.5 lakh tons. This is a burden too big to be carried by the industry and is beyond its maximum financial storage resources. Unless a sizeable portion of it finds an outlet and quickly, the survival of the industry will be in serious jeopardy. The position is getting so serious that the industry may be forced to curtail production in the next season. The next crushing season is due to start in another three months. According to the reports now available, the sowings are even better than last year's, and, if the present favourable trend continues till harvest time, we will have a bumper cane crop to take care of. And, unless a sizeable quantity of the surplus stocks is taken off from the factories through further exports etc., it may not be possible for them to be ready to start crushing in time. Such a development will cause grievous loss to the industry as well as to millions of canegrowers who have been increasing acreage under cane in the belief that there will be a readily available market for their produce. It will also deal a blow to the developing economy of the country.

LOW PER CAPITA CONSUMPTION

But while exports might help in reducing excessive stocks, as a long term solution something has to be done so that the consumption rate internally moves up. It is a well-known fact that our per capita consumption is among the lowest in the World. Against 48.6 kilos in the U.K. and 43.4 kilos in the U.S.A., our per capita consumption here does not exceed 13.9 kilos. This is far short of the level achieved in other countries and

is also much less than the minimum of 20.5 kilos considered necessary for a well-balanced nutritive diet for an adult person in this country. There is, therefore, considerable scope for improving the present low rate of consumption here.

While consumption did increase, though not to the estimated extent, till 1957-58, a contrary trend developed in the last two years to which I have already referred. This is due to the increase in the price of sugar occasioned by increase in the cost of cane and high taxation. That does not mean that the Indian consumer pays a higher price than is the position elsewhere. As a matter of fact the price of sugar in India is lower than in many leading sugar producing countries. The Indian prices are also lower than in most of the neighbouring countries like Pakistan, Ceylon, U.A.R., Cambodia, Japan, Iran and Thailand. But the fact remains that the present prices have checked the rise in consumption and a time has come when it has become necessary to reduce taxation substantially to increase consumption. I venture to suggest that if properly handled, a substantial reduction in Excise duty would not result in loss of revenue to the extent as may appear at first sight. In a great measure it would be off-set by increase in internal consumption. I commend this suggestion for the immediate consideration of Government. Besides, there exist some irksome procedures and practices which tend to discourage consumption and create pockets of artificial scarcity in the country. The removal of these is already overdue. States are raising sizeable revenues from sugar distribution. I would respectfully submit that the time for this is also over and this practice should be stopped forthwith. Another matter demanding attention is the transport bottleneck. I urge greater attention to these problems. These matters if attended to, will improve consumption. But this will solve only a part of the problem.

INDUSTRY NEEDS CONDITIONS OF STABILITY

Another factor of major importance to the industry is stability. Prices of sugar must never be allowed to fluctuate violently, for many reasons. The most notable is that cane prices must inevitably move up and down with prices of sugar, for cane is the predominant content of the sugar price. Violent fluctuations in cane prices and their effect on our rural economy are extremely undesirable. We must never forget that the cane grower has to plan his crop far ahead of its delivery to the factory. Once planted, cane yields more than one crop. So the grower, once he switches over to cane cultivation is committed to it for a number of years. Any violent fluctuations in the cane price would seriously disturb his economy. Variations in cane price should be carefully planned and announced very much in advance. Another reason for steering clear of violent fluctuations is that the industry at present is carrying heavy stocks. If prices vary by Re. 1 per maund, it would mean a difference of about Rs. 6 crores on the present stocks alone. This may wipe out of existence many marginal factories especially those placed in geographically weak areas.

BACKWARD STATE OF CANE CULTIVATION

With regard to cane price, this constitutes the highest single item of cost in the production of sugar. Much of its high incidence could be reduced if the present backward state of cane cultivation could be improved. Our average yield of 1.4 tons of sugar per acre makes a poor comparison with the yield of 5 to 8 tons of Hawaii, Java and Formosa. In fact, the yield

in North India is about the lowest in the World, and yet covers the largest area in the country and, viewing it from the human angle, involves the largest number of canegrowers. The low yields in the North can be rectified if cane development is undertaken on the requisite scale. We have urged repeatedly that the cane cess realised by the States should be spent entirely on cane development. We have been harping on this theme in season and out. We must state once again in clear and unequivocal terms that if cane development is not undertaken seriously and with all resources at our command the industry in the North will go down and with it the millions of canegrowers who derive their sustenance from sugarcane.

REASSESSMENT OF CAPACITY NECESSARY

Along with efforts to raise internal consumption we must try to adjust our production in future to our needs so as to avoid repetition of the critical situation that the industry is presently facing. This would underline the need for reassessing the present capacity and the targets for the future. The potential of sugar production in the World today is much greater than its consumption and a vast majority of the exporting countries, and even some of the importers, have regulated and curtailed sugar production. The largest importer of sugar, the U.S., had till recently statutory restrictions on beet and cane acreages. As a matter of fact practically every importing country plans for self-sufficiency in sugar.

The Second Five-Year Plan estimated our consumption for the current year at 22.50 lakh tons whereas, as I have already pointed out, it would hardly reach a level of 20.5 lakh tons. Statistics for the last three years show that our consumption is static. We are now in the first year of the Third Plan, the draft outline of which mentioned a production target of 30 lakh tons. Subsequently, however, Government spokesman stated that the target was being raised to 35 lakh tons. It came to us as a rude shock, as there have been no developments in respect of internal consumption which could justify a higher target. On the contrary, the trend of consumption would call for a lower target. This trend indicates that even 28 lakh tons consumption will not be achieved by the end of the Third Plan period. It will be sound policy to let the consumption develop before expanding capacity, because capacity when once installed has to be kept going. We have enough stocks and are likely to have them over the next 5 years, to afford a safe cushion for a sudden spurt in consumption. Furthermore, capacity for manufacture of sugar machinery exists within the country. We could instal additional capacity without undue delay or difficulty. There is, therefore, no need to instal capacity in a rush.

NEED FOR REHABILITATION ALLOWANCE

In response to the request of the Industry, Government made a reference of the price question to the Tariff Commission. The Tariff Commission determined regional cost schedules which were very rigid and based on the performance of sampled factories which were above average in all the regions. On top of that the return allowed by the Commission provided, only, in the words of the Commission, "sufficient funds for each unit to meet its commitments under bonus, gratuity, interest on borrowed capital and debentures, dividend on preference shares, managing agents commission and income-tax and finally leave a residue to a large majority of units in all the regions to declare reasonable dividends". From this it is apparent that

no margin was left to cover rehabilitation or to provide for reserves.

I would confine my observations here only to rehabilitation. Rehabilitation is meant to cover the difference between depreciation which is allowed as an item of cost on the original historical costs of assets and the depreciation on the present day replacement costs. After all, depreciation is allowed to enable replacement of assets on expiry of their useful life. The replacement costs have gone up many times and depreciation allowed is quite insufficient to replace use-less assets. The difference between depreciation allowed and depreciation on present day costs is a legitimate item of cost and should be recognised as such in determining the price of sugar.

Rehabilitation was disallowed by the Tariff Commission on three short grounds.

- The industry had employed all available funds in expanding capacity to earn more profits.
- It was socially unjust for the consumer to be burdened with rehabilitation.
- Rehabilitation cost could be met by borrowings.

It was, however, not realised that reduction in costs achieved by expansion had been neutralised by the Commission working out the schedules with reference to actual costs in 1957-58 which included the economy effected on account of expansion. And then the benefit of reduced costs on utilisation of available funds on expansion went to the consumer alone and it would

have been quite in keeping with considerations of social justice, if the consumer paid for the benefit enjoyed at the cost of Industry. Thirdly, if rehabilitation had to be met by borrowings, some margin should have been allowed for servicing these loans and for their repayment. I may clarify here that interest on borrowed capital and debentures allowed by the Commission does not include any additional amount to cover interest on proposed borrowings for rehabilitation.

As stated earlier, the Tariff Commission determined cost schedules on the basis of the relevant data for 1957-58. Since then there have been major increases in costs which have to be provided for while fixing fair price for sugar. Ours is essentially a controlled industry and a fair price for sugar whether statutory or notional has to be determined by Government. There is thus no escape from determination of cost of production and variations therein every now and again. Because of frequent fluctuations in costs it would not be practical to entrust this determination to the Tariff Commission every time. The Commission prepared its report with reference to the cost for 1957-58 and it was already out of date when it was submitted in 1959. I would, therefore, recommend that there should be a standing body functioning all the time presided over by a person of the status of a Supreme Court Judge which should bring the cost of production data relating to sugar up-to-date. A standing body like this would ensure upto the minute availability of costs and other relevant data by an impartial body of the highest integrity and repute. This alone would meet the needs of the situation.

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AB-18

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Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Food articles & Tobacco	Liquor	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures			All Commo- dities
						Inter- mediate Products	Finished Products	Total	
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61	..	120.0	110.0	119.6	145.4	130.5	122.8	123.9	124.8
April	1960	117.6	103.1	118.1	134.2	123.2	116.9	117.8	120.4
May	"	120.3	107.3	119.2	140.1	125.4	119.0	119.9	122.8
June	"	120.3	109.5	118.0	139.7	127.2	118.7	119.9	122.9
April	1961	117.5	112.0	122.3	152.9	136.0	125.3	126.8	125.7
May	"	117.2	104.1	122.8	152.8	136.9	124.5	126.3	125.2
June	"	119.9	100.1	122.2	148.7	135.2	127.4	125.3	125.6
3-6-1961	..	118.0	101.9	122.8	149.1	137.7	123.8	125.8	124.9
10-6-1961	..	118.7	100.3	122.8	147.1	139.3	121.9	124.3	124.5
17-6-1961	..	121.0	99.5	121.5	148.1	141.0	122.8	125.3	126.0
24-6-1961	..	122.2	98.6	121.5	150.7	140.7	123.4	125.8	127.1
1-7-1961	..	122.6	97.8	121.5	149.3	141.3	123.0	125.6	127.1

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay			Delhi Bengal U.P.		Central Provinces			Madras	E.P.	Bihar	
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	All India†
1939 (Aug.-Dec.)	.. 103	—	—	—	—	105	104	—	106	—	—	—
1954	.. 342	359	244	138	327	408	373	139	341	148	140	138
1955	.. 322	338	217	130	321	371	364	133	321	134	135	132
1956	.. 336	352	244	142	347	424	397	151	358	152	146	145
1957	.. 352	368	259	150	364	448	422	162	374	157	157	152
1958	.. 376	394	274	150	384	468	447	165	401	157	169	161
1959	.. 393	412	308	158	384	469	498	163	429	166	173	168
1960	.. 401*	420*	296	158*	397	476	512*	165	467	167	166	171
1960 July	.. 404	423	302	160	406	484	515	165*	467	169	166	174
August	.. 402	421	304	160	410	484	515	163	470	169	168	174
September	.. 399	418	302	161	403	484	520	163	472	167	168	173
October	.. 402	421	304	162	396	488	517	163	477	171	166	173
November	.. 404	423	300	159	392	498	509	163	484	171	168	171
December	.. 400	419	297	160	385	480	507	163	488	169	167	171*
1961 January	.. 400	419	296	161	385	480	502*	165	470	171	166	170*
February	.. 401	420	—	163	389	488	491*	165	470	171	166	170*
March	.. 404	423	—	164	392	483	488*	—	479	169*	167	171*
April	.. 409	428	—	165	389	471	—	—	482	169*	166	170*
May	.. 412	431	—	166	389	464	—	—	479	—	—	—
June	.. —	—	—	167	—	474	—	—	478	—	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT) WEEK ENDED

	21-7-1961			14-7-1961			7-7-1961			30-6-1961		
Gold (per 10 grams)	120.70	119.30	120.13	120.75	119.90	120.22	122.40	120.75	121.44	122.10	120.10	121.02
Silver (per kilogram)	200.80	199.80	200.06	200.80	199.75	200.18	201.60	199.95	200.81	203.35	200.90	201.93

RESERVE BANK OF INDIA
ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES				ASSETS					
	Notes in Circulation	Notes Held in Bank- ing Dept.	Total Notes Issued (a)	Gold & Bullion (b)	Coin Securities (c)	Foreign Securities (c)	Total of (b+c) as Percent- age of (a)	Rupee Coin	Rupee Securities	Total Assets
1956-57 ..	1,475,77	18,75	1,494,52	40,02	545,61	585,63	39.95	115,93	755,22	1,494,52
				(117,76)		(663,37)	(44.37)			
1957-58* ..	1,529,36	23,18	1,552,53	117,76	329,65	447,41	28.79	1,30,06	975,06	1,552,53
1958-59* ..	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
1959-60* ..	1,730,90	19,86	1,750,77	117,76	167,62	285,38	16.30	131,50	1,333,83	1,750,77
1960-61* ..	1,863,13	18,94	1,882,07	117,76	134,99	252,75	13.4	126,84	1,502,48	1,882,07
Average of Fridays										
April 1960 ..	1,887,42	17,25	1,904,67	117,76	163,01	280,77	14.74	127,16	1,496,74	1,904,67
May " ..	1,886,74	20,78	1,907,52	117,76	163,01	280,77	14.72	125,34	1,501,41	1,907,52
June " ..	1,860,95	26,56	1,887,51	117,76	149,26	267,02	14.14	125,34	1,495,15	1,887,51
April 1961 ..	2,017,13	18,87	2,036,01	117,76	118,01	235,77	11.58	121,90	1,678,33	2,036,01
May " ..	1,989,60	16,63	2,006,23	117,76	113,01	230,77	11.50	118,51	1,656,95	2,006,23
June " ..	1,958,79	30,43	1,989,22	117,76	108,01	225,77	11.35	118,54	1,644,92	1,989,22
Week-Ending										
16-6-1961 ..	1,968,99	26,63	1,995,62	117,76	108,01	225,77	11.31	117,94	1,651,90	1,995,62
23-6-1961 ..	1,945,75	41,41	1,987,15	117,76	108,01	225,77	11.36	119,47	1,641,91	1,987,15
30-6-1961 ..	1,933,41	44,81	1,978,22	117,76	103,01	220,77	11.16	120,52	1,636,93	1,978,22
7-7-1961 ..	1,949,27	27,46	1,976,72	117,76	93,01	210,77	10.66	119,03	1,646,93	1,976,72
14-7-1961 ..	1,937,98	19,85	1,957,83	117,76	93,01	210,77	10.77	120,08	1,626,98	1,957,83

BANKING DEPARTMENT

(Rs. Lakhs)

Period	Deposits					Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad§	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Gov- ernment	Other Gov- ernments	Banks	Others	Total									
1954-55* ..	89,13	20,66	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	26,55	80,52	9,82
1955-56* ..	60,11	19,85	53,77	18,31	152,04	35,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
1956-57* ..	57,52	14,10	52,46	19,73	143,81	91,21	245,02	18,91	5,69	64,77	4,89	85,34	51,82	13,60
1957-58* ..	54,61	11,28	81,00	111,38	258,27	84,36	407,63	23,30	4,81	40,47	32,90	77,91	213,92	14,32
1958-59* ..	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,18	25,57	28,23	65,83	284,49	11,73
1959-60* ..	55,50	23,24	79,61	123,48	281,83	83,18	450,01	19,94	15,54	28,97	25,53	88,92	258,90	12,22
1960-61* ..	61,73	21,27	97,30	98,76	279,06	100,33	464,39	19,02	28,71	20,74	38,19	132,78	209,56	15,38
Avr. of Fridays														
April 1960 ..	62,26	21,36	90,66	100,04	274,72	119,50	479,25	17,33	47,71	21,96	41,01	117,33	219,04	14,86
May " ..	55,55	27,20	96,35	98,14	277,23	108,96	471,19	20,85	27,39	12,66	49,43	115,02	230,51	15,34
June " ..	73,15	13,28	107,89	90,72	285,05	111,02	481,07	26,63	28,14	13,57	45,94	122,56	228,02	16,21
April 1961 ..	59,70	8,73	77,38	101,68	247,48	134,15	467,38	18,99	55,31	10,60	84,08	135,28	142,78	20,37
May " ..	61,61	16,21	78,38	116,50	272,69	145,08	501,78	16,73	41,65	21,40	83,99	125,26	191,55	21,22
June " ..	64,96	13,54	84,67	123,86	287,04	134,21	506,25	30,47	39,78	14,49	68,97	121,34	208,22	22,97
Week-Ending														
16-6-1961 ..	80,73	5,44	86,25	126,59	299,01	140,74	524,75	26,67	44,58	15,78	83,02	118,24	214,66	21,80
23-6-1961 ..	82,05	14,63	80,37	128,49	305,55	144,43	534,98	41,44	41,01	12,65	77,43	115,71	223,09	23,64
30-6-1961 ..	59,68	15,18	94,73	115,27	284,87	101,43	471,30	44,84	35,53	10,78	34,30	130,41	189,49	25,95
7-7-1961 ..	54,51	8,96	91,69	111,14	266,30	101,18	452,48	27,50	38,43	16,54	37,16	123,79	183,56	25,50
14-7-1961 ..	49,83	13,37	96,08	111,22	270,49	98,76	454,25	19,90	27,74	9,89	41,73	117,52	213,45	24,04

* Average of Fridays. **Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. †Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. §Includes cash and short-term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Balances with Reserve Bank (Note + Coins)	(5+6) as percent- age of (4)	Advan- ces	Bills Discount- ed	(8+9) as per- centage of (4)	Invest- ments in Govt. Secur- ities in India
	Demand	Time	Total (2+3)						
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1953-54 ..	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	59.56
1954-55 ..	559,62	351,86	911,55	32,66	53,91	9.50	468,39	84,66	60.68
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	63.02
1956-57 ..	653,34	453,92	1,107,26	36,94	50,23	7.96	626,08	155,56†	71.39
1957-58 ..	723,89	619,19	1,343,08	39,34	77,55	8.72	723,79	167,32†	66.77
1958-59 ..	735,93	860,33	1,596,26	40,30	83,99	7.74	766,56	133,27†	56.37
1959-60 ..	745,83	1086,79	1,832,62	44,84	75,81	6.58	842,75	144,49†	53.87
1960-61* ..	794,49	1155,87	1,950,36	47,04	93,09	7.17	995,75	162,94	59.48

Average of Fridays

January 1961	793,54	1103,32	1,896,85	44,79	78,39	6.49	1042,22	169,59	63.89
February 1961	803,25	1092,13	1,895,38	45,46	71,07	6.15	1071,18	183,27	66.19
March 1961	820,31	1074,28	1,894,59	45,14	70,03	6.07	1107,98	197,93	68.92
April 1961	854,21	1093,17	1,947,38	47,78	74,18	6.27	1111,89	205,35	67.64
May 1961	845,27	1108,21	1,953,48	48,43	73,26	6.23	1085,24	194,17	65.49
June 1961	837,02	1119,91	1,956,93	48,46	79,72	6.55	1102,90	179,40	65.53

Week Ending

16-6-1961 ..	835,14	1114,11	1,949,25	47,14	81,64	6.61	1103,11	181,19	65.89
23-6-1961 ..	837,52	1122,71	1,960,23	47,62	73,64	6.19	1096,50	177,74	65.00
30-6-1961 ..	862,49	1114,41	1,976,90	54,56	87,62	7.19	1110,63	165,32	64.54
7-7-1961 ..	855,27	1119,82	1,975,09	49,43	86,72	6.89	1109,81	162,44	64.41
14-7-1961 ..	847,22	1130,88	1,978,10	47,04	90,86	6.97	1106,99	156,40	63.87

† Including foreign bills purchased and discounted

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees)

		Deposit money with the public					
Last Friday		Money supply with the public	Total currency with the public	Total	Demand liabi- lities of banks	Other depo- sits with Reserve Bank†	Total variations in money supply
(1)		(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1954-55	.. .. .	1,920,63	1,311,77	608,86	599,16	9,71	+ 126,65
1955-56	.. .. .	2,184,32	1,505,09	679,23	67,22	12,01	+ 263,69
1956-57	.. .. .	2,312,89	1,556,50	756,39	744,74	11,65	+ 128,57
1957-58	.. .. .	2,388,83	1,606,60	782,22	762,36	19,87	+ 75,94
1958-59	.. .. .	2,498,76	1,724,53	774,23	754,98	19,25	+ 109,92
1959-60	.. .. .	2,703,13	1,862,72	840,41	818,62	21,79	+ 204,38
1960-61	.. .. .	2,901,72*	2,026,89*	847,83	855,87	18,96	+ 198,59*
November	1960	2,668,68	1,843,44	825,24	804,15	21,09	+ 7,99
December	"	2,737,29	1,898,73	838,56	813,05	25,50	+ 68,60
January	1961	2,792,66*	1,944,99	847,67	821,72	25,94	+ 55,38*
February	"	2,815,17*	1,966,28	850,28	829,74	20,54	+ 23,91*
March	"	2,908,07*	2,026,89*	874,83	855,87	18,96	+ 85,15
April	"	2,940,58*	2,025,68*	887,95	868,73*	19,22	+ 11,91
May	"	2,870,53	2,010,63*	859,90*	839,65*	20,24	- 43,10*

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank

PER CAPITA FOREIGN TRADE IN 1960

Country	Mid-year Popula- tion (In millions)	Per capita Imports	Per capita Exports	Per capita Total Trade	Country	Mid-year Popula- tion (In millions)	Per capita Imports	Per capita Exports	Per capita Total Trade
(In U.S. dollars)					(In U.S. dollars)				
European Common Market					Asia and Far East				
France	45.54	137.92	150.92	288.64	Burma	20.66	12.83	10.84	23.67
West Germany	53.37	189.32	213.86	403.18	Ceylon	9.83*	41.91	39.16	81.07
Italy	49.37	95.62	73.92	169.55	India	433.6	4.39	3.15	7.54
Netherlands	11.48	394.69	350.87	745.56	Pakistan	93.81	6.95	4.19	11.14
Belgium-Luxembourg	9.47	417.85	398.63	816.47	Federation of Malaya	6.91	101.73	138.20	239.93
E.F.T.A.					Hong Kong	2.98	344.29	231.21	575.50
United Kingdom	52.38	237.36	190.05	427.41	Indonesia	92.60	6.21	9.07	15.28
Denmark	4.58	393.45	324.23	717.68	Philippines	27.46	21.52	20.07	41.59
Norway	3.59	406.96	245.12	652.09	Thailand	25.52	17.55	16.07	33.62
Sweden	7.48	384.46	343.16	727.62	China (Taiwan)	10.61	27.99	15.46	43.45
Austria	7.08	199.99	158.19	358.18	Japan	93.42	48.08	43.40	91.49
Portugal	9.13	59.58	35.59	95.17	Oceania				
Switzerland	5.30	423.19	354.70	777.89	Australia	10.28	230.25	191.34	421.59
Other Western Europe					New Zealand	2.37	329.54	356.96	686.50
Finland	4.46	238.11	221.74	459.85	Central Africa				
Spain	30.13	23.93	24.06	47.99	Rhodesia-Nyasaland	8.33	52.70	69.14	121.84
Yugoslavia	18.66	44.32	30.39	74.70	Ghana	6.69	54.11	43.94	98.05
Middle East					Nigeria	34.30	17.55	13.47	31.02
Sudan	11.62	15.58	15.49	31.07	Latin America				
Egypt	26.08	24.23	21.09	45.32	Argentina	20.96	56.73	51.48	108.20
Syria	4.56	46.93	20.39	67.32	Brazil	65.74	22.24	19.30	41.54
Iraq**	6.95	46.90	87.19	134.10	Chile	7.63	65.53	64.22	129.75
Israel	2.11	235.54	104.26	339.81	Mexico	34.63	34.28	21.95	56.22
					Venezuela**	6.51	216.27	363.88	580.15
					North America				
					United States	180.53	81.48	112.58	194.06
					Canada	17.81	318.08	312.35	630.43

* Estimated. ** Relates to 1959.

PERCENTAGE SHARE OF SELECTED COUNTRIES IN WORLD EXPORTS

	1950	1955	1956	1957	1958	1959	1960
1. European Common Market	16.50	21.95	21.60	22.51	23.92	25.05	26.43
West Germany	3.51	7.33	7.92	8.59	9.25	9.74	10.15
France	5.39	5.87	4.89	5.08	5.37	5.57	6.10
Netherlands	2.51	3.21	3.08	3.10	3.38	3.58	3.58
2. E.F.T.A.	17.09	16.44	16.38	16.22	16.55	16.56	16.19
United Kingdom	10.74	9.62	9.47	9.24	9.34	9.26	8.85
Sweden	1.96	2.06	2.09	2.14	2.19	2.19	2.28
Denmark	1.18	1.26	1.20	1.18	1.35	1.39	1.32
Switzerland	1.60	1.56	1.55	1.56	1.62	1.67	1.67
3. India	2.09	1.52	1.40	1.38	1.28	1.30	1.21
4. Japan	1.46	2.40	2.69	2.86	3.02	3.43	3.60
5. Australia	2.96	2.09	2.03	2.21	1.74	2.00	1.75
6. United States	18.03	18.43	20.39	20.72	18.63	17.33	18.07
7. Canada	5.15	5.24	5.29	5.10	5.30	5.33	4.94

WORLD TRADE : 1950-60

		Exports f.o.b.						
		(In million US dollars)						
		1950	1955	1956	1957	1958	1959	1960
World*	..	56,300	83,700	92,900	99,800	95,200	100,700	112,500
United States	..	10,149	15,430	18,947	20,682	17,732	17,448	20,325
Canada	..	2,897	4,386	4,916	5,094	5,049	5,365	5,563
Latin America	..	6,790	7,960	8,640	8,650	8,190	8,310	8,530
Argentina	..	1,361	929	944	975	994	1,009	1,079
Brazil	..	1,347	1,423	1,482	1,392	1,243	1,232	1,269
Chile	..	283	475	544	458	389	497	490
Colombia	..	396	581	599	511	461	473	465
Cuba	..	667	611	695	845	764	675	—
Mexico	..	521	805	880	727	735	756	760
Peru	..	189	268	308	320	281	312	431
Uruguay	..	254	184	211	128	139	98	129
Venezuela	..	1,161	1,873	2,116	2,366	2,322	2,369	—
Western Europe	..	20,430	34,470	37,680	41,380	41,130	44,700	51,230
(a) Common Market	..	9,290	18,370	20,070	22,470	22,770	25,230	29,730
Belgium-Luxembourg	..	1,653	2,776	3,162	3,186	3,046	3,295	3,775
France	..	3,037	4,912	4,541	5,065	5,117	5,607	6,864
Germany, Western	..	1,976	6,135	7,358	8,575	8,807	9,805	11,414
Italy	..	1,209	1,857	2,145	2,552	2,577	2,913	3,650
Netherlands	..	1,413	2,687	2,862	3,097	3,218	3,607	4,028
(b) Free Trade Association	..	9,620	13,760	15,220	16,190	15,760	16,630	18,210
United Kingdom	..	6,048	8,054	8,800	9,226	8,893	9,324	9,955
Denmark	..	665	1,057	1,111	1,174	1,288	1,398	1,485
Norway	..	390	633	772	821	744	810	880
Sweden	..	1,103	1,726	1,945	2,137	2,088	2,206	2,567
Austria	..	326	699	849	979	918	968	1,120
Portugal	..	186	285	300	288	289	291	325
Switzerland	..	903	1,307	1,442	1,560	1,539	1,683	1,880
(c) Other Western Europe	..	1,520	2,340	2,390	2,680	2,600	2,790	3,290
Finland	..	392	788	774	826	775	835	989
Spain	..	389	446	442	476	486	501	725
Yugoslavia	..	159	257	323	395	441	477	567
Middle East	..	2,460	3,720	3,940	4,230	4,670	4,700	5,090
Aden	..	111	177	181	185	182	178	171
Sudan	..	103	145	192	148	125	192	180
U.A.R. (Egypt)	..	513	419	409	493	470	443	550
Iraq	..	140	519	478	360	566	606	—
Israel	..	37	90	107	144	142	182	220
Central Africa	..	1,750	2,810	3,010	2,870	2,860	3,140	3,280
Br. East Africa	..	201	299	336	332	343	357	387
Rhodesia-Nyasaland	..	242	484	509	437	380	523	576
Ghana	..	192	243	222	229	263	286	294
Nigeria	..	253	370	377	357	380	458	462
Congo Republic	..	261	456	535	473	406	489	—
Central West Africa	..	176	305	343	335	345	260	—
Mozambique	..	37	54	53	65	71	73	—
Sterling Area	..	4,780	4,830	4,880	4,900	4,440	4,970	5,410
Burma	..	158	227	250	229	193	224	224
Ceylon	..	328	407	364	353	359	368	385
India	..	1,178	1,276	1,300	1,379	1,222	1,308	1,366
Pakistan	..	489	401	340	358	302	321	393
Federation of Malaya	..	852	774	739	713	616	808	957
Hong Kong	..	657	444	563	529	524	574	689
Other Asia	..	1,660	2,010	1,990	2,180	1,930	2,210	2,300
China (Taiwan)	..	76	123	118	148	156	157	164
Indonesia	..	800	946	882	970	755	872	840
Philippines	..	331	401	453	431	493	530	551
Thailand	..	304	335	335	365	309	358	410
Rest of the World	..	1,668	1,748	1,887	2,203	1,655	2,016	1,967
Australia	..	511	724	777	772	699	821	846
New Zealand	..	820	2,011	2,501	2,858	2,877	3,457	4,055
Japan	..	820	2,011	2,501	2,858	2,877	3,457	4,055

* Excluding Eastern Europe and China (Mainland).

WORLD TRADE : 1950 - 60

Imports C.I.F.

(In million US dollars)

	1950	1955	1956	1957	1958	1959	1960
World*	59,000	88,600	97,400	107,200	100,000	105,300	117,700
United States	8,853	11,410	12,645	13,109	12,918	15,056	14,709
Canada	2,882	4,628	5,638	5,710	5,205	5,746	5,665
Latin America	5,620	7,550	7,940	9,330	8,530	7,950	8,210
Argentina	1,187	1,173	1,128	1,310	1,233	993	1,189
Brazil	1,098	1,306	1,234	1,488	1,353	1,372	1,462
Chile	247	376	353	441	415	413	500
Colombia	365	669	657	483	400	416	514
Cuba	563	575	649	813	808	—	—
Mexico	556	884	1,072	1,155	1,129	1,007	1,187
Peru	176	300	361	400	335	294	375
Uruguay	200	229	213	255	151	160	244
Venezuela	594	973	1,119	1,668	1,428	1,408	—
WESTERN EUROPE	25,030	40,160	44,260	48,360	45,130	48,030	56,860
(a) Common Market	11,210	19,280	22,350	24,820	22,940	24,310	29,590
Belgium Luxembourg	1,942	2,830	3,273	3,432	3,129	3,442	3,957
Germany, Western	2,697	5,793	6,617	7,499	7,361	8,477	10,104
France	3,030	4,739	5,558	6,110	5,609	5,086	6,281
Italy	1,488	2,711	3,175	3,674	3,216	3,369	4,721
Netherlands	2,056	3,208	3,725	4,105	3,625	3,939	4,531
(b) Free Trade Association	11,550	17,520	18,330	19,620	18,400	19,680	22,780
United Kingdom	7,035	10,483	10,413	10,960	10,096	10,806	12,433
Denmark	853	1,178	1,311	1,358	1,366	1,602	1,802
Norway	679	1,090	1,212	1,275	1,310	1,323	1,461
Sweden	1,182	1,997	2,209	2,428	2,366	2,405	2,876
Austria	477	887	974	1,128	1,074	1,145	1,416
Portugal	274	398	443	502	480	476	544
Switzerland	1,047	1,489	1,766	1,964	1,706	1,923	2,243
(c) Other Western Europe	2,280	3,360	3,590	3,920	3,800	4,030	4,490
Finland	388	769	885	891	729	835	1,062
Spain	389	617	767	862	873	795	721
Yugoslavia	279	441	474	661	685	687	827
Middle East	2,140	3,080	3,280	3,620	3,850	3,980	4,280
Aden	117	198	203	206	203	205	217
Sudan	78	140	130	194	171	164	181
U.A.R. (Egypt)	583	538	535	547	662	616	632
Iraq	105	272	317	341	307	326	391
Israel	299	325	367	436	422	429	497
Central Africa	1,690	3,020	3,160	3,400	3,190	3,140	3,340
British East Africa	199	417	375	392	339	340	375
Rhodesia-Nyasaland	231	388	446	497	441	420	439
Ghana	135	246	249	271	237	317	362
Nigeria	173	381	428	427	467	503	602
Congo Republic	188	379	416	436	361	308	—
Central West Africa	241	384	381	426	403	309	—
Mozambique	58	90	95	104	115	120	—
Sterling Asia	4,120	4,720	5,460	6,290	5,480	5,700	6,410
Burma	111	181	198	296	205	223	265
Ceylon	245	307	342	379	361	421	412
India	1,173	1,414	1,725	2,243	1,844	1,864	1,903
Pakistan	403	290	417	440	396	353	652
Federation of Malaya	428	504	572	590	541	568	703
Hong Kong	665	651	799	901	804	866	1,026
Other Asia	1,530	2,680	2,930	3,220	2,750	2,560	2,970
China (Taiwan)	120	201	194	212	226	231	297
Indonesia	440	630	860	803	514	459	575
Philippines	342	548	506	613	559	509	591
Thailand	209	334	365	407	393	426	448
Rest of the World							
Australia	1,410	1,932	1,713	1,684	1,792	1,854	2,367
New Zealand	455	804	751	832	798	647	781
Japan	974	2,471	3,230	4,284	3,033	3,600	4,492

* Excluding Eastern Europe and China (Mainland).

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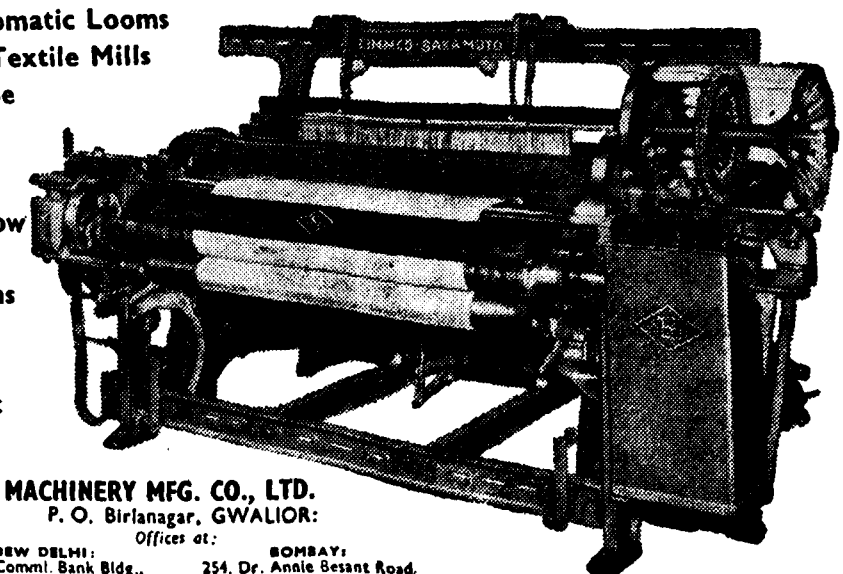
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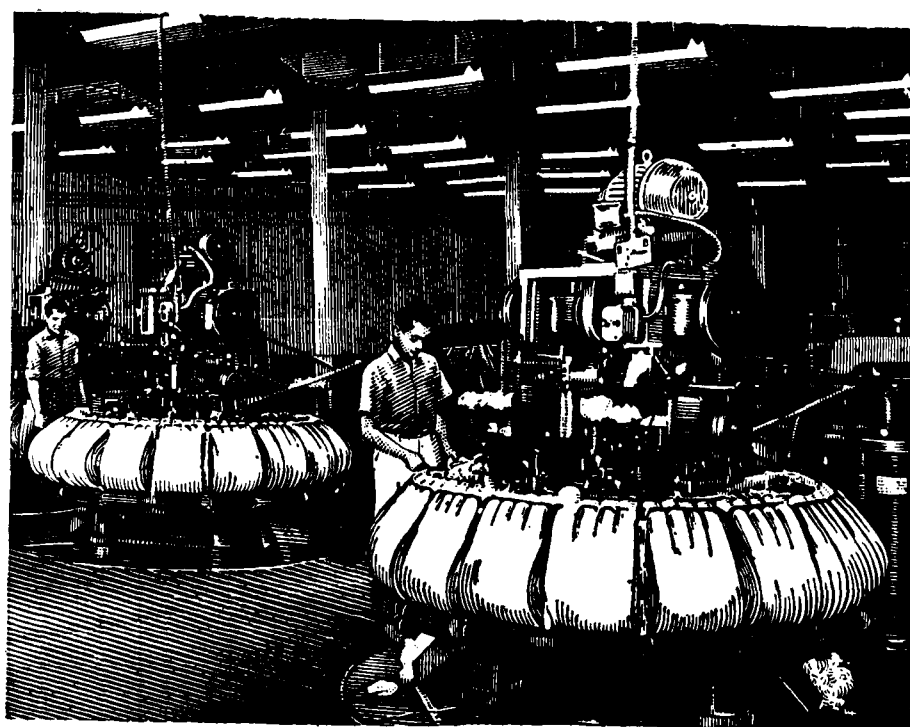
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The Eastern Economist

AUGUST 18, 1961

The Unity of India

THE fast "unto death" which Master Tara Singh commenced on Independence Day is fraught with dangerous consequences. This is a singularly inopportune time to resort to this extreme instrument of compulsion. With the general elections just six months away, any untoward happening will charge emotions making a rational appeal to the electorate impossible. Again, the Prime Minister has committed himself—unwisely in the opinion of *The Eastern Economist*—to a significant absence from the country from August 31. If a storm should arise in his absence, there is no one with authority enough to ride it. These might be deemed from the point of the view of the Akali Dal good bargaining counters; but hardly anyone can say, when passions are aroused, if this calculation will prove a good one. On balance, it may prove effective at a great price in goodwill which the Sikh community can ill afford to pay.

Now, however, that the die has been thrown, it is right that one should recognise that the Prime Minister's arguments against the Punjabi Suba demand would carry much more conviction if they were universal instead of particular to this case. Thus, as Mr. Asoka Mehta has pointed out, there are other border areas in addition to the Punjab which, if security was an overruling objective, should not have been allowed the right of self-determination. Himachal Pradesh is, it is true, a Centrally administered area, more or less; but it is a separate State. Again the border areas of West Bengal and Uttar Pradesh are not less important than the Punjab. And who will contend that, leaving the Sikhs dissatisfied, strengthens our border security? Again on language, why should principles adopted elsewhere in the re-organisation of States be irrelevant to the Punjab? It is true that here there is a religion as well as a language. But, here again, the fact is the Sikhs feel as strongly on their religion as their language. A special status has already been given to Gurdwaras and their religious privileges—kirpan and all—have been given a special position. This does not mean that division is desirable; but it does seem that the arguments to resist it are by no means convincing to all.

Let the issue be faced frankly. It is one of political expediency. When political pressures have been great enough—as in Maharashtra and Gujarat and Andhra before them—all the Prime Minister's arguments have fallen like a pack of cards. It is these concessions which have prompted the view that the Prime Minister can be forced to concede something in this case also. How deep the pressure is it is difficult to say. If something should happen to Master Tara Singh, *The Eastern Economist* believes that the political pressure to concede on language at least—making Punjabi in Gurmukhi script the language of the Punjab—will be irresistible. If this is so, would it not be wise to make the concession now, before the situation was exacerbated by passion and possibly violence? *The Eastern Economist* believes it would be the course of political wisdom to make a concession on language and ask Master Tara Singh to withdraw his proposal for a separate Sikh State.

The meetings of the Chief Ministers on national unity do not seem to reckon with the need of the hour. Dr. B. C. Roy's practical proposal on multilingual States—an excellent face-saving formula for the Punjab—was unwisely rejected for "practical" reasons. Stiffening the law on secession to deal with the D.M.K. might be good and necessary; but it is far more important to integrate dissatisfied persons than threaten them under the Indian Penal Code. The truth is this is a live political issue, not a legal one. And a measure of the inadequacy of New Delhi's thinking is to be found in the Punjab stalemate. For years this dispute has gone on; and painful reiteration on both sides is now reaching a breaking point. India's unity has still to be forged. But it can be found in diversity with greater emotional integration. The Sikhs cannot be allowed to nurse their bitterness further. The Prime Minister's exhortations must take a more practical shape in the Punjab as elsewhere. The unity of India has gained each time an irresistible political demand has been conceded. It is unwise not to read the lesson of our own recent past.

Uniformity in Banking

MR. H. V. R. IENGAR'S policy announcement of last week on the reconstruction of the pattern of banking on the basis of a single type of banks is to be welcomed as a reform which was long overdue. In the future pattern of banking, about a couple of years from now, no quarter is to be given to the unlicensed operation of banks and this stroke of policy should suffice to do away with the indefensible and bewildering variety of scheduled or non-scheduled banks operating with or without a licence. The two ingredients of uniformity are legal permission to carry on the business of banking only on the basis of a licence from the Reserve Bank and membership of the Deposit Insurance Fund. In deciding upon a single type for the pattern of banks, the Reserve Bank has made a pragmatic approach to the future of the small banks. Leaving the controversy over the respective merits or otherwise of unit banking and branch banking for academic discussion, the Bank has decided that, wherever the criteria of soundness and viability are fulfilled, small banks would be permitted to retain their distinct individuality for intensive local service. There is to be no imposition of merger on them, but doubts can hardly be entertained about the eventual outcome of the trend towards merger.

The mood of complacency with the Reserve Bank's vigilance and strict supervisory control of the scheduled banks in particular received some rude shocks in the aftermath of the crash of the Palai Central Bank. Among them, the revelation made by Mr. B. Gopala Reddi, Minister for Revenue and Expenditure, disclosing the existence of unlicensed scheduled banks had a special impact on the depositor. The Governor of the Reserve Bank in his last week's speech has put in a strong plea that the Bank's legal powers to rectify the detected defects in the working of the scheduled banks were quite limited and inadequate and, barring the drastic remedy of forcing the recalcitrant units into liquidation, there was no power of compulsion vested in it. This defence is far from convincing and its validity could be easily questioned. Having granted reasonable time to the intransigent units to set their house in order, if the Reserve Bank had come with a heavy hand upon them, the effect would have been quite salutary. Threat of drastic action, maybe actual drastic action in a few cases of persistent defiance, would have served the twofold purpose of restoring the confidence of the public, particularly of the depositor, and driving a sharp sense of discipline in the managements of such banks which misconstrued the Bank's liberal attitude as indulgence or perhaps weakness.

Guest Editorial

Rescue Operation for Sterling

By PAUL BAREAU

THE Selwyn Lloyd measures for meeting the British crisis have now been reinforced by massive help from the International Monetary Fund. In its biggest individual operation since the Fund opened for business fifteen years ago, it has agreed to make available the equivalent of \$2,000 million support of the foreign payments position of Great Britain. Of this total \$1,500 million is being

Nevertheless, the amended procedure for moratorium provides an expeditious and reasonably satisfactory remedy for dealing with banks of doubtful potential for survival. Since the Amendment Act was passed, as many as 35 banks have been placed under moratoria—in 75 per cent cases on the Bank's initiative and in 25 per cent cases on their own motion. This ratio indicates their reluctance to face the final destiny and meantime to drag on as independent entities. The very purpose of the amendment is to obviate such a morbid state of affairs by bringing about schemes of their amalgamation with big and sound banks. This isolated and somewhat concentrated attention on the weaker units cannot be misinterpreted as a reflection on the banking system as a whole. It is an indisputable sign of the basic strength of Indian banking that 95 per cent of its deposits are safe in the hands of units run on principles and practices of sound banking. The 35 banks which were put under moratoria last year account for a small amount of Rs. 19 crores worth of deposits, while the deposits of the unlicensed banks taken together are a little over Rs. 100 crores. The problem of reform through amalgamation is, therefore, confined to modest dimensions. But it does not, on this account, lose its importance inasmuch as even stray failures at any level may produce adverse repercussions on the system. A voluntary move by the weaker banks for amalgamation would advance the extinction of the unlicensed category and set the tone for the next phase of merger into bigger-sized units.

Perhaps of greater significance is the Governor's pronouncement on the setting up of a statutory Insurance Deposit Fund. Insurance of bank deposits makes a radical departure from the basic principle of insurance that there should be a direct correlation between the risk covered and the premia paid. In this special category it is based on the principle of ability to pay and not on the magnitude of the risk covered. This factor perhaps explains one major cause of the long time taken in the formulation of the scheme. The membership of the Fund seems to be intended to be obligatory, since Mr Iengar's explicit statement that the single type of banking envisages licensed banks coming within the purview of the Insurance Deposit Fund can hardly convey any other meaning. Compulsory membership promises to assure the scheme with adequate resources to safeguard the interests of the depositor, especially in the vulnerable sector which is now being rationalised.

drawn immediately in no less than nine different currencies, which include U.S. and Canadian dollars, marks, French francs, Italian lire and Dutch guilders. The balance, equivalent to \$500 million, will be made available as a standby credit to be drawn on at any time during the next twelve months.

Of the equivalent of \$1,500 million which has been drawn, rather more than one-third will be required over the next month or so to repay the European central banks which in the last four months have come to the rescue of sterling under the so-called "Basle agreement" by holding larger amounts of sterling than would be their normal custom. They have held this sterling with, it should be added, the protection against any possible devaluation of sterling, but for a limited period and in anticipation of more permanent measures to meet the temporary deficit in the British balance of payments. Those more permanent arrangements include the facilities that have now been made available by the I.M.F. Out of these drawings the equivalent of about £200 million will be used to repay the central banks.

This operation by the Fund is remarkable, not only by reason of its size, but also because of the diversity of currencies which are being made available to Great Britain. The Fund is adapting its techniques to the changing needs of the international payments situation. Sterling and the dollar, as the two main reserve currencies of the world, are both under potential pressure, by reason of the function they perform. The actual pressure on sterling is not so much a pressure that has been exerted from the side of the dollar but from that of the European currencies. If, therefore, the Fund had followed the precedent set by its operation in the past and had made its assistance available in U.S. dollars, the result might well have been to shift the pressure in the exchange markets from sterling to the dollar. If Britain would have repaid its central banking debts to Germany, France and other countries in dollars, then these dollars would probably have been converted into gold, thus setting off once against a gold outflow from the United States which might all too easily have unleashed a more general worldwide run on the dollar.

That danger has been avoided by providing the assistance in the currencies which Britain needed. The Fund has modest amounts of the currencies in question at its disposal but it will reconstitute part at least of its holdings of these currencies by sales of gold to the countries in question. The scope for more diversified Fund operations will be considerably increased if the present proposals for increasing the borrowing powers of the Fund from its member countries are agreed and put into operation after the next Annual Meeting.

This particular rescue operation has been successful because it has been spectacular. If these affairs are to be effective they must be big — indeed so big that the credits put at the disposal of the borrowing country do not in fact have to be used at all. That, apart from the amount needed to repay central banks, looks like being the fate of the \$2,000 million facilities which have been made available for the support of sterling.

The effect of the news from the I.M.F. on sterling has been little short of miraculous. Its rate against the U.S. dollar, which two or three weeks ago was plumbing depths at which the Bank of England had to give it support, has risen well above parity and sterling has also been strengthening against all Continental currencies.

The intervention of the Fund has put all fears of devaluation out of court. This in its turn has revealed the extraordinarily strong technical position of sterling in the exchange markets. In anticipation of devaluation of sterling, the whole world had gone short of this currency. Payments in sterling by non-sterling countries had been postponed, requirements of foreign currencies by sterling countries had been anticipated, every conceivable device had been used by foreign bankers and traders to borrow in the London market. The "leads and lags" were at the extreme arc of their swing against sterling. Now that the assumption, on the basis of which this semi-speculative position had been built, is shown to have been false, the world is covering its short positions. As a result, not only has the I.M.F. credit not had to be used but the Exchange Equalisation Account has been able to undo part of its earlier supporting operations and has been selling sterling and increasing its reserve of dollars and other currencies on a substantial scale.

So far, then, so good. But this rescue operation from the Fund, like most of Mr. Selwyn Lloyd's measures, including the 7 per cent Bank Rate, are only effective for the short run. They do not tackle the more fundamental causes that lie behind the recent weakness of sterling. They may even hide them. For example, the effect of the 7 per cent Bank Rate is already making itself apparent in the reattraction to London of substantial amounts of foreign hot money. This is the last form of assistance the British authorities desire if only because at the present rates that have to be paid on these foreign deposits this hot money represents a heavy burden on the balance of payments. This is one of the reasons why it is not generally expected that Bank Rate will remain at the penal level of 7 per cent for longer than is strictly necessary.

All things considered, the spectre of an early devaluation of sterling has now vanished. But what lies beyond the next few months is still wrapt in a good deal of uncertainty. The first hurdle to be cleared before any confidence can be felt about the longer term prospects for sterling, is the round of wage negotiations which will open this autumn. In 1957 a 7 per cent Bank Rate was in fact followed by a period of wage and price stability which provided the base from which the spectacular expansion of the British economy in 1959 was begun. It has yet to be shown whether a comparable result will attend the 1961 dose of deflation.

Beyond this, too, lies the tremendous task of improving the balance of payments to the extent required not only to strengthen the reserve but to repay to the I.M.F. the massive debts that are being incurred. This is a problem that faces not only Britain but a number of other sterling area countries which have of late been overdrawing their international payments account, and have had to receive assistance from the Fund. The major effort must, however, be made by Britain. The sincerity of its determination to make that effort is indicated by the decision to start negotiations for membership of the Common Market. Such membership and all it implies for the vigour, resilience and competitiveness of British industry will be a major test of the capacity to solve the long term problem of sterling.

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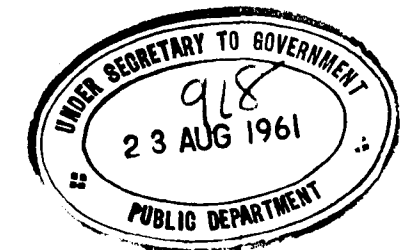
THE EASTERN ECONOMIST

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ONE RUPEE

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THE WEEK'S NOTES

National Income

FACT AND IMAGE

THE NATIONAL income figures presented in the Third Five-Year Plan are based on 1960-61 prices and not on 1952-53 prices as in the Second Plan or on 1950-51 prices as in the First Five-Year Plan. This departure makes a significant difference. India's Second Five-Year Plan had held out the promise that per capita income in 1960-61 would rise to Rs. 331 at 1952-53 prices. The Third Plan has indicated that this target in per capita income was attained in 1960-61 but unfortunately not at 1952-53 prices but at 1960-61 prices. What is the order of difference between this "achievement" and the "promise" made? The table below sets out the national income estimates for 1950-51, 1955-56 and 1960-61 at 1952-53 and 1960-61 prices. It is seen that price inflation assumed in these estimates is of the order of 11 to 12 per cent in the Second Plan period as against a rise of 34.9 per cent indicated by the Wholesale Price Index or 29.2 per cent as indicated in the all-India Consumer Price Index. In any case, it obviously signifies a major shortfall even if the price inflation assumed by the Planning Commission is to be taken as correct. The failure in the per capita income rise was born out of two basic reasons. In the first place, the net increase in output in the Second Plan was below 20 per cent signifying a rate of growth of less than 4 per cent per annum (simple) and 3.6 per cent (compound). Coupled with this discouraging rate of growth came the unexpected results of India's census which indicated that the population had risen at more than 2 per cent per annum during the decade as against the 1.3 per cent rise assumed in the Second Plan. Thus, the anticipated rise in the living standards of the Indian people has not been achieved in the manner in which it was promised in the Second Plan.

The long-term projections set out in the Third Plan on the basis of 1960-61 prices, however, continue to hold out the promise that India's national income would be doubled in seventeen years—the same period as was stipulated in the Second Plan. It may be remarked that the First Plan had anticipated a minimum period of 21 years for doubling the national income. It seems that the guarded terminology in which the crucial paragraph on national income has been phrased in the Third Five-Year Plan indicates that the planners themselves do not seem to have full faith in the forecasts made by them for doubling India's national income in 1967-68 over 1950-51. It seems that the forecast made in the First Plan, when no historical evidence regarding India's future growth was available, may come out to be true as against the Second Plan forecast which was put out with great confidence generated by the over-fulfilment of the First Plan.

NATIONAL INCOME (At 1952-53 and 1960-61 Prices)

Year	(In Rs. Abja)		
	1952-53 Prices	1960-61 Prices	(3) as a percentage of (2)
1950-51	92.6	102.4	110.6
1955-56	109.2	121.3	111.1
1960-61	128.8	145.0	112.6

Abja=100 crores or 1000 million.

Berlin

TOWARDS NEGOTIATIONS?

THE WESTERN Foreign Ministers' Conference was held specially to deal with the burning question of the Berlin crisis. The discussion was exclusively confined to the defensive and economic measures which the crisis calls for. It was right that the question of defence of the West's position in Berlin should be given priority at the conference. In any strategy

for defence the conventional forces have undoubtedly their vital place, since a non-nuclear war rather than a nuclear war, if it takes place at all, seems likely in the immediate context. President Kennedy's demand for strengthening forces and calling up the reserves could not but be met with approval by Congress in the present situation and it would appear that he expected the allies to keep this eventuality in view.

But the counterpart of this preparedness is also a factor to be equally taken into consideration. Mr. Khrushchev has already announced his decision to strengthen his own conventional forces and recall the reserves. The big size of his reserves and his capacity to recall them at short notice are stark realities to reckon with. In addition, he has also announced the additional strategy of deploying Russian forces to the Western frontier.

This warlike posture adopted by both the sides does not lead to a resolution of the deadlock. There is an influential school of thought among the Western allies, fortunately small in size, which believes in an attitude of firmness which means no offer to negotiate with Russia. Until the general elections in West Germany, due to be held on September 17 next, it is not necessary to change the status quo. But the magnitude of the danger inherent in the posture now adopted is clear. The Western allies have to look beyond September 17 and move in the direction of adopting a policy which must avert even a conventional war.

Mr. Khrushchev has been insisting on the recognition of East Germany as a sovereign State and on the conclusion of the treaty to that end. As an integral part of this proposal, he contends that West Berlin should be provided with the status of a demilitarized free city. In the absence of an agreement between the four powers, he has repeated his threat of unilateral action. The current closure of the East Berlin border is a tactic in the war of nerves. Actually what would happen after the signing of a separate treaty by Russia and East Germany would be to transfer the control of the supply line to West Berlin to the East German Government. This is quite explicit in Mr. Khrushchev's warning that after the treaty the rights of the Western powers in Berlin would be nullified. But in the same breath he has invited Western allies to a conference table.

The implications of this crisis are of such a far-reaching magnitude that all possibilities of negotiations ought to be explored. Opinion in the Western countries appears to veer round to the view that even if it comes to some sort of recognition of East Germany as a State (and the present division of Germany, it is argued, is a fact), this eventuality may be accepted in return for specific and effective guarantees for West Berlin. These guarantees include her defence and are totally inconsistent with a demilitarized status. The West's right to station the troops will be the minimum condition for such a compromise. It would mean that the issue of German reunification may be deferred longer, but the position of West Berlin would be thoroughly safeguarded in the meantime.

Language Policy

CHIEF MINISTERS' FORMULA

ONE OF THE welcome achievements of last week's conference of the Chief Ministers was the adoption of a flexible formula for the language policy. Stress was, of course, laid on the adoption of Hindi for communications at the Central and inter-State levels, but English was to enjoy the associate status. It was urged that the safeguards for linguistic minorities, as already agreed upon, should be carried out in the real spirit in which they were conceived. A special committee

has been set up to supervise the discharge of this obligation. A realistic view has been taken of the difficulties as well as attitudes of linguistic minorities. Greater accommodation is to be shown to them in the matter of translations in their languages of official documents intended for public circulation. Significantly enough, a vital principle has been recognised that, if the minority constitutes 60 per cent of the population in any district, the minority's language should enjoy the status of the official language in that district alongside the official language of the State. If the majority in some areas is apt to be intolerant, the tendency on the part of the minority in some cases to use pressure tactics to wring concessions in excess of what has been agreed is no less annoying. Both are to be discouraged and curbed.

There is some muddle in the thinking on the medium of instruction at the university level. The regional language will be the full medium in due course of time, and a wise decision has been taken to retain an international language (obviously English) to secure the benefits of the continuous advances in science and technology. So far there is clarity. But there is superfluous confusion when preference for Hindi as a medium of instruction is urged on the plea that the adoption of the regional languages as media would lead to isolation and difficulties of migration of teachers and students. This fear is flatly contradicted by the proved experience of other multilingual States. In this context it ought not to be ignored (though it may appear uncharitable to put it plainly) that Hindi is far less developed than some other Indian languages. In making a passionate plea for the adoption of a uniform script, namely, Devanagari, for all the Indian languages, the Chief Ministers were apparently oblivious of the fact that they were gratuitously sowing the seeds of another acute controversy. Uniformity may be vehemently opposed in some areas as regimentation. How does diversity of scripts come in the way of integration?

P.L. 480 Funds

ACTUAL MAGNITUDE

IN HIS valedictory presidential address to the annual session of the Institute of Bankers held on August 10 last, Mr H. V. R. Iengar stressed the point that the phase of stagnation in the deposits of scheduled banks was very shortlived, but that the real picture was distorted by the PL 480 funds and the procedural change introduced in last May in their placement. To prove his contention, he has provided the comparative figures in the past five years of the "normal deposits", which would exclude the abnormal ingredient of PL 480 deposits. It is easily a great merit of his speech that the actual magnitude of the P.L. 480 funds can be gathered by straight deduction from the total deposits of the "normal deposits" in respect of which the figures have been authoritatively disclosed for the first time on behalf of the Reserve Bank. The position is tabulated below. It is presumed that this position represents the situation as obtaining on the last Friday of each calendar year inasmuch as the Governor's speech does not expressly state that it represents the annual average for each year:

Scheduled Bank Deposits

Year	(Rs. Crore:)			
	(1) Total Deposits	(2) Normal Deposits	(3) P.L.480 Funds	(4)
1956	1,101	1,047	54	
1957	1,368	1,186	182	
1958	1,574	1,318	256	
1959	1,827	1,474	353	
1960	1,828	1,566	262	

An intriguing point is the volume of PL 480 funds in 1960. The new procedure introduced two changes in this year, namely, (1) stoppage of additional funds into the State Bank deposits from May and (2) transfer of

the accumulated volume from the State Bank to the Reserve Bank at the monthly rate of Rs. 11 crores from July. At this rate Rs. 66 crores have been withdrawn from the total pool in column (2) above during 1960. The large gap of Rs. 91 crores (as against the difference between the inflow of additional deposits between January-April and the transfer of Rs. 66 crores between July-December) calls for clarification. Presumably, the gap should be smaller.

Incidentally, it is an error to argue that the growth in the "normal deposits" was not tardy last year. In 1959 these deposits and advances (including bills purchased and discounted) showed an almost even increase over the previous year at 11.8 per cent and 11.4 per cent respectively. But in 1960 the normal deposits increased above 1959 by merely 6.2 per cent as against a rise of 21.5 per cent in advances. To measure the adequacy or tardiness in growth in absolute figures is to use a misleading yardstick.

Jomo Kenyatta

BACK TO POLITICS

AFTER NINE YEARS of imprisonment, detention and house confinement, Mr Jomo Kenyatta finds freedom restored to him — freedom to return to politics. It is idle to speculate what difference his release in March last would have made to the political scene in Kenya. But much has happened in these past six months to add to the complexity of the situation in that country. The Kenya African National Union and the Kenya African Democratic Union have thrown their weight in reverse directions. The KANU stayed aloof from the new government, making Mr Kenyatta's release a condition precedent to its participation, while the KADU, by taking the attitude of responsive co-operation, has incurred the charge of playing false to Kenya's nationalist interests. The KANU considered itself especially entitled to the patronage and active support of Mr Kenyatta, but it could hardly believe that a complete surprise was in store for it. On his arrival in his new home at Gatundu, near Nairobi, Mr Kenyatta made his position clear beyond doubt to Press representatives that he would not align himself with either of the parties. This had a specific implication as he amplified later in answer to another question, that he belonged to both, he would like to see both of them identify themselves and work as one, but merger was a matter for their decision.

The weight of responsibility generally produces a sobering influence. It would appear that Mr Kenyatta, who is now returning to politics in a changed climate, may emerge as a different leader. The major problem before Kenya, as he readily replied to his questioners, was to forge unity. Apparently this reflection had reference to what had taken place in Kenya in the recent past, but perhaps the extreme example of the Congo was not absent from his mind. Settlers in Kenya, European as well as Asian, are keen and anxious to know Mr Kenyatta's attitude to them. Whether and to what extent their apprehensions would be dispelled could be gathered over time. For the present, he has hinted in very general terms that they would be welcome partners if they considered themselves as nationals of the country and desisted from claiming any privileges — the latter apparently a reference to the status of the European immigrants. Mr Kenyatta is cautious in his reaction to another vital issue. He has described the proposal of the East African Federation — comprising Kenya, Tanganyika and Uganda — as a "grand idea" and parried the question whether he would be its first President by answering that he would be content to fill any role of service to his people. He has no illusions about external saviours and has characterised the two power blocs as working for their own interests — not Africa's. Here is food for thought for the Kremlin. Africa cannot be taken for granted.

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Name of State	Amount	Issue Price Per Cent
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2. BIHAR	Rs. 3 crores	Rs. 99.50
3. GUJARAT	Rs. 6 crores	Rs. 100.00
4. KERALA	Rs. 4 crores	Rs. 99.50
5. MADHYA PRADESH	Rs. 5 crores	Rs. 99.50
6. MADRAS	Rs. 10 crores	Rs. 99.75
7. MAHARASHTRA	Rs. 10 crores	Rs. 100.00
8. MYSORE	Rs. 7 crores	Rs. 99.75
9. ORISSA	Rs. 5 crores	Rs. 99.50
10. PUNJAB	Rs. 3 crores	Rs. 99.50
11. RAJASTHAN	Rs. 4 crores	Rs. 99.50
12. UTTAR PRADESH	Rs. 6 crores	Rs. 99.75
13. WEST BENGAL	Rs. 7 crores	Rs. 99.75

All the State Governments reserve the right to retain subscriptions upto ten per cent in excess of the notified amount.

All the above loans will be repaid at par on 4th September, 1972.

THE LOANS WILL OPEN FOR SUBSCRIPTION ON 4TH SEPTEMBER, 1961, AND CLOSE ON 9TH SEPTEMBER, 1961, OR EARLIER WITHOUT NOTICE AS SOON AS SUBSCRIPTIONS APPROXIMATE TO THE AMOUNT OF EACH ISSUE.

All the loans will bear interest from 4th September, 1961.

Subscriptions may be in the form of CASH/CHEQUE in respect of all the loans.

Securities of 3% Tapi Irrigation Development Loan 1961 and 3½% Cochin Loan 1956-61 will be accepted AT PAR for conversion into the new loans of the Governments of Maharashtra and Kerala respectively. Securities of Mysore Government 3% Loan 1956-61, Madras Government 2½% Loan 1961 and 2½% Uttar Pradesh Loan 1961 will also be accepted for conversion AT PAR into the new loans of the respective State Governments.

Interest due on the securities of the loans tendered for conversion will be paid as under:

NAME OF LOAN	RATE OF INTEREST PER CENT PER ANNUM
(1) 3% Tapi Irrigation Development Loan 1961	@ 3% upto and including 30th April, 1961 and @ 4½% from 1st May, 1961, to 3rd September, 1961 inclusive.
(2) 3½% Cochin Loan 1956-61	@ 3½% upto and including 31st May, 1961 and @ 4½% from 1st June, 1961 to 3rd September, 1961, inclusive.
(3) Mysore Government 3% Loan 1956-61	@ 3% upto and including 19th April, 1961 and @ 4½% from 20th April, 1961 to 3rd September, 1961 inclusive.
(4) Madras Government 2½% Loan 1961) (5) 2½% Uttar Pradesh Loan 1961)	@ 2½% upto and including 31st August, 1961, and @ 4½% from 1st September, 1961 to 3rd September, 1961 inclusive.

APPLICATIONS FOR ALL THE LOANS WILL BE RECEIVED AT THE OFFICES OF THE RESERVE BANK OF INDIA AT BANGALORE, BOMBAY, CALCUTTA, MADRAS AND NEW DELHI.

APPLICATIONS will also be received at PLACES WITHIN THE RESPECTIVE STATES as follows:-

- (i) At the office of the Reserve Bank of India at Nagpur in the case of Maharashtra Loan.
- (ii) At the branches of the State Bank of India and at treasuries and sub-treasuries in the case of Andhra Pradesh, Bihar, Gujarat, Kerala Madhya Pradesh, Madras, Maharashtra, Orissa, Punjab, Rajasthan and Uttar Pradesh Loans.
- (iii) At the branches of the State Bank of India in the case of West Bengal Loan.
- (iv) At the branches and treasury pay offices of the State Bank of Hyderabad in the case of Andhra Pradesh and Maharashtra State Loans.
- (v) At the branches and treasury pay offices of the State Bank of Mysore (except at Bangalore, Mangalore and Gulbarga), the State Bank of India, the State Bank of Hyderabad and at Government Taluk treasuries in Mysore State in the case of Mysore State Loan.
- (vi) In the case of Gujarat Loan the State Bank of Saurashtra at Bhavnagar and its branches in the State of Gujarat will collect applications and forward them to the nearest receiving office.

Copies of Notification and Application Forms may be obtained at any Receiving Office.

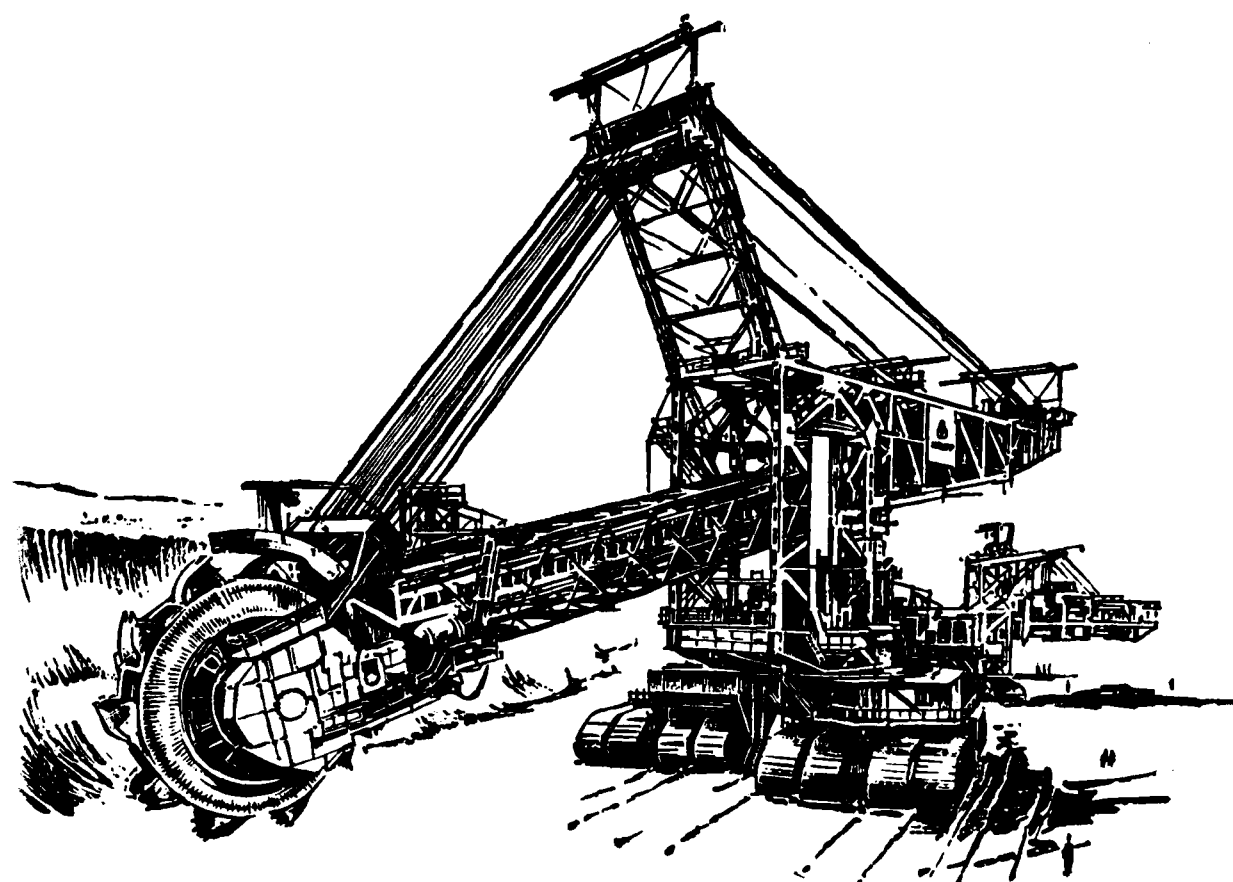
Applicants tendering their applications at the offices of the Reserve Bank of India at Bangalore, Bombay, Calcutta, Madras and New Delhi will, in the event of oversubscription to the loan applied for, be given the option of transferring their cash refunds to any of the other State Government loans which may not be fully subscribed by that time. To avail of this facility, the persons tendering their applications should complete the SPECIAL OPTION FORM copies of which are available on application from any of the abovementioned offices of the Reserve Bank of India.

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The World Abroad

COMPETITION VERSUS SOCIAL STABILITY

By

ODYSSEUS

EVER SINCE ADAM SMITH attacked the morass of rules and regulations, survivals of the static economy of the Middle Ages and of the Mercantile System—propounded by Thomas Mun (1571-1641), that forgotten member of the old East India Company — and advocated the virtues of free trade, most economists have upheld competition as a matter of course. Not unnaturally, most industrialists dependent on exports, and business men engaged in importing, have preached the same doctrine, but workers in industry and agriculture and manufacturers and farmers have, more often than not, been less convinced of the blessings of free trade. They tend to prefer domestic markets regulated by wage and price agreements and protected by tariffs from foreign competition.

There can be no doubt that the more the state intervenes to regulate wages, prices, and competition, the less flexible, the less dynamic is the economy, the greater the difficulty in discarding old techniques, and adapting to new materials and inventions. On the other hand, there can also be no doubt that, in the short run, unrestricted competition can inflict great hardships on employers and workers engaged in an existing industry exposed to sweeping changes in demand or in technique.

These hardships are sympathetically examined in a newly published book "The Industrial Revolution in Coventry" (Oxford Univ. Press. London. 1960. Price 21sh) by Mr John Prest. Far from writing a mere parochial history, Mr Prest uses the tribulations of Coventry's ribbon-makers in the first quarter of the 19th century to illustrate economic and moral questions of permanent and universal importance. As long as economies are subject to change and growth, as long as men are inventive and enterprising, sooner or later the fate that overtook Coventry's unfortunate ribbon-makers must threaten every existing industry in every progressive country.

A STABLE SOCIAL STRUCTURE

In the 1820's Coventry's ribbon-making industry was run by a dozen master manufacturers, who manufactured partly in their own factories, but were more largely dependent on distributing silk to "first hand" journeymen, who wove it into ribbons in their own homes on looms which belonged to them. The masters enjoyed a high standard of living, entertained in fine houses, kept good cellars, could afford to be generous with their weavers, and took pride in the established ethics of their trade.

The first hand journeymen were respectable bourgeois of some social standing, many of them free-men of the city. The custom of the trade allotted them two-thirds of the "list price" for their products, which was revised periodically in amicable and dignified meetings between masters and men. There was no class war. A diligent journeyman could earn enough to save up to rent a modest but good house, buy half a dozen looms, and enjoy his pint of the best ale of an evening. Below the first hand man came the ordinary journeyman, who fluctuated between working in a factory or for a first hand man. His ambition was to save enough to buy a loom and move up to become a first hand journeyman.

The trade was turned upside down by the boom during the Napoleonic wars, when many weavers were away in the army. The London wholesalers, disregarding their trade connexion with the established masters, discovered that they could get ribbons more cheaply by going to Coventry themselves and making their own arrangements direct with weavers. They threw the trade open to competition and anyone with a little credit could now enter it. The London merchants gave five months credit for silk, and a crop of new small masters emerged who were able to sell the finished product to the wholesale ribbon houses three months before their bills became due. The dozen old masters now had to compete with fifty small masters who, having little capital (and no traditions) lived from hand to mouth. They did not observe the agreed list prices and paid their weavers as little as they could.

The old established masters shared the weavers' desire for agreed prices, the traditional social structure, and a stable trade. They wanted Parliament to prescribe wage scales by law.

For a variety of reasons, the traditionally minded majority of masters and weavers were able to maintain the old system, albeit with ever increasing difficulty, until 1860 when the ribbon trade was finally disrupted by a great strike. This ended in ruin for all but a handful of masters and in the dispersal of the vast majority of weavers either to work in expanding industries in other cities or to emigrate to America.

ENTER THE OLD ADAM (SMITH)

Mr Prest records that the majority of the masters and men continued to observe the customs of their trade during these years, neither offering to pay, nor accepting, too low a wage. "Unfortunately, the few bad masters and bad men, having passed beyond the effective control of the majority, were always tending, as the natural result of competition, to bring the good majority down to their own level." Mr Prest says that had Parliament listened to them, they would have been capable of governing the trade themselves, because the majority, prior to the emergence of competition, had always been able to agree on what constituted a "just price." Unfortunately, says Mr Prest, Parliament, obsessed by the doctrines of Adam Smith, thought that any attempt to regulate a trade must end in a conspiracy to defraud consumers, and refused to co-operate with the ribbon masters and weavers to re-establish effective self-government in their trade.

Mr Prest compares the situation in industry at any given time to Locke's "state of nature" in which human beings are without government, which is akin to a state of war. "Men in industry are always striving to bring the state of nature to an end, but their attempts to do so must often be, and can always be represented to be, a brake on technical progress and a threat to the consumer. The difficulty in a democracy is to decide how high a price the community as a whole can afford to pay for the desirable object of letting masters and men in different trades govern themselves."

Mr Prest draws a harrowing, and I am sure an accurate, picture of the suffering endured by the

Coventry ribbon-makers in the forty odd years in which they were engaged in stubborn rearguard action against competition. But what I feel is lacking in his readable and thoughtful book is an estimate of the price that the community would have had to pay to enable the ribbon-makers to enjoy their stable social and economic structure, not forgetting that once it was conceded that ribbon-makers could decide their own standard of living, this privilege could not have been denied to every other industry in the U.K.

The list prices covered agreed wages for the various types of work done in making the different types of ribbons, but Mr Prest does not tell us how these wage scales were related to the selling prices obtainable in the market, and that seems to be the basic point. It is clear that if the Coventry ribbon-makers had had a world monopoly, because no other country had their secrets, or a domestic monopoly enforced by a prohibitive tariff, they could have paid what wages they thought just and charged what prices they liked to consumers. But who is to decide whether a price structure so created is a reasonable one that the community can afford to pay? In a competitive market, if consumers consider the price of ribbons unreasonable, they cease to wear them. But if the prices of all commodities were regulated in accordance with employers and workers ideas of fair wages, the chances are that the cost of living would become prohibitive.

In fact, of course, something like this is happening in such strongly unionised countries as the USA and

the UK in which organised workers insist on an annual wage increase, regardless of the community's interests. The result is twofold; (1) cost-push inflation, and (2) an ever widening spread of the "Do-it-yourself" habit among consumers in revolt. The worst hit are the professional classes, on whom economic progress depends. Their leisure, instead of being used for rest and recuperation, is increasingly spent in repairs, maintenance, the interior decoration of their homes, and so on.

Even the balance of payments comes into this. As "The Economist" said in a review (May 20) of W. Ashworth's "Economic History of England 1870-1939" (Methuen, 1960. 36 sh), one cannot fail to be struck by the constant recurrence of concern about the balance of payments and export prospects in the 1880's, the 1890's, and in the interwar years. Is this merely periodic bad luck? Or does it indicate deep-seated and persistent habits, which impede Britain's performance? For the failure of British exports to do as well as those of their main rivals before 1939 there were plausible explanations: for historical reasons Britain concentrated on exporting to primary producing markets types of exports, particularly textiles, for which world demand was expanding least rapidly. But since 1939, the UK has been moderately successful in tailoring her own basic industries to meet the changes in the world economy. Yet her anxieties persist. One cannot help feeling that the explanation is not that Britain had an industrial revolution to liquidate but lies in the social structure of an old and stable society, much less open and acquisitive than the American.

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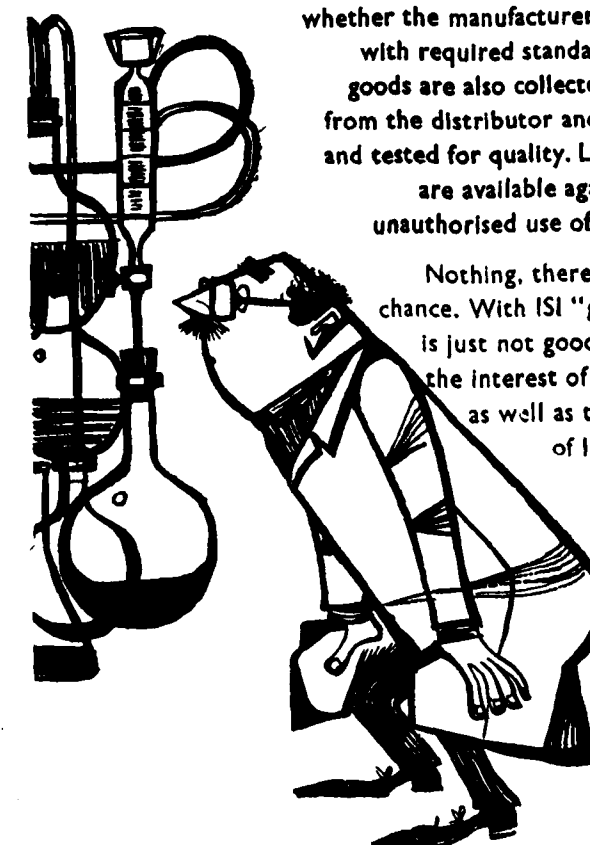
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The European Scene

ITALY AS AN INDUSTRIAL POWER

From Our Special West European Correspondent

PARIS, August 14.

THE importance of Italy's recent economic progress is now sufficiently widely recognised to make it worth while taking a closer look at the details. Foreigners tend to take a brief and benevolent interest in newspaper articles about Italy's advance, as though they were hearing an edifying success-story which, though pleasant, really only concerned the Italians. I suggest that this is quite wrong. Current Italian expansion is not a mere flash in the pan that will have only local significance, like, say, the rapid Belgian recovery after the war, under Camille Gutt. It is, rather, the sign of the emergence of a new industrial power which within 10 or 15 years will be comparable in many respects to that of West Germany and France, countries of roughly equal population which today stand in the second rank, after the two super-powers, as influences on world trade and investment. (Italy's population is 49 million, France's under 45 million and West Germany's 54 million.) In other words, what we are seeing in Italy is not just a burst of prosperity but the sort of mutation in an economy that some writers have tried to express in terms like take-off, break-through and industrial revolution. The appearance of a new Germany or France is, of course, of more than local interest, although its first effects will be felt regionally, in the Mediterranean and in the Common Market.

A supposition such as this is naturally based on extrapolating into the near future present production curves. That is always hazardous, but less so than usual in the Italian case because all the conditions seem eminently favourable to maintaining current rates of expansion. Notably, all the things that have counted against Italy in this century — her excessive population, low living standards, her general backwardness and the existence of an under-developed territory in her South — now count as evidence for the assumption that the growth-rate of 1951-61 can be kept up for a decade or more without encountering limits such as shortage of labour or a saturation of home markets. Moreover, the foreign exchange difficulty that bedevils rapid expansion elsewhere (not only in India, but in France and England) exists to a much smaller extent in Italy, for the following reasons. The country starts with immense foreign exchange reserves, bigger, for her trade, than Germany's, Britain's or France's. Foreign investment (especially American, Swiss and German) is pouring into the peninsula: over 37,000 million lire last year. She has the world's sixth merchant fleet: 5,130,000 tons to carry her trade without paying in foreign currency. She has the world's biggest tourist traffic: 331,000 million lire was left by holiday-makers in the country in 1959, whereas Italians touring abroad spent only one-seventh as much. Finally, her loyal children who have migrated (many to the world's richest countries, America and Australia) continue to send home sums that seem fabulous to those who do not know the depth of family affection among the Italians. Colonial possessions make no contribution to the country's wealth, as they did for Britain, France, Belgium and Holland, so there is nothing to be lost on that account.

In this situation, it is not overbold to guess that Italy can go on for some years yet overtaking her richer neighbours at the pace of 1958-60, when her total industrial production grew by 28 per cent, Ger-

many's by 19 per cent, France's by 15 per cent — and the rest of the world, saving Japan, by less. Germany, and France, of course, will be the last to complain of being overtaken in this way, since that will constitute the harmonisation of economic and social conditions that is one of the aims of their Common Market. The existence of that Market, too, is a further guarantee of Italy's continued growth, for the 15 per cent increase in intra-regional trade that occurred in the first six months of this year counts among the stimuli now at work on the peninsula's economy. Italian industry envisages calmly the extension of the association to include Great Britain, a new member from whom Italy has less to fear than, in some sectors, from Greece who was admitted this year.

More instructive than the gross figure of 28 per cent increase in industrial output since 1958 are the details of the transformation in various sectors of industry. I realise that those who are not really interested in economics (which includes many who talk about economics) find the details fastidious — which is why they fall hook, line and sinker for nice simple theories of economic growth like the notion of "leading sectors" or "basic, fundamental and strategic industries" or "plan priorities". These are excuses for concentrating attention or effort on one or two branches which are reputed, in the absence of any evidence, to lead to rest of the economy into a golden future; they serve to rationalise a fixation on isolated, spectacular achievements. Italian experience, on the contrary, reveals that advance occurs over a very wide front in a period of genuine economic progress; if the following figures prove only that much, they will be useful.

First, compare the movement of the general industrial production index in the three main Continental economies (1953 equals 100):-

	1958	1959	1960
West Germany	151	162	180
France	150	156	173
Italy	142	158	182

Then single out specifically manufacturing industry, in contrast to transforming activities:

	1958	1959	1960
West Germany	154	165	183
France	154	163	176
Italy	143	159	184

Not one or two, but a large number of industries did better than this, i.e. had production index numbers well over 184 in the year 1960:

	1958	1959	1960
Precision engineering	241	275	398
Man-made textile fibres	183	238	285
Chemicals	175	209	242
Metallurgy	171	184	228
Coal and oil derivatives	180	193	228
Transport vehicles	171	189	228

The outstanding advance of precision engineering is especially due to the calculating-machine industry: 230,000 data-processing units produced in 1958, 262,000 in 1959, 417,000 in 1960—and probably 550,000 this year! A similar success in typewriters: 397,000 in 1958, 506,000 last year and may be 600,000 this year. Sewing machines remained an important branch, but grew more slowly, from 442,000 machines in 1958 to 483,000 machines last year.

In man-made fibres, it was the synthetics that led, as elsewhere in the West. Output of rayon and rayon staple fibre increased in 1958-60 moderately, from 141,000 to 166,000 tons, but production of synthetics, after being multiplied by seven between 1953 and 1958, was doubled in the next two years. Tonnages are still well below that of France and Germany, but the industry is rapidly becoming one of Italy's most important.

In the large chemical department, progress was considerable in numerous lines, but most of all in plastics where growth is stupendous. Barely begun in the early 1950's, production of plastics attained the index number 377 in 1958 and topped 880 a few months ago; it will reach 1,000 next year, i.e. output of plastics will be ten times what it was in 1953. The boom in coal and oil has concerned notably the refining of petrol, where Italy has become one of Europe's biggest producers and one of the world's biggest exporters.

In metallurgy we find the familiar story of Italy's small but dynamic steel industry: 8.2 million tons produced last year in a country virtually without coal or iron ore. The entry "transport vehicles" covers motor cars, where output moved from 370,000 to 600,000 in 1958-60 (whereas there was an automobile recession in many other countries), but it also covers trucks and tractors where progress has been no less notable.

Among miscellaneous industries, output of tyres grew 50 per cent in 1958-60, of furniture and of paper and carboard by 25 per cent each. The transformation of hides and skins and the manufacture of shoes reported index numbers in 1960 of 136 and 157, which was below the average but still remarkable because these industries have ceased to expand in Western industrialised nations. Mining, too, was a little behind the average, with an index number of 180 last year, but then mining industries in West Germany and France had a struggle to maintain production in 1960 at only 120 per cent of the 1953 figure.

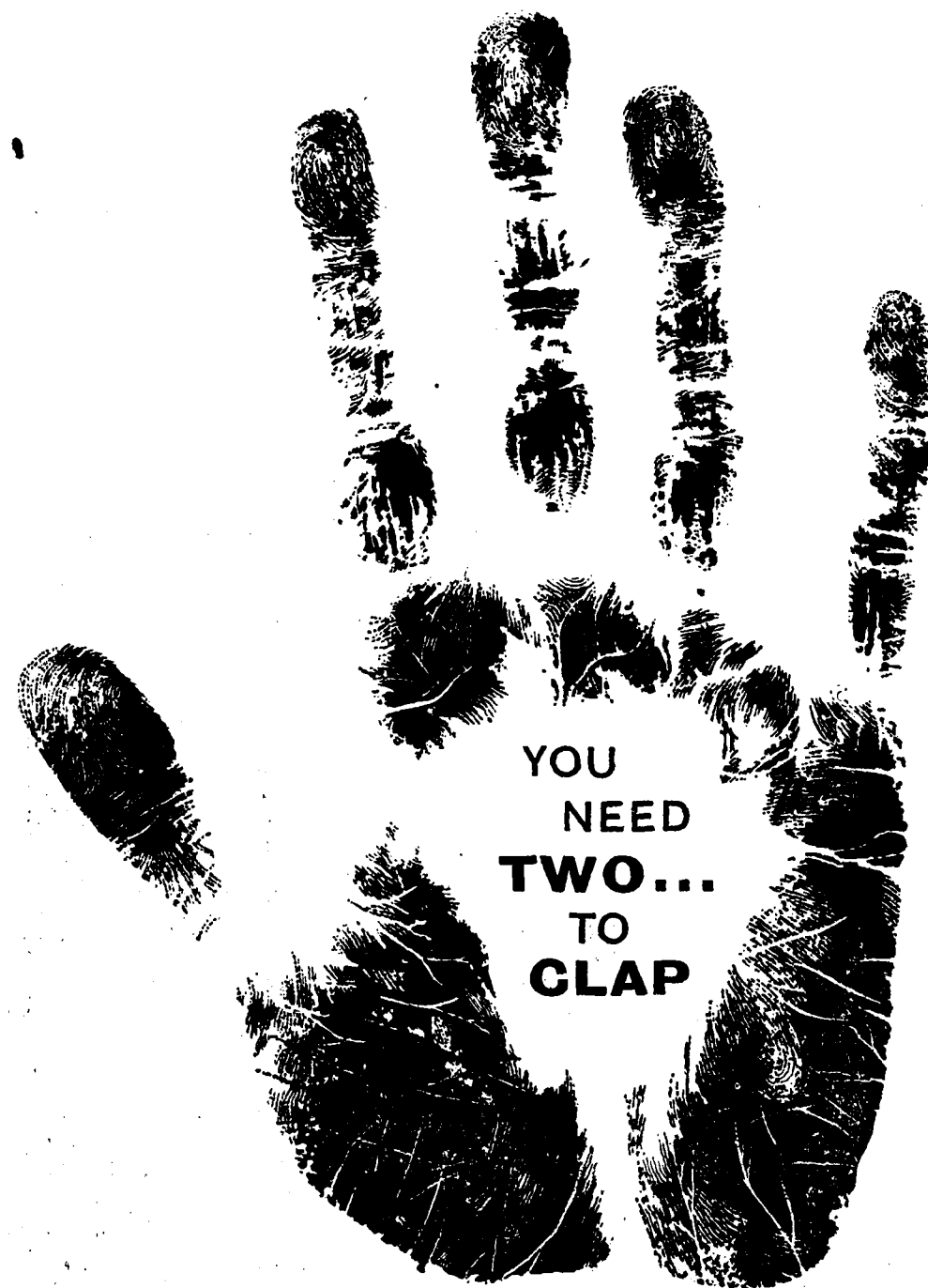
Most of the above results have been achieved by half the country, the North; the poor Mezzogiorno has made very little contribution. As long as the South is undeveloped, Italy is fighting with one arm tied behind her back. A trend toward an equalisation of revenues between the two halves of the country has at last begun, and this opens up enormous opportunities for industry. To take the measure of them, one does not have to speculate on what Italian production would be if consumption per head were up to the American level, or even up to the French and West German level; it suffices to see what industry will be called upon to produce in order to bring the Italian national average up to the level now taken for granted by millions in Lombardy, Piedmont and Liguria. This equalisation is bound to take place because, to the long-standing political pressure in that direction and to the Government's economic plan, has now been added a deliberate and dynamic investment programme by private industry, seeking to put to work the natural and human resources of the South. Sustained Italian expansion seems assured for a decade to come, and it will have an impact on world trade and investment that should not be under-estimated.

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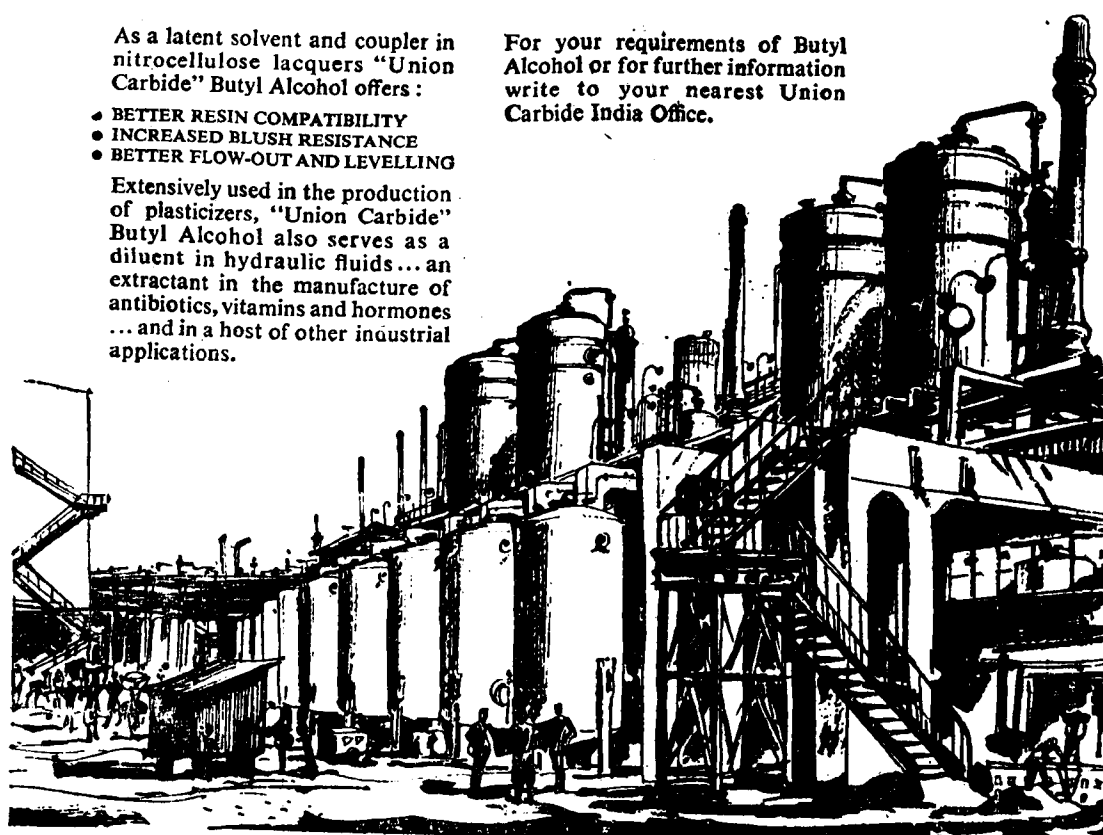
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Special Article

THE COST OF THE STEEL CRISIS

INDIA'S Second Five-Year Plan had envisaged a production target of 6 million tons of ingot steel which in terms of saleable steel amounted to 4.68 million tons. The expansion in capacity was planned by setting up three new steel factories in the public sector and by expanding the capacities of the Tata Iron and Steel Company, the Indian Iron and Steel Company and the Mysore Works. The expansion programme was planned in the manner shown in Table I below. It is clear from this table that the public sector plants alone were

did not add up to even 0.2 million tons. Is it possible to evaluate this failure in financial terms? While it may not be easy to estimate the employment opportunities lost due to this grave setback, it is feasible to calculate the degree of pressure on India's foreign exchange reserves and the loss of output in the indigenous industries which are heavily dependent on supplies of steel.

In the first place, the shortfall in the output of steel has been reflected directly in a substantial curtailment of the production of general engineering goods. Table III sets out the index numbers of production of electrical and engineering goods which depend to a large extent on the supply of steel. It is true that their

TABLE I
SECOND PLAN TARGETS OF STEEL OUTPUT
(Million Tons)

	Steel Ingots	Saleable Steel
By the expansion of existing works		
TISCO	2.0	1.50
IISCO	0.9	0.80
Mysore Iron & Steel Works	0.1	0.10
By establishment of new works		
In public sector		
Rourkela Plant	1.0	0.72
Bhilai Plant	1.0	0.77
Durgapur Plant	1.0	0.79
TOTAL	6.0	4.68

expected to produce no less than 2.3 million tons of finished steel in 1960-61. Their performance has, however, been quite discouraging, resulting in a severe strain on India's foreign exchange reserves and in retarding the pace of industrial growth in the economy. An estimate of the failures of the public sector plants leading to serious shortfalls can be had from Table II below which shows the actual output of all the units, both in the public and the private sectors, in 1959 and 1960. As against the target of 2.3 million tons of finished steel, the total output of the public sector units

TABLE II
PRODUCTION OF FINISHED STEEL

	1959 tons	1960 metric tons
Tata Iron & Steel Co. Ltd.	695,199	816,318
Indian Iron & Steel Co. Ltd.	378,291	415,984
Mysore Iron & Steel Works	32,951	39,886
Bhilai Steel Project	...	7,606
Rourkela Steel Project	...	10,530
Durgapur Steel Project	...	895
Secondary Products & Re-rollers using billets	547,037	769,850
Unregistered re-rollers using scrap	92,636	131,457
	1,746,114*	2,192,516
Semis (exported)		35,894
Forging billets		35,194
	1,746,114	2,263,604

* These figures exclude the production of steel castings.

TABLE III
INDEX NUMBERS OF PRODUCTION STEEL OUTPUT AND ENGINEERING GOODS (Base 1951 = 100)

Year	Iron and Steel		General Engineering and Electrical Engineering	
	Index	% change over the pre-Production ceeding year	Index	% change over the pre-Production ceeding year
1952	102.2	—	92.8	—
1953	95.7	- 6.4	108.9	+17.3
1954	113.2	+18.3	151.9	+39.5
1955	113.3	+ 0.1	183.3	+20.7
1956	119.4	+ 5.4	218.1	+19.0
1957	119.3	- 0.1	241.3	+10.6
1958	119.1	- 0.2	254.1	+5.3
1959	163.1	+36.9	287.8	+13.3
1960	208.8	+28.0	350.2	+21.7

production has kept up a pace of growth higher than that of finished steel, yet it needs to be remembered that this was made possible by augmenting the imports of iron and steel. Despite the severe pressure on India's foreign exchange reserves, import licences had to be issued to actual users for those categories of steel which were expected to be obtained from the present plants but could not be made available. The purchases of steel by the Iron and Steel Controller had to be continued against D.L.F. aid and from countries agreeing to accept payment in rupees. Some imports were also made against exports of pig iron, ingots, blooms, billets, scraps and ore. All these imports totalled up to the sizable figure of more than a million tons costing nearly Rs. 120 crores in 1960-61. The details of these imports in terms of value as well as volume are set out in Table IV which brings home the fact that imports of certain varieties of steel could have been avoided if the public sector units had attained even half of the targets fixed for them. In one year alone, the pressure due to the imports of additional iron and steel increased by Rs. 38 crores from Rs. 84.29 crores in 1959-60 to Rs. 120.30 crores in 1960-61.

Past losses cannot be redeemed, but at least their moral must be learnt. More anxious attention needs to be paid for impending losses of the future. The

manner in which the plan's have been functioning since the beginning of this year shows that they may take anything from two to three years to rise to their full capacity. In case they take a minimum of three years to reach production to full capacity, India will be constrained to import iron and steel worth at least Rs. 300 to 400 crores. This is the apprehended cost of this crisis in terms of foreign exchange alone. It will also produce a serious impact by keeping the tempo of industrialisation at a lower level during the next three years than we are planning because imports of iron and steel will be regulated by the rationing of foreign exchange and not the demand which would remain unsatisfied to a large extent.

The shortage in the supply of structural, bars, (which seem to be in excess supply currently) will also slacken the tempo of construction activity that is likely to rise steeply when the Third Plan projects gather momentum. It will result in reducing employment opportunities inasmuch as the Third Plan leans very heavily on construction activities for additional employment. Nearly 2.3 million non-agricultural jobs are anticipated to be created by new construction activities and the slackness in the steel industry will certainly jeopardise the achievement of this target in employment.

Great hopes were raised in the last week of this year when the Wide Strip Mill at Rourkela was pressed into service. The ministerial pronouncements at that time had declared that with the inauguration of this mill the shortage of heavy plates would become a thing of the past. Tin plate would be available in India in abundance and it would accelerate the growth of those industries which depend upon tin plate. The performance of this unit during the last few months has not justified the exuberance displayed at that time.

TABLE IV
IMPORT OF IRON AND STEEL
(Twelve months ended March, 1961)

Item	(Quantity in '000 tons)	
	(Value in '000 Rs.)	
Item	Quantity	Value
Pig Iron and steel sponge iron including iron and steel powder	11.0	54.07
Ferro Alloys	5.7	66.11
Ingots blooms slabs billets sheet bars and tin plate bars and equivalent primary forms	37.0	2,19.15
Joists Girders angles shapes sections bars and concrete reinforcement rounds including tube rounds and squares	175.9	15,35.60
Universal plates and sheets	397.4	34,73.63
Hoop and strip including tube strip and steel strip for springs coated or not	35.2	5,05.66
Plates and sheets coated	157.7	15,94.52
Railway Rails	176.0	11,70.73
Railway Track construction accessories and rails	88.6	5,18.29
Wire rods and wire coated or not auto soler wire	146.2	12,89.68
Steel tubes and fittings welded or drawn	76.8	11,55.02
Pipes and fittings cast whether grey iron or malleable iron	2.2	60.51
Castings and forgings unworked NES cast iron plates	15.4	3,86.67
TOTAL	1,325.1	120,29.66

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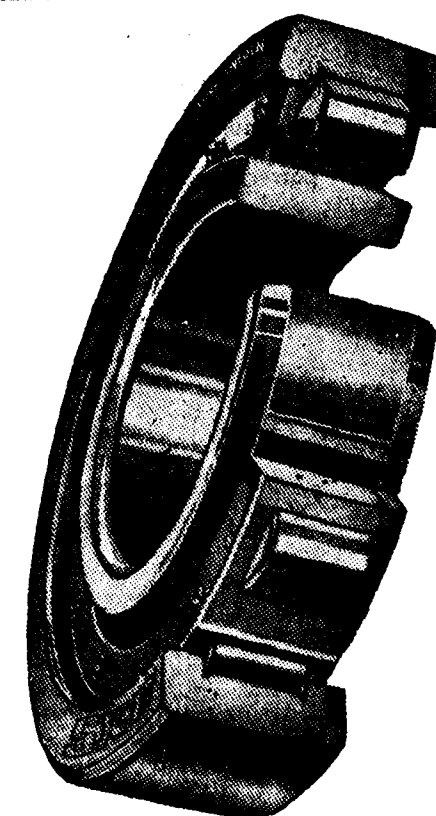
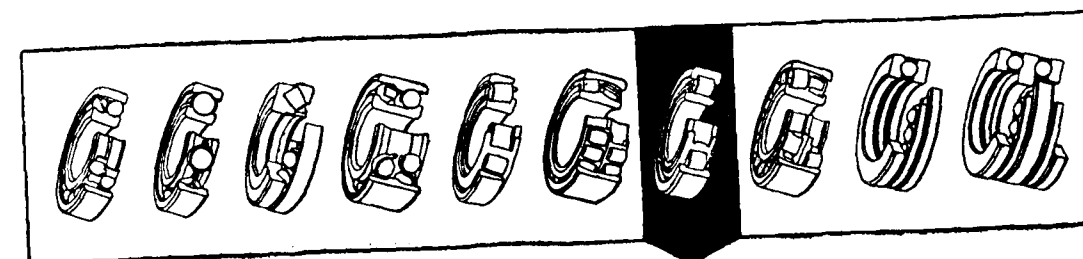
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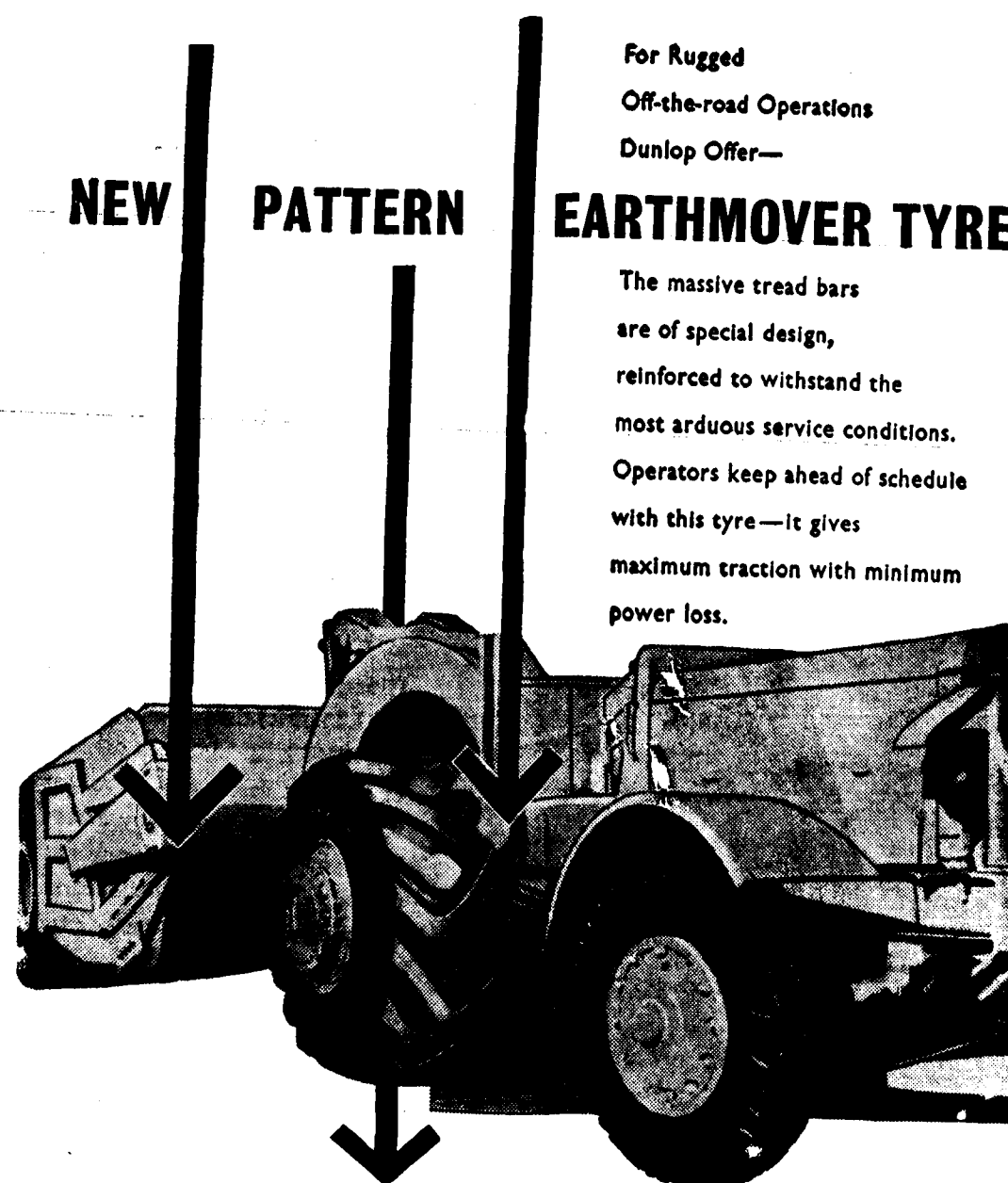
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THE BUSINESS WORLD

Banking: Dispelling Popular Notions!

By CROESUS

WITH a steadily increasing portion of the nation's savings going into bank deposits, it is but natural that anything pertaining to banking should evoke more and more public interest. Indeed, it is "a subject of continuous topical interest," as Mr H. V. R. Iengar, Governor of the Reserve Bank of India, told the 34th annual general meeting of the Indian Institute of Bankers, in his capacity as President of the Institute. At the same time, Mr. Iengar added, "the discussions that take place are not always well-informed, largely because the basic facts, though available in statistical publications, have nowhere been explained in an easily intelligible manner." Possibly, the manner of compilation of some statistical publications and the inordinate delay in their publication are also to blame for this. Anyway, the Reserve Bank Governor was able to establish that discussions could be ill-informed—or should we say differently slanted?—even in generally well-informed quarters when he ruled off certain statistics regarding the trend of bank deposits. It must be said here, in fairness to Mr. Iengar, that he also mentioned the causes contributing to this—in this case, it is the confusion in the public mind occasioned by the fact that "figures of bank deposits in the published statistics have been distorted by the inclusion of figures relating to P.L. 480 Funds." So long as these—P.L. 480 Funds—were included, the trend and deposits seemed to be upward and, once they ceased to be included, following a change in the official procedure of recording these, the impression that one got was that the trend had been reversed. The correct position as regards bank deposits, however, was different, being as follows, according to Mr. Iengar:—

Year	(Rs. crores) Total deposits (excluding P.L. 480 Funds)
1956	1,047
1957	1,186
1958	1,318
1959	1,474
1960	1,566

This upward trend continued in the first half of the current year also, as the increase of deposits in that six-month period was Rs. 98 crores, which was higher than the increase of deposits during the first half of any year since 1956. The Reserve Bank Governor also mentioned at least two factors that are known not to conduce to an upward trend in deposits, namely, the reduced scale of deficit financing and the larger pressure on our external reserves. Could all these and the recent "impressive advance" in the index of bank share prices (from 185.9 to 225.3, as against the rise from 176.4 to 182.8 over the year ended July 15, 1961) have provided additional provocation for the proposals of the Reserve Bank to strengthen the banking system of the country by regulating the ratio of banks' capital funds to deposits, as well as by changes in cash and liquidity ratios, all in the interests of depositors? One thought that, after the acceptance by the commercial

banks, albeit after initial hesitation, of the scheme for compulsory insurance of bank deposits, the interests of the depositors had been taken care of adequately. But the latest proposals obviously belie that pious hope and the banks may be expected to stomach this further dose of regulation also, if only as the lesser of two evils, the other evil, of course, being nationalisation of banks. Evidently, with the Sword of Democles constantly dangling above their heads, thanks to our ever alert leftist friends in Parliament, the Reserve Bank perhaps feels it can drive even such a hard bargain. If it succeeds in doing so, even in a modified form of the present proposals, may I predict Mr. Iengar can count upon telling the next annual meeting of the Institute of Bankers that the index of bank shares has again receded to mid-1960 levels.

The Reserve Bank Governor, it seems, was on an even stronger wicket when he disapproved the contention that the Reserve Bank had imposed a credit squeeze and that this had adversely affected genuine productive enterprise. "This was neither intended, nor is it, in fact, the case, to the best of my knowledge," asserted Mr. Iengar. This has, of course, reference to "the directive issued by the Reserve Bank last year by which credit provided to the commercial banks is subjected to slab rates of interest rising from 4 per cent, which is the official bank rate, to 6 per cent." The Reserve Bank Chief explained that all that the Bank wanted by the use of this technique was "to impose some discipline in the money market in the sense of requiring people to be more circumspect in their demand for money", and he further claimed: "The Reserve Bank has been liberal in regard to the total quantum of credit that it is prepared to provide." In support of this claim, he added that, although during the last busy season, the Reserve Bank had fixed a limit of Rs. 138 crores under the Bill Market Scheme, as against only Rs. 54 crores in the preceding year when all accommodation was available at 4 per cent, the highest volume of accommodation taken by the banks during any particular week was only Rs. 46 crores! The conclusion he drew from this was that the commercial banks did not utilise the greater part of the money that the Reserve Bank was prepared to lend. While on this point, one would like to know whether the higher limits were made known to the banks in advance, for, if the answer is in the affirmative, Mr. Iengar's contention receives further support.

The Reserve Bank Governor also examined whether the higher rate had the effect of a credit squeeze as such, by cutting into the margin of profit of banks as a result of the rise in the cost of Reserve Bank Credit and established that it was not the case. To do this, it only required him to point out that whereas "the banks had to pay a higher rate of interest than in the past on the marginal amounts—marginal in the sense that such borrowings were a very small fraction of their total deposits—they borrowed from the Reserve Bank,

they were enabled to increase their rates on all advances, thanks to the Reserve Bank's simultaneous directive compulsorily to raise their rate of interest on advances by a minimum of $\frac{1}{2}$ per cent. This may seem to raise the issue whether the banks were morally justified in increasing their advance rates by half a per cent all round. Prima facie, they were not. But could they ignore the directive of the Reserve Bank? After placing the banks in this invidious position, it cannot lie in the mouth of the Reserve Bank Governor to score a point, as it were, by disclaiming all responsibility for the adverse effect, if any, on productive enterprise. But this is not to concede that the banks were right in conveniently not having actually raised this question, after making sure that their side of the bread was buttered all right. Be that as it may, the cumulative effect certainly of the banks not utilising the limits under the Usance Bills Scheme to a greater extent (assuming that the genuine difficulty as regards the high ratio of their advances to deposits was not there) and their charging a higher rate of interest on all advances, has since been reflected in banks profits, which, in turn, explains the increase in the index of bank shares lately.

Mr Iengar also dwelt on the controversial question of whether or not the ratio of advance to deposits in this country should be allowed to go up higher than now—it is 79 per cent now—as in Japan. His answer to this was a categorical no, at any rate in the present conditions. Mr. Iengar showed how greatly conditions in Japan—for instance, her mixed banking tradition, her narrower capital market, the ability of Japanese economy to risk the "overload" position and the discipline of the people of Japan—differed from those in this country safely to emulate the former.

The Governor of the Reserve Bank then went on to discuss the question of interest rates generally and here, again, he dispelled some wrong notions about the pattern of interest rates. While doing so, however, he reiterated his belief that, as between the agriculturist, the small trader or the small industrialist, and the big organised enterprise and Government, it is the organised enterprise

and Government that get credit at relatively low rates. So long have they been accustomed to relatively cheap rates for money that they now find difficulty in adjusting to the idea of an increase in rates, he said. While this cannot be disputed, one may ask two questions: (i) How is it that, in spite of all official efforts to channelise credit to the agriculturist, the small trader and the small industrialist, they have still been unable to reap the benefit? (ii) What will be the effect on prices if credit is made more costly to organised enterprise as well as to Government?

While on the same question of interest rates, Mr. Iengar made some post-script to his last year's observations on Bank Rate changes and stressed the significant point that "Bank Rate changes in India are symptomatic of fundamental shifts in the pattern of interest rates." That is why, he maintained, such changes are "necessarily infrequent." He also maintained that "by using the technique of slab rates, we have met with a considerable measure of success in bringing about suitable adjustments in the Reserve Bank's lending rates, without disrupting the securities market." After reading this remark, a wag whispered to me that, with more and more holdings of Government securities in the hands of public corporations, like the L.I.C., Provident Fund, etc. on the one hand, and the open market policy of the Reserve Bank, on the other, it should not be very difficult (in fact, much easier than before) for the Reserve Bank to adjust its interest rates without necessarily disrupting the securities market.

Before concluding, let me not omit to mention—I can do no more with the space at my disposal, I am afraid—the most important theme of Mr. Iengar's address to the Institute of Bankers, namely the need to have only "one single type of bank in our country, both big and small, having a licence and coming within the purview of deposit insurance," in the place of the present four confusing types—scheduled licensed banks, scheduled unlicensed banks, non-scheduled licensed banks and non-scheduled unlicensed banks. I make bold to say that all are bound to endorse Mr. Iengar's proposal that we ought to have just one type of banks. Of course, they would all have to be licensed.

Business Notes

State Loans

RS. 80 CRORES TO BE RAISED

THIRTEEN OUT of the fifteen States of the Indian Union have announced their borrowing programmes for the current year. In all, they will be raising Rs. 80 crores at 4½ per cent for a period of 11 years. Three States—Andhra Pradesh, Madras and Maharashtra—have planned to borrow Rs. 10 crores each. Two States—Mysore and West Bengal—will be raising Rs. 7 crores each. Another two States—Gujarat and Uttar Pradesh—will be borrowing Rs. 6 crores each. Madhya Pradesh and Orissa have programmed to raise Rs. 5 crores each. Kerala and Rajasthan are going in for loans to the tune of Rs. 4 crores each. Bihar and Punjab are floating loans for Rs. 3 crores each. The two States which have not yet come out with their borrowing programmes this year are Assam and Jammu and Kashmir; they might be raising loans at a later stage. Assam is not borrowing for the second year in succession.

Six States—Bihar, Kerala, Madhya Pradesh, Orissa, Punjab and Rajasthan—are floating loans at a discount of 50 nP. per Rs. 100. Five States—Andhra Pradesh, Madras, Mysore, Uttar Pradesh and West Bengal—are raising loans at a discount of 25 nP. only. Maharashtra and Gujarat are borrowing at par. Five States have offered conversion facilities for their loans which mature this year. The outstanding amount of these loans

is Rs. 12.96 crores. The net borrowings of the State Government this year, the first of the current Five-Year Plan, will thus be Rs. 87.04 crores. The maturing loans that can be converted into the new loans are 2½ per cent 1961 Madras loan (outstanding amount Rs. 3.82 crores), 2-3/4 1961 U.P. loan (Rs. 2.16 crores), 3 per cent 1961 Tapi Irrigation Development Loan of Maharashtra (Rs. 68 lakhs), 3 per cent 1956-61 Mysore loan (Rs. 6 crores) and 3½ per cent 1956-61 Cochin Loan (Rs. 30 lakhs). The subscription lists open on September 4 and will close on September 9 or earlier as soon as subscriptions approximate to the amount of each issue. All the loans mature on September 4, 1972. The State Governments have a right to retain subscriptions up to 10 per cent in excess of the amount notified.

The current yield on the six loans offered at a discount of 50 nP. per Rs. 100 works out to 4.27 per cent and that on loans floated at a discount of 25 nP. per Rs. 100 to 4.26 per cent. The redemption yield in the two cases works out to 4.3 per cent and 4.27 per cent respectively. The terms offered for the new loans, thus, are quite favourable compared to the return on the existing comparable loans.

All the loans can be expected to be fully subscribed before the official closing date. The demand for State loans has been broadening in the recent years; firstly, because provident fund has been introduced in almost all the major industries and even in business houses and some trading concerns; secondly, because

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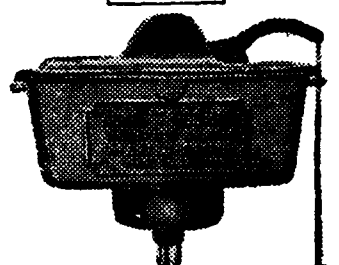
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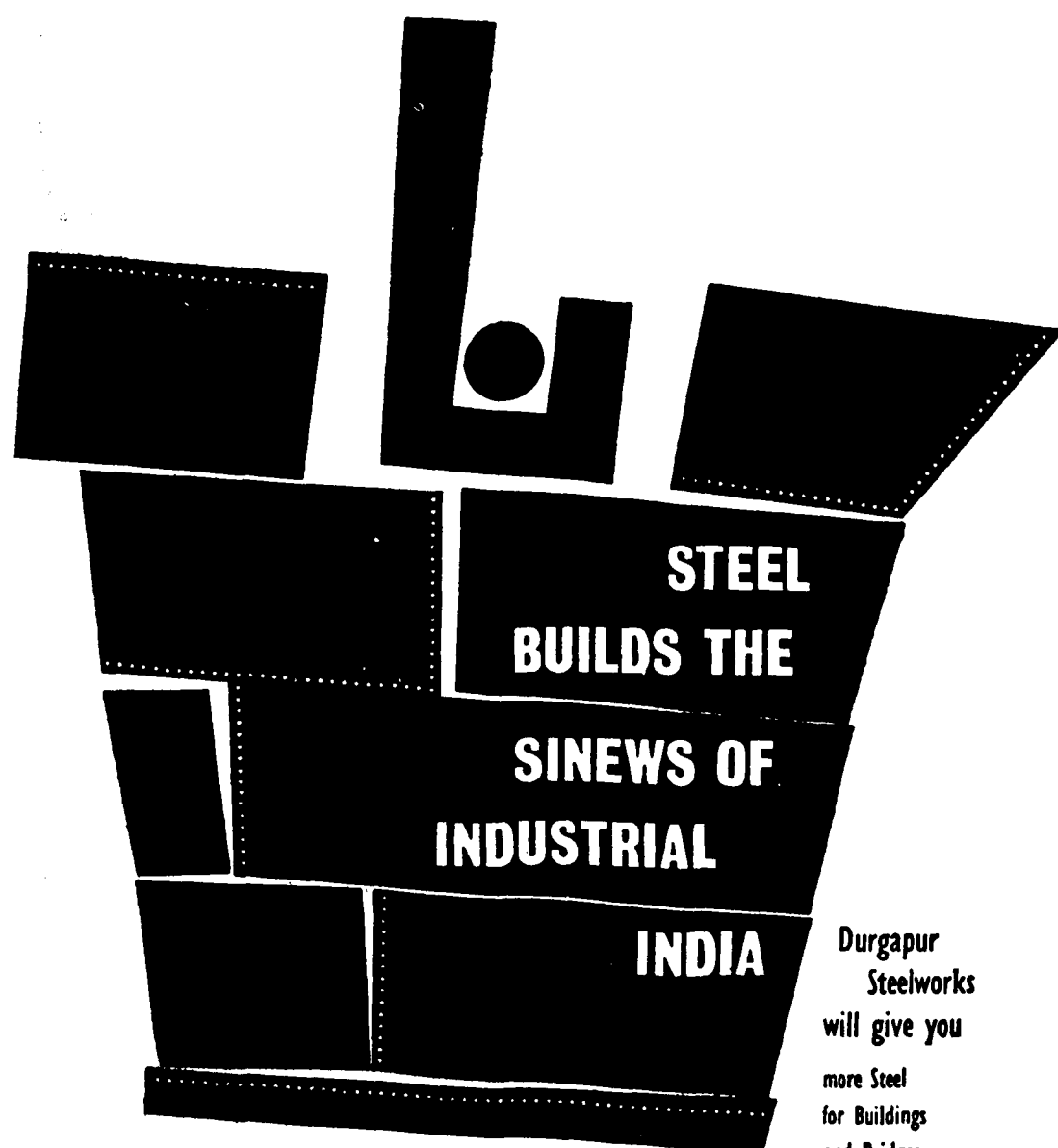


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institutional investors in general have been showing preference for certain State loans; and, thirdly, because Life Insurance Corporation has been resorting to large-scale investments in Government securities, particularly State loans, which yield higher interest than the Central loans. Another factor that ensures the success of the current loans is the persuasive effort which has become a practice with some States.

The loan programme of the States for the current year augurs well for the Third Five-Year Plan for the attainment of whose financial target of Rs. 7,500 crores, a sum of Rs. 325 crores is to be raised by the State Governments as market loans. The net borrowings of the State Governments during the first year of the Plan will be over Rs. 67 crores, which is slightly more than one-fifth of the total amount to be raised by them during the five years to 1965-66.

Steel

RAW MATERIALS AND OUTPUT

MR. J. R. D. TATA, Chairman of the Tata Iron and Steel Company, in a statement to the shareholders accompanying the annual report of the company, has admitted that the company is not yet in sight of its rated production of two million tons of ingots or 1.5 million tons of finished steel. This, he added, may not materialize for the next two years. The principal contributing factor which had caused this delay in the achievement of production to full capacity, Mr. Tata said, was the non-availability of raw materials of required quality. Ash content in coal continued to be high. This has affected the output of not only the Tata Iron and Steel Company, but also of the other steel manufacturing units. Mr. Tata pointed out that for every one per cent increase in the ash content of coal, production of iron at the blast furnaces declined by 5 per cent or even more, while the consumption of coke and lime stone increased by 5 per cent. Thus the operations were doubly penalised. At present, TISCO did not have spare coking capacity and the high coking consumption per ton meant that it had to supplement its requirement by purchases from outside which were not always of the required quality.

The company, Mr. Tata added, had planned to improve its blast furnace operation by reducing the ash content of coal from its own collieries from 17.6 per cent to 17.1 per cent from October, 1960, by washing the entire coal output at its two washeries at Jamadoba and West Bokaro. The effort, however, was frustrated by allocations to the company's works of inferior grades of market coal with an ash content as high as 18.5 per cent. Consequently, coke consumption per ton of iron increased further and the requirements of blast furnaces could not be met fully from the company's coke ovens even though coke production was 6.4 per cent more than in 1959-60. The problem, Mr. Tata said, would be solved only when the washery which the Government was building at Bhojudih to wash the coal supplied from outside collieries was completed and had gone into full operation. It was planned to be commissioned last year. Had it gone into production according to schedule, there would have been a marked improvement in the output and costs of the company.

The output of iron at the TISCO works, Mr. Tata stated, continued to be hampered not only by the inferior quality of coke supplied to Jamshedpur but also by further deterioration in the quality of iron ore. To counteract the deterioration in the quality of iron ore, consequent upon the replacement of handpicking at Noamundi by mechanised mining, the company has been considering a long-range programme for the beneficiation of ore and mines and for its sizing, blending and storage at Jamshedpur. The programme is aimed at en-

suring uniformity of quality and size of ore fed to the sinter plant and the blast furnaces. Detailed investigations are being carried out to determine the quality of company's various ores and the mineral reserves and tests have been started on a pilot plant to ascertain suitability of the heavy media separation process for the ores. Apart from other problems, if the Tata Iron and Steel Company is able to get over the problem of raw materials—coke and iron ore—it is likely to show much better results.

Electricity

INVESTORS IN ELECTRICITY UNDERTAKINGS

ALTHOUGH IT is heartening to note that a higher allocation (Rs. 1,089 crores) has been made for the development of electric power supply in the Third Plan, it is feared that the increase envisaged would still be inadequate to meet the proposed increasing power requirements of this country. It was generally conceded that the existing Thermal Plants should be expanded, but the several factors actually preventing the implementation of this programme would appear to have defied all calculations. Highlighting this point and, at the same time, emphasising the urgent need for quicker expansion, the Chairman of the Bombay Suburban Electric Supply Ltd., Mr. A. N. Haksar, told the shareholders at the annual general body meeting, a few days ago, that the demand for power in the Company's area of supply, would reach nearly 200 MW in another 15 years, according to a preliminary study conducted by the B.S.E.S. As against this prospect, he disclosed that the hopes of getting a bulk supply of power from the Koyna Project had been belied, as the present signs would seem to indicate that the authorities are contemplating to divert the power to western Maharashtra region. Evidently, the recent havoc wrought by the floods in Poona has left them no other alternative. The task before the B.S.E.S. in these circumstances, is to expand its plant, which involves a considerably large amount of investment. Unfortunately, according to Mr Haksar, "investment in the Electric Supply industry is being impeded by the financial regulations governing it." Thus, the return of 2% over the Bank rate prescribed by the Electricity (Supply) Act, inadequate as it is, has been rendered more so by this return being made subject to tax deduction. This apart, as the B.S.E.S. Chief pointed out, any successful rehabilitation of the industry and efforts to raise capital for development can only be achieved by the removal of certain primary impediments. Of these, he first referred to the changes brought about in the tax pattern by the Finance Act 1959, which abolished the practice of grossing up of dividends in the hands of shareholders, on the one hand, and the deduction of tax at source, on the other. While these changes are, to some extent, beneficial to other industries, so far as the electricity industry is concerned, it comes to be otherwise, inasmuch as an electrical undertaking cannot take advantage of the compensating tax reliefs offered by the Finance Act, as the other industrial undertakings can. Further, as Mr. Haksar observed, it was all along generally understood that all the forms of taxes levied under the Electricity (Supply) Act were to be ultimately borne by the consumer. But the present position does not seem to be so. Hence his plea for "such changes in the Electricity Act as would make the return free of all tax liability, be it to the undertakings or to the investor."

Secondly, the B.S.E.S. Chief pointed out that, in a capital-intensive industry like the Electric Supply industry, a greater reliance on long-term finance was inevitable, as the requirements for development of the industry were, more or less insatiable. In view of this, he submitted that the fixation of returns should be made on a broader perspective, so that it would not only arrest dis-investment in the industry but attract more

capital for expansion. Unfortunately, however, the three-tier interest rate fixed by the Reserve Bank, he complained, had resulted in an average lending rate of about 5% which, in turn, had put the official bank rate out of focus in relation to money market conditions. This, in turn, has had the effect of further diluting even the limited return permitted to the investor in this industry.

FOURTH POWER UNIT AT TROMBAY

FROM THE statement of Mr. J. D. Choksy, Chairman of the Tata Hydro-Electric Power Supply Company, the Tata Power Company and Andhra Valley Power Company, it is evident that the Government has agreed to the companies proceeding with the project for the expansion at Trombay with a fourth power unit. The project would cost Rs. 12 crores and its foreign exchange cost would be to the extent of 70 per cent. It is satisfying to note that the group's planned programme has been completed and the companies now look to Koyna for power to meet additional load needs. The latest information is that the Tata companies will receive by December 1962 a total of 115 MW of power.

Talks have been concluded with DLF for a loan and it is heartening to observe that loan for this fourth power unit would be available on satisfactory terms. There is also a silver-lining in the cloud that an amendment to the Electricity Supply Act will improve the return to utilities, such as these companies.

The financial difficulties in undertaking the expansion are, of course, by now well-known. Mr. Choksy, states that a further relevant point in securing long-term borrowings concerns the "assured life" of Tata electric companies, whose licences are valid only up to 1975. The discussions with the State Governments seem to be successful, and to meet the difficulty, the State Governments might consider a short extension of the licences.

New Issues

INDIA FORGE AND DROP STAMPINGS

AN IMPORTANT capital issue that is coming in the market this month is that of India Forge and Drop Stampings Limited, the first public limited company to undertake manufacture of commercial steel and non-ferrous forgings and stampings which are of essential use in automobiles, railways, motor cycles and electrical industries. The company's plant is to be located at a place eight miles from Madras.

The total authorised capital of the company is Rs. 100 lakhs, divided into 7,50,000 equity shares of Rs. 10 each and 25,000 redeemable cumulative preference shares of Rs. 100 each, carrying a return of 9.286 per cent, free of company's tax but subject to deduction of tax at source at the prescribed rate. Capital worth Rs. 15 lakhs, all in equity shares, has already been subscribed by the signatories to the Memorandum of the company, its directors and their friends. Another issue of Rs. 35 lakhs is being made now in the form of 2,50,000 equity shares and 10,000 preference shares. Of this, 50,000 equity shares and 5,000 preference shares will be taken up by the Life Insurance Corporation. The rest of Rs. 25 lakhs worth of capital is being offered for public subscription—Rs. 20 lakhs worth in equity shares and Rs. 5 lakhs worth in preference shares. The lists open on August 24 and will be closed on August 31 or earlier at the discretion of the company but not earlier than August 28.

The company has entered into technical collaboration arrangements with Messrs. B. & S. Messey Limited, Manchester (U.K.), who will be helping it in the

designing, erection and start-up of the plant. The total cost of setting up and running the plant to a capacity of 3,000 tons per annum of steel forgings and drop stampings on single shift basis, is estimated at Rs. 88 lakhs. As only Rs. 50 lakhs, after the proposed issue, will be available on account of share capital, it is proposed to borrow Rs. 27 lakhs from the Industrial Credit and Investment Corporation of India at 7-3/4 per cent interest per annum for the period ending November, 1970. The remaining Rs. 11 lakhs and any additional sums required to meet incidental increases in estimated costs will be secured by raising loans from the company's bankers and other sources. The Industrial Credit and Investment Corporation has already agreed in principle to grant the loan of Rs. 27 lakhs, subject to the approval of the International Bank of Reconstruction and Development. The loan from the I.C.I.C.I. will meet in full the foreign exchange component of setting up the plant.

The principal raw materials required by the company during the first few years of production will be plain carbon and medium carbon steel billets and bars which are presumed to be available indigenously. Some alloy steel will also be required, but this will have to be imported till such time as the proposed tool and alloy steel plants are commissioned into production during the current Plan period. Electric supply to the tune of 150 KVA has already been obtained from the Madras Electricity System. Further supply to the extent of 500 KVA from this system has been promised by the end of the current year. Adequate water supply is also available at the site. In view of the likely rapid growth of railways, automobiles, motor cycles, and electrical industries in the coming years, the company's products will obviously have a ready market.

BARODA ELECTRIC METERS

EARLY IN September the Baroda Electric Meters Ltd., a new venture to produce electric meters, will enter the capital market. The company has obtained a licence for producing 60,000 single-phase AC meters and 24,000 polyphase AC meters per year. The company has negotiated technical know-how collaboration with the well-known German firm Messrs. Beutische Zahler—Geussel Schaft, Hamburg, one of the oldest manufacturing concerns of West Germany. A part of equipment is expected to be received from the rupee payment area. The fast growing demand of meters during the next decade in the wake of electrification in the country makes this output quite modest. The present annual demand is estimated to be nearly 10 lakhs single phase meters and 2.5 lakh multiphase meters. Till recently polyphase meters were not manufactured in India, but now the Government of India has started encouraging the existing units and new units to manufacture these meters. The plant of the company to be located at Vallabh Vidyanagar near Anand is likely to be commissioned towards the end of 1962.

The company was formed with an authorised capital of Rs. 1 crore and has decided to issue 40,000 shares of Rs. 100 each. Of this issue, the Life Insurance Corporation has underwritten with a firm allotment of 5,000 shares of the total value of Rs. 5 lakhs. In view of the soundness of the project, the shares are likely to receive a good response in the market.

General Insurance

PROGRESS & PROSPECTS

MR. T. M. TELANG, Chairman of the Indian Insurance Companies' Association, underlined at the 23rd annual

general meeting of the association that the progressive implementation of the various schemes of the Third Five-Year Plan would give ample opportunities to the general insurers to extend further the scope of their service. The speech of the Chairman was read by Mr. P. U. Patel in his absence. At the meeting it was made clear that emphasis will have to be on uncovering new insurance prospects, and efficient field organisation will be required to create insurance-mindedness among the people. Proper publicity will also have to be put into gear on a larger scale to spread the gospel of general insurance in the country.

Reviewing the progress of general insurance Mr. Telang pointed out that although the premium income has steadily been rising, it was hardly commensurate with the size of the country's population and expanding economy. There were vast new fields to be explored and for that it is very essential that there should be well-organized and good market composed of financially sound and viable healthy units operating in a proper atmosphere.

The Chairman welcomed the scheme of non-diversion and mutual assistance sponsored recently by some leading insurers. So far as the revised code of conduct for general insurance is concerned, the Chairman averred that it had not been a conspicuous success. Despite some improvement, wasteful competition continued.

Referring to compulsory insurance, the Chairman said that the hundred per cent increase in the volume of premium to be called on account of the Government controlled unit coming into picture, was likely to affect the trading profits of insurance companies. This, however, goes without saying that a radical rationalisation of the working of the industry in its various aspects and suitable changes in its present set up of controls and regulations governing the industry is the need of the hour.

Chemical Industry

GROWING IMPORTANCE

THE SOONER we realise the importance of chemical industry, particularly dye-stuffs, detergents, plastics, synthetic rubber etc. the better it is. This was the theme of the two lectures delivered in Madras by Dr. G. P. Kane, Senior Industrial Adviser, Government of India, under the auspices of Sir A. L. Mudaliar Endowment Lectures on Technology. The theme was wisely chosen as desirability of producing organic intermediates from basic raw materials, which are likely to be available as a result of the expansion of the steel industry during the Third Five-Year Plan, can hardly be over-emphasised. The unfortunate fact, however, is that the dye-stuff industry has not made much headway. While its production target was 28 million lbs. in the Second Plan, actual production was only of the order of 11.5 million lbs. Efforts to step up production are now being made and it is hoped that by the end of the Third Plan, production of dyestuffs would increase to 18 million lbs.

So far as the production of synthetic rubber is concerned, Dr. Kane pointed out that one synthetic rubber factory had already been licensed; it was expected to go into production in another 18 months' time. In all parts of the world synthetic rubber is now being increasingly used and with the increasing industrialisation, its use in this country is likely to grow at a much faster rate. Hence, said Dr. Kane, it was time that increased attention was paid for the development of this industry. The Third Plan production target for synthetic rubber has been put at 50,000 tons. It may not be sufficient to cope with the demand. Dr. Kane pointed out that there was

still yawning gap to be met by the synthetic rubber industry, demand being far in excess of production.

In the field of plastics, a target of 85,000 tons has been set in the Third Plan and a wide of place has been assigned to polyolefines (polyethylene etc.); their share in the overall target is 27,000 tons. Dr. Kane described the importance of polyvinyl chloride, a plastic material, owing to its use in the manufacture of leather footwear. The demand for it, he said, was likely to grow further. At present, there are only 3 units licensed in this field with a capacity of 3,000 tons per year. Keeping in view the immense demand likely to crop up in the near future, it was imperative that this capacity be doubled or trebled.

Indian Copper

GOOD PROGRESS

THAT THE Indian Copper Corporation has made good progress in 1960 is evident from the address of the Company's Chairman, Mr. Patrick E.G.W. Parish, delivered at the recent annual general meeting. Production at 8,769.30 long tons was 1,216 tons higher as compared to the previous year. Active prospecting was continued throughout the year and although no startling discoveries were made, the new small mine at Surda contributed towards the company's efforts to increase production. The reserves increased by 88,695 short tons and at the end of the year stood at 4,292,242 short tons, which is a satisfactory position for a company mining deep copper ore deposits. Despatches of finished products, which have a direct relationship to profits, were maintained at a satisfactory level. It is also encouraging to note that a start has been made by the completion of modifications to the Aerial Ropeway to carry the anticipated output from the mine to the works.

So far as the electrolytic project of the company is concerned, satisfactory progress is said to have been made on the ordering of equipment. Work has also been started on the foundations of the new buildings. To earn foreign exchange, the drive of the company remains unabated. Exports of kyanite during 1960 amounted to 21,242 long tons. The profits for the year before providing for taxation, depreciation and reserves amounted to £1,307,982, as against £1,202,259 in 1959. Dividend is maintained at 27 per cent, subject to tax.

Referring to the question of bonus share issue, Mr. Parish underlined that the company was not thinking of issuing these shares for the present. The Chairman was of the opinion that it was not worth the candle to pay 12½ per cent on the bonus shares. Although it is true that tax on bonus shares was reduced from 30 per cent to 12½ per cent in this year's budget, still this tax is unreasonable in the chairman's view when reserves, which have been built up out of taxed profits, are converted into bonus shares.

World Bank

SATISFACTORY WORKING

THE FINANCIAL statement of the World Bank for the year ended June 30, 1961, appears to be quite satisfactory. Since the increase in the authorised capital of the Bank from \$10 billion to \$21 billion on September 15, 1959, 62 members have doubled their subscription and 29 members have subscribed \$1,369.9 million in addition to their 100 per cent increase. During the fiscal year, Cuba and the Dominican Republic withdrew from membership and Nigeria and Portugal became members of the Bank with capital subscriptions of \$66.7 million and \$80 million respectively. At present the total membership of the Bank amounts to 68. The subscribed capital of the Bank amounted to \$20093 million on June 30, 1961.

Twenty-seven loans totalling the equivalent of \$610 million were made by the Bank during the fiscal year compared with a total of \$659 million last year. Argentina, British Guiana, Burma, Ceylon, Chile, Columbia, Costa Rica, El Salvador, India, Israel, Japan, Mexico, Norway, Pakistan, Panama, Peru, Thailand, Uganda and Yugoslavia, were the main beneficiaries. This brought the gross total of loan commitments on June 30 to \$5,790.5 million.

The total reserves of the Bank increased to \$601.8 million. Additions were made up of net earnings of \$83.2 million, net profit of \$3.3 million from revaluations of three members' currencies, and loan commissions of \$23.8 million. The earnings and profits were placed in the Supplemental Reserve against losses on loans and guarantees and the loan commissions were credited to the Special Reserve. Gross income, exclusive of loan commissions was \$166.6 million compared with \$151 million in the preceding year. The outstanding funded debt of the Bank amounted to \$2,228 million on June 30, 1961, reflecting a net increase of \$155.5 million over the past year. In this period there was a gross increase in borrowings of \$837.5 million consisting of three public bond issues, two in Swiss franc equivalent to \$37.3 million and one in Netherlands guilders equivalent to \$13.8 million; the private placement of bonds and notes equivalent to \$736 million, partly to raise new funds and partly as refunding operations (\$508 million in U.S. dollars, \$220.2 million in Deutsche marks and \$7.8 million in Swiss francs); the delivery of \$14.5 million of bonds and \$23.8 million in Deutsche marks notes of issues sold previously subject to delayed delivery arrangements; and \$12.1 million equivalent which was added to the funded debt as a result of the revaluation of outstanding Netherlands guilder, Canadian dollar and Deutsche marks bonds and notes.

Floods

POONA DAM BURSTS AND AFTER

IT IS not surprising that Mr. Lalchand Hirachand, President Maharashtra Chamber of Commerce, devoted the major portion of his address at the third quarterly meeting of the Chamber to the recent Poona floods. The suffering and sorrow that the people of Poona have had to go through on account of the collapse of the Panshet and the Khadakvasla dams has no parallel in their living memory. Although an enquiry commission has been set up to probe into the causes of the collapse to ascertain whether the catastrophe was a natural calamity or a man-made one, immediate task is to rehabilitate the

flood victims who have suffered for no fault of theirs. Pinpointing this need, Mr. Lalchand pleaded for the establishment, forthwith, of Poona Rehabilitation Authority with the wide powers to re-construct Poona. Such an Authority, according to him, should be vested with powers to raise loans and debentures, negotiate foreign help, also seek assistance from financial institutions and chalk out plans for the rehabilitation of the distressed people of Poona. He referred in this context to the constitution, by the Maharashtra Economic Development Council, of a separate body, the Maharashtra Commerce and Industries Rehabilitation Society, to mobilise funds from all the Chambers and create a permanent fund to make constructive use of all the receipts by helping commercial and industrial life in Poona to revive. Mr. Lalchand felt that this fund should be utilised as a sort of "guarantee fund" to create a base for the loans to be given. In this connection, he further suggested that the scheme accepted by the Reserve Bank and other authorities in assessing the credit-worthiness of a farmer (whether he owns any land or not, a loan is advanced to him on the assumption that he is creditworthy i.e. that he makes good use of the credit to increase his produce and agrees to pay off the loan out of the proceeds of the crop) should be extended to the people of Poona also in the present circumstances. He appealed to the financial institutions to apply this principle vis-a-vis shop-owners, craftsmen, and industrial units. The M.C.C. Chief also made a number of other suggestions, such as seeking aid from foreign agencies like the World Bank, the Ford Foundation, the Rockefeller Foundation and so on, besides long-term loans by the State Government and investment loans by institutions like the Life Insurance Corporation. He urged the State Government to provide free lands for the construction of houses for the homeless.

While stressing the need for these immediate measures, the M.C.C. President was not oblivious of certain urgent long-term measures which pertain not only to Maharashtra but to the whole country. As he pointed out, "the question of earthen dams is not restricted to a State" and so it should be the responsibility of the Central Government and the Planning Commission to study the merits and demerits of earthen dams, he said. Speaking of earthen dams, Mr. Lalchand also cautioned the Government to investigate the present condition of all old dams and projects and study survey reports of experts, for he felt that many of these, including the Mulshi dam (the first earthen dam to be built in the State) might need urgent check-up and attention. After this, the Central Water and Irrigation Department cannot say that it has not been alerted well in advance, if—God forbid—there should be any more dam bursts.

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FROM THE CAPITAL'S CORRIDORS

FINANCE MINISTER'S TWO STATEMENTS

The Union Finance Minister, Mr. Morarji Desai, has made two important statements in the Lok Sabha. One related to the current foreign exchange situation of the country and the other to Britain's possible membership of the European Economic Community.

In his statement on the foreign exchange situation, Mr. Desai disclosed that the Government had decided not to permit entering any more into deals involving short-term foreign credits and deferred payment arrangements such as were approved during the Second Plan period. This, he said, had been done to avoid an embarrassing accumulation of repayment liabilities.

Mr. Desai added that the recent developments in regard to foreign exchange reserves of the country were "clearly a matter of concern". The Government, he pointed out, had to draw, in various foreign currencies, an amount equivalent to \$250 million from the International Monetary Fund to increase the country's foreign exchange reserves. These reserves, according to the weekly returns of the Reserve Bank of India, have shown an improvement of Rs. 54.63 crores during the week ending August 4, 1961, due to the drawing on the IMF to the tune of Rs. 58.3 crores or \$122.5 million. The rest of the \$127.5 million out of the IMF accommodation have been utilised for clearing the previous indebtedness of India to the Fund.

Though receipts on account of exports during the quarter April-June, 1961, have been about Rs. 25 crores higher than in the corresponding period of 1960, the net decline in foreign exchange reserves between April and July, 1961, has been Rs. 26 crores higher than during April-July, 1960. The Finance Minister listed the following three reasons for this:

(1) The level of imports has been steadily going up as a result of growing industrialisation of the country. Contrary to the popular belief, industrialisation, instead of cutting down the import bill, has increased it. More industries have meant higher imports on account of raw materials and spare parts (maintenance imports). Imports to build up ancillary services such as transport, power and communications have also gone up.

(2) Payments out of the country's own resources have had to be made for a mass of imports which were necessary for the development of the country and for which no external aid was available. In this category of imports are included imports of such items as fertilizers, non-ferrous metals, etc.

(3) Repayment of short-term credits made use of during the Second Plan period is also adding to the drain on the country's foreign exchange reserves. As the periods of repayments of these credits were short, there was accumulation of repayment liabilities at the beginning of the Third Plan.

To meet the foreign exchange requirements of the Third Five-Year Plan, the Finance Minister pointed out that only Rs. 2,600 crores were envisaged to be available from external aid. The rest of the foreign exchange requirements have to be met out of our own resources, that is from our export earnings. He, therefore, called for an intensive export drive.

Mr. Desai expressed satisfaction over the fact that the Aid-India Club would be providing loans for the Third Plan for much longer periods and on much easier terms than was done during the first two Plan periods. He was hopeful that foreign assistance would be forthcoming to the extent envisaged in the Third Plan.

Giving details of the aid already underwritten for the Third Plan, the Finance Minister stated that at the beginning of the Third Plan there was a carry-forward of Rs. Rs. 368 crores of aid from the Second Plan avail-

able for utilization during the Third Plan period. In addition, agreements had been concluded with the U.S.S.R., Czechoslovakia, Yugoslavia, Poland and Switzerland for credits to the tune of Rs. 238 crores, Rs. 23 crores, Rs. 19 crores, Rs. 14 crores and Rs. 11 crores respectively. This brought the total foreign aid available for the Third Plan at the beginning of April to Rs. 673 crores. The assistance promised by the Aid-India Club at its last meeting is about Rs. 1,100 crores (\$2,286 million).

BRITAIN'S JOINING THE E.C.M.

Making the statement on India's reaction to the United Kingdom's decision to negotiate for entry into the European Economic Community, the Finance Minister stated that India would "acquiesce in" the termination of her preferential trade arrangements with Britain — which is implied in Britain's becoming a member of the European Common Market — if she were granted three compensations: (1) suitable transitional arrangements for a gradual ending of the preferences so as not to damage and disturb India's export earnings; (2) general lowering of Common Market tariffs on imports from non-Common Market countries; and (iii) abolition of all quantitative restrictions on Indian exports to the "Inner-Six".

Mr. Desai reiterated that the decision on whether to join the Common Market or not rested only with the United Kingdom. India, he said, however, would "greatly regret" the ending of her preferential arrangements with Britain which had led to expansion of trade between the two countries.

In regard to the likely impact of Britain's joining the E.C.M. on India's export earnings, the Finance Minister stated: "The amount of effect this will have on our export trade will depend upon the kind of tariffs and the kind of commercial policies which are ultimately evolved. It is not possible for me, therefore, at this stage to attempt any kind of assessment of the effects of the U.K. joining the Common Market on our export earnings."

Explaining India's basic stand on the issue, Mr. Desai pointed out that it was fully in line with the principles adopted by the GATT. The GATT is against any new preferences being created. It, however, recognizes that in order not to disturb the pattern of trade established through decades of preferential treatment, the preferential concessions in operation prior to the coming into force of the GATT should be allowed to continue. The GATT, he said, had accepted the principle that if preferences were reduced, countries which benefited from the reduction in preferences should offer tariff concessions. This stand of India, Mr. Desai added, had been made clear to Mr. Peter Thorneycroft, U.K.'s Minister of Aviation, who visited New Delhi recently to have India's reactions to Britain's joining the Common Market.

In the long run, the Union Finance Minister declared, India would view the disruption of preferences as a result of the U.K. joining the Common Market as a challenge to the country's industries to adjust themselves to face the competition in the world markets. This competition, he said, should be on equal terms. By this he meant that all industrialised countries should give access to their markets, on specially favourable but not-discriminatory basis, to the products of the developing countries whether these were raw materials like metallic ores and rubber or beverages like coffee, cocoa and tea or simple processed goods like tanned hides and skins, vegetable oils and grey textiles.

Mr. Desai disclosed that Mr. Peter Thorneycroft fully agreed with the Indian viewpoint on the need for a gradual tapering off of preferential trade arrange-

ments between India and Britain and on the principles of general lowering of Common Market tariffs and abolition of quantitative restrictions on Indian exports to the Common Market. The Finance Minister further indicated that India proposed to impress these points on the Common Market countries as well. India would emphasize on them the importance of trade in reducing the dependence on aid.

FINANCE MINISTER'S NOTE TO THE PLANNING COMMISSION

Apart from the above two statements which the Finance Minister made in the Lok Sabha last week, he is said to have addressed a communication to the Planning Commission, expressing his strong disapproval of some Ministries coming up with proposals for projects which are outside the Third Plan. Mr. Desai is understood to have candidly pointed out that resources, both internal and external, are hardly adequate to finance even all the projects included in the Third Plan. He, it is further surmised, has characterized the proposals for expenditure on projects outside the Plan not only unrealistic, but capable of diverting the attention of the public from the more important problems on hand.

The Finance Minister, it is understood, has also drawn the attention of the planning Commission to the fact that the aid-giving countries have promised assistance on a definite blueprint of the Plan which should not be jumped over by inclusion of new projects. The Second Plan foreign exchange crisis, he is said to have pointed out in the communication, had been to a great extent the result of lack of strictness in including new projects in the Plan at a later stage.

The provocation for this communication from the Finance Minister appears to have come from the Planning Commission's decision to include three new projects in the Plan. One of these relates to the expansion of Hindustan Antibiotics Ltd., Pimpri, at a cost of Rs. 60 lakhs. The second project envisages setting up of a Central Design Institute for Machine Tools at an estimated expenditure of Rs. 93 lakhs. The third project seeks to expand Hindustan Cables Ltd., Roopnarpur, at a cost of Rs. 14 lakhs. There are some other projects also which are awaiting political pressure to be brought for their inclusion in the Third Plan. The more important among them are the Heavy Compressors and Pumps Project, Economy Car Project, Salt Works Project, setting up of an aluminium manufacturing plant in the public sector, putting up a naphtha cracker unit in the public sector, electrification of Durgapur, establishment of slag cement manufacturing units at the three public sector steel plants, Electrical Steel Sheets Project of Rourkela, Alloy Steel and Stainless Steel Project of Bhadravati (Mysore), setting up of a caustic soda plant as an adjunct of NEPA Newsprint Mills and the Phosphorous Plant Project.

OIL EXPLORATION IN JAISELMER AREA

An understanding has been reached between the Oil and Natural Gas Commission and the French Petroleum Institute—a French Government undertaking—for carrying out oil exploration work in the Jaiselmer Area (in Rajasthan) for a period of three years. Under the arrangement, the Oil and Natural Gas Commission and the French Petroleum Institute will form an Indo-French collaboration team for carrying out the exploration work. The entire risk of exploration will be borne by the Commission. The French Petroleum Institute experts will function as technical advisers and assistants to the Oil and Natural Gas Commission.

The foreign exchange expenditure involved in this exploration project is estimated around \$8.4 million (nearly Rs. 4 crores). All this will be met out of the credit which the French Government would be providing for this country's Third Plan. The details of the

credit agreement are being negotiated between the two Governments.

The French Petroleum Institute has a vast experience in oil prospecting in desert areas. The Institute has agreed to train Indian personnel at its headquarters in Paris.

The reaching of the understanding between the O.N.G.C. and the French Petroleum Institute means that the Esso Standard Oil Company is finally out of the picture so far as oil prospecting in Jaiselmer area is concerned. Grant of a licence for oil exploration to this company can now only be in some other area hitherto unexplored.

DEAL WITH ENI

The Union Ministry of Finance, it is understood, has cleared the Oil Minister, Mr. K. D. Malaviya's negotiated deal with the ENI under which the latter would be providing a credit to the tune of \$120 million for the development of oil industry in the public sector. The main hitch why this credit could not be cleared earlier, it now transpires, was that the draft agreement on it envisaged payment to the extent of \$13 million "cash down" at the time of the delivery of the equipment by ENI. The rest of the \$100 million credit was to be repaid over a period of 12 years with an interest at 6 per cent per annum. It appears that the Union Finance Ministry has agreed to payment of \$4.8 million "cash down" on the delivery of the equipment by the Italian firm. It is presumed that ENI would agree to payment of the remaining \$8.2 million which were to be paid at the time of the delivery of the equipment on instalment basis.

The 12-year repayment period for the Italian credit, it is understood, is not permitted under the Italian law. It should, therefore, be presumed that the credit would be available in the first instance for six years. There will, however, be an understanding that this 6-year period would be extended by another six years.

NAPHTHA SUPPLIES TO VISAKHAPATNAM FERTILIZER PLANT

Owing to the directive of the Union Oil Ministry to the private sector oil companies to restrict their imports of crude oil to the 1960 level, the management of the Caltex Refinery, it is understood, has informed the Government of India that it would not be possible for it to supply naphtha required for the 80,000-ton capacity fertilizer manufacturing unit, recently sanctioned to be installed by Parry and Company at Visakhapatnam in collaboration with the U.S. firm, California Chemicals Limited.

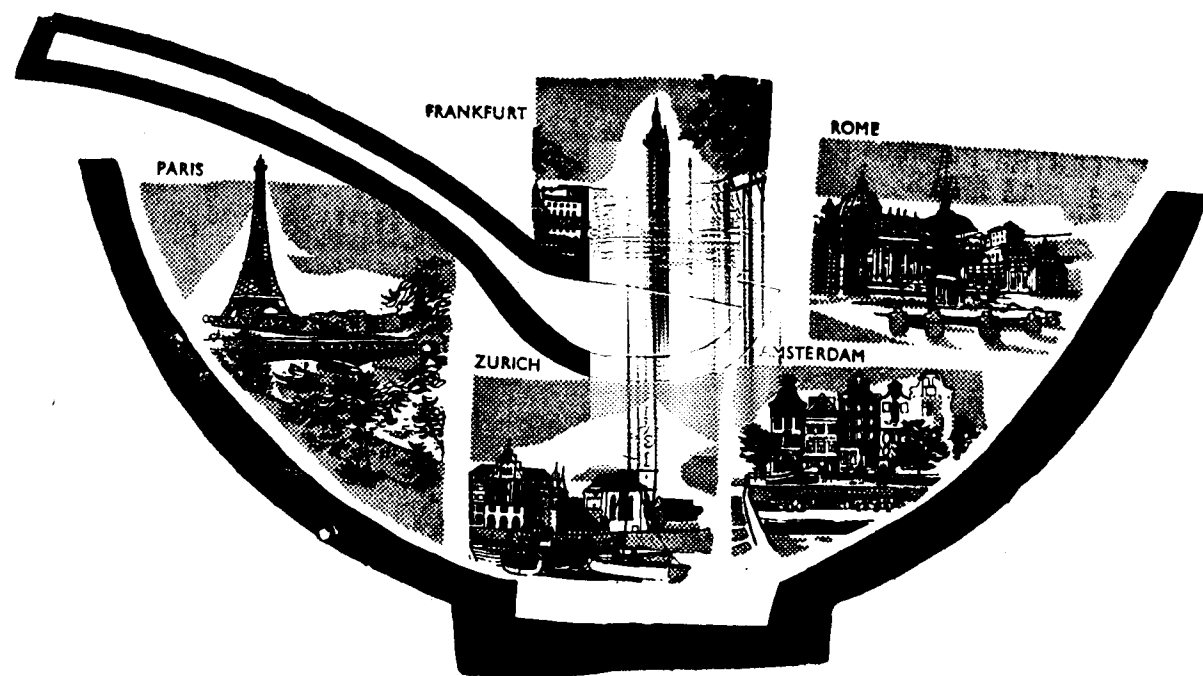
Will the Visakhapatnam fertilizer plant have to be abandoned? An answer to this question depends on whether the Government would permit import of naphtha from abroad or alternatively, the Caltex Refinery is permitted to import crude oil to the extent it was given to understand when its expansion programme was sanctioned.

SOLVING SUGAR CRISIS

The current crisis on the sugar front arising out of surplus production this year was the subject matter of a short, but heated, debate in the Lok Sabha. The cane-grower found several Members of Parliament, belonging both to the Treasury Benches and the Opposition espousing his cause. Replying to the debate, the Union Food and Agriculture Minister, Mr. S. K. Patil, stated that the Government was not contemplating any reduction in the price of sugarcane. He added that he wanted to give the cane-grower more money for his produce. For the present, however, Mr. Patil said, he was suggesting that in respect of exports of sugar, everyone, including the cane-grower and the manufacturer, should make some sacrifice to earn the much-needed foreign exchange for the country.

Mr. Patil reiterated his view that the problem arising out of the current sugar surplus did not tantamount to a crisis. Taking into

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missioners. On the amount actually drawn an interest at the rate of 5½ per cent per annum is to be paid. There will be in all 41 semi-annual payment instalments, the first instalment falling due on May 15, 1966. The last date for the drawal of the loan would be September 30, 1965. The Government will be guaranteeing the repayment of the loan on behalf of Calcutta Port Commissioners.

DEVELOPMENT OF CALCUTTA-CUTTACK ROAD

The International Development Association, an affiliate of the World Bank, has agreed to advance a credit of Rs. 12.69 crores for the development of Calcutta-Cuttack Road. The credit will cover the following works:

- Four-lane road from Vivekanand Bridge (near Calcutta) to Joypurbeel.
- Two-lane road from Joypurbeel, in West Bengal, to Subernrekha Bridge on the Bihar/Orissa border, including the construction of bridges over the Rupnarain and Kangsabati rivers.
- Single-lane road from Subernrekha Bridge to Cuttack, including the construction of bridges over the Mahanadi, Birupa, Brahamani, Kharswan, Baitarni, Salandi, Nuniajhari and Budabalang rivers.

STC'S WORKING

The fourth annual report of the State Trading Corporation discloses that during the nine months to March 31, 1960, the total turnover of the Corporation from direct sales increased to Rs. 42.82 crores from Rs. 35.95 crores during the twelve months July 1, 1958 to June 30, 1959.

As in the previous years, mineral ores constituted the bulk of Corporation's business in exports. The total turnover of mineral ores increased from Rs. 18.28 crores in 1958-59 to Rs. 18.83 crores in the nine months of 1959-60. There was also a substantial increase in the exports of low-grade iron ore and chrome ore. Other items exports of which registered an increase were jute bags, shoes and mica. New items on the export list were bauxite, pig iron, coking coal and cotton yarn.

On the import side, the Corporation handled a wide variety of products essential for the country's industrial and other needs. Non-ferrous metals, soda ash, raw silk, ammonium sulphate and skimmed milk powder accounted for the major portion of increase in imports. New items on the import list were flour-spar, rayon grade caustic soda and rock phosphate.

Another import of significance during this year was that of giant tyres, tubes and flaps to bridge the gap between the demand and indigenous production; 26,000 sets of tyres valued at Rs. 66.5 lakhs were imported.

The financial results of the working of the Corporation during the period in question as compared to the previous year were as follows:

	(Rs. Crores)	
	1958-59	1959-60 (9 months to March 31)
Paid-up capital	2.00	2.00
Direct Trade	35.95	42.82
Indirect trade (value) of export and import through S.T.C.)	21.37	13.47
Gross Profit	3.69	3.13
Net Profit	1.28	1.40

Out of the surplus accrued in the Cement Agency Account up to June, 1959, a sum of Rs. 2.40 crores was paid to the Government. The accretion to this account during this period was much less due to the increase in the incidence of freight and packing charges. The surplus on March 31, 1960, held on behalf of the Government was Rs. 1.40 crores.

BRIEFS

The Japanese steel industry has agreed to purchase from India 6 million tons of 65/62 grade iron ore during the period 1961-63. The terms and conditions for the supply of this iron ore are to be finalised in the near future between the Japanese steel mills and the State Trading Corporation. Negotiations in respect of sale of 65/65 and 62/60 grade iron ore to Japan are still in progress.

Two private sector companies—Sardesai Brothers Ltd., Ahmedabad, and Cellulose Products of India Ltd., Ahmedabad—have been granted licences under the Industries Act to manufacture sodium carboxy methyl cellulose to the tune of 1,200 tons and 1,500 tons per annum respectively.

The Coal Mining Machinery Plant at Durgapur will go into production by the end of 1963. It is designed to manufacture centrifugal pumps, sand pumps, direct haulages, endless haulages, main axial fans, booster fans, scrapper chain conveyers and belt conveyers. Winding engines are also expected to be manufactured at this plant in the year 1965.



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consideration the total output of sugar, including gur and khandasari, the surplus was about 5 per cent of the total production. One factor, he said, that had resulted in the current sugar surplus was that area under cane crop had gone up by nearly 90 lakh acres in the past two years. Mr. Patil was of the view—in fact he had been pleading, he said—that areas under sugarcane should be regulated. But at the present juncture, he added, the State Governments found unable to do so under the existing laws. The Centre, Mr. Patil pointed out, was helpless in the matter since agriculture is a State subject.

Earlier replying to a question, Mr. Patil indicated that although distribution of sugar in the country was a responsibility of the State Governments, the Centre was consulting the States on liberalisation of the procedure so as to increase consumption in the country.

A more important announcement in regard to sugar, however, was made by Mr. A. V. Thomas, Deputy Minister for Food and Agriculture. He said that the Government had decided not to license any further capacity in the sugar industry for the present in view of the surplus production of the commodity this year. All the pending applications for setting up new sugar manufacturing units would be taken up for decision only when it was decided to resume licensing of fresh capacity in this industry, he stated. Mr. Thomas also disclosed that the Government had received Tariff Commission's report on the revision of the price-linking formula for sharing of sugar industry's profits between the factories and the cane-growers. The recommendations of the Tariff Commission, he said, were under examination of the Government.

ROURKELA SLABBING MILL BREAKDOWN

The Government of India has set up a committee to investigate the causes of the breakdown of the slabbing mill motor at the Rourkela Steel Plant. Mr. M. Hayath, Director, Heavy Electricals Ltd., will be the Chairman of this Committee. Its other members are: Prof. B. Sen Gupta, Director, Indian Institute of Technology, Madras, Mr. Brahma Prakash, Chief Metallurgist, Atomic Energy Commission, Bombay, and Mr. H. M. Crowe, of the International Construction Company.

The Committee has been asked to investigate the actual reasons for the breakdown of the twin drive bottom motor and ascertain the steps necessary to prevent a similar breakdown in future. It will also examine the design features of the motor for ascertaining its suitability for service in the blooming and slabbing mill. The Committee is required to submit its report within a month.

The Rourkela blooming and slabbing mill had to suspend rolling on June 17, 1961, following the failure of the twin drive bottom motor. The damage has since been repaired and the mill was re-commissioned into production on August 3, 1961. The company which supplied the blooming mill has already communicated to Hindustan Steel Limited, the authority which looks after the Rourkela Steel Plant, its views on the reasons of the breakdown. It has also submitted a report to the Government of India giving full details about the methods adopted when calculating and designing the coupling.

SMALL AND ANCILLARY INDUSTRIES FOR ROURKELA

Meanwhile, the following list has been finalised of the small and ancillary industries which can be set up at Rourkela:

Ancillary Industries: (1) Industrial fasteners; (2) Mild steel washers; (3) Foundry; (4) Drum and barrels; (5) Pipe fittings; (6) Leather footwear; (7) Paper bags; (8) Industrial brushes; (9) Industrial hand gloves; (10) Mining implements; (11) Polythene-lined jute bags.

Market-Oriented Industries: (1) Phenyl; (2) Steel furniture; (3) Builders' hardware; (4) Washing Soap; (5) Bakery and confectionery; (6) Bicycle parts; (7) Mechanical toys; (8) Motor tyre retreading and vulcanising; (9) Soft drinks; (10) Buckets; and (11) Office supplies including book binding.

An industrial estate has been set up at Rourkela for the location of small-scale industries utilising the end-products of the steel plant and for working as ancillary units for the supply of the requirements of the steelworks and the other large-scale industries coming up there. An industrial extension centre for engineering industries has also been provided at this estate.

WORLD BANK LOAN FOR COAL MINING IN PRIVATE SECTOR

As already indicated in this column last week, the World Bank has made available to the Government of India a loan equivalent to \$35 million to assist the Indian private sector coal mining industry to expand its production during the Third Plan period. The loan is repayable in 15 years; the first instalment of repayment falls due in May, 1966. It will bear interest at the rate of 5-3/4 per cent per annum, including the one per cent commission which is to be allocated to the Bank's special reserve.

Four private banks—The Bank of American National Trust and Savings Association, Irving Trust Company, Wells Fargo Bank American Trust Company and the New York Agency of the Hongkong Shanghai Banking Corporation—are participating in this loan, without World Bank's guarantee, to the extent of \$8,75,000, which represents a portion of the first maturity of the loan falling due in May, 1966.

The Third Plan coal target has been fixed at 97 million tons, which means that by the end of the Third Plan, India's coal production will have to be increased by some 80 per cent per annum above the present output (approximately 54 million tons). The private sector collieries are expected to expand their existing facilities and open new mines to increase their annual production from 44 million tons to 61 million tons. The total cost of this expansion programme is estimated around \$116 million. The rupee expenditure is envisaged to be provided by the companies themselves.

A sum of \$30 million out of the World Bank Loan is being provided to meet the cost of imported spare parts, replacements and equipment required during the first two years of the Plan period for the expansion of the existing mines. The remaining \$5 million are meant for import of machinery and equipment for opening certain new mines.

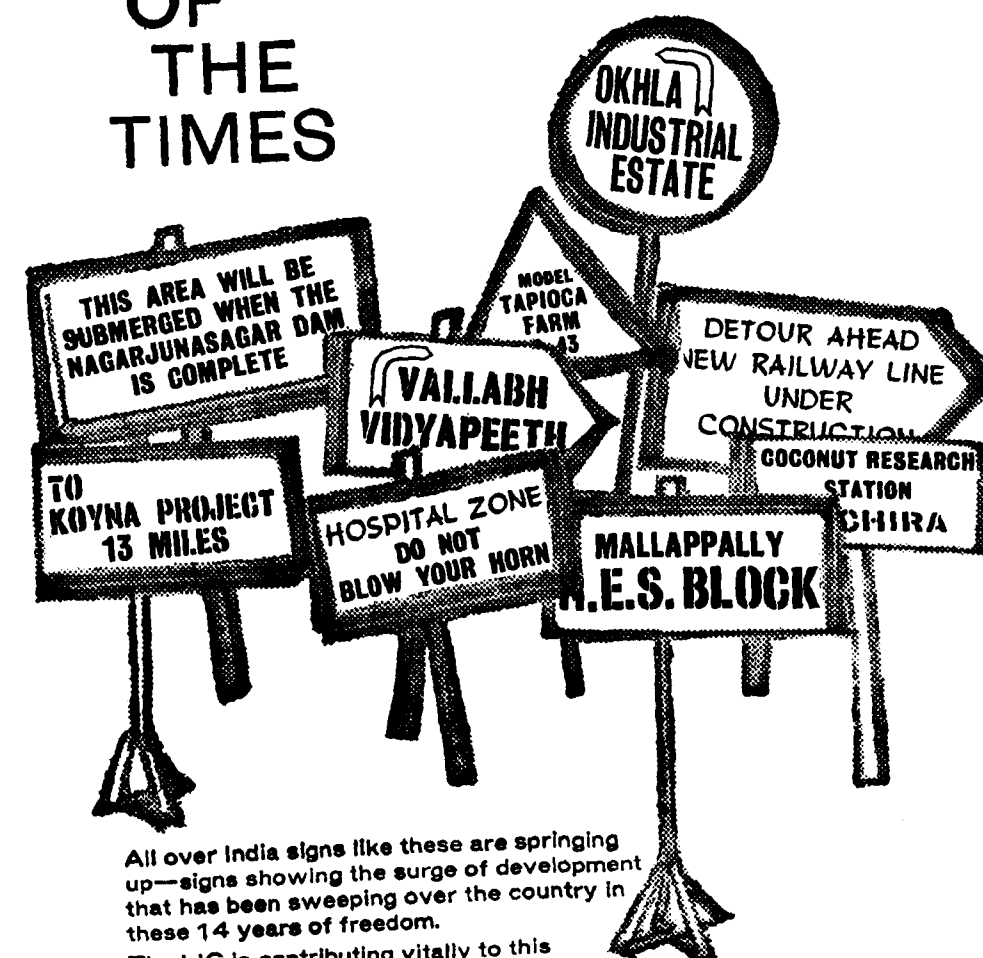
Several hundred private collieries will be participating in the expansion programme for which the World Bank Loan has been made. They represent all the segments of the industry, from small industrial units to those forming large complexes of the companies controlled by managing agents.

In view of the importance of the private sector coal industry to the attainment of the goal of 97 million tons coal output by 1965-66, the Government, it may be recalled, has taken a number of steps to enable the private companies to expand their production. They include a system of subsidies for mines with difficult operating conditions, permission to open new mines and an assurance of policies favourable to continued production by private companies.

DEVELOPMENT OF CALCUTTA PORT

The World Bank it is learnt has also agreed to grant a loan, in various foreign currencies, equivalent to \$21 million (Rs. 10 crores) for the development of Calcutta port. A formal agreement in this regard is expected to be signed shortly. The loan will be repayable in 25 years, including five years of grace. A commitment charge of 1 per cent will be payable with effect from 60 days after the agreement is signed on the amount not drawn upon by the Calcutta Port Com-

THE SIGNS OF THE TIMES



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COMPANY AFFAIRS

NEWS ISSUES

Consents have been granted by the Controller of Capital Issues to five companies for the issue of capital totalling Rs. 1.5 crores. The consent is valid for one year in each case. These companies are:

Rajesh Textile Mills Limited, Ahmedabad, have been granted consent to the issue of Rs. 50 lakhs capital divided into 50,000 equity shares of Rs. 100 each for cash at par. The shares will be offered to the shareholders of Sayaji Mills and the proceeds will be utilised in purchasing the assets of Sayaji Mills No. 2 in Bombay.

The Central India Coalfields Limited, Calcutta, has been granted a consent to the issue of 30,000 debentures of Rs. 100 each carrying interest at a rate not exceeding 7 per cent. The debentures are redeemable after 10 years and will be issued for development of the company's coal mines. The paid up capital of the company is Rs. 49,97,750.

The Indian Gelatine Industries Private Ltd., Bombay, have been granted consent to the issue of capital of Rs. 26 lakhs divided into equity shares of Rs. 100 each, for cash at par. The proceeds will be utilised for establishing the manufacture of edible and photographic gelatine and glue.

The Swan Mills Limited, Bombay, have been granted consent to the issue of bonus shares of the value of Rs. 24 lakhs divided into equity shares of Rs. 100 each to be issued in ratio of 2 shares for every 3 shares held on capitalisation of the company's reserves to a like extent. The company is engaged in the manufacture of cotton textiles and cotton and rayon tyre-cord. The present paid up capital is Rs. 36 lakhs.

Ahmedabad Jaya Bharat Cotton Mills Limited, Ahmedabad, have been accorded consent to issue further capital of Rs. 20 lakhs divided into Rs. 15 lakhs in equity shares of Rs. 100 each and Rs. 5 lakhs in 4½ per cent per annum (taxable) redeemable cumulative preference shares of Rs. 100 each. The shares will be issued for consideration other than cash and allotted to the shareholders of M/s. C. Parakh and Company (India) Private Limited for the purpose of amalgamation of the latter with the former company. The present paid up capital of Ahmedabad Jaya Bharat Cotton Limited is Rs. 30 lakhs divided equally in preference and equity shares. The consent is subject to the approval of the Scheme of amalgamation by the High Court of Gujarat.

PARTICIPATION WITH THE U.S.

During the period April 1, 1956 to March 31, 1961, consents have been given to 24 new issues of capital in which participation by U.S. companies was proposed. This, however, did not include cases of technical collaboration between U.S. and Indian companies approved by the Government of India.

The activities of these new companies, started with U.S. capital participation, cover a wide field, including the manufacture of automobile ancillaries, surgical and pharmaceutical products, pulp and paper, ferro manganese and other alloys, aluminium, cement, synthetic rubber, tyres and tubes, artificial silk or rayon, forge shop, carbon black, antibiotics, electrical equipments, etc.

The structure of capital participation between American and Indian interests varies from company to company but generally U.S. participation has been on a minority share-holding basis. However, only in very few out of the 24 cases mentioned earlier, the U.S. firms hold majority shares.

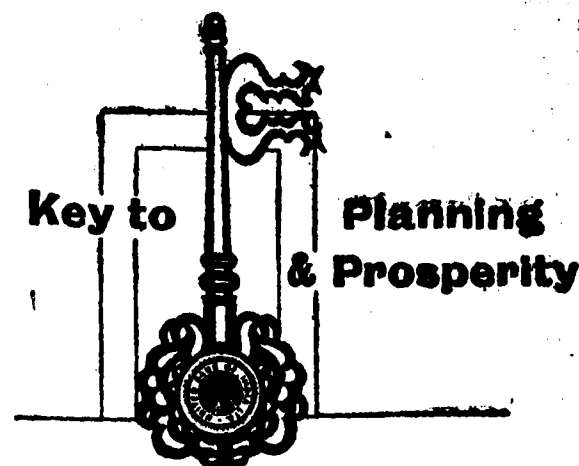
The Government has not invested in any of these joint collaboration firms.

SIMPLEX MILLS

The Directors of the Simplex Mills Company Limited report that the pattern of production of the

Company's Mills has undergone considerable change. Previously the Mills were producing coarse and grey cloth, the production of which has now been replaced substantially by that of higher medium wearable varieties. The above change in the pattern of production, coupled with the efficiency and vigilance of the management, have largely contributed towards the very satisfactory results for the year under review. The year's profits have practically been the highest during the post-war period.

During the year to March 31, 1961, the Company recorded a profit of Rs. 34.78 lakhs. After making usual provisions for depreciation and taxation and writing off the loss carried forward from the previous year, the Directors have recommended that a sum of Rs. 12 lakhs be transferred from the balance of Rs. 12.39 lakhs to General Reserve No. 2 and the balance be carried forward to next year's account. The Company's Rehabilitation and Modernisation plan as envisaged has created a need for larger financial resources and the Directors are of the opinion that the profits of the Company should be ploughed back to meet the demand for additional finance at least to some extent. The Directors have decided not to recommend any dividend for the year ended 31st March, 1961. With a view to reduce the existing imbalance between the Subscribed Capital of the Company and its net Fixed Assets, the Directors have recommended that, subject to the sanction of the Government, a sum of Rs. 10,08,000 out of the General Reserve No. 2 be capitalised and such amount be utilised in issuing one fully paid Equity share, as Bonus for every five existing shares held by the Shareholders.



Individual well-being is linked with national prosperity and only planned efforts can ensure both in the shortest possible time. And planning, for its success, largely depends on savings, individual as well as national. Saving in the form of Bank Deposits provides resources for the National Plan.

United Bank of India Ltd.

HEAD OFFICE: 4, CLIVE GHAT STREET, CALCUTTA

with branches all over India and East Pakistan, and correspondents in all important trade centres the world over.

**offers
complete
banking service**

UBF-103-61

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

A copy of the Prospectus together with the documents specified therein has been duly filed with the Registrar of Companies, Madras for registration as required by Section 60 of the Companies Act, 1956.

Consent of the Central Government has been obtained to this issue by an order of which a copy is open for inspection at the Registered Office of the Company. It must be distinctly understood that in giving this consent the Government of India do not take any responsibility for the financial soundness of any scheme or for the correctness of the statements made or opinion expressed in regard to them.

A licence bearing No. L/1-A(3)(88)[M.E.I.]61 dated 18-1-1961 has been obtained from the Central Government for the establishment of this new industrial undertaking a copy of which is open for inspection at the Registered Office of the Company. It must be distinctly understood that in granting this licence, the Government of India do not take any responsibility for the financial soundness of any scheme or for the correctness of any of the statements made or opinions expressed in regard to them.

THE SUBSCRIPTION LISTS WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS ON 24-8-61 AND WILL CLOSE AT THE CLOSE OF BANKING HOURS ON 31-8-61 OR EARLIER AS SOON AS SUBSCRIPTIONS APPROXIMATING TO THE AMOUNTS ISSUED TO THE PUBLIC HAVE BEEN RECEIVED, BUT NOT EARLIER THAN THE CLOSE OF BANKING HOURS ON 28-8-61.

Applications will be made to the Madras and Calcutta Stock Exchanges for permission to deal in and for an official quotation for the shares of the Company.

INDIA FORGE & DROP STAMPINGS LTD.

(Incorporated on 27-6-1960 under the Companies Act, 1956)

SHARE CAPITAL

AUTHORISED:

7,50,000 Equity Shares of Rs. 10/- each.	75,00,000
25,000 9.286% (free of Company's tax but subject to deduction of tax at source at the prescribed rates) Redeemable Cumulative Preference Shares of Rs. 100/- each	25,00,000
	<u>1,00,00,000</u>

CAPITAL ISSUED AND SUBSCRIBED

1,50,000 Equity shares of Rs. 10/- each subscribed by the signatories to the Memorandum, Directors and their friends	1,50,000
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PRESENT ISSUE:

2,50,000 Equity shares of Rs. 10/- each	25,00,000
10,000 9.286% (free of Company's tax, but subject to deduction of tax at source at the prescribed rates) Redeemable Cumulative Preference shares of Rs. 100/- each	10,00,000
	<u>35,00,000</u>

Out of the above, the Life Insurance Corporation of India have agreed to underwrite and subscribe for Rs. 5 lakhs nominal value of Equity shares of Rs. 10/- each and Rs. 5 lakhs nominal value of Redeemable Cumulative Preference shares of Rs. 100/- each, and these will be allotted to them in full.

CAPITAL OFFERED FOR PUBLIC SUBSCRIPTION:

2,00,000 Equity shares of Rs. 10/- each	20,00,000
5,000 9.286% (free of Company's tax but subject to deduction of tax at source at the prescribed rates) redeemable Cumulative Preference Shares of Rs. 100/- each.	5,00,000
	<u>25,00,000</u>

PAYABLE AS FOLLOWS:

EQUITY SHARES:

On application:	Rs. 2.50 per share
On allotment:	Rs. 2.50 per share
Balance:	Rs. 5.00 per share in two equal calls with an interval of not less than 3 months between calls to be made subsequently but not earlier than 3 months after allotment.
	<u>Rs. 10.00 per share.</u>

PREFERENCE SHARES:

On application:	Rs. 25.00 per share
On allotment:	Rs. 25.00 per share
Balance:	Rs. 50.00 per share in two equal calls with an interval of not less than 3 months between calls to be made subsequently but not earlier than 3 months after allotment.
	Rs. 100.00 per share

Failure to pay allotment money or any call when due will render the shares liable to forfeiture.

THE ENTIRE ISSUE NOW OFFERED TO THE PUBLIC IS UNDERWRITTEN

DIRECTORS:

- SIR DHIRENDRA NATH MITRA** Industrialist
7, Ballygunge Circular Road, Calcutta.

Reserve Bank of India (Director, Central Board and Chairman, Local Board, Eastern Area); Life Insurance Corporation of India (Member);

Director of: Hindustan Wires Ltd. (Chairman); The Oriental Fire & General Insurance Co. Ltd. (Vice-President); Mahindra & Mahindra Ltd.; Philips Carbon Black Ltd.; Angelo Brothers Ltd.; Hindustan Motors Ltd.

- SRI M. A. CHIDAMBARAM** Industrialist
"Adyar House", Madras-25.

Director of: State Bank of India (Member, Local Board); The Indian Aluminium Co., Ltd.; Automobile Products of India Ltd.; Southern Industrial Corporation Ltd. (Chairman).

- SRI S. NARAYANASWAMY** Stockbroker
"Seshadri", 6, Chittaranjan Road, Teynampet, Madras-18.

Director of: The Aluminium Industries Ltd. (Chairman); Seshasayee Industries Ltd.; Mettur Chemical & Industrial Corporation Ltd.; Seshasayee Paper & Boards Ltd.

- SRI V. RANGACHARI** Stockbroker
Mercantile Bank Buildings, Madras-1.

Director of: Swinton Estate Co., Ltd.; Teekcy Rubbers (India) Ltd.; Radio & Electrical Ltd., etc.

- SRI G. R. DHAWAN** Merchant
29, Jessore Road, Dum Dum, Calcutta-28.

Director of: Sudsons (Manufacturing) Private Ltd. (Managing Director); Dipak Corporation Private Ltd.; Investors Syndicate Private Ltd.

- SRI K. C. SOOD** Industrialist
3, Esplanade East, Calcutta-1.

Director of: The Aluminium Industries Ltd.; Seshasayee Paper & Boards Ltd.; Madras Rubber Factory Ltd.; Sudsons (Manufacturing) Private Ltd.

MANAGING AGENTS:

It is proposed that Messrs. Dipak Corporation Private Ltd., shall be appointed the Managing Agents of the Company. The Central Government has already accorded approval by their letter No. 9(790)-CIII/60 dated 16th March, 1961, for such appointment. Their Registered Office is at 29, Jessore Road, Dum Dum, Calcutta.

REGISTERED OFFICE:

"Kubera Buildings", 21, Sunkurama Chetty Street, Madras-1.

BANKERS:

- STATE BANK OF INDIA, Madras.
- THE PUNJAB NATIONAL BANK LTD., Madras.
- THE UNITED COMMERCIAL BANK LTD., Madras.
- THE INDIAN OVERSEAS BANK LTD., Madras.

UNDERWRITERS:

The following institutions and firms have agreed to underwrite the issue:

Underwriters	Equity Preference	
	Shares	Shares
	Rs.	Rs.
1. Madras Industrial Investment Corporation Ltd., Madras	10,00,000	5,00,000
2. Life Insurance Corporation of India, Bombay	5,00,000	5,00,000
3. Concord of India Insurance Co., Ltd., Calcutta	5,00,000	—
4. M/s. Maconochie & Co., Madras	1,00,000	—
5. M/s. Chitra & Co., Madras	1,00,000	—
6. M/s. G. M. Pyne, Calcutta	1,00,000	—
7. M/s. Batliwala & Karani, Bombay	1,00,000	—
8. M/s. P. R. Subramanyam, Bombay	1,00,000	—

In the opinion of the Directors the resources of the Underwriters are sufficient to discharge their obligations.

BROKERS TO THE ISSUE**MADRAS:**

- Messrs. Maconochie & Co.,
Mercantile Bank Buildings, Post Box No. 291, Madras-1.
- Messrs. Chitra & Co.,
322-323, Linghi Chetty Street, Bombay Mutual Building Annexe, Post Box No. 1557, Madras-1.

CALCUTTA:

Messrs. G. M. Pyne,
14, India Exchange Place, Calcutta-1.

BOMBAY:

- Messrs. Batliwala & Karani,
Union Bank Buildings, Dalal Street, Fort, Bombay.
- Messrs. P. R. Subramanyam,
70/A, Stock Exchange, Apollo Street, Fort, Bombay.
- Messrs. A. B. Pandit & Co.,
32, Apollo Street, Fort, Bombay.

DELHI:

Messrs. Raj Paul Chadha & Co.,
Delite Cinema Building, Asaf Ali Road, New Delhi.

AUDITORS:

MESSRS. SINGHI & CO., (Chartered Accountants)
1-B, Old Post Office Street, Calcutta-1.

LEGAL ADVISERS:

- SRI T. RAGHAVAN**,
11-B, Mowbrays Road, Madras-13.
- SRI B. M. BAGARIA**,
6, Old Post Office Street, Calcutta-1.

UNDERWRITING COMMISSION AND BROKERAGE

The Underwriters are entitled to an underwriting commission of 2½ per cent on the Capital underwritten by them.

Brokerage at the rate of 10 naye Paise per Equity share and Re. 1 per Preference share will be paid on all allotments made in respect of applications bearing the stamp of a Bank or a recognised Broker including the Underwriters and Brokers to the issue.

OBJECTS

To start and work an up-to-date commercial Forge Shop and Drop Stamping Works near the city of Madras for mass production of commercial steel and non-ferrous Forgings and Stampings for supply to automobile and internal combustion engine industry, railways, motor cycle and cycle industry, defence and aircraft industry, electrical industry and all other allied industries and carry out the business of iron and steel foundries, mechanical engineers, wagon and coach builders, tool and die makers, etc.

PROSPECTS

The Steel Forging industry is one of the basic industries which supplies the raw materials essential to a number of industries, viz., Automobile, Internal Combustion Engine, Defence and Aircraft, Motor cycle and Cycle, Railways and Rail Roads, Tractors and Heavy Earth Moving Equipment, Agricultural Machinery, Electrical and General Engineering Industries, etc. The requirements of the automobile and allied industry alone are expected to be in the neighbourhood of 1,00,000 tons per annum at the end of the Third Five-Year Plan. The majority of the manufacturers of engineering products, the automobile industry and others, are importing the bulk of their requirements of steel Forgings and Stampings. After a careful market research, Madras has been chosen for locating the present Factory and this has received the approval of the Government of India. Madras has also the advantage of availability of skilled labour. The proposed unit at Madras will be the first public limited Company to be established in the country for mass production of commercial steel Forgings and Drop Stampings similar to the units established in Europe and other industrially advanced countries.

FOREIGN EXCHANGE LOAN

The Industrial Credit and Investment Corporation of India Ltd., Bombay, have agreed in principle, subject to the consent of the International Bank of Reconstruction and Development, to grant to the Company a loan in Foreign Exchange to the extent of U.S. \$570,000 (equivalent to Rs. 27 lakhs approximately) secured by a first mortgage of the Company's assets and repayable in 15 half-yearly instalments starting from November 1963 and ending in November 1970, which will bear interest at 7½ per cent per annum. So long as the loan or any part thereof is outstanding. The Industrial Credit and Investment Corporation of India Ltd., shall be entitled to appoint a Director on the Board of the Company, who shall not be liable to retire by rotation nor shall be required to hold qualification shares.

TECHNICAL COLLABORATION AGREEMENT

The Company with the approval of the Government of India proposes to enter into a consultants and Technical Collaboration Agreement with Messrs. B. & S. Massey Ltd., Manchester, England, for a period of three years covering the design, erection and start-up of the plant and also for providing the technical know-how

with regard to the design and manufacture of Drop Stamping Dies. Messrs. B. & S. Massey Ltd., will provide the Company with various services besides acting as the Company's Consultants and Technical Advisers in connection with the design and manufacture of Drop Forging Dies for use with Massey Marathon Hammers or conventional type friction Drop Stampings, and instructing and training the personnel of the Company at their works in Manchester, England.

Messrs. B. & S. Massey have a wide experience in the design and manufacture of Drop Stamping Dies of various types and produce in their own Works at Manchester approximately 7,000 tons of Drop Stampings per annum.

SITE, RAW MATERIALS, POWER AND WATER SUPPLY

Application has been made to the Government of Madras for acquiring the necessary land in Padi and Muggapper villages about 8 miles from Madras, on the Madras-Avadi Road. Acquisition proceedings are in progress.

Plain Carbon steel and medium carbon steel billets and bars will be the principal raw materials required in the next few years. Adequate supply of these is available from the Indian Steel units. Alloy steel will also be required and will have to be imported until such time as the proposed Tool and Alloy Steel plants go into production in the Third Five-Year Plan.

The sanction for supply of 150 KVA electric power has already been obtained from the Madras Electricity System who have also promised to give 500 KVA by the end of 1961.

Adequate water is available at the site.

PRODUCTION AND PROFITABILITY

Production is expected to commence in 1962. The Directors have indications that the consumer demand will absorb the entire output of the proposed plant.

Adequate provision has been made in the plant lay-out to take care of future expansion. The estimates of profit margins are such as to ensure a reasonable return on the equity capital.

PRELIMINARY EXPENSES AND EXPENSES OF ISSUES

The preliminary expenses incurred by the Promoters in respect of the Registration of the Company, procurement of industrial licence, etc., etc., have amounted to Rs. 33,230 which amount has been reimbursed by the Company.

The estimated amount of expenses of this Issue including underwriting commission and brokerage is Rs. 2,00,000 and will be borne by the Company.

RIGHT OF PREFERENCE SHARES

The Preference Shares will confer upon the holders thereof the right to a fixed cumulative preferential dividend of 9.286 per cent (free of Company's tax, but subject to deduction of tax at source at the prescribed rates) on the capital for the time being paid up. The said shares are redeemable, at par at Company's option at any time after 10 years but not later than 15-6-1972. Any further issue of preference shares ranking *pari passu* with this issue shall be made only with the consent of the holders of not less than three-fourths of the value of Preference Shares outstanding.

CAPITAL OUTLAY AND MINIMUM SUBSCRIPTION

The minimum subscription in respect of the public issue on which the Directors will proceed to allot is

Rs. 25,00,000. Subscription of the amount is assured as the entire public issue has been underwritten. The total capital required to reach a capacity (on single shift basis) of 3,000 tons per annum of Steel Forgings and Drop Stampings is estimated to be as follows:

	Rs.
(a) Lands, buildings and other facilities	6,30,000
(b) Plant and machinery including cost of erection.	47,30,000
(c) Pre-operation expenses from the date of its incorporation until commencement of production	6,90,000
(d) Underwriting Commission, brokerage and other expenses of this issue	2,00,000
(e) Working capital	25,00,000
Total	88,00,000

SOURCE OF FUNDS

	Rs.
(1) Equity shares	40,00,000
(2) Preference shares	10,00,000
(3) Loan from Industrial Credit and Investment Corporation of India Ltd.	27,00,000

It is intended that the balance of Rs. 11,00,000 and any increase in the actual cost over estimated cost, including provision for working capital will be raised by loans from the Company's Bankers or other sources.

APPLICATION FOR SHARES

Applications for equity shares must be for 50 and for preference shares for 5 or multiples thereof. Applications together with cheques/drafts must be delivered before the closing of the subscription list to the Registered Office of the Company, or the Office of the underwriters or brokers to the issue or to any of the bankers at their offices mentioned below:

Ahmedabad, Bangalore, Bombay, Calcutta, Coch'n, Hyderabad, Kanpur, Mangalore, Nagpur, New Delhi, Surat, Trichy.

Association Meeting

INDIAN INSURANCE COMPANIES' ASSOCIATION

Review of General Insurance

"The progressive implementation of the various schemes under the Third Five-Year Plan will give ample opportunities to General insurers to extend further the scope of their service," observed Shri T. M. Telang, Chairman of the Indian Insurance Companies' Association, at the 33rd Annual General Meeting of the Association held in Bombay on August 14. In the unavoidable absence of the Chairman, the speech was read by Shri P. U. Patel.

PROGRESS OF GENERAL INSURANCE

Reviewing the progress of General insurance, Shri Telang averred that while the premium income had been steadily rising, it was hardly commensurate with the size of the country's population, its wealth and its expanding economy. It also suffered by comparison with its counterpart in other countries. There should be no room for complacency, especially when the companies had not touched even a fringe of the potential business. Shri Telang also stressed that a well-organised and integrated market, composed of financially sound, viable and healthy units, operating in a proper atmosphere, where every unit had an opportunity to expand, was a desideratum for General insurance to come into its own.

CONDITIONS IN THE MARKET

Proceeding, Shri Telang observed that the revised Code of Conduct for General insurers had not been a conspicuous success. Despite some improvement, wasteful competition continued. The question called for fresh thinking on the part of insurers and a pragmatic approach on the part of the authorities. The linking of the quantum of expenses of management to the

gross premium had led to a scramble for direct business and indiscriminate underwriting. The prescribed limits were not consistent with the prevailing living costs and prices. Shri Telang hoped that the newly reconstituted Executive Committee would suggest a more realistic basis, fair and equitable to the various sectors of the trade.

NON-DIVERSION AGREEMENT

The Chairman emphasised that the companies should concentrate their energies on developing new business. That would help to bring down the cost of acquisition and enable them to improve their financial position. He welcomed, in this context, the Scheme of Non-Diversion and Mutual Assistance sponsored recently by some leading insurers. Given goodwill, co-operation and mutual trust, he felt confident, the Scheme would enable companies to break new ground and pave the way for the rapid development of General insurance business on sound and healthy lines.

COMPULSORY REINSURANCE

Referring to the recent provision for compulsory reinsurance, the Chairman said that the hundred per cent increase overnight in the volume of premium to be ceded, on account of the Government-controlled unit coming into the picture, was likely to affect the trading profits of insurance companies. Now that the industry had been confronted with a 'fait accompli', he only hoped that the professed objective of arresting the foreign exchange drain would be achieved and the two professional reinsurers would succeed in bringing to the Indian market an increasing volume of profitable business from abroad.

Company Meetings

THE INDIAN IRON & STEEL COMPANY LTD.

STATEMENT BY THE CHAIRMAN,

SIR BIREN MOOKERJEE

DEALING WITH THE YEAR ENDED 31ST MARCH, 1961

The following statement by Sir Biren Mookerjee, Chairman of the Indian Iron & Steel Company Ltd., dealing with Company's working for the year ended 31st March, 1961, has been issued to shareholders. The Annual General Meeting of the Company will be held on Tuesday, the 5th September, 1961, at 3 p.m. at the Royal Exchange Hall of the Bengal Chamber of Commerce & Industry, 6, Netaji Subhas Road, Calcutta-1.

Production of iron for the year at 1,160,576 tonnes and of steel ingots at 914,159 tonnes showed an improvement over the previous year and constituted a fresh record for the Company. As will be seen from the Report of your Directors, there are however no grounds for complacency for with the serious deterioration in the quality of raw materials there can under existing conditions be no possibility of achieving the output envisaged at the time the expansion of our plant was planned, and in fact serious difficulties are foreseen even in maintaining production at the 1960-61 level.

ACCOUNTS :

In a consideration of the financial accounts for the year under review it should be borne in mind that the results disclosed are based on provisional steel sales realisation figures which are subject to revision according to the decision of Government on the pending enquiry by the Tariff Commission as to the steel retention prices to apply from the 1st April, 1960. To obviate hardship while the matter is under reference, Government have granted a provisional price increase as from the 1st April, 1960, but the true results for the year can naturally not be known until the final revised steel retention prices have been determined.

Nor can too much be built on any comparison of the provisional profit for the year with the profit of the previous year for previous sales figures, and in consequence previous profits, were distorted by the method adopted under the five-year price fixation that expired at the 31st March, 1960 of compensating the limited items of cost increases for which the Company under its agreement with the Government could claim adjustment. Under this method, with the exception of the increase of the steel excise duty, compensation for an increase of cost was effected not by increasing correspondingly the retention prices from the date of such increase, but by averaging the incidence of the increase over the whole five-year period with retrospective effect. The result was accordingly that while in total full compensation was effected, a part of the compensation was in fact assigned to a period before the increase in cost took place with corresponding reduction of the benefit to the subsequent period. The tendency was therefore to increase the profits of the earlier years and decrease those of the later years, the effect being of course most marked in the last year of the price fixation period, namely the year 1959-60.

It will also be appreciated that while giving a correct result in total, the effect of averaging the price increases over the five years was that the adjusted retention prices current from time to time during the period did not reflect the full amount of the cost increases, the shortfall gradually increasing over the period to a maximum in 1959-60. The new retention prices to be fixed from the 1st April, 1960 must naturally include

the full amount of the cost increases and from that date there must therefore on this account alone be a considerable apparent increase in the retention prices which in fact represents no additional benefit to the Company. Viewed against this background it will be seen that so far as the Company is concerned the provisional price increase granted by Government pending enquiry by the Tariff Commission represents an effective increase falling far short of the amount by which the retention prices have actually been raised. In the opinion of your Directors a larger increase is warranted by the circumstances of the case and the matter will be fully represented to the Tariff Commission in the course of its enquiry.

PRODUCTION DIFFICULTIES :

In view of my opening remarks regarding the present impossibility of achieving the iron and steel output envisaged under our expansion programmes and the difficulties of maintaining production even at the 1960-61 level, I should perhaps explain in as simple terms as possible what in fact are these difficulties with which we have to contend.

The main difficulty is the extremely high and varying ash content in presently available metallurgical coal coupled with erratic supplies and the fact that owing to the transport position our stock of coal is diminishing so severely that unless the position rapidly improves, we shall be forced to curtail the production of iron. Even given adequate quantity of coal in total, regularity of supply and transport from the no less than twenty-three different collieries over which our requirements have now been compulsorily spread is a further essential without which we are unable to blend the coal to effect some measure of consistency in working conditions. The consequence is that not only is the ash content of our coke ridiculously high but that this ash content varies widely from day to day with inevitable prejudicial effect on production. Under normal circumstances we would select our coal supplies to give the lowest ash consistent with the desired volatile content to suit the designed operation of our coke ovens. Conditions are such however that we have been forced in large measure to disregard volatile content and to concentrate on ash content, having regard to blast furnace practice. This position is most unsatisfactory as regards the operation of our coke ovens and is necessarily a cause of considerable concern on this account.

A high ash content in the coke means increased consumption of coke to attain the blast furnace operating temperature and in consequence a larger volume of slag produced. Since the cubic capacity of a blast furnace is constant, a larger volume of slag means in turn a reduced volume of iron produced. This high ash content makes additionally for very difficult operational

conditions, and I think I may claim that in the history of blast furnace operation we have the doubtful honour of being pioneers for never before to my knowledge has such high and fluctuating ash coke been charged to blast furnaces as is at present the case at Burnpur.

The plea of our operational executives is that if the quality of raw materials must be bad, then at least let it be regularly bad, for in that case whatever the difficulties, some measure of consistency of operation could be achieved. This however the erratic transport position effectively precludes and with the daily fluctuations it becomes impossible to produce a standard grade of iron, a position which is still further prejudiced by the present severe deterioration in the quality of limestone supplies, the percentage of free lime varying between 42% and 24%.

The tale then moves to the Melting Shop where consistency of quality of steelmaking iron is an essential for efficient working. With this consistency lacking, with some inevitable carry over of slag from the blast furnaces and with excessive impurities, in particular sulphur, in the hot metal, production difficulties become acute. Furnace time per melt is increased with consequent loss of production and operational temperature has to be increased leading to burning out of refractories and a consequent increase in the time the furnaces are out of commission for rebricking. The excessive sulphur content of the hot metal is a source of serious difficulty in the Melting Shop practice. This perhaps could, at a price, be overcome by adoption of the expensive soda ash refining process but the position is that adequate supplies of soda ash are not locally available.

Until therefore the raw materials position improves, which I fear cannot be for some years to come, operation must perforce be carried on under extremely difficult and restrictive conditions. In fact, it would seem that before improvement takes place, the position must yet further deteriorate, for there remain still three more blast furnaces to be brought into operation in the public sector plants. I view with the greatest disquiet the consequences of this impending further demand in relation to the existing shortage of coal and transport.

I would make it clear that we have abundantly proved that given working conditions in any way approaching those assumed at the time the extensions were planned, our plant, as now expanded, possesses the full designed output potential. This has been conclusively demonstrated on those unfortunately rare occasions when a combination of fortuitous circumstances has enabled us to operate temporarily under reasonably normal conditions.

EXPORT OF STEEL:

India, at present, stands on the threshold of a golden opportunity to secure a place for herself in the world market for steel. It is now for the Government advantageously to utilise this position and thereby tap a vast source for earning the foreign exchange which is so vital to the progress of the country. I shall therefore attempt briefly to describe the difficulties to be surmounted in marketing Indian steel even in the nearest neighbouring countries, for unless adequate measures are taken immediately there is, in my opinion, grave danger of allowing this opportunity to escape.

In most of the under-developed or developing countries there is almost a greater hunger for iron and steel, judging by the policy of their leaders, than for food and many other necessities of life. East of Suez and in most parts of Africa, there is a vast and growing demand for iron and steel at present. India is in an enviable position to meet these requirements being basically one of the cheapest producers of iron and steel in the world, having been abundantly endowed by nature with prac-

tically all the essential raw materials and the manpower. This position is however obscured by the inflation of production costs by the large contributions which directly or indirectly are levied on the industry for the benefit of governmental revenues.

Our iron ore resources are noted as being not only practically exhaustless but also of the highest quality. Yet for the reason I have mentioned we find ourselves in the unfortunate position of being outpriced in so far as our competitive position is concerned vis-a-vis the other exporting countries of the world except, perhaps, the U.S.A. I will illustrate my remarks with facts for your information so that it may be judged how we stand in regard to export. Taking two of the common categories which India can immediately afford to export, namely, 'Light Bars' and 'Structurals', the build-up of the approximate landed cost of these materials at Karachi, Colombo or Singapore from various sources is as follows:

TABLE NO. 1
Comparison of Indian Steel Prices
with Domestic Prices Abroad

	Rs. per metric ton					
	U.K.	Ger- many	Bel- gium	U.S.A.	Japan	India
	1	2	3	4	5	6
Light Bars	520	507	513	709	470	636
Structurals	502	515	521	686	518	645

Prices 1 to 4 are based on the (U.K.) Iron & Steel Board's Annual Report, 1960, published on 20th June, 1961. Japan's price is based on Metal Bulletin, March 30, 1961.

TABLE NO. 2
Approximate Average Freight Rate to Karachi,
Singapore or Colombo from the following exporting
countries

1. U.K., Germany, Belgium	£4.5	=Rs. 60/-	per tonne
2. U.S.A.	\$20	=Rs. 96/-	"
3. Japan		=Rs. 70/-	"
4. India		=Rs. 60/-	"

TABLE NO. 3
Indian Steel Prices effective from April, 1960
Rs. per metric ton for tested quality

	Light Bars Rs./M. Ton	Structurals Rs./M. Ton
1. Selling Price to consumers at all railheads in India	636	645
2. Government surcharge including freight equalisation amount	100	126
3. Retention price allowed to Main Producers (1-2)	536	519
4. Freight including adjustment for the equalisation fund, from Works to Docks	40	40
5. Incidental charges	5	5
6. Approximate freight from Calcutta to Colombo, Singapore, Karachi	60	60
*7. Landed cost at Karachi, Colombo or Singapore	641	624
8. Rebate of Excise Duty allowed to main producers in prices for export	53	53
9. Landed cost less rebate allowed at present	588	571

*Shipping & Hoisting charges, river dues and other Port Commissioners' charges are not included.

TABLE NO. 4
Approximate C & F prices of Steel from various
countries to Colombo, Singapore or Karachi
Rs. per metric ton

	U.K.	Ger- many	Bel- gium	U.S.A.	Japan	India
1. Light Bars	580	567	573	805	540	641 (unre- bated) 588 (re- bated)
2. Structurals	562	575	581	782	588	624 (unre- bated) 571 (re- bated)

In this comparison Retention Prices have been used for Indian steel as these prices are realisable and reflect the minimum prices at which producers can afford to export. Additionally, remuneration has to be allowed for agents and/or producers' representatives or branch offices to cover the expenses, if they are to handle the business. Furthermore the retention prices quoted in the above comparisons are current provisional prices only which must be increased on finalisation due to increased cost of production and overheads. It will thus be seen that even after deducting the rebate of Excise Duty of Rs. 53/- per metric ton allowed to the exporters in India, they are not at all happily placed in comparison with the U.K., Germany, Japan and Belgium. It is therefore very important that the gravity of the situation should be realised and that suitable steps should be taken by Government to stabilise conditions to create and increase competitive power so that it will be possible and practicable for the producers of steel in India to export. We must aim to enter the export market before our competitors have time to monopolise it and it may be that the country should, if necessary, starve itself temporarily and export rather than wait for the not far distant time when surplus production is available. Opportunity may not knock at our door again in future.

INCENTIVE FOR EXPORT:

The Government at present allows an export rebate of approximately Rs. 53/- per metric ton of finished steel equivalent to the Excise Duty levied on the steel ingot. From the figures quoted above, it will be seen that even after taking advantage of the rebate so allowed by Government, the Indian producer cannot compete with the prominent steel exporting countries, namely the U.K., Japan, Belgium and Germany. To strengthen the position of the Indian producer I feel that Government should give serious consideration to the adoption of measures which will enable the producers to reduce their production cost as much as is possible under present working conditions. These measures would include improvement of transport facilities, establishing of coal washeries, stabilisation of labour costs and regularisation of supply of raw materials and fluxes—matters which I will refer to in more detail at a later stage. Further incentives might be offered by way of rebate in the railway freight, remission of certain levies and taxes imposed by the State and Central Governments and reduction in the Port Commissioners' charges. The Government Inspectorate (D.G.S. & D.) might also be required to inspect the materials for export expeditiously and at nominal cost. The exporters should be allowed to retain any additional money they are able to realise over and above the incentives offered by the Government by virtue of their business acumen. This would enable the producers to establish and maintain their offices

abroad or to appoint agents. It must be borne in mind that for every ton of steel that is exported, foreign exchange, which is needed so badly, would be earned to the extent of £40 to £45. It is not with any motive for profit that I am suggesting increase in the incentives. The effective incentives will provide a cushion against the possibility of intensified competition by our foreign rivals. I would add that since regularity of supply would be a pre-requisite to the building up of an export market there should be no limitation to the export of certain categories of steel for which India has established adequate and probably surplus capacity, namely structurals and bars.

LABOUR:

I referred last year to the persistent rise in our Works cost despite the increase in our production. Much of this increased cost is due to the severe Governmental revenue imposts inflicted on industry in the shape of excise duties, increased customs duties, cesses, sales tax and the like, which either directly, as in the case of the steel excise duty, or indirectly by their effect on the delivered cost of goods, enter into our cost of production. Outside these items however, perhaps the most serious single factor is the persistent and inflationary rise in labour costs which again reflects directly or indirectly on our cost of production.

Labour in the Indian steel industry is better off by and large than similar labour employed in other industries in the private sector and in all industries in the public sector. As I pointed out in my Statement last year, we in India suffer from a malignant disease which thwarts our efforts even for the stabilisation much less the reduction of labour costs, namely the system of automatic annual increments as opposed to an assigned pay for each job, and of enforced increases in the rates of wages, allowances and incentive bonus. It must be remembered that any increase in basic wages is not confined to the amount of such increase for the effect snowballs by reason of consequential increase in overtime, incentive bonus, Provident Fund bonus, retiring gratuity, State Insurance contributions etc. If the Government fails to stabilise labour costs at this juncture, it will perhaps be impossible for the country even to be in a position to export any sizable quantity of steel.

Coupled with and directly bearing on the pay to be assigned to a job is the question of manning. In our own case we are at present compelled to employ at least twice as many men as are necessary having regard to the almost complete mechanisation of our plant, and to keep them in employment irrespective of our needs or of our costs.

I would make it clear that I do not for one moment suggest the imposition of a ceiling on the income of any workman. What I do suggest however is in effect a ceiling on the labour cost per ton of output, which is a vastly different matter. If industry is to continue to suffer from over-manning and low productive effort, then wages cannot be increased without inflation and loss of competitive power in world markets. Given the opportunity the Indian workman can hold his own with the workman of any other country and with reasonable manning and a link of wages with production, there is scope for very great improvement in individual earning power. Without this link, however, chaos only can result and yet it would appear that this essential has up to now been overlooked and that industrial labour which forms only a fractional part of the population of the country has been singled out for the conferment on it of benefit after benefit irrespective of productive effort or economic manning.

TRANSPORT :

The present shortage of transport is one of the most serious causes standing in the way of achievement of the planned targets for industry, impairing productive efficiency and raising all production costs. It is the primary duty of Government to develop as expeditiously as possible the availability of transport. Heavy industries, particularly the iron and steel industry, have to follow a continuous process of manufacture. Any shortage, interruption, irregularity or disorder in the transportation and delivery to the Works of the necessary materials in proper sequence leads to heavy loss of production. It is our bitter experience that raw materials are not received at the Works to our scheduled programme because of the shortage of railway rolling stock. Deficit of wagon placements builds up and is corrected by a sudden inflow congesting the internal traffic arrangements of the Works and taxing our unloading facilities to the utmost. The position is at all times aggravated by the number of wagons of unsuitable type that are allotted. Although our mechanised coal handling plant was, with the concurrence of the Railway Board, laid down on the understanding that at least 90% of our coal supplies would be in open 4-wheeler wagons, we now receive approximately 50% only in open wagons and the balance in covered wagons, with the result that our mechanised equipment stands partly idle and we have to revert to the outdated method of handling coal by manual labour. By giving us more covered wagons than we can handle each day, the Railways create periodic congestion in the Exchange Yard and advantage is at times taken of this congestion as an excuse to apply a cut on further allotments. It is clear that there is a very grave shortage of open wagons in the transport system.

Similarly, when iron ore should be brought in BOBS wagons we are forced to accept BOX wagons which disrupts the internal handling and transport arrangements in our Works and increases our cost of handling. BOBS wagons were designed for bringing iron ore to our Works and our mechanical handling equipment in turn was, again with the approval of the Railway Board, designed to handle these wagons only. There are instances when only 60% of our requirements of BOBS wagons have been met in a month and we have had manually to unload and load to and from stock extremely heavy quantities of iron ore, putting a tremendous strain on our labour resources. It is essential that immediate steps be taken by the Railways to increase the number of BOBS wagons in service.

The railway staff have a very difficult task to perform and I willingly acknowledge that they have been doing their best to endeavour that supplies to the steel works do not suffer. But what can they do when the wagons are physically not there? Pressure on carrying capacity is so great that it appears that in an endeavour to meet requirements large numbers of condemned wagons are being retained in service for we ourselves receive many with mechanical defects and in a bad general state of repair, with the result that either we are unable to utilise these wagons for out-ward traffic or can only so utilise them after effecting emergency repairs ourselves.

It is for Government to take suitable and immediate measures to make good the shortage of wagons in general and in particular of wagons of the right type for the steel industry. In this connection I understand that some of the wagon manufacturing concerns are working only to 40% of their capacity due to shortage of matching steel and some bought out steel castings such as axle boxes. This is a position which in the national interest should obviously be corrected so that the indigenous wagon building capacity may be uti-

lised to the fullest extent to meet the emergency.

The magnitude of the transport problem can be easily visualised in so far as the iron and steel industry is concerned, if it is kept in mind that under present day conditions the total quantity of raw materials to be transported to each works in order to produce one ton of ingot steel is in the neighbourhood of 5 tons. Taking six million tons of ingots as the estimated present installed annual production capacity of the main producers, this means that 30 million tons of raw materials are to be transported annually to their works. To this must be added the transport requirement for the production of 1 million tons of foundry iron, say an additional five million tons of raw materials per annum. In addition there will be about 4.5 million tons of semis and finished steel together with 1 million tons of pig iron to distribute all over the country. I have not taken into account the transport required for movement of food grains and other consumable items and stores, bricks, cement and sand which are all essential for those persons dwelling in the surroundings of the steel works, who constitute a large and fast growing population.

COAL :

So many complaints have been made by the consumers of coal and so many unfulfilled promises have been made by the Government to meet such complaints that it is not necessary for me now to repeat them in this Statement. All I say is that before launching on such a vast scale development of the iron and steel industry and the inclusion of some State cokeries, steps should have been taken to see that sufficient coking coal would be available to meet the requirements of these plants.

Simultaneously with the shortage of the quantity of coal there has also been a continuous deterioration in its quality, the ash content sometimes reaching as high as 27%. This has on the one hand considerably increased the cost of iron by larger consumption of the consequently inferior coke per ton of iron, and on the other has retarded the productivity of the Blast Furnaces and thereby reduced the available productive capacity of iron and steel in this country.

I gratefully acknowledge the assistance that has at all times been afforded by the Coal Controller who has been doing his utmost to help the industry in the face of a series of adverse circumstances over which he has but little control. The inadequate supply of wagons to the Collieries by the Railways, the Collieries not supplying the proper grade of coal they are expected to, the inadequacy of sufficient washed coal to meet the requirements of the Steel Works, are some of the problems which confront the industry. A further review by Government of these problems and also of the overall development of the coal resources of the country is essential if the Steel Works both now and under the Third Five-Year Plan are to have normal facilities to enable them to achieve their planned production capacities.

In this connection, I have to emphasize that there has been a lamentable delay in the provision of the coal washeries so necessary for reducing the quantity of ash and otherwise improving the quality of coking coal. We ourselves are particularly adversely placed in regard to supply of washed coal as the washed coal received by us at present constitutes only 7% of our total requirements of coking coal, whereas, it is understood, the programmed figures for other producers are as follows:—

TISCO	..	55%	of total requirement of coking coal
Durgapur	..	37%	"
Rourkela	..	37%	"
Bhilai	..	34%	"

The programmed quantity in our case is only 10% compared to the other Steel Works. By and large, even the unwashed coal received by the other Steel Works is by fortuitous circumstances of a better quality than that which we receive despite the co-operative assistance of the Coal Controller. The importance of establishing additional washeries of adequate capacity cannot, therefore, be overemphasized.

FLUXING MATERIALS :

It is regrettable that competition has recently developed for supplies of limestone for fluxing purposes brought about by the lack of planning on the part of the Public Sector Steel Plants which has created a position of scarcity for this material. Due to these circumstances, even inferior grade material with a high percentage of insolubles, which normally would not have been acceptable by the Steel Works, has perforce had to be consumed. Difficulties are intensified partly due to the Railways not providing adequate transport to the regular suppliers and partly because of the indifferent attitude of the suppliers to meet their commitments. There are ample reserves of good quality fluxing materials in India though away from present railheads and if steps had been taken by the Government to develop these sources and instal the necessary transport facilities the position would not have deteriorated to the present extent. Recently, there was a case

in which the Public Sector entered into competition with the Private Sector for the purchase of limestone and agreed to pay a price much higher than that being paid by the Private Sector. This naturally resulted in the producers of limestone asking the latter for a corresponding increase. Unthoughtful actions of this nature on the part of the Public Sector can lead only to a spiralling of prices of raw materials and intensification of inflationary trends.

ACKNOWLEDGMENTS :

In conclusion I would express on behalf of your Directors our appreciation of the services rendered by the General Manager, Mr. J. McCracken, and his executive staff throughout the year. The production achieved in the face of the constant operational difficulties I have outlined is itself testimony to these services, and while it is perhaps invidious to make distinction where so much depends on team-work, I feel I should make special mention of the Blast Furnace and Steel Melting Shop supervisory staff who have so ably faced up to the problems with which they have been, and continue to be, confronted in the maintenance of production under existing conditions.

The above statement is not a document purporting to be a report of the proceedings of the Annual General Meeting.

BOMBAY SUBURBAN ELECTRIC SUPPLY LIMITED

Speech by the Chairman, Shri A. N. Haksar

The Report and Accounts already before you reflect a satisfactory record of operations during the year ended 31st March 1961. Increase in sales energy has kept up the trend of the past average of 20%. The pace of increase in the coming year should, if anything, be steeper; this is, of course, assuming that bulk power in sufficient quantity will be available to meet the needs in the Company's area of supply.

From a preliminary study of the power requirements in the Company's System, it is estimated that the demand by 1976 would be in the region of 200 MW. In this context studies are, therefore, now under way to formulate a 15-year development plan. This involves appraisal, both technical and financial, of the future design of the whole system. Substantial progress in the study of the problem is expected to be made during the current year.

All these future developments involve considerable investment; but investment in the Electric Supply Industry is being impeded by the financial regulations governing it. The fact that the return at present prescribed by the Electricity (Supply) Act, namely, 2% over the Reserve Bank rate of 4%, which again is subject to deduction of tax, is definitely inadequate, has been obvious for some time, and persistent efforts are being made to obtain a measure of relief. This involves important amendments to the Electricity (Supply) Act.

Indications at present are that the proposals to amend the Electricity (Supply) Act may be brought into effect from 1st April 1962, and I earnestly hope that this expectation will materialise. In the meantime, in some of the States, including Maharashtra, the State Governments have permitted undertakings, as a special appropriation, the tax saving represented by the difference between the pre-1959 tax rate of 51.5% and the new rate of 45% based on the Finance Act of 1959. This interim relief, is, I think, an earnest

of the authorities' acceptance of the Industry's case for a fair deal.

I would now like to make some comments on the extent of relief required to rehabilitate the Industry, and enable it to raise capital for development. Two primary factors have tended to depress equity values in the Electric Supply Industry. These, in broad terms, are —

1. The change in the tax pattern introduced by the Finance Act, 1959, whereby the grossing up of dividends in the hands of shareholders was abolished, and in addition the law provided for deduction of tax at source at the prescribed rate (currently 30%). While this is a common feature affecting Industry at large, the Electric Supply Industry is placed in a position of not being able to take advantage of the tax relief offered by the Finance Act in other directions, in that whereas in other industries this relief has accrued to the benefit of the investor, in the case of the Electric Supply Industry this has not been so. This certainly is not in conformity with the scheme of the Electricity (Supply) Act. One would have thought that with the Electricity (Supply) Act providing for all taxes on income and profits being charged up to the consumer's account, taxation in all forms on the Electric Supply Industry would have automatically become the consumer's liability. As things have shaped this position has not been achieved. The priority from the Industry's point of view, therefore, is the need for such changes in the Electricity (Supply) Act as would make the return free of all tax liability, be it to the undertaking or to the investor.
2. The second issue has directly arisen out of the official Bank Rate (to which is linked the return permitted to the investor in the Industry) lag-

ing behind the realistic interest rates. In a capital intensive industry like Electric Supply, greater reliance has to be placed on long term finance as the industry's requirements for development finance are, by and large, insatiable. Consequently the return fixed from time to time should be at such level as would firstly arrest dis-investment and secondly continue to attract capital for expansion. The recent change in the Reserve Bank's lending rate to Scheduled Banks as an instrument of the credit squeeze involves three-tier interest rates: first Rs. 50 lakhs at 4%, follow on Rs. 50 lakhs at 5% and the balance at 6%, producing a resulting average lending rate of about 5%. This, by itself, has put the official Bank Rate out of focus in relation to money market conditions. Another aspect which has significant relevance is that inflation has had its effect in diluting the limited return permitted to the investor in the industry. In the light of these considerations it is only proper that the permissible return should be upgraded suitably.

I have in my opening remarks referred to your Company's expansion being dependent on the quantum of bulk power which would be available in the years to come. For the present the power supply position is far from easy, and releases of power to consumers is subject to control under the Bombay Electricity (Special Powers) Act. A measure of decontrol is, however, in existence in that the Licensees in the area have been empowered to connect up small demands up to 20 kW for industries and domestic connections are permitted freely up to 5 kW. These decontrol measures provide a degree of normal growth. To what extent relief will be available after the commissioning of the first set of the Koyna Hydro Electric Project early next year is too early to say. At one stage it was thought that the bulk of the power from the Koyna Project would be available for use in Bombay/Poona area, but currently there are indications that a sizeable portion of the Koyna power will be reserved for use in Western Maharashtra. This has led to the possibility of the Tata Hydro Companies being permitted to extend their Trombay Thermal Station and, in addition, the Maharashtra Electricity Board considering installation of a new thermal station. This trend emphasises that the power needs of the Bombay/Poona area on which base area must perforce depend industrial development elsewhere in the State, will be met. Your Company's plans for expansion should therefore proceed on the basis that it, along with other Licensees in the region, will be able to obtain sufficient bulk power releases.

From this premise will arise the question: How best the Company can finance its future development? For the present development has been sustained by Bank finance and before the current financial year is out the need for raising further finance will arise in all seriousness. By that time the proposals to modify the Electricity (Supply) Act will, we hope, have reached finality and I hope will produce a measure of incentive to the investor in the industry. Your Board will then be in a better position to consider this matter further.

The large scale development in the Company's power system, involving massive investment in the coming years, will pose the problem as to whether the rates for supply now in force will produce a sufficiency of earnings to service adequately the capital employed, and meet in addition the enlarged operational expenses inherent in development. While there is no doubt that the enlarged scope of operations will tend to spread overhead costs, one must reckon with the inflationary factor. One way to hold the price line in electric supply is to diversify the sale so as to obtain a higher

load factor, that is, secure the beneficial utilisation of the power facilities more fully. There are, of course, limitations in this direction, as consumer choice is not a thing which can be rigidly endorsed. A strict watch on expenditure is yet another remedy to control operational costs, but here again there are limits beyond which a public utility cannot go. For example, in a basic service like electric supply, continuity of supply overshadows all other considerations, and no undertaking can risk diluting its service facilities for economic considerations which are marginal. The need to supply power at the lowest economic cost must therefore be circumscribed by the greater need to maintain reliability and continuity of supply. This assumes greater importance in your Company's area of supply which has to contend with rigorous monsoon weather and unfavourable atmospheric conditions. A higher standard of maintenance of the Company's supply system is, therefore, necessary.

In the immediate years ahead the distributing Licensees in the Bombay/Poona area may have to face an increase in the bulk supply rate consequent to the injection of the Koyna power into the System. There is also the likelihood of higher fuel costs applicable to bulk power supply which might tend to curtail net earnings as the Company's rates for supply do not contain an escalator clause to take care of adjustments in fuel prices. This has been so because until recently bulk supply in the area has been from hydro sources, but this situation has been altered by the coming into being of a larger thermal component than existed before. To what extent the first cause may have its impact on your Company's overall earnings is too early to visualise at this stage. The second cause is the more immediate one to be reckoned with, and your management are now considering how best the situation can be met. It is possible that your Company may have to consider introducing a fuel adjustment clause to ensure that the rise or fall in fuel costs applicable to bulk supply will automatically be on account of the consumer.

Dealing with the Accounts, I would like to clarify the Reserve created to augment production facilities, and the appropriations so far made to that Reserve. The first instalment of appropriation to this Reserve was made in the year 1959-60 consequent to the Maharashtra Government permitting the Company, along with other Licensees in the State, a special appropriation of 6½% of the tax saving about which reference has been made earlier. When the accounts for 1959-60 were finalised, it was not certain as to what form the relief available would take. It was then thought that the amount permitted as special appropriation would be available for distribution to shareholders, but as events developed the scope of the sanction was limited to ploughing back the sum into the business without deduction from the Capital Base. It was in this context that the sum of Rs. 1,01,656 was taken into the Dividend Equalisation Reserve in the Accounts for 1959-60 and which amount has since been transferred to a Reserve to augment production facilities in the light of the subsequent Government sanction. This Reserve now stands at Rs. 2,06,130 taking into account the sum of Rs. 1,04,474 appropriated for the year under review, for which the sanction of the State Government is yet to be secured. Although the amount standing in this Reserve is not available for distribution, the benefit which will be derived by the shareholders is not slight, as the assets acquired will remain the property of the Company and the return on the amount ploughed back will also be available for the benefit of the shareholders.

Note: This does not purport to be the proceedings of the Annual General Meeting which can be seen by any shareholder on request.

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Food articles & Tobacco	Liquor	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures			All Commo- dities
						Inter- mediate Products	Finished Products	Total	
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61	..	120.0	110.0	119.6	145.4	130.5	122.8	123.9	124.8
April	1960	117.6	103.1	118.1	134.2	123.2	116.9	117.8	120.4
May	"	120.3	107.3	119.2	140.1	125.4	119.0	119.9	122.8
June	"	120.3	109.5	118.0	139.7	127.2	118.7	119.9	122.9
April	1961	117.5	112.0	122.3	152.9	136.0	125.3	126.8	125.7
May	"	117.2	104.1	122.8	152.8	136.9	124.5	126.3	125.2
June	"	119.9	100.1	122.2	148.7	135.2	127.4	125.3	125.6
24-6-1961	..	122.2	98.6	121.5	150.4	140.7	123.6	126.0	127.2
1-7-1961	..	122.8	97.8	121.5	148.9	141.2	123.2	125.7	127.1
8-7-1961	..	123.3	98.2	121.5	150.4	142.7	124.2	126.8	127.9
15-7-1961	..	125.0	98.2	121.4	153.5	142.5	125.0	127.5	129.5
22-7-1961	..	125.6	99.5	121.5	154.4	141.9	125.2	127.5	129.9

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS (August 1939 = 100)

Period	Bombay			Delhi Bengal U.P.			Central Provinces		Madras	E.P.	Bihar	
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi	Calcutta	Kanpur	Nagpur	Jubbulpur	Madras June 1936=100	Ludhiana	Jamshedpur	All India
1939 (Aug.-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	217	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	157	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	308	158	384	469	498	163	429	166	173	168
1960	401*	420*	296	158*	397	476	512*	165	467	167	166	171
1960 July	404	423	302	160	406	484	515	165*	467	169	166	174
August	402	421	304	160	410	484	515	163	470	169	168	174
September	399	418	302	161	403	484	520	163	472	167	168	173
October	402	421	304	162	396	488	517	163	477	171	166	173
November	404	423	300	159	392	498	509	163	484	171	168	171
December	400	419	297	160	385	480	507	163	488	169	167	171*
1961 January	400	419	296	161	385	480	502*	163	470	171	166	170*
February	401	420	—	163	389	488	491*	165	470	171	166	170*
March	404	423	—	164	392	483	488*	—	479	169*	167	171*
April	409	428	—	165	389	471	—	—	482	169*	166	170*
May	412	431	—	166	389	464	—	—	479	—	—	—
June	—	—	—	167	—	474	—	—	478	—	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT) WEEK ENDED

	4-8-1961			23-7-1961			21-7-1961			14-7-1961		
Gold (per 10 grams)	121.20	120.10	120.63	121.00	119.75	120.34	120.70	119.30	120.13	120.75	119.90	120.22
Silver (per kilogram)	202.05	200.10	201.06	201.40	199.95	200.80	200.60	199.80	200.06	200.80	199.75	200.18

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Balances (5+6) as Advan-			Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)	Cash (Note + Coins)	Reserve Bank	percent- age of (4)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1953-54 ..	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	59.56
1954-55 ..	559,62	351,86	911,55	32,66	53,91	9.50	468,39	84,66	60.68
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	63.02
1956-57 ..	653,34	453,92	1,107,26	36,94	50,23	7.96	626,08	155,56†	71.39
1957-58 ..	723,89	619,19	1,343,08	39,34	77,55	8.72	723,79	167,32†	66.77
1958-59 ..	735,93	860,33	1,596,26	40,30	83,99	7.74	766,56	133,27†	56.37
1959-60 ..	745,83	1,086,79	1,832,62	44,84	75,81	6.58	842,75	144,49†	53.87
1960-61* ..	794,49	1,155,87	1,950,36	47,04	93,09	7.17	995,75	162,94	59.48
Average of Fridays									
February 1961	803,25	1,092,13	1,895,38	45,46	71,07	6.15	1,071,18	183,27	66.19
March 1961	820,31	1,074,28	1,894,59	45,14	70,03	6.07	1,107,98	197,93	68.92
April 1961	854,21	1,093,17	1,947,38	47,78	74,18	6.27	1,111,89	205,35	67.64
May 1961	845,27	1,108,21	1,953,48	48,43	73,26	6.23	1,085,24	194,17	65.49
June 1961	837,02	1,119,91	1,956,93	48,46	79,72	6.55	1,102,90	179,40	65.53
July 1961	843,35	1,133,99	1,977,34	46,71	88,73	6.85	1,100,57	156,31	63.56
Week Ending									
7-7-1961 ..	855,27	1,119,82	1,975,09	49,43	86,72	6.89	1,109,81	162,44	64.41
14-7-1961 ..	847,22	1,130,88	1,978,10	47,04	90,86	6.97	1,106,99	156,40	63.87
21-7-1961 ..	838,34	1,142,56	1,980,90	46,19	100,09	7.39	1,095,61	155,45	63.15
28-7-1961 ..	832,56	1,142,69	1,975,25	44,17	77,26	6.15	1,089,87	150,94	62.82

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees)

Last Friday		Deposit money with the Public					
		Money supply with the public	Total currency with the public	Total	Demand liabilities of banks	Other deposits with Reserve Bank†	Total variations in money supply
(1)		(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1954-55	.. ..	1,920,63	1,311,77	608,86	599,16	9,71	+126,65
1955-56	.. ..	2,184,32	1,505,09	679,23	667,22	12,01	+263,69
1956-57	.. ..	2,312,89	1,556,50	756,39	744,74	11,65	+128,57
1957-58	.. ..	2,383,83	1,606,60	782,22	762,36	19,87	+75,94
1958-59	.. ..	2,498,76	1,724,53	774,23	754,98	19,25	+109,92
1959-60	.. ..	2,703,13	1,862,72	840,41	818,62	21,79	+204,38
1960-61	.. ..	2,901,72*	2,026,89*	847,83	855,87	18,96	+198,59*
November 1960	.. ..	2,668,68	1,843,44	825,24	804,15	21,09	+7,99
December	.. ..	2,737,29	1,898,73	838,56	813,05	25,50	+88,60
January 1961	.. ..	2,792,66*	1,944,99	847,67	821,72	25,94	+55,38*
February	.. ..	2,815,17*	1,966,28	850,28	829,74	20,54	+23,91*
March	.. ..	2,908,07*	2,026,89*	874,83	855,87	18,96	+85,15
April	.. ..	2,940,58*	2,025,68*	887,95	868,73*	19,22	+11,91
May	.. ..	2,870,53	2,010,63*	859,90*	839,65*	20,24	-43,10*

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

RESERVE BANK OF INDIA
ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES				ASSETS				
	Notes in Circulation	Notes Held in Bank- ing Dept.	Total Notes Issued (a)	Gold & Bullion (b)	Foreign Securities (c)	Total of (b+c) as Percent- age of (a)	Rupee Coin	Rupee Securities	Total Assets
1956-57 ..	1,475,77	18,75	1,494,52	40,02 (117,76)	545,61 (663,37)	39.95 (44.37)	115,93	755,22	1,494,52
1957-58* ..	1,529,36	23,18	1,552,53	117,76	329,65	28.79	1,30,06	975,06	1,552,53
1958-59* ..	1,593,88	19,34	1,613,21	117,76	182,04	18.58	133,99	1,179,42	1,613,21
1959-60* ..	1,730,90	19,86	1,750,77	117,76	167,62	16.30	131,50	1,333,83	1,750,77
1960-61* ..	1,863,13	18,94	1,882,07	117,76	134,99	13.4	126,84	1,502,48	1,882,07
Average of Fridays									
April 1960 ..	1,887,42	17,25	1,904,67	117,76	163,01	14.74	127,16	1,496,74	1,904,67
May ..	1,886,74	20,78	1,907,52	117,76	163,01	14.72	125,34	1,501,41	1,907,52
June ..	1,860,95	26,56	1,887,51	117,76	149,26	14.14	125,34	1,495,15	1,887,51
April 1961 ..	2,017,13	18,87	2,036,01	117,76	118,01	11.58	121,90	1,678,33	2,036,01
May ..	1,989,80	16,63	2,006,23	117,76	113,01	11.50	118,51	1,656,95	2,006,23
June ..	1,958,79	30,43	1,989,22	117,76	108,01	11.35	118,54	1,644,92	1,989,22
Week-Ending									
23-6-1961 ..	1,945,75	41,41	1,987,15	117,76	108,01	11.36	119,47	1,641,91	1,987,15
30-6-1961 ..	1,933,41	44,81	1,978,22	117,76	103,01	11.16	120,52	1,636,93	1,978,22
7-7-1961 ..	1,949,27	27,46	1,976,72	117,76	93,01	10.66	119,03	1,646,93	1,976,72
14-7-1961 ..	1,937,98	19,85	1,957,83	117,76	93,01	10.77	120,08	1,626,98	1,957,83
21-7-1961 ..	1,911,95	18,05	1,930,00	117,76	93,01	10.92	122,18	1,597,05	1,930,00

BANKING DEPARTMENT

(Rs. Lakhs)

Period	Deposits					Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad§	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Gov- ernment	Other Gov- ernments	Banks	Others	Total									
1954-55*	89,13	20,66	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	26,55	80,52	9,82
1955-56*	60,11	19,85	53,77	18,31	152,04	35,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
1956-57*	57,52	14,10	52,46	19,73	143,81	91,21	245,02	18,91	5,69	64,77	4,89	85,34	51,82	13,60
1957-58*	54,61	11,28	81,00	111,38	258,27	84,36	407,63	23,30	4,81	40,47	32,90	77,91	213,92	14,32
1958-59*	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,18	25,57	28,23	65,83	284,49	11,73
1959-60*	55,50	23,24	79,61	123,48	281,83	83,18	450,01	19,94	15,54	28,97	25,53	88,92	258,90	12,22
1960-61*	61,73	21,27	97,30	98,76	279,06	100,33	464,39	19,02	28,71	20,74	38,19	132,78	209,56	15,38
Avr. of Fridays														
April 1960 ..	62,26	21,36	90,66	100,04	274,72	119,50	479,25	17,33	47,71	21,96	41,01	117,33	219,04	14,86
May ..	55,55	27,20	96,35	98,14	277,23	108,96	471,19	20,85	27,39	12,66	49,43	115,02	230,51	15,34
June ..	73,15	13,28	107,89	90,72	285,05	111,02	481,07	26,63	28,14	13,57	45,94	122,56	228,02	16,21
April 1961 ..	59,70	8,73	77,38	101,68	247,48	134,15	467,38	18,99	55,31	10,60	84,08	135,28	142,78	20,37
May ..	61,61	16,21	78,38	116,50	272,69	145,08	501,78	16,73	41,65	21,40	83,99	125,26	191,55	21,22
June ..	64,96	13,54	84,67	123,86	287,04	134,21	506,25	30,47	39,78	14,49	68,97	121,34	208,22	22,97
Week-Ending														
23-6-1961 ..	82,05	14,63	80,37	128,49	305,55	144,43	534,98	41,44	41,01	12,65	77,43	115,71	223,09	23,64
30-6-1961 ..	59,68	15,18	94,73	115,27	284,87	101,43	471,30	44,84	35,53	10,78	34,30	130,41	189,49	25,95
7-7-1961 ..	54,51	8,96	91,69	111,14	266,30	101,18	452,48	27,50	38,43	16,54	37,16	123,79	183,56	25,50
14-7-1961 ..	49,83	13,37	96,08	111,22	270,49	98,76	454,25	19,90	27,74	9,89	41,73	117,52	213,45	24,04
21-7-1961 ..	53,02	31,35	103,46	112,56	300,39	89,20	474,59	18,09	25,69	8,47	40,65	113,60	248,88	19,21

* Average of Fridays. **Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. †Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. §Includes cash and short-term securities.

PUBLIC SECTOR PROJECTS

INDUSTRIAL PROJECTS OF CENTRAL GOVERNMENT

Name of the Scheme	Location	Total investment (Rs. crores)	Foreign exchange component (Rs. crores)	Capacity in 1965-66 (final capacity in the case of expansion)
A. Projects under execution and carried over from the Second Plan (a)				
1. Completion of the three steel plants	Rourkela) Bhilai) Durgapur)	50.0	20.0	3 million tons of steel ingots and 700,000 tons of pig iron for sale.
2. Rourkela fertiliser factory	Rourkela			120,000 tons of nitrogen.
3. Heavy machinery plant	Ranchi)			45,000 tons of finished machinery.
4. Foundry forge shop	Ranchi)	80.0	55.0	94,000 tons of casting and forgings.
5. Mining machinery plant	Durgapur)			30,000 tons of mining machinery.
6. Heavy electrical plant	Bhopal	16.0	7.0	Rs. 12.5 crores worth of electrical equipment.
7. Drug projects				Rs. 6.4 crores worth of drugs.
(a) Synthetic drug plant	Sanatnagar (Andhra Pradesh)			
(b) Antibiotics plant	Rishikesh (Uttar Pradesh)			Rs. 25.8 crores worth of antibiotics.
(c) Phyto-chemical plant	Munnar (Kerala)	30.0	15.0	Rs. 77 lakhs worth of phyto-chemicals
(d) Surgical instruments plant	Guindy (Madras)			Rs. 2.8 crores worth of instruments.
8. Organic intermediates plant	Near Panvel (Maharashtra)	11.0	6.6	25,000 tons of organic intermediates.
9. Expansion of Hindustan antibiotics	Pimpri (Maharashtra)	0.5 neg.		45,000 kgs. of streptomycin and 1.5 tons of tetracyclines.
10. Trombay fertiliser factory	Trombay (Maharashtra)	25.0	13.0	90,000 tons of nitrogen.
11. Nahorkatiya fertiliser factory	Nahorkatiya (Assam)	12.0	7.0	32,500 tons of nitrogen.
12. Neiveli fertiliser factory		15.68	11.56	70,000 tons of nitrogen.
13. Briquetting and carbonisation plant	Neiveli (Madras)	13.84	8.61	380,000 tons of carbonized briquettes.
14. Neiveli thermal power plant		9.67	5.86	250 MW.
15. Nunmati oil refinery	Nunmati (Assam)	8.5	4.9	0.75 million tons of crude oil.
16. Barauni oil refinery	Barauni (Bihar)	23.0	7.5	2.0 million tons of crude oil.
		295.19	161.4	
B. New projects for which external credits are already assured, wholly or partly				
17. Expansion of heavy machinery plant	Ranchi	14.0	11.0	80,000 tons of finished machinery.
18. Expansion of foundry forge	Ranchi	10.0	5.5	153,000 tons of castings and forgings.
19. Expansion of mining machinery plant	Durgapur	15.0	10.0	45,000 tons of mining machinery.
20. Second and third heavy electrical projects	Not yet decided	69.0	45.0	Scope yet to be finally decided in the case of the third project.
21. Heavy machine tool projects	Ranchi	11.0	9.0	Rs. 3.4 crores worth of machine tools.
22. Precision instrument project	Not yet decided	8.0	6.0	Rs. 20 crores worth of instruments.
23. Ophthalmic glass project	Durgapur	2.6	2.0	300 tons of ophthalmic glass.
24. Raw film project	Ootacamund	8.0	5.0	6.3 million sq. meters of raw films, photographic paper etc.
25. Watch factory	Bangalore	2.5	1.5	360,000 watches.
26. Expansion of Bhilai steel plant	Bhilai	138.0	56.0	2.5 million tons of steel ingots and 30,000 tons of pig iron for sale.
27. Expansion of Durgapur steel plant	Durgapur	56.0	27.0	1.6 million tons of steel ingots and 30,000 tons of pig iron for sale.
28. Expansion of Rourkela Steel plant	Rourkela	90.0	50.0	1.8 million tons of steel ingots.
29. Expansion of Hindustan Machine Tools	Bangalore	3.0	2.0	Rs. 7 crores worth machine tools.

INDUSTRIAL PROJECTS OF CENTRAL GOVERNMENT (CONTD.)

Name of the Scheme	Location	Total investment (Rs. crores)	Foreign exchange component (Rs. crores)	Capacity in 1965-66 (final capacity in the case of expansion)
30. Basic refractories project	Bhilai	3.0	1.5	Scope yet to be decided.
31. New machine tool works in Punjab	Exact location not yet decided	5.0	3.0	1,000 machine tools Rs. 3.5 crores).
32. Gujarat oil refinery	Exact location not yet decided	30.0	15.0	2 million tons of crude oil.
33. Expansion of Praga Tools	Secunderabad (Andhra Pradesh)	1.0	0.5	Rs. 1 crore worth of machine tools.
34. Heavy structural works	Not yet decided	6.0	4.0	10,000 tons heavy structural on single shift basis.
35. Heavy plate and vessel works	Not yet decided			18,000 — 20,000 tons of chemical machinery on single shift basis.
36. Gorakhpur fertiliser factory	Gorakhpur	18.0	8.0	80,000 tons of nitrogen.
37. Security paper mill	Hoshangabad (Madhya Pradesh)	5.5	4.0	1,500 tons of security paper.
38. Expansion of Hindustan cables	Rupnarainpur West Bengal)	3.5	1.2	2,000 miles of dry core cables and 500 miles of plastic insulated city cables on double shift basis.
		499.1	267.2	
C. Other Projects (b)				
39. Bokaro steel project	Bokaro	200.0	100.0	One million tons of steel ingots and 350,00 tons of pig iron for sale.
40. Alloy and tool steels plant	Durgapur	50.0	20.0	48,000 tons of finished products.
41. Expansion of Bhopal heavy electrical plant	Bhopal	19.0	8.0	Rs. 25 crores worth of electrical equipment.
42. Expansion of Hindustan Shipyard (expansion and subsidy)	Visakhapatnam	10.0	1.5	
43. Dry dock project of the Hindustan Shipyard	Visakhapatnam	2.0	0.5	50,000 — 60,000 DWT.
44. Second shipyard	Cochin	20.0	5.0	
45. Expansion of FACT	Alwaye (Kerala)	8.0	5.6	60,000 tons of nitrogen.
46. Expansion of Nepa mills	Nepanagar (Madhya Pradesh)	4.0	3.0	60,000 tons of newsprint.
47. Salt development		3.0	0.8	
48. Heavy compressors & pumps project	Net yet decided	15.0	10.0	Scope yet to be decided.
49. Ball and roller bearing project	Net yet decided	8.0	6.0	2 million bearings.
50. Additional capacity for machine tools	Net yet decided	15.0	10.0	Scope yet to be decided.
51. Second heavy structural works	Net yet decided	3.0	1.5	
52. Second plate & vessel works	Net yet decided			
53. Marine diesel engine factory	Net yet decided			
54. Expansion and modernisation of the Govt. alkaloid factory	Ghazipur (Uttar Pradesh)	0.4	neg.	
55. Lubricating oil plant		12.0	6.0	100,000 tons of HVI lubricants
56. Low temperature carbonisation plans		22.0	15.0	2.2 million tons of coal.
57. Neiveli lignite high temperature carbonisation plant and connected facilities for pig iron production	Neiveli (Madras)	25.0	13.0	1 million tons of lignite
58. Townships	At project sites	50.0		
		466.4	205.9	
		1,260.60	634.5	

(x) According to the latest estimates these projects will cost Rs. 10.1 crores and will need foreign exchange

INDUSTRIAL PROJECTS OF STATE GOVERNMENTS

Name of the Scheme	Location	Total in-vestment (Rs. crores)	Foreign exchange component (Rs. crores)	Annual capacity in 1965-66 (final capacity in the case of expansion)
Schemes with a total outlay of Rs. 50 lakhs or more				
A. Projects spilling over from the Second Plan (a)				
1. Expansion of Andhra Paper Mills.	Rajamundry (Andhra Pradesh)	4.00	2.49	18,000 tons of paper.
2. Expansion of Mysore Iron and Steel Works	Bhadravati (Mysore)			
(a) Steel expansion programme		2.00*	3.50	100,000 tons of steel ingots.
(b) Expansion of the ferro-silicon plant		0.95	0.37	20,000 tons of ferro-silicon.
3. Expansion of Government electric factory	Bangalore (Mysore)	0.90	0.48	electric transformers: 200,000 KVA electric motors: 60,000 h.p. switchgear and switchboards worth Rs. 40 lakhs.
4. Durgapur coke ovens	Durgapur (West Bengal)			
(a) Gas grid		2.25		7.5 million c.ft. of gas per day.
(b) Tar distillation plant		0.50	0.17	100 tons of tar per day. Coke: 650,000 tons. Benzene: 0.725 million gallons. Toluene: 0.235 million gallons. Napthalene: 1,200 tons; and road tar.
(c) Doubling of coke oven and by-products plant		4.20		
B. New Projects included in the Third Plan (b)				
5. Natural gas distribution	(Assam)	1.65	0.30	
6. Gas fractionation and transmission scheme	(Assam)	1.50	0.50	
7. Expansion of Bihar superphosphate factory	Sindri (Bihar)	0.50	0.15	46,000 tons of superphosphate.
8. Expansion of high tension insulator factory	Ranchi (Bihar)	0.58	0.17	4,800 tons of insulators.
9. Fertiliser project*		20.00	10.00	80,000 tons of nitrogen.
10. Cotton spinning mill	Samba (Jammu & Kashmir)	0.50	0.25	12,000 spindles
11. Pilot iron and steel plant	(Madras)	0.75		
12. Steel rolling mill	(Madras)	1.00		20,000 tons of rolled products.
13. Distribution of gas in Bombay	(Bombay)	0.50		20 million c.ft. of gas per day.
14. Reorganisation of the workshop at Nangal	Nangal (Punjab)	0.50		
15. Refractories plant	Churk (Uttar Pradesh)	0.85	0.30	24,000 tons of refractories.
16. Expansion of the precision instruments factory.	Lucknow (Uttar Pradesh)	0.69	0.22	
17. Organic chemicals scheme**	Durgapur (West Bengal)	4.00	2.00	Caustic soda: 6,600 tons. Phenol: 6,600 tons. Chlorine: 5,800 tons. Phthalic Anhydride: 6,600 tons. Formaldehyde: 5,000 tons. Penta-chlorophenol: 1,000 tons. 25,000 spindles.
18. Cotton spinning mill	(West Bengal)	0.65	0.08	
Miscellaneous schemes costing less than Rs. 50 lakhs each		15.61	4.00	
		64.08	24.98	

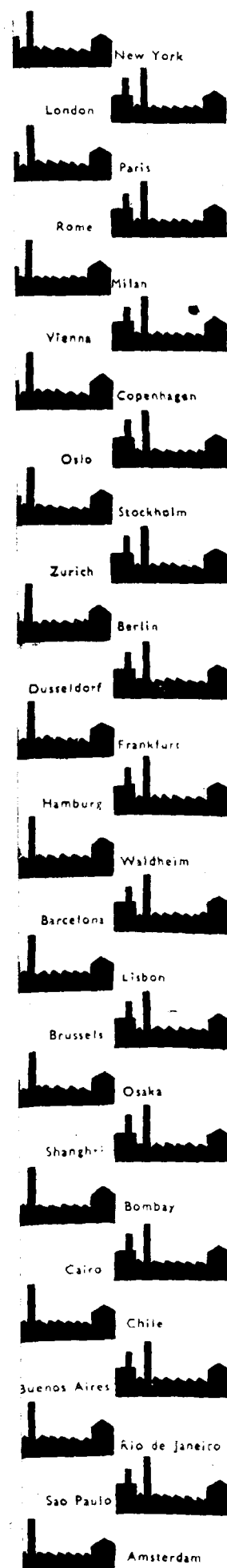
* Provisionally indicated in the State sector. Final decision about location and agency are yet to be taken.
 ** Private participation on a minority basis in the equity capital of the project is envisaged.

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VOL. XXVII NO. 4

NEW DELHI, AUGUST 23, 1961

ONE RUPEE



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The Eastern Economist

AUGUST 25, 1961.

The Plan, the Prime Minister and the People

THE debate on India's Third Plan in the Lok Sabha this week has been deeply disappointing. This is not because it failed to uncover any constructive suggestion or that it failed to release enthusiasm even amongst Congress members; it is basically because of its strong positive reflection of the feeling of apathy in the country as a whole. If the Lok Sabha fails to be stirred—and, indeed, is predominantly apathetic to the grand vision contained in the Third Plan—how can its vision be carried to millions of people, some of whom are illiterate and most of whom lack the elementary means of participation? This, and not the content of the Plan, should be our major source of anxiety. However good the transmitting end contained within the 777 pages of India's Third Plan, the receiving end is as nearly inert as possible. This Plan will fail unless something drastic, and even revolutionary, is done to awaken participation and enthusiasm in the people. This was said by several speakers in Parliament, and not by Opposition speakers only. But there was a ring in the speeches of Acharaya J. B. Kripalani and Mr. A. B. Vajapayee which struck an answering chord in the House as well as in many people in the country. There was certainly point in Mr. Vajapayee's criticism that this Plan cannot claim 'national' status. It was framed without consultation of other political parties as such and, of course, the Congress Party will claim its virtues in the elections; the Opposition will, therefore, be forced to exploit its shortfalls and failings. The Congress Party itself has never enjoyed a majority political vote; how then can it claim to speak for everybody? The attempt to sell the Plan as a combined effort will, therefore, fail; it should not have been attempted. The claim only encouraged the strong rebuff that it received.

Not even the Prime Minister's prestige seems now to be able to give life to India's plans of economic progress. For one thing the vision is not exciting enough. *The Eastern Economist* has for the last four weeks argued that the rate of economic progress has to be raised by at least 2 per cent in order to meet our needs, apart from the current aspirations of the Indian people. But even if this is done, a major programme of explanation in detail as to how the common man is to benefit will have to accompany more spacious targets of income and of production. Acharaya Kripalani was certainly right in reflecting the mood of the common man which is one of indifference. The Prime Minister's stately phrases on dedication and so on at the beginning of the Plan, and his even vaguer appeals for treating the

Plan as a "national" effort have fallen on stony ground. This is partly because the Prime Minister's leadership itself has lost its edge; and it is right that one should recognise that without the Prime Minister's leadership this country is even less prepared for sacrifice than it would normally be. Thus it looks as though a major crisis in national psychology is upon us. This is not a matter of national unity and integration; it is basically a matter of individual interest in what is claimed to be a national effort, but which, somehow or other, is never seen as such.

One of the great difficulties is the Prime Minister's own method of explanation. There is too much talk of the public sector as an instrument of redemption. To the great majority of Indian people the words 'public sector' have no more meaning than the words 'private sector', that is, they both imply an apparatus removed from themselves. In the one case power is associated with the Ministers and civil servants; in the other case, profits are associated with shareholders and managing agency houses. The workers are on the fringe of both and are not caught within the exercise either of power or participation in profits. In effect, the Indian people rightly judge that this Plan is only very secondarily for them; the beneficiaries in power are the politicians, in riches the business community. It is a mistake to believe that what has been put together in Delhi, largely by intellectuals who have a feeling of exultation in their work, and by politicians who are primarily concerned with the exercise of power, represents the mass of the Indian people. An even greater mistake is to suppose that the private sector by itself is a solution, for there is an equal or greater distrust of the managing agency houses or of private business as it takes place in the market place. What is required is a new look in terms of decentralised operation of both the public sector and the private sector by which responsibility and leadership as well as participation belong to many groups among the Indian people.

It seems certain that this challenge of throwing incentives back to individual men and women is the basic problem to be solved in India. It has been partially solved in Yugoslavia by the creation of decentralised enterprises where the Central and State Governments take themselves out of the picture whilst providing the capital for development through the Federal Bank of Yugoslavia. It has also been partially solved, both there and elsewhere, by workers' participation in industries not merely by higher wages, but also by the feeling

that the enterprise is producing products or performing tasks which are a national challenge. It may be that some of this spirit has been caught in public and private sector undertakings. Certainly the claim is made that the Hindustan Machine Tools has so operated. Whether this is so or not, basically, the division of authority and leadership in the country is such that enthusiasm at a mass level is largely lacking. That, and no

other, is the central failure of our Plans. The fact that the Prime Minister and the Planning Commission failed to recognise that they are now operating under a receding Revolution, in which their authority can work no more miracles, needs to be brought home with a brutal frankness. This is the time for the birth of different institutions to harness mass enthusiasm to the task. Who will bring them forth?

The Indian Press: Circulation

HAS there been a rise or decline or no-change in the circulation of newspapers and periodicals in India during 1960 as compared to 1959? No analyst, howsoever cautious and careful in the interpretation of the published official statistics, can be confident of his conclusions. Such conclusions as he is able to draw must be expressly qualified as tentative. How tentative they are and what is the probable margin of error, he will not be in a position to state. Two serious handicaps from which the statistics released by the Registrar of Newspapers in his Annual Reports suffer are the nature of their coverage and their quality.

Take the Annual Report for 1960 placed before the Lok Sabha last week. There is warrant to draw the *prime facie* conclusion that, although an overall increase took place in 1960 as compared to 1959, the rate of increase has been lower than in 1959 relative to 1958. But here again the area of comparability is narrow because of the coverage of the newspapers submitting their statistics in time to be included in the reports and—this is no less significant—the quality (and therefore, the dependability) of the statistics. These two vital factors bear some elaboration.

Meantime, the basic limitation must be underscored that, when more ample statistics are tendered, the whole structure of interpretation changes in a marked degree. The total average circulation of 4,651 newspapers and periodicals in various languages (including that dominant component of the Press in English) was 182.19 lakhs in 1960 as compared to 172.70 lakhs for 4,738 papers which reported in 1959 before the compilation of the report. The tentative conclusion to be drawn is that of an overall increase in 1960. But the annual statements of *more* (though not all) papers in respect of 1959, which became available subsequently, disclose a substantial improvement above what was reported last year—the revised total circulation of 5,239 newspapers reached the mark of 186.03 lakhs. Can one venture the inference that the reported circulation of the order of 182.19 lakhs in 1960 shows a declining trend? Who can give a conjecture of the revised figure for this year when more ample became available?

To make the best of the situation, the Registrar of Newspapers has selected 3,489 papers for which statistics are available for the years 1959 and 1960 and drawn the inference that the overall increase in 1960 was 8.3 per cent above 1959. He then goes on to point out that a *similar* (not *identical*) study shows that the increase in the average circulation was of the order of 11.2 per cent in 1959 and 8.8 per cent in 1958 as compared to the previous year's position. The coverages are not comparable for the two sets of years and this explains why he confines the comparative figures of percentage increases in respect of papers in the English and language Press to

1959 and 1960 only. The conclusion, tentative though it is, that the rate of increase in 1960 was lower than in 1959 ought to be circumscribed by these limitations.

But this is not all. The quality of the statistics demands attention and due weight. The earlier returns tendered by the newspapers had a bias towards inflating the volume of circulation. It is naive to suppose that this bias was without any calculated purpose. The weakness for inflation may have been influenced possibly by considerations of prestige, newsprint quotas, and so on. But certain checks have operated to bring a greater degree of precision in reporting. The publication of figures of circulation in the Annual Report provoked complaints relating to authenticity. Then followed verification through the State Governments, by the Registrar with the help of expert accountants and introduction of a new formula for certification by chartered accountants or auditors. The change which has been wrought in reporting last year accounts for the apparent decline in 1960, but its magnitude should not be exaggerated.

Subject to these qualifications, there has occurred a decline in the rate of growth in the circulation of papers in all languages—English as well as Indian. The decline in the case of English papers has been small—from 9.0 per cent in 1959 to 7.3 per cent in 1960. But there are lower declines recorded by some language papers, for example, Gujarati 7.7-6.6 and bilingual papers 14.7-14.4. However, the disparity in the growth rates in the two years has been substantial in most cases—Assamese 26.8-15.6, Hindi 11.8-3.1 and Punjabi 15.4-10.7. The declines in the cases of Bengali 10.3-6.0, Marathi 16.3-11.6 and Tamil 18.3-11.2 are partly attributable to the higher levels already achieved. Telugu papers recorded the impressive growth rate 10.6-29.5. But the decrease in Kannada 5.2 to -2.8 and the general decline in a large number of other language papers represent the essential circulation trend of the last year.

Why has this stagnation in the growth rate emerged at a time when the trend could easily be swerved the other way? Undoubtedly war-time and post-war prosperity, derived both from advertisement and circulation revenues, has generated a mood of complacency. To what extent the page-price schedule had a share in the decline cannot be discussed as the subject is *sub judice*. But there can be no two opinions that the rapid growth of literacy and the spread of the newspaper reading habit have come in handy for managements. There is danger in a lapse into mechanical production—a great disservice to the role of the Fourth Estate. Money comes more easily; not so imagination. On the whole, the Indian Press with greater financial resources is short of imagination on both the editorial and managerial sides.

Guest Editorial

Reading Between the Non-Lines

By ANDREW BOYD

PROFESSOR Parkinson is best known as the author of the famous law on the inevitable growth of bureaucracies. His other works also repay study. One in particular came to my mind as I contemplated the approach of the Belgrade Conference of Non-Aligned Countries. Non-alignment is a tricky thing to define. Indeed, the sponsors of the Belgrade "Summit" meeting have themselves found great difficulty in reaching an agreed definition; hence the long wrangle about who was to be invited to Belgrade. But, as of an elephant, so of non-alignment, you can say that although you cannot precisely define it, you recognise it when you see it. And today non-alignment looms over the international scene with a truly elephantine bulk.

The Parkinsonian analysis of voting in assemblies starts with the argument that the seating plan is all-important. Where, as in the British House of Commons, seats are arranged in two opposing halves—an arrangement attributable to the national passion for team games—a two-party system becomes inevitable. Any other arrangement makes a simple division into two parties impossible. And, without a two-party system, there is bound to emerge what may be called a "centre bloc". On any particular issue, there must be two definitely opposed groups, one for, the other against (otherwise there would not be an issue); neither of these groups has a clear majority (otherwise there would, again, be no issue, as the majority would already have imposed its will); the uncommitted or non-aligned (with whom Parkinson would include the unconcerned, the uninformed, and the uncomprehending) make up the centre bloc; and "the issue is actually decided, in the end, by the votes of the centre bloc".

One need look no farther than the United Nations Assembly for a present-day demonstration of these truths. Somebody at the UN has, indeed, taken note of another Parkinsonian theory: the theory that victory will go to whichever group can steer the more weak-willed members of the centre bloc into seats where they can be successfully led to vote as their partisan neighbours vote. It is to prevent this, evidently, that all seating at the United Nations has been made strictly by alphabetical order (to the discomfort, in particular, of the delegate of Israel, who used to have to sit between Iraq and Jordan, which both cold-shouldered him; fortunately, the admission of Ireland and Italy has eased this situation). However, regardless of the seating order, in a near-universal gathering such as the UN Assembly those factions that are specially concerned to get a given resolution approved have at least some possibility of influencing the uncommitted. But what of Belgrade? Once the uncommitted or non-aligned take to meeting by themselves, what then?

Obviously, they cannot in such circumstances be wooed and won by either of the "committed" groups. But, equally obviously, in the absence of the committed, what issues are the uncommitted to discuss? If they cling to the proposition that the only thing to which they can commit themselves is to remain uncommitted, they are not likely to say anything definite at all. On the other hand, if a natural eagerness to say some-

thing leads them to search out issues on which they do not feel obliged to remain uncommitted, a real danger lies before them. Alignments may appear among the non-aligned. A new division into contending groups may take shape within the select body from which contention had been supposedly excluded. Nor is it likely to be only a simple division into two new groups (unless the Belgrade Conference surprises the world by adopting the seating plan of the House of Commons). Between the opposing lines (or non-lines) a new centre bloc of ultra-uncommitted habits is liable to appear. Theoretically, this process of fragmentation could go on indefinitely through a series of smaller and small gatherings.

Theory, luckily, is not practice. In practice, awareness of the perils of fragmentation ought to serve as a counsel of moderation at Belgrade. This awareness is clearly widespread; one can see that from a preliminary skimming of the newspapers of most of the countries concerned. From Yugoslavia to Indonesia, the air is full of stern warnings against a show of disunity at Belgrade. President Sukarno has personally reassured his people that there is no danger of the conference opening up fresh rifts. *Borba*, the principal Yugoslav communist newspaper, has been insisting that none of the differences in policy which, it admits, exist among the participating nations must be allowed to jeopardise the general harmony of the conference. (*Borba* has poured particular scorn upon the Indonesian communist paper, *Harian Rakjat*, which had called the non-aligned countries "unreliable" and had publicly doubted whether their policies were peaceful.)

Now, I do not always agree with *Borba*, but it seems to me fully justified in stressing the perils of visible disunity at the Belgrade conference. One might, indeed, go further. *Borba* is silent about the long haggling over invitations to the conference. The efforts of some of the original sponsors to restrict invitations to a curiously narrow group of countries have already, I believe, done a certain amount of damage to the spirit of natural unity which ought to exist among the nations of Asia, Africa and Latin America; not to mention the exclusion from Belgrade of such non-aligned European countries as Ireland, Finland and Sweden, which have made common cause with those nations in so many other respects. India's pressure for wider participation was as intelligent as its hesitation about taking part itself in a narrowly circumscribed gathering. In a world of over a hundred sovereign states the voice of Belgrade will ring more loudly if the conference is seen to have brought together a large and representative group.

It may, however, ring hollowly if the outcome is no more than a set of pious appeals to the great powers and their associates to compose their differences, and, of course, to avoid sin. The role that the non-aligned countries now play on the world stage imposes grave responsibilities on them. To play their part effectively, they have not only to raise their voices in reminder of the general interest in averting conflict, but also to offer practical counsel about ways of averting it. The extent to which they can offer good counsel will be the real test of the success of the Belgrade conference.

A DELHI DIARY

EXIT BUT NO ESCAPE

AS my (disappointed?) readers will have noticed, I was absent from Delhi last week. Since I always tell the truth—in the grand manner of George Washington—I must confess I ran away from it all. Neither the Red Fort speech nor the President's At-Home makes Independence Day in Delhi an exciting occasion. I am beginning to feel that the formality of all this ritual is a little deadening. I, therefore, escaped on this occasion to look at India somewhat differently; of exhortations we have had enough. I planned to test reactions on the spot with large "samples"—fashionable word—in Madras, Bangalore, Hyderabad and Bombay so as to assist me in forgetting the problem of the Punjab which is now pressing heavily on the minds of everyone sensitive in Delhi. One of the great responsibilities of Delhi at the present time arises from its proximity to the Punjab. I suppose we can count on problems every day from now on until Punjabi Suba is conceded and perhaps thereafter. I am no expert in Punjab politics, but I can see that the hour of decision is at hand. The real interest in Indian politics has been captured by Master Tara Singh. Before I speak of my sample survey, let me, therefore, unburden myself on the Punjab. No doubt, I shall be burnt at the stake some time, but, since Mr. Asoka Mehta has done it, I cannot claim to be the first offender. May he kindly be chosen as the first martyr!

THE UNEQUAL FIGHT

I cannot see that on this occasion the Government's current stand has brought us any good. Worse still, I see that concession is almost certain to be made and that in the concession the prestige of the Prime Minister will again be shaken. The argument that this is a communal cry, as Mr Asoka Mehta points out, is a mistaken one, since Sikhs are only asking that, in the case of the new State, the borders should be designed not to exclude non-Sikhs but to include the appropriate Gurmukhi area. In other words, the old linguistic principle has come home to roost. It is no use crying ourselves hoarse on a communal question because a great majority of Gurmukhi users happens to be Sikhs. At the same time, there is no equality in the pressures that have been brought to bear on the Indian people by the fasts of Master Tara Singh and Swami Rameshwaranand. In the one case—that of Master Tara Singh—it is evident that a leader of a whole community is pressing on with the threat of political martyrdom and his act does, in fact, engage the passions of the very large majority of the Sikhs in the Indian Union. In the other case, however great the respect the Swami enjoys, I discovered in the course of my tours, that a great majority of members of his faith is indifferent. The Arya Samajists might work up some passion on the Hindi issue, but on balance the two fasts are at very different (political) levels. I argue, perhaps improperly, that this means that Master Tara Singh is going to win. Exactly how, I do not know, but I predict that before August 31, a major concession by the Government of India will have been made; and that will not be the end of the Punjab as a problem province. Nice prospect: for whom?

THE DECLINE OF PARLIAMENT

This is not my only song of distress this week. Those of us who have listened to the debate on the Third Plan have been bitterly disappointed at the apathy shown. Even more so the prestige of Parliament is lower this week than it has been any time

in previous five years. I can understand that a Parliament which is shortly to die cannot attract a great deal of interest—vested or otherwise—and Government's official legislation in this session is packed with matters of little moment. The Foreign Policy debate with its painful reiteration of inactivity almost everywhere—but officials to support the Government—also seems to have brought Parliament debates to a low level of interest. Almost nothing seems to have been said on the floor of the House which is calculated to stir or excite or even enrage. I am hoping very much that whatever might be done in terms of Party strategy we will have more vigour and excitement after the General Election. Meanwhile, Members of Parliament are seeking Prime Minister's support to obtain Congress tickets, which means that Congress members are even more on their good behaviour which, as far as I can see, implies even less criticism on the floor of the House.

NATIONAL INTEGRATION

They are all talking about national integration and I see that the Prime Minister is now proposing a conference by the end of September to analyse the terrible weaknesses of the Indian people in fighting or at least non-cooperating among themselves. I suppose that we will be told that we are small and petty, that the grand vision is totally absent from us, and that if only we could discover India again we would be better men, better Indians and, no doubt, better world citizens. I have tried this conversation in my "sample" surveys in Madras, Bangalore, Hyderabad and Bombay and I can say that it arouses no interest. This effort from on high is probably as much an ivory tower project as any I know.

THE PLAN

People might be indifferent to the Plan so far as they themselves are concerned, but it is a subject of interest and continued conversation. It was a little unfair of me to expect, when the Plan was only placed before Parliament on August 7, that it should be taken as read the following week. But it is surprising how much knowledge there is. The main features of the Plan have been absorbed from the excellent publicity that the newspapers have given to the Planning documents. I have been personally promised a summary of the Plan which apparently would be much more valuable to laymen like myself than the original weighty 777-page document. No doubt, it will arrive; meanwhile I might record that I am on page 300 of the original document and am still labouring manfully to complete my homework by the end of this month. I can record happily not only the results of the sample survey, but will measure my own enthusiasm on what is described on the Stapel Scale as +5. For the present let me say that a plan for national integration is a non-starter, but a Plan for economic progress is very much a starter; though in many respects we wish to see a different plan. But as for work, it is a slow business. Everyone seems to think that this is a Plan for everyone else but himself. How does one start to convince people that a Plan for everyone is also a Plan for each individual? Anyone who obtains the answer to the problem of how a national plan is basically an individual plan will have obtained the secret power in a democracy. It seems much easier to devise national plans than to translate those plans into 440 million individual assessments of personal interest. Until this is done I fear that what is called public participation will remain what it is—a small and insignificant apology for public enthusiasm. Here endeth the first chapter.

ARGUS

THE WEEK'S NOTES

U.S. Aid Bill

A SETBACK

THE IMAGINATIVE programme of the Kennedy Administration to place foreign economic aid on a long-term basis has received a serious setback from Congress. President Kennedy had asked for authority to borrow from the Treasury the unprecedented sum of \$8.8 billion over a period of five years to finance programmes of aid to the underdeveloped countries of Asia, Africa and Latin America by long-term commitments to give them the assurance in advance of continuity of American loan assistance. The purpose was to enable them to prepare their own development schemes in the full confidence that the foreign exchange outlay, of which they are substantially short in their own resources, would provide no insuperable obstacle in going ahead with integrated expansion programmes. The initial reverse came when a cut of \$800 million was applied to the loan authorisation from the Treasury. The subsequent blow denying authority to draw from the Treasury for a period of 5 years came after the Bill passed through critical ups and downs in the Senate as well as the House. The hope that a compromise formula would satisfy the viewpoints of Congress and the Administration by making it obligatory on the latter to submit for the approval of Congress each loan proposal of \$5 million or above was also dashed to the ground. Ironically enough, it was the motion of the Indian-born Representative Saund which was eventually responsible for knocking out the five-year period and restricting the President's authority to Congressional appropriations from year to year.

In part the blow to the long-term basis of aid may be traced to the universal trend, noticeable in every democratic country, on the part of the legislature jealously safeguarding its control of the purse and not delegating liberal and discretionary power of expenditure to the executive. Congress had sometimes looked with scepticism on the Administration's aid commitments and the way in which certain programmes were drawn up. But this inherent conflict between the legislature and the executive cannot fully explain the reverse with which the Aid Bill had to meet. There is something more significant in it. President Kennedy's earnest appeal to Congress to adopt a firm bipartisan policy of solidarity in the crucial matter of foreign economic aid and his gentle reminder of the manner in which the Democrats lent support and established a sort of convention of bipartisan unity during Mr. Eisenhower's Republican Administration were of little avail. What is surprising is that there was not only lack of response to the request for bipartisan solidarity but some of the Democratic members, including several from the South, voted against the Bill.

It is true that the rejection of the long-term authorisation to the President to draw funds from the Treasury for external aid does not imply that the size of the actual aid that would be extended would be cut down. In the yearly appropriations, which the Administration will now have to seek, aid amounts may very likely be voted by Congress on the dimensions asked for. But the element of uncertainty about the availability of American aid will hover over the planners in the underdeveloped countries and; since very few programmes of expansion can be drawn up fully on a short-term basis, there will be the basic handicap for them to enter into longer commitments of overseas plans of developmental purchases which many schemes entail. A certain flexibility will need to be maintained to meet the contingency of aid being slow to materialise

at the requisite time. It is this prospect of flexibility which has detracted in some measure from the tone of confidence that should have inspired our Third Plan.

The Presidency

TWO TERMS IN RASHTRAPATI BHAVAN

MR. BHUPESH GUPTA'S Bill, seeking to amend the Constitution, to limit holding of the office of the President of the Indian Union by the same incumbent to two terms, involved an important issue of principle and as such it merited a sober discussion. It is unfortunate that the Prime Minister, who, significantly enough, agreed without reservation to the limitation of two terms, treated the Bill rather indifferently. The sentiment and emotion he imported into the debate, which ought to have been held on the high plane of an objective discussion, were totally uncalled for. He appears to have lost sight of the sequence of the events leading to the preliminary debate, while expressing his disapproval that the subject was raised at a delicate time "when our revered President is passing through a severe illness". It was a regrettable coincidence that the discussion on the Bill came up on the agenda of the Rajya Sabha at this stage. In fact, the Bill was introduced during the last session presumably in view of the forthcoming Presidential election. Mr. Gupta dispelled any possible misgivings by wholeheartedly associating himself with the feeling of deep concern over Dr. Rajendra Prasad's health. The affection and reverence which he has earned as Head of State and the grandeur and dignity with which he has invested this supreme office during its first decade are acknowledged on all hands.

The office of President is not merely symbolic, but it carries responsibilities which demand capacity to solve critical problems. These problems may be constitutional, political or personal. It is given unto the President to use his personal influence for moderation and patience when the cabinet is likely to show questionable haste. If certain critical situations arise, his status as Supreme Commander of the Defence Forces of the Union may not necessarily be regarded as titular. The President can bring the weight of his personality to bear on important decisions of policy.

Under Article 57 the President is eligible for re-election which may in some cases mean re-election for a third or even a fourth term, considering the provision of Article 58 (1) (b) declaring a person of 35 years of age to be eligible for election to this office. It may mean holding the office for 15 years and theoretically even for longer periods. Re-election for a second term is itself a great distinction. No personal equation is involved in limiting the office to two terms and grace could have been imparted to the spirit of the Bill by including a clause that President Prasad could stand for a third term at his discretion. He himself has opposed the idea of another term. The purpose of the limitation is two-fold—to give one individual a reasonably adequate tenure and to secure the benefit of the good offices of a succession of luminaries to shoulder the responsibility as also to add variety and colour to the office. The regional touch is a consideration which cannot be altogether ignored.

The Bill was withdrawn on the Prime Minister's solemn assurance on the floor of the House that a statutory provision was not necessary, but the principle of two terms would be honoured and upheld by means of a strict convention. In the absence of a statutory limitation, the convention would serve the purpose.

Uttar Pradesh

THE CENSURE MOTION

THE PARTY in office as well as all the opposition parties and groups in the U.P. Legislative Assembly displayed solidarity during the discussion on the censure motion against the Government this week. Its fate was foredoomed. All the opposition parties put themselves under the leadership of Mr. S. K. D. Paliwal and launched a vigorous attack on the Ministry. This was probably a move to bring a greater weight in the attack on the eve of the forthcoming general elections. Hopes that the dissident group in the party in power would create embarrassments for the Gupta Ministry were completely belied. Mr. M. P. Shukla, a Deputy Minister in Dr. Sampurnanand's cabinet, gave a fitting reply to the opposition speaker, who tried to make capital out of the group differences in the Congress Party, asserting that they were the domestic concern of the party and outsiders could not hope to profit by them. If the same spirit of putting the party above group interests and loyalties is fortified, the Congress Party will emerge with greater strength to fight the general elections.

All the charges made by the opposition members may not be dismissed as frivolous or propagandist. It is difficult to disagree with the allegation that the group rivalries in the ruling party have demoralised the administration in some degree. The propriety of moving the Education Amendment Bill to the Act which was passed by Dr. Sampurnanand's Ministry only a few months back and was yet to be given a trial for testing its deficiencies, if any, was rightly questioned. It savours of a desire to reverse some of the provisions to which Mr. C. B. Gupta's Ministry takes exception for reasons known to itself. But the other charges were unconvincing. In this category can be listed the grievance ventilated against the appointment of members of the Upper House as Ministers, use of nominated members in the local bodies and co-operative societies to gain control over them and the transfers of officers with the purpose of influencing the elections in particular constituencies. If the opposition parties are strong on their own ground, there is nothing to prevent them from capturing power either in the local self-governing institutions or in the legislatures.

Nyasaland

VERDICT ON FEDERATION

DR. HASTINGS BANDA took up the challenge of the first election under the new constitution and averred that he would treat the election as a referendum on the federation. This was an extreme claim to make, but there cannot be an iota of doubt which way the electorate gave its verdict. Dr. Banda's Malawi Congress Party captured all the 20 lower roll seats — 14 in regular contests and 6 unopposed. Sir Roy Welensky's United Federal Party as well as the Christian Liberal Party met with a smashing reverse, all the candidates put up by both the parties having forfeited their deposits. The poll was as heavy as 90 per cent. Sir Roy could have done well not to raise the plea of intimidation. Ninety per cent of the electorate cannot be intimidated and driven to the polling booths like herds, unless the contention is that the ordinary administrative machinery had broken down. Facts speak otherwise. Dr. Banda is a personal friend of Governor Sir Glyn Jones. In the recent past he has spoken in moderate tones about the civil service as well as the European settlers. The election campaign was conducted by and large in a peaceful manner, the secrecy of the ballot was well maintained and there is no evidence

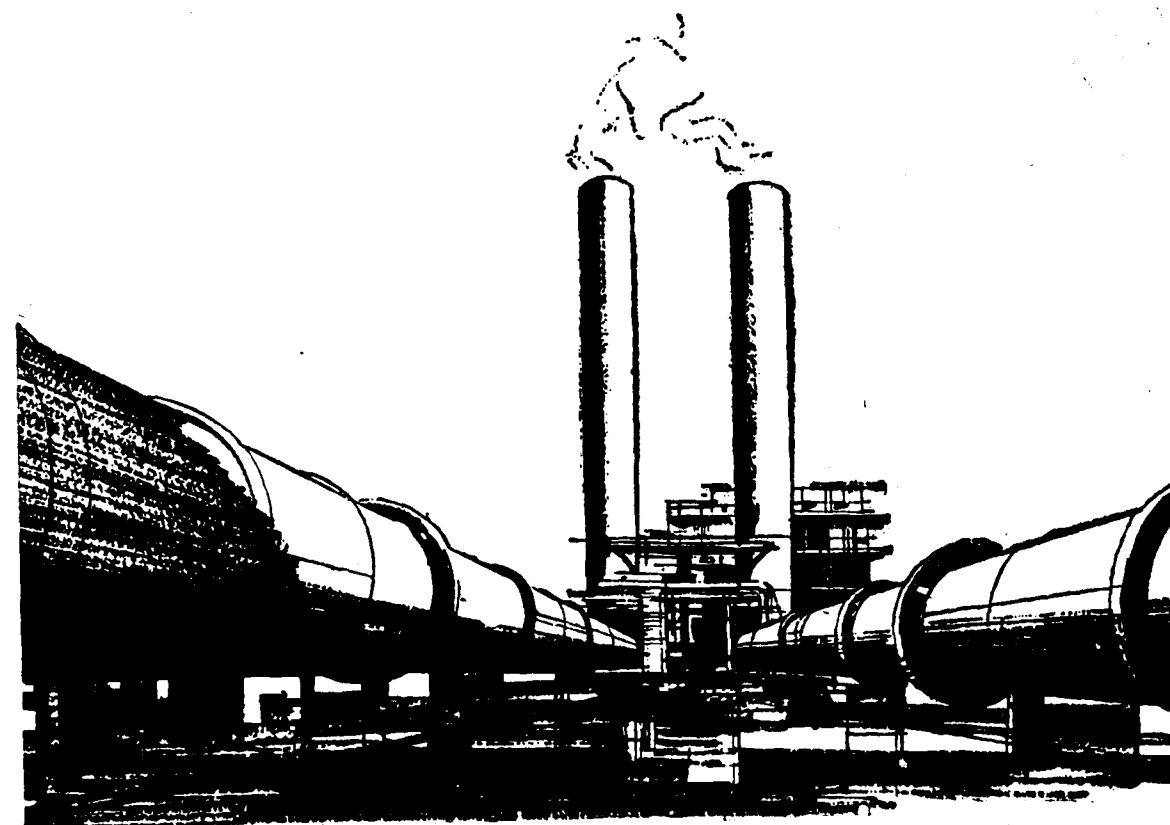
that there was scope for the play of terror tactics. Of the upper roll seats, the Malawi Congress Party won 2 and an independent backed by it was also elected. The United Federal Party got 5 seats in this restricted franchise. The Malawi Congress Party has emerged victorious and its leader is confident of the power derived from an absolute majority in the State legislature. Together with 5 official nominees, there will be 10 members outside the Malawi Congress Party. In the Executive Council Dr. Banda will get for his party 3 ministerial posts for the lower roll seats and he can claim 1 more for the upper roll.

There are, of course, constitutional technicalities which will bar unilateral decision on secession. But equally strongly there is the hard reality that with Nyasaland determined to break away from the Federation, it is difficult to see how the federal chariot will move forward. In the Executive Council the Governor will be confronted with the unenviable task of seeking to reconcile the MCP and the UFP irreconcilable wings. The Monckton Commission made no attempt to conceal the fact of intense hatred for the federal idea in Nyasaland. The election has given a formal proof of this feeling and a verdict against the federation. Already discontent is surging in North Rhodesia and Mr. Kenneth Kaunda's United National Independence Party is organizing its own variety of non-violent resistance. Whether non-violence is feasible on a large scale when racial feelings strain patience is another issue. But the outlook being one of mass dissatisfaction, statesmanship ought to be directed to evolving a modus vivendi for dismantling the federal structure of the constitution.

The Income-Tax Bill

MODERATE MODIFICATIONS

THE CHANGED form in which the Income-tax Amendment Bill has appeared after the report of the Joint Select Committee does not satisfy the major demands for modifications, such as those relating to the determination of the period over which the development rebate should be claimed and the basis on which depreciation may be written off. Some of the anomalies amounting to a double standard are retained. These are only illustrative cases. But credit ought to be given to the Finance Minister for accepting the recommendations which could be regarded as moderate. Section 23(A) companies can now satisfy authority about the genuineness of their difficulties in the distribution of disposable profits when the question of the levy of the penalty rate of supertax arises. The exemption of foreign technicians from taxation has been limited to six months which would be an incentive for the import of technical knowhow, but considering the longer periods for which the retention of their services is becoming increasingly necessary, the period of exemption could have been enlarged. Actually what happens is that the technician does not himself bear the incidence of the tax in several cases. In effect, the new project bears the additional burden of taxation costs. The rank discrimination of taxing gratuities in the private sector has been removed. Nevertheless, it has been provided that exemption should be available on the amount of gratuity upto a maximum of Rs. 24,000 or the salary of 15 months on the basis of the average salary drawn in the last three years, whichever is less. Likewise charitable trusts will not be penalised if they retain substantial parts of their profits for future contingencies. Nevertheless, a limit has been imposed that they will be taxed on the amount of retained profit in excess of 25 per cent if they do not declare in advance their intention to retain the excess and the retained amount is not invested in Government securities.



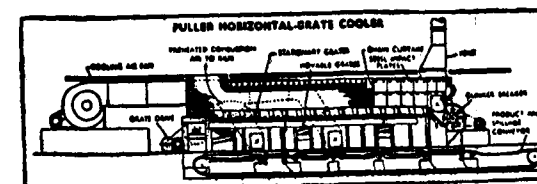
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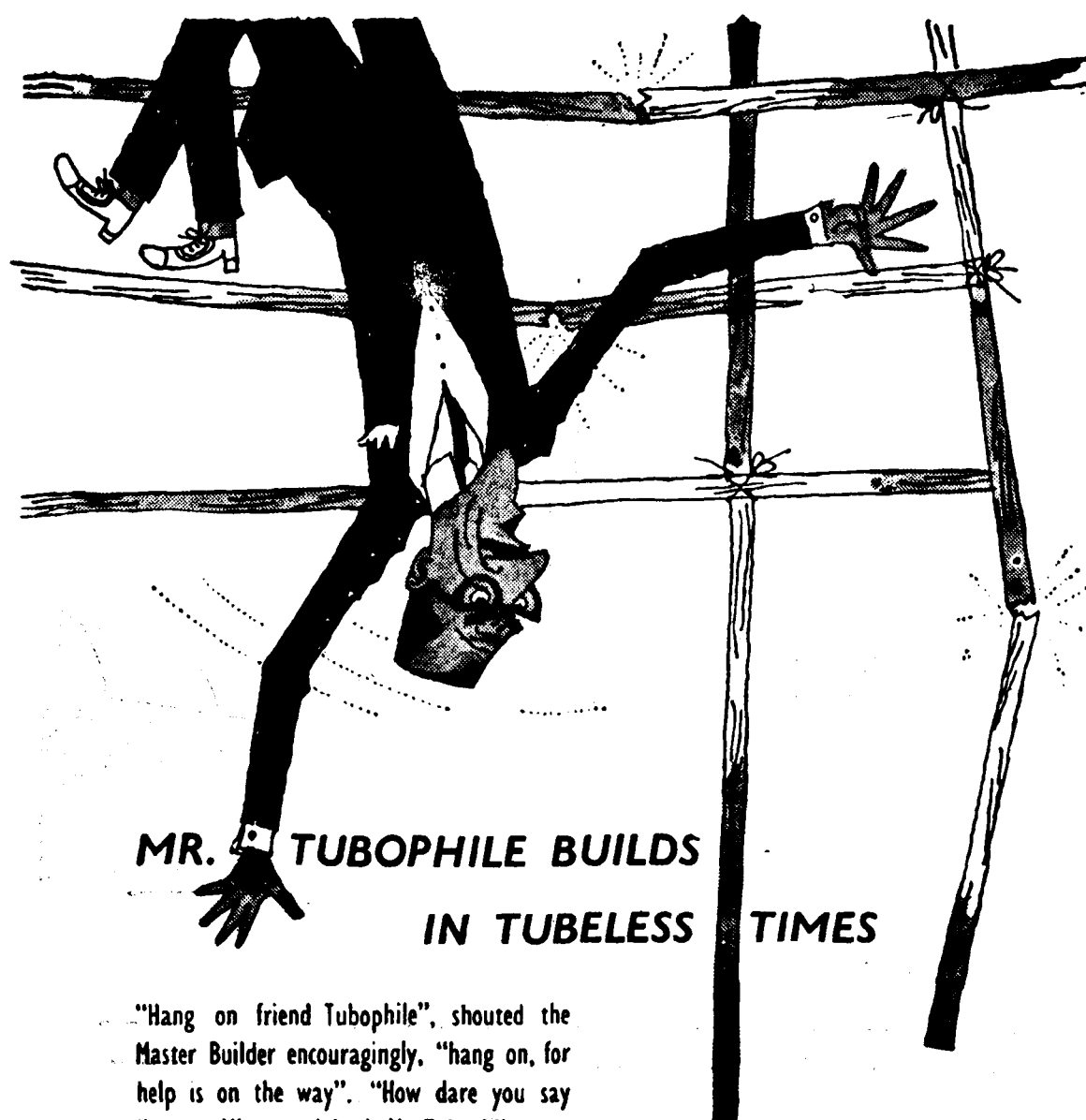
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The World Abroad

THE STATUS OF BUSINESS MEN: PROFITS WITHOUT HONOUR

By

ODYSSEUS

WHY IS THE BUSINESS MAN held in low repute in India?

Civil servants, doctors, the armed forces, lawyers, artists, journalists, professors, even politicians, regard themselves as enjoying an honoured status in the community, to which (they believe—justifiably for the most part) they make useful contributions. But you need only introduce a business man to their company to unite them in a common antagonism. A minority are charitable: "That manufacturing fellow, Chatterjee, is a decent enough chap. But beyond making money, he hasn't an idea in his head." The majority are hostile. To them business men are "hard-faced", money grubbing "capitalists", anti-social types, whose sole interest is the exploitation of the (shameful) acquisitive instinct.

One reason why the business man arouses antagonism in India is a matter of history. The integration of India's 19th century social structure was threatened by the new exchange economy being introduced by the British. Indians who adopted European ways and went into industry and commerce were associated with alien ideas. The profit motive had no place in an economy which had been static for centuries. The caste and joint family systems had, on the one hand, enabled India's cultural heritage to be preserved against succeeding waves of foreign invaders, and, on the other, had enabled the individual to enjoy economic security, fulfilling his allotted task, from the cradle to the grave.

Without debating the merits of the old and the new systems, we may note one historical fact. The enforcement of law and order by the British raj, the gradual spread of irrigation, of public health, and other measures, meant that the growth of the population was no longer restrained by war, famine, and pestilence. Prior to 1800, India's population is estimated to have remained fairly constant around 100,000,000. By 1850, it was estimated at 150,000,000. The census of 1931 gave it as 353,000,000. For (divided) India today it is over 400,000,000. And it continues to grow. The traditional social structure had long ceased to be capable of supporting these millions.

BRITAIN'S EXPERIENCE

It is relevant to recall that the business man is unpopular not only in India but in other old established communities. The integration of Britain's 18th century social structure, based on a landed aristocracy supported by professional classes, who knew (and enjoyed) their appointed places was threatened by the thrusting entrepreneurs of the Industrial Revolution, who were feared and despised by the Establishment of the day. An uneasy compromise followed, which persists even now: the new industrialists made themselves acceptable by taking over the Establishment's ideals of culture and amateurism. A woollen merchant who led the life of a country gentleman, who deprecated the sordid business of money-making, or a banker who valued his translations of Homer higher than any business coup, were respected as representative of English culture—in splendid contrast to their U.S. opposite numbers, who were despised for their unashamed admiration of success in business.

Thanks in good measure to the activities of the British Institute of Management—which has recently opened a branch in New Delhi—British business men have become alive to the need for organised training in management, and for research in managerial problems. But in Britain, as in India, a prior condition for real success in such training is a fundamental change of attitude on the part of public opinion towards the business man's status.

Every profession has a distinguishing attribute, of which it prides itself, and which others respect as its special contribution to the community, the doctor on his humane care for suffering, the civil servant on his incorruptible, non-party administration, the teacher on his responsibility to youth, and so on.

The business man's distinguishing attribute is that he is good at making money. The bigger his profits, the more satisfaction in his job and pride in his status should he, on the one hand, feel, and the more should the community, on the other, applaud. But here we encounter a second reason for antagonism. Whereas civil servants, teachers, and others, are supposed to find their primary reward in working for the community the fashionable opinion is that the business man works primarily for his own selfish gain. Does he? Do we lose by his special attribute? If every business man in India had, in selfless response to present criticism, dropped dead yesterday, we should starve. For, who creates the wealth which pays for education, health services, pensions, the civil services, all wages and professional salaries, whether in public or private enterprise, and most of our imports? Who expands wealth?

The greatest part of the wealth necessary to foot this vast bill is created by business men in private enterprise.

Those who reject the acquisitive instinct should join the African Bantus, who enjoy an egalitarian society in which there are no stratifications by income. The economy has been dreamily static for centuries. It is disconcerting, however, to find that every African state tries to transform these static pockets into exchange economies by ensuring that the individual is allowed to retain the wealth that he creates instead of handing it over to the tribe, i.e., they inculcate the acquisitive instinct.

Of course, the business man should not occupy a privileged position. But his gift for profit making should be respected as being as valuable and dignified an attribute, and as complementary, as those of the civil servant, teacher, and other professions.

WHICH CAME FIRST?

Of course, material values should not dominate society. But that we may care better for the aged and the sick, promote education, and enjoyment of the arts, the business man must be allowed to create enough wealth for us to afford these aims. Unless we cultivate our acquisitive instinct, we won't have the money, the leisure, to cultivate our other-regarding instincts. Which came first—the Birla jute mills or the Birla Education Trust?

Welfarism cultivates what is bad in the acquisitive instinct by fostering on a nation-wide scale the appetite for acquiring as much as possible for nothing. Acquisition by personal effort is a contribution to the community. Acquisition by electoral bribes is not.

As, increasingly, from the end of the Napoleonic wars, Adam Smith's doctrines released the acquisitive instinct from its mediaeval repressions, the wealth of Europe advanced prodigiously year after year. It was in those (unfortunately vast) areas of the world where, for one reason or another, Adam Smith's doctrines did not penetrate, or only touched the fringes of society, that traditional social structures persisted, so that today they remain underdeveloped countries.

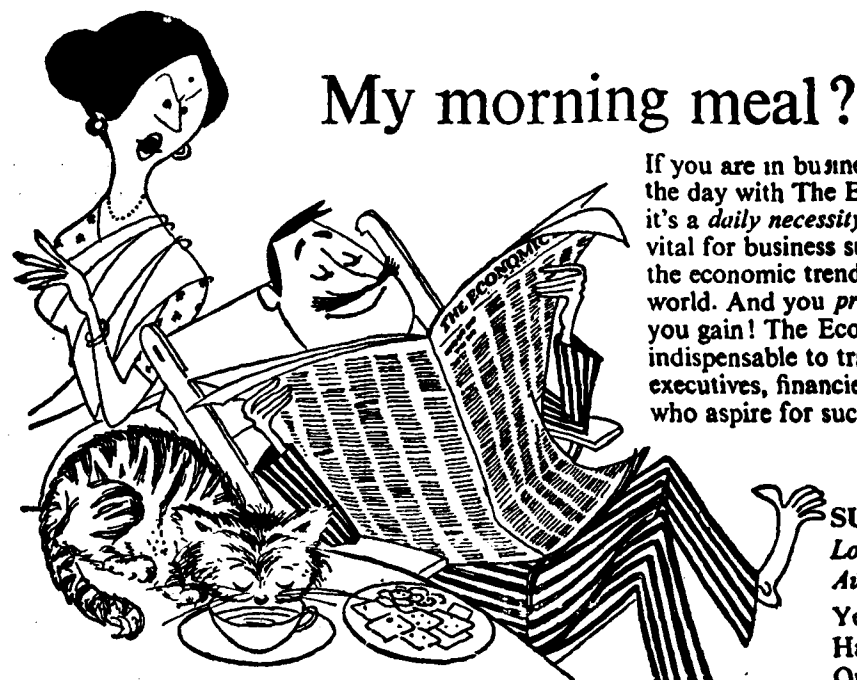
In these matters, I believe that India could profit by the U.K.'s experience. As I have mentioned before in this column, British economists have been drawing attention to the fact that whereas the U.K. pioneered the Industrial Revolution, and multiplied her wealth tremendously until around the third quarter of the 19th century, there then began a persisting recurrence of anxiety about the balance of payments: in the 1880's, the 1890's, the 1930's, and today; and they are suggesting that this persistence may be in large measure due to the social habits of an old and stable society, which increasingly damped down the acquisitive instinct up to 1939, and to which since 1946 an envious egalitarianism has added a sense of guilt to the business man's frustration.

Britain's decision to seek entry into the European Economic Community has created overnight a new and bracing urgency in British business, which should do much to restore the business man's confidence in himself. The British Institute of Management has suggested an

Advisory Centre to promote research, to keep tabs on results achieved, on what directions further research is needed, and on the types and levels of training courses provided throughout the country. The need for more scientists and technologists is widely stressed but the B.I.M. reasonably doubts whether a degree course is the best training for all of them. It is as important to train those who will be managing the technologists. Industry and educationists should ensure that these managers, who are likely to be allrounders, and not necessarily the most brilliant intellectually, are fitted to be leaders of industry.

Technological advances are revolutionising British management. In the past, a young man could enter industry, pick up a working knowledge of the simple forms of mechanical equipment used, and climb by easy stages to the top. The future will distinguish sharply between men controlled by computers and men who provide computers with the material of control. The stages to climb will not be easy. Isolated groups cannot solve such problems. There must be collaboration between industry, schools, and universities, to provide courses adapted to contemporary needs. Rightly, the B.I.M. emphasises that the universities should inaugurate full courses for men between 40 and 50, especially for those without previous higher education.

It is to be hoped that India's planners will also realise that the business man requires these professional disciplines because the creation of wealth—profit-making—is a vocation, as honourable as that of any of the "non-acquisitive" professions, and that they will cut down their spending on new physical investment to release substantial sums for similar training schemes. This would enable existing plants to be exploited to maximum profit.



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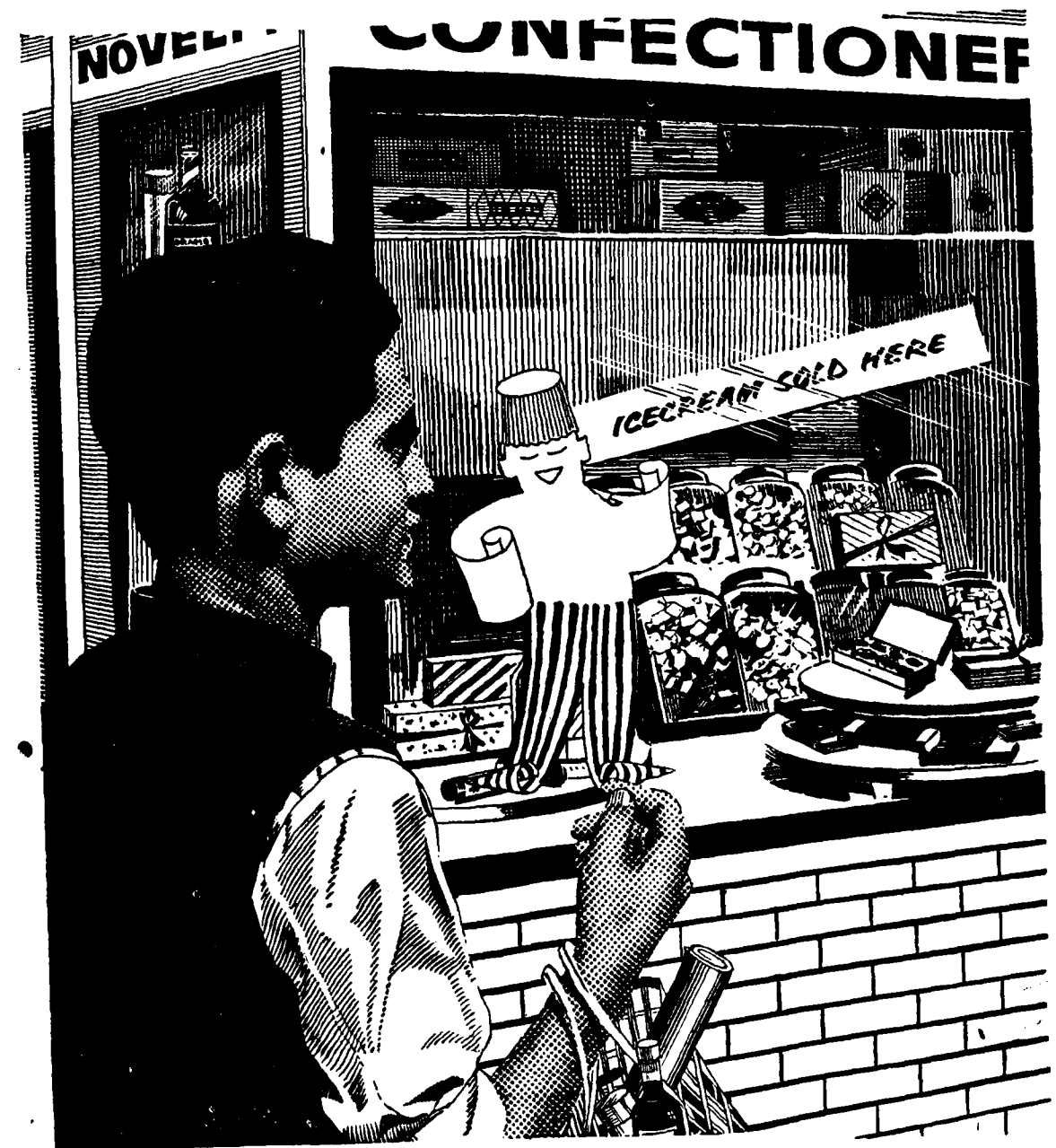
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The European Scene

WASTEFUL INVESTMENT IN EUROPE

From Our Special West European Correspondent

PARIS, August 21.

IT is beginning to seem likely that by 1965 the Europeans will have followed the Americans a fair way along the path of over-investment in certain major industries, with the result that they will have the choice between leaving excess capacity lie idle or of producing unsaleable surpluses. Specifically, they are in danger of having permanent and structural excess capacity (as distinct from temporary or cyclical excess capacity) in steel, automobiles, coal and food. The surpluses of food and coal, indeed, are already with us; coal production is being cut back at great expense, thereby wasting the large investments made in the mines after 1956, but the food surplus has got out of hand and will go on accumulating. Automobile capacity, in my view, is already excess and I do not see anything passing or accidental in the recent slump in this industry, although it affected producers very unequally. The steel surplus has not yet appeared but anyone can see it coming in the investment plans of the West European producers.

American capacity in all these departments is already excess, as well as in numerous other industries besides. That is the real reason for the long, slow, mild depression in the American economy, for the very poor growth rate in that country and for its vast pool of unemployed. It is not at all that the USA is suffering another periodic cyclical recession that can be cured by, e.g., Keynesian techniques. It is rather that much American industry is over-equipped to produce goods that are not required in such quantities, either by Americans or by the people they trade with. This is obvious with American agriculture: no one can buy the output that American farms are capable of, and farmers have to be paid not to produce, and much of what they do produce has to be given away. It is just as clear in the case of the US steel industry, which earlier this year stopped, for shame, the practice of publishing monthly output figures as a percentage of total capacity. Some quite sophisticated motive was alleged for this discretion, but it is plain that the dismal monthly announcement that mills had operated at 75 per cent or less of installed capacity was a humiliating reminder of the wasteful investment that had taken place in steel.

Hiding the facts, however, does not change them and the main fact is that huge sums of capital have been tied up in industries that cannot hope to work at full pitch, making capital scarce for other occupations and, incidentally, leaving millions of men without jobs. As things are at present, business could never get so good in the USA that everybody could be at work: if they were all put to work on the machines that have been created by the last decade's investments they would be turning out too much of things that nobody wants. The steel industry's failure is not, of course, isolated; it is the basic producer for hundreds of other industries and its inability to work anything like at capacity reflects the over-investment that has taken place in many other sectors, of which automobiles and shipping are familiar examples. In short, the American economy has, in numerous fields, taken a wrong path and the problem is no longer to "stimulate business", to quicken the rate of expansion—which would only mean heading blindly further along the wrong path—but the infinitely more difficult and painful process of writing much investment off and transferring capital to industries where it can work better.

It would be interesting to calculate how many American astronauts could have been sent to the moon by now if the money and manpower wasted in creating excess steel capacity had been allocated to space research. That allocation would have been, economically, no more wasteful than leaving plant idle and men jobless. However, that is not my point. This American digression serves to introduce some remarks on similar tendencies that are becoming obvious in West Europe. The craze for investing in steel and automobiles—"craze" is not too strong a word, because, globally, current investments reach an absurd total, however justified each investor might think his outlay may be—is promising to produce a similar situation over here. The High Authority of the CECA (coal and steel pool) has published its forecasts of utilization of installed capacity in 1965 in the Common Market region: they are as low as 45 to 48 per cent in hot strip mills and no higher than 70 per cent in other branches of steel making. Given the very different capital structure of the European steel industry, it could scarcely afford to operate further from capacity than the giant American mills, so these figures spell not only waste but danger. And yet—despite the fact that these forecasts are known to the industry—a Franco-Belgo-Luxembourg combine is planning to install a new mill at Ghent in Belgium with an initial capacity of 1,500,000 tons which might be doubled later! Almost all Continental steel producers are expanding their capacity at existing plant, while an immense new mill is being built on piles over the water at Dunkirk and similar ventures are being studied for Rotterdam, Brest and Bordeaux, not to mention the projected mill at Bone in Algeria.

A mere enumeration of projected new plant would not give the measure of the threat of steel over-production if one did not add that the productivity of all existing mills, and much more so of new mills, is being increased mightily by recent advances in steel technology. One would need to take account, too, of the rapid expansion of the aluminium and plastics industries in Europe; these are two of the fastest growing sectors and both are capable of stealing markets from steel. In considering export markets, one would have to reckon with the astonishing progress of the Russian, Chinese and Japanese steel industries, as well as of the expansion of steel production in India and several other developing countries. In sum, present production plans in Europe are incapable of justification in terms of likely demand, domestic and foreign, in the next five years. Nevertheless, each producer is pressing ahead with expansion plans, anxious to achieve economies of scale that are essential in order to compete with rivals who are expanding too. Precisely the same situation exists in the West European automobile industry, worsened here by the role of the Americans, whose European subsidiaries are setting the pace in breakneck expansion.

The layman is inclined to shrug off this spectacle of anarchic competition, with the observation that 'it's their funeral'. But the money for these wasteful investments does not grow on trees. It comes from auto-financing by the companies themselves, from higher selling prices, from government subsidies and—to a very small extent—from the raising of fresh capital. Reserves devoted by companies to auto-financing in these absurd adventures would have been better used by being distributed to shareholders, whereupon it would have gone (to a large extent, since it would be the income of investors) into new industries that can

use capital more rationally. The same is true, and more obviously, of government money, of which a fair amount (Belgian as it happens) will go to the Ghent steel project, while a good deal went into the big coalmine investments of five years ago and some goes into the automobile investments now in course. As for price rises decided simply in order to finance hazardous expansion schemes, the case is even clearer. French automobile producers raised their prices lately in the midst of a slump, when everything indicated price reductions—everything except the need to expand production chains in order to meet the competition from other expanding manufacturers. French steel prices will shortly be raised, for no better reason. So it is not just their funeral, but everybody's; an economy that allows wasteful investment in industries where it is plain that excess capacity is being created is depriving itself of other facilities of which it has greater need.

Since I have mentioned French participation in this Europe-wide orgy of over-investment, you would be entitled to ask: "What about the French planning techniques lately so much in the news, and which are supposed to bring producers together voluntarily to avoid just this sort of thing?" This is where one sees the disruptive effect of the Common Market as long as it lacks any central authority able to co-ordinate various national producers. French industrialists do indeed meet under governmental auspices to adjust their long-term investment plans to likely demand, but

there is no similar forum for all European producers, and much less for the Americans who operate through their powerful affiliates. Once the Germans and Americans are expanding their plant and are promising to achieve economies of scale, the French planners cannot deny their producers the right to follow suit except at the risk of seeking their national industry undercut in the unified no-tariff market of tomorrow.

Thus sensible and liberal attempts at forward planning at the national level are undermined by the unification of national markets in a common market that has no central authority, no plan for all producers and where nationalistic considerations ("You surely do not want to see our industry wiped out by foreigners!") outweigh economic rationality. The situation will become worse if and when Britain joins the Common Market: in automobiles, because the fusion of American interests in Britain and Germany will allow the U.S. corporations to make further economies; and in coal because the British coal authorities will seek to exploit the cheapness of sea transport to the Atlantic seaboard of the Continent in order to undercut inland Continental mines whose pitheads are already piled high with unsold coal. If the Europeans do not wish to repeat the American demonstration that over-investment in highly competitive industries can lead nations into waste, idleness and unemployment, they will have to extend the system of voluntary planning to the international plane.



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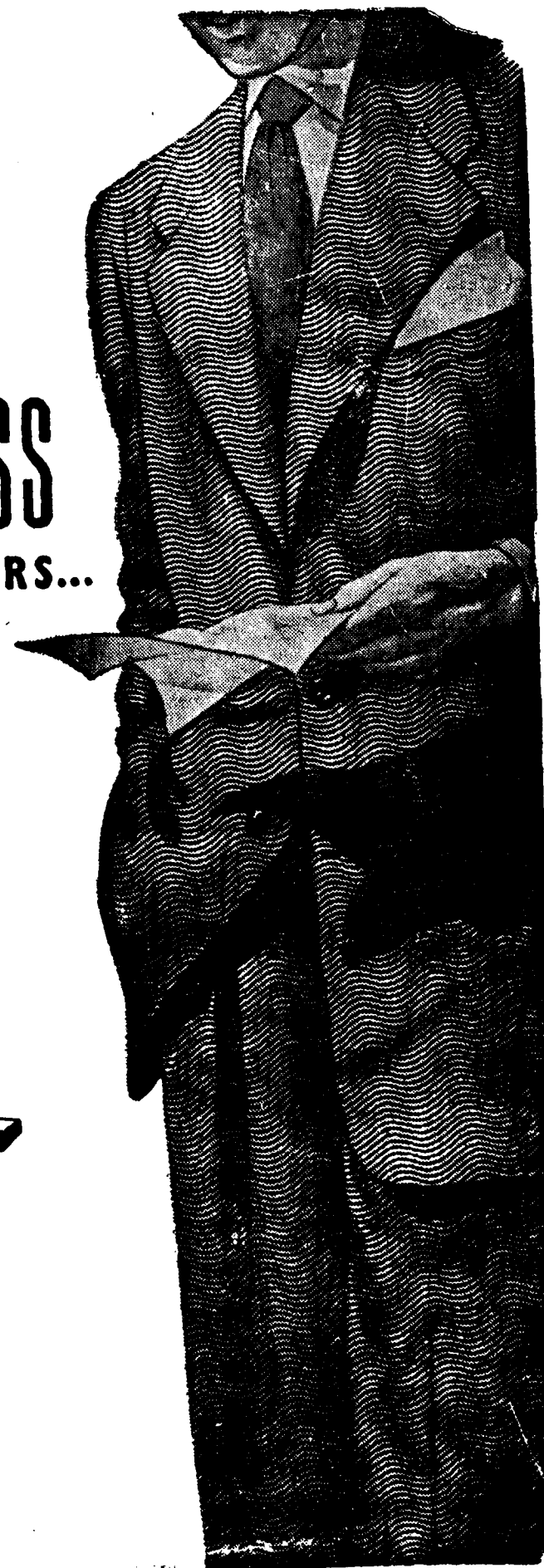
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Economic Report from the U.S.

IMPACT OF THE STEPPED-UP DEFENCE PROGRAMME

By GUY SIMS FITCH

WASHINGTON, August 16.

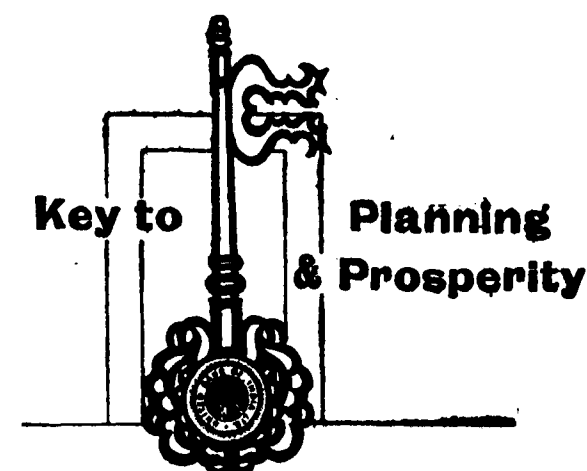
IT is difficult at this stage to foretell the precise impact of the stepped-up defence programme on the U.S. economic advance. But of one thing there is no doubt: as things stand now that advance, already well under way, will continue to be based primarily on activity in the civilian sectors of the economy. Public spending will have its effect, of course. But even that effect will be derived in large part from civilian rather than defence activities. It is well to keep in mind, in this regard, that roughly two-thirds of the total output of goods and services in the United States is accounted for by consumer purchases, and another 13 per cent or so by business investment. This leaves 21 per cent, according to the most recent data, attributable to government outlay. There is nothing preordained in these percentages, of course; they arise from the normal functioning of the economy as it progresses to meet the varied demands of a growing population and the national interests.

Nearly one-half of the public spending, moreover, is done by state and local governments, rather than the Federal Government. These state and local outlays, constituting about 10 per cent of the U.S. economy's total output, are concentrated by and large in such clearly civilian fields as education, hospitals, roads, housing, water supply, sewers, and similar public services and facilities. Furthermore, not all Federal spending goes for defence and related activities. National security outlays are figured at about nine per cent of the economy's output, while the total in Federal spending account for eleven per cent. Helping to clarify these points is the following table, depicting the total output of the U.S. economy during the second quarter of this year, in thousands of millions of dollars at seasonally adjusted annual rates:

Total output of the U.S. economy	..	..	..	..	\$515.0
Consumer spending	..	..	..	..	336.0
Business investment	..	..	..	..	68.0
Net exports	..	..	..	..	3.5
Government purchases	..	..	..	..	107.5
Federal	..	..	..	..	56.5
Defence	..	..	..	..	48.7
Other	..	..	..	..	8.3
State and local	..	..	..	..	51.0

State and local governments, with their concentration on public services and facilities, have contributed markedly to this growth of the public sector. While Federal outlays have not quite doubled, state and local expenditures have increased more than five-fold in the last 15 years. But the private sectors remain the bulwark of economic activity in the United States. Thus, economists are paying as much attention to the trends in consumer buying as to the projected rise in Federal purchases. New government defence orders, of course, will mean more activity for American industry, hence more production. About half of the \$3,500 million in additional defence funds just authorized by the U.S. Congress will be spent on equipment. And one of the key industries in all this obviously will be steel. Nevertheless, it is to the automobile industry, histori-

cally the largest consumer of steel, to which the steel industry continues to look for its strongest support in the months ahead. And the automobile industry, in turn, will be relying on the buying method of the American consumer. So far, the American people seem to have rejected any resort to "scare" buying in the face of the new defence build-up. In this, they appear to be reflecting the mood of their government, stated by President Kennedy as one of determination to stand firm on the international rights and commitments of the United States, but without panic or hasty action. At the same time, consumers in recent months have been showing a growing confidence in the economic future. This is evident not only in the steady expansion of their total spending, but also in their willingness to commit more of their current earnings to finance purchases of goods and services. While instalment buying of automobiles and other items is still relatively low, compared to some other years, credit purchases have begun to rise slightly. This rising trend in consumer credit has been characteristic of every post-war recovery period and, so far at least, bears little direct relationship to the government's expanding purchases.



Individual well-being is linked with national prosperity and only planned efforts can ensure both in the shortest possible time. And planning, for its success, largely depends on savings, individual as well as national. Saving in the form of Bank Deposits provides resources for the National Plan.

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Special Article**PLANNING IN FREE BRITAIN**By **PAUL BAREAU**

THERE will be some wry smiles in New Delhi when more information becomes available about the plunge into economic planning which the British Government is now contemplating. The decision is hardly surprising. "Conservative freedom" has not proved conspicuously successful in solving the basic conundrum of British economic policy, that of marrying a satisfactorily high rate of expansion with balance of payments solvency. Let it be said, however, that the absence of adequate growth in the British economy over the past two years has not been due to any shortage of demand. On the contrary it has been the result of trying to do too much and in this way of putting excessive strain on the economy, causing overfull employment with all the wastage which this creates—labour indiscipline, increases in restrictive practices, clinging to under-employed skilled labour by employers and, lastly, a softening of export incentive owing to excessive demand in the home market.

The Chancellor of the Exchequer hinted at his conversion to the principle of planning when towards the end of July he announced his supplementary measures to deal with the economic crisis. He said at the time that he was not afraid of the word "planning" but that what he had in mind was an early discussion with all sides of industry of the ways and means in which he could secure their collaboration in setting targets for the growth of the economy. These discussions have now begun. It should straightway be stressed that what is envisaged is neither the elaboration of a socialist pattern of society in Britain nor a return to the physical controls that were applied during the war and which continued to be operated by the Labour Government in the immediate post-war years. That kind of planning may have been inevitable and desirable at the time. It would be sadly out of keeping with the spirit of 1961, the intended move into the Common Market and all that this implies.

The main impulse behind the Government's decision to launch into five-year planning is the growing conviction that the main reason why expansion and national solvency have been incompatible in recent years is to be found in wage induced inflation. It is because expansion and full employment have led to increases in wages and costs that there has been no corresponding expansion in British exports. As a result the balance of payments has swung into deficit, the economic levers have had to be put into reverse and economic expansion arrested in its tracks. The only way to stop this damaging and negative sequence is to create that sense of collaboration and truly national endeavour which would short circuit this inflationary circle, by checking the wage induced inflation at its source.

This is easier said than done. The Chancellor in his "little budget" made an emotion-charged plea for a pause in wage increases. It has so far received very short shrift from organised labour. All the unions which have declared themselves on the subject, including the usually docile teachers and civil servants organisations, have adamantly refused to have anything to do with any wages freeze and have announced that they will go forward even at the cost of industrial strife, with the implementation of their wage demands.

It is in this aspect of the situation that lies the main threat to the short-term prospect of the Chancellor's measures. Already the good psychological impact of the International Monetary Fund's rescue operations for sterling is being undermined in the exchange market by fears of the alternative prospect of further wage

concessions or damaging industrial disputes.

The Chancellor's hope of cutting through this tangle of difficulties is to elaborate a five-year plan with the assistance of employers and workers in industry, commerce and finance. There are many bodies in Britain which look into the future, assess prospective production and demand and provide the raw material out of which economic policy is then fashioned. Most of this work, however, is done within the civil service. It only sees the light of day when the Chancellor of the Exchequer convenes the National Production Advisory Committee, a very large and representative body, but one which like most advisory organisations, is ineffective in the extreme.

The intention is to merge this and the more formative planning organisations into a small Planning Board on which the trades unions, the Federation of British Industries and the Employers' Confederation will be represented. The Planning Board will do the sums. It will set a target for the desirable and reasonable growth of the economy, bearing in mind the available resources and the likely effect of this expansion on the balance of payments. If agreement can be reached by all concerned regarding the maximum rate of growth that can be safely achieved, agreement should also be secured on the logical deductions to be made from this exercise and particularly on the growth of money incomes that can be secured without destroying the plan through inflation and, therefore, through disruption of the balance of payments.

Used in this context planning is, therefore, largely a psychological exercise, an endeavour to secure the full co-operation of organised labour and of employers in the formulation of the plans and, consequently, in accepting the deductions in the matter of money incomes which have to be drawn from the inexorable arithmetic of these calculations. This, however, does not provide the whole answer to the wages problem. Even if it can be assumed that responsible trade union leaders will give their collaboration to the Planning Board, it does not by any means follow that the rank and file of organised labour will accept its recommendations. The most superficial glance at the recent history of labour relations in Britain shows that the problem of labour discipline is far from solved.

The proposed exercise in planning will also have a psychological or emotional facet in the mere fact of setting a target for the expansion of the economy. The only such target that has been vouchsafed to the British people during recent years was the promise by Mr. R. A. Butler, when he was Chancellor of the Exchequer, that the standard of living would be doubled in 25 years. In effect this does not imply a very ambitious rate of progress but the very fact of its proclamation unquestionably had a stimulating and encouraging effect. It is part of the function of leadership to set and define the goal to be attained by those who are led.

The exercise which is to be undertaken should have some practical, useful results. The consultation which will be involved and in which all sides of industry will join should avoid duplication and wastage. Successful planning of this kind has been achieved by the steel industry, even after its denationalisation. There is no reason why it should not be extended to the economy as a whole. It can do a great deal of good, provided always it is not regarded as an excuse for not pursuing the right policy. Planning could make the best of a good or a bad situation; what it cannot do is to make an inherently bad situation good.

(ESTD. 1919)

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**THE
BUSINESS WORLD****What Inhibits Full Utilization
of Installed Capacity?**

By CROESUS

IN having failed to adjust the sights to the three commanding heights demanded by the Third Plan, viz., power, transport, and administration, the planners have written failure into the Third Plan", declared the Editor of "The Eastern Economist" when he last week addressed a meeting of the Forum of Free Enterprise in Bombay on "Obstacles to the Fulfilment of the Third Five-Year Plan". Elaborating this thesis of his, he appropriately attributed the lack of adequate utilization of installed productive capacity to the shortages of power, transport, and administrative talent, the need for all of which, as one must expect, continues to grow with the progress the country has been making in its programmes of economic development. But fuller utilization of installed productive capacity is also stalled, I notice, by the inadequate supply of raw materials and components, both indigenous and imported. There would appear to be an inherent defect in the prevailing system of quota licensing which covers the distribution of practically all scarce raw materials. Thanks to this scarcity, priorities are determined and quotas fixed taking into consideration not only such understandable factors as the total availability of the raw materials in question and the total demand for these raw materials from various sectors of industry, but also past consumption. Now the past consumption by an industry of any given raw material, whether indigenous or imported, necessarily limits the quota to be made available to the industry, and it is still an unresolved paradox to me as to why we continue to talk of expanding our economy when we refuse to give up thinking and acting in terms of past consumption. How could there be any relationship between past consumption and the present, if not future, needs in an expanding economy? While not rejecting the past consumption criterion altogether, I feel, a more satisfactory criterion for fixing quotas would be the outstanding orders on the Order Books of manufacturing firms and their actual production programmes for a given period.

There should be no difficulty for any industry to provide this information. At any rate, in the case of the textile machinery manufacturing industry, according to Mr. Prabhu V. Mehta, Chairman of the Textile Machinery Manufacturers' Association (T.M.M.A.), "almost all the manufacturers are in a position to give their production programme to the Textile Commissioner and such information as required to justify their needs. Every month, a return of production is made, as well as a return of outstanding orders. The needed raw materials can be calculated from the past experience as well as the past production as to how much quantity is needed for each unit and by applying the quantity so arrived with the production programme submitted. The machinery manufacturers would be answerable if they fail to keep up with this programme without good and valid reasons. Such a procedure would certainly go a long way in increasing the production of the number of units manufactured by each manufacturer."

Making due allowances for the limitations imposed by total availability, which is the 'raison de etre' of the existing system of quotas and licensing, I believe, a re-orientation in the method of calculation and supply of scarce raw materials to industry would appear to be imperative. This is all the more so, if the country has to fulfil the exacting expectations of our exuberant and enthusiastic Union Minister for Industry, Mr. Manubhai Shah. When he addressed the second annual general meeting of the T.M.M.A., recently, he told them that only through national self-sufficiency in machine-building would it be possible to avoid imports. In view of this pet thesis of his, Mr. Shah was naturally pleased with the fulfilment of the targets by the textile machinery manufacturing industry, and he attributed this to what he called "the right kind of the leadership at all levels—the trade, the industry, and the Government". Even so, he was not satisfied with only this much, for he urged the manufacturers to be a little more resourceful so as to save as much of our meagre foreign resources as possible by telling them, 'inter alia', to see the at least 75 per cent of the bill of structural goods was made within the country itself. He also saw no reason why the textile machinery manufacturers should not extend their activities to include the manufacture of machines for making rayon, woollen, silk and other textiles. This shows that he is evidently not satisfied with the extent of response by the industry to the appeal made by him last year in this behalf, the relevant explanation by the Chairman of the T.M.M.A. notwithstanding. According to the latter, there would appear to be no difficulty with regard to producing machines for the rayon industry, but production of woollen machinery would not be economical, because of the absence of adequate demand and also the need for the textile machinery manufacturers to restrict consumption of the limited quantities of raw materials. However convincing Mr. Prabhu's reason was for his industry not being as enthusiastic as the Union Minister for Industry about the textile machinery manufacturing industry manufacturing machines for making textiles other than cotton, Mr. Shah would not be satisfied. "We are not a nation of assemblers", he declared with an air of utter impatience, and wanted the maximum indigenous production in any programme of machinery manufacturing in the country.

While all that Mr. Shah said about the role of skilled technicians, draughtsmen and designers, as also about the need to inculcate quality consciousness in the minds of our manufacturers, is understandable, one cannot help feeling that he is trying to make the industry gallop when it is still not able to trot, if not to run. Often times, I am afraid, such overvaunting enthusiasm is bound to land the country in great difficulties. The country's experience with the cement machinery manufacturing industry, as reflected in the present acute scarcity of cement, is a case in point. Even before a single unit of the cement manufacturing plant was

ready, except it be in blueprint or in somebody's imagination, a ban was placed on the import of not only cement-making machinery but on components as well. Competent observers have pointed out that, if there is one single factor more than any other that has contributed to the present cement shortage, it is this short-sighted policy. This is not to say that we must not go in for cent per cent manufacturing of machinery of any industry in this country over a time also. But we should ensure that, at least until the industry concerned is in a position to effect deliveries of complete units, nothing is done to prevent the import of at least such parts or components as are not, or have yet to be made, in this country.

Take the case of the textile industry. Thanks to the remarkable progress of this industry, it is expected that the country would be in a position to meet 75 to 85 per cent of the machinery requirements of the industry within the next few years, in fact earlier than what the Third Plan has envisaged. Given an adequate supply of raw materials and components according to a time schedule, the industry maintains that it will be in a position to make the country completely self-sufficient, as Mr. Manubhai Shah would insist. But merely on the strength of this re-assuring declaration of intention

and capacity by the industry, if the authorities were to rush to place a complete ban on imports of all the parts and components of textile machinery, the result would be disastrous, as in the case of the cement machinery manufacturing industry. Any such move would adversely affect the fulfilment of the target of cotton cloth production in the country. This apart, the textile machinery industry would avoidably be blamed for not having come up to expectations. Even in an era that has been witnessing the revolution of rising expectation, it would be asking for the moon to telescope progress within a shorter space of time than what the circumstances of the case permit. As in all economic laws we speak of the important proviso "all things remaining equal", certain results could follow only if the given assumptions are fulfilled. Failure of any one of these, irrespective of whether it is due to causes within or beyond one's control, is bound to upset all calculations and to put off indefinitely the attainment of the goal in view. Unfortunately, what is more and more in evidence lately in this country is that, in our impatience to achieve certain goals which we have set before ourselves, we seem blissfully to forget to make allowances not only for the imponderables but even for those which are reasonably ponderable.

The Case for Some Reduction in Oil Prices

THE complex problem of fixation of "reasonable" prices for the various petroleum products of indigenous production continues to elude solution. Much hope has been fixed on the Damle Committee which was set up about six months ago to rationalise the price structure of major petroleum products. The Union Ministry of Oil, reports suggest, is not, however, favourably inclined to accept the various "unanimous" recommendations of this Committee because it is supposed to have upheld the contention of the oil companies that they were not making undue high profits.

The rejection or shelving of the Damle Committee's report by the Government, if it comes, will obviously be setting an unwholesome precedent, since this Committee was appointed by the Oil Ministry itself in preference to referring of the question to the Tariff Commission. If the Committee has reached certain conclusions on the basis of the facts placed before it, it would be imprudent to reject its recommendations only because they do not suit the intentions of the Oil Ministry.

The Oil Ministry appears to the consumer to be indulging in dangerous double talk on prices. On the one hand it professes an ardent desire to bring down the prices of petroleum products by cutting the profit margin of the oil companies and by expanding the public sector in oil. On the other hand, it has been allowing the Central Exchequer to usurp the concessions given by the oil companies in the past three years, instead of passing them on partially to the consumer in the form of reduced prices of petroleum products. Had these concessions been such that they could not have brought down the prices of petroleum products by more than a couple of naye paise, there would not have been any objection to their being withheld from the consumer for the benefit of the Central Exchequer. But during the two and half years to the end of 1960, as much as Rs. 45 crores are understood to have been diverted to the Central Treasury under the ad hoc agreements in force between the private sector oil companies and the Government for the pricing of the major petroleum products. During the current year, another Rs. 30 crores are expected to be collected from the oil companies on this account for the benefit of the Central Exchequer.

The consumer, obviously, has a right to share these

concessions at least partly, notwithstanding the fact that prices of petroleum products in India are amongst the lowest in the world; the consumer is paying pretty heavily in the form of other taxes on road transport. According to an expert estimate, the total ad hoc levies collected by the Government under the Mineral Oils (Additional Duties of Excise and Customs) Act, 1958, could enable reduction in the prices of some of the petroleum products — motor spirit, kerosene, high-speed diesel oil and furnace oil, to name only a few — by anything from 12 nP. per gallon to 23 nP. per gallon. Concentrated on a single product, the possible reduction in kerosene prices can be of the order of 47 nP. per gallon or in the prices of motor spirit to the extent of Rs. 1.11 per gallon. In view of the shortages being experienced in kerosene and high-speed diesel oil, it may not be prudent to effect any cut in their prices, but to keep the prices of motor spirit and furnace oil rigged up is apparently hard to justify.

There is surplus production of gasoline in the country today and the demand for it too is not picking up due to switch-over to HSD. Exports of this commodity also are not feasible on any appreciable scale owing to its overall surplus supply in the world. The case of furnace oil is on a slightly different footing. A reduction in its price is warranted for the simple reason that furnace oil is a substitute energy producing material for industries in Western India where it is becoming more and more difficult to move coal from the Eastern Coal Belt. Cambay crude is supposed to be supplied to industrialists in Gujarat and Maharashtra for use as furnace oil. To fix its price in the very first instance at a level about 1.5 times the landed cost of coal cannot be expected to lead to any large-scale switch-over to this energy producing liquid.

Reduction in gasoline prices will be a step in the right direction also due to the fact that the Government proposes to go in for the manufacture of small car. Popularisation of the small car in this country will ultimately depend upon how cheaply it can be run by the owner. And gasoline price is the most important item of cost in this regard. The demand for small cars must be built primarily on cheap maintenance. Otherwise an initial low capital cost will be defeated by the failure to use the car enough to justify the pleasure anticipated.

Business Notes

Banking

URBAN CO-OPERATIVE BANKS GET A GOOD CHIT

THE REPORT on the Survey of Urban Co-operative Banks, which is the result of a sample survey undertaken by the Reserve Bank of India in 1958 on the recommendation of the first Bombay State Co-operative Banks' Conference held in 1957, is a fairly comprehensive study of the organisation, methods of business and role of urban co-operative banks in financing small-scale industries. The Survey related to 93 selected urban co-operative banks of ten States and one Union Territory. According to the findings of the Survey, the average membership of the urban banks has risen by nearly 20 per cent during the three-year period (1955-58). But, even so, the members constituting, as they do, only 5 to 15 per cent of the population in the area of the banks' operations, we are told, there is great scope for increasing the membership of these banks. It is noteworthy that, out of the total members of these banks, 57 per cent were engaged in "trade", "profession and service", while only a small proportion (8 per cent) was engaged in industries. This has not prevented the Survey from stressing the suitability of these banks for catering to the needs of individuals living in urban centres and engaged in a variety of industrial activities.

Referring to loans by these banks, the Report observes that the greater proportion of loans advanced by the banks represented more or less fixed loans, whereas the short-term loans accounted for more than 78 per cent of the total loans. While long-term loans were conspicuously absent, in nearly all the surveyed States, medium-term loans were predominant in Assam, Madhya Pradesh and Orissa. Further, out of the total loans advanced, 48 per cent were given against personal security, while those advanced against merchandise, bullion and real estate individually formed less than 20 per cent. State-wise, Assam, Bombay and Mysore accounted for a greater part of their loans against personal security, but Andhra Pradesh, Madhya Pradesh, Orissa and West Bengal had a considerable proportion of loans against real estate. Loans against bullion and ornaments constituted a high percentage in Punjab and Delhi, it is stated.

Interest rates on the outstanding loans would appear to have been reasonable on the whole: they stood between 7 and 9 per cent per annum in all the States surveyed, except in Assam and West Bengal, where a substantial portion of the outstanding loans carried interest ranging between 9 and 12 per cent per annum. Contrary to the experience of commercial banks, it would seem, the average earnings of the urban co-operative banks rose by 26 per cent in 1955-58, while the parallel rise in average expenses was of the order of only 25.5 per cent. No wonder that, on the whole, the average profits of the urban co-operative banks rose by 25 per cent over the period covered.

It is gratifying to know that the overall picture of co-operative urban banking is "one of a fairly wide-spread, financially sound, expanding framework of banking institutions which have their own place of importance in the banking structure of a large part of the country." Having granted this certificate, the Report goes on to suggest that the expansion—also diversification—of activities of these banks should be accelerated in consonance with the rapid pace of economic development, so that the urban banks may cater to the credit needs of the urban population to a much greater extent than now.

Steel

RIISING COSTS AND EXPORTS

SIR BIREN MOOKERJEE, Chairman of the Indian Iron and Steel Company Limited, in a statement issued in connection with the annual general meeting of the company has pointed out that serious deterioration in the quality of raw materials was hampering the achievement of the planned output of steel. Although the company's output of iron at 1.16 million tons and steel ingots at 0.91 million tons showed an improvement over the previous year and constituted a fresh record for the company, it was a level below the target planned for 1960-61. One major factor that caused this deterioration was the high and varying ash content in presently available metallurgical coal as well as the erratic supplies of raw materials due to transport bottlenecks. A high ash content in coke, the Chairman pointed out, meant increased consumption to attain the blast furnace operating temperature and in consequence a large volume of slag. Since the capacity of blast furnace was constant, a large volume of slag meant in turn a reduced volume of iron produced. He added that in the history of the blast furnace operations, never such coke with fluctuating ash contents was charged to blast furnaces as in the present case at Burnpur. He pleaded that if the quality of raw materials has to be bad then at least it should be so uniformly. But in the case of coke supplied at present ash content varied widely from day to day with inevitable prejudicial effect on production. A similar state existed as far as limestone was concerned. He observed that there has been a severe deterioration in the quality of limestone supplies; the percentage of free lime varied between 42 per cent and 24 per cent.

Due to these drawbacks in raw materials, in spite of the fact that India had a high quality of iron ore, the production costs were unusually higher as compared to many other countries. This had the obvious effect that Indian iron was priced out in so far as its competitive position was concerned against the supplies from other exporting countries. Sir Mookerjee quoted instances by taking two items — Light bars and Structural — where Indian costs were higher than those of Japan, the U.K., Germany and Belgium in the markets of Karachi, Colombo and Singapore. It was true that the Government at present allowed an export rebate of Rs. 53 per metric ton of finished steel equivalent to the excise levied on the steel ingot, it may be observed that Indian producers could not even then compete with the prominent steel exporting countries. In order to strengthen their position the Chairman has suggested that the Government should give serious consideration to the adoption of measures which would enable the producers to reduce their production costs. These measures included improvement of transport facilities, setting up of coal washeries and regularisation of supply of raw material for the steel plants.

Textiles

'MODEL MILLS' AND MORE SPINDLES

THE UNION GOVERNMENT proposes to license five 'model mills' with modern machinery having a capacity of 500 looms and 25,000 spindles each, as a measure of export drive. This proposal was made at a meeting of the Informal Consultative Committee for the Union Commerce and Industry Ministry where deep concern was expressed over the setback to the Indian cotton

textiles in the world market as a result of the keen competition from Japan and China. Cloth exports in 1960 fell below the level of 1956. In 1960, 723,687,000 yards of cloth of various varieties were exported against 743,842,000 yards in 1956. Exports touched an all-time high in 1957 when 877,960,000 yards were exported. Two years later, in 1959, the figure was 850,182,000 yards. Only in 1958, the exports fell below the 1960 level when only 616,740,000 yards were exported.

It was recognised that the market for Indian textiles was limited to some extent by the pattern of production. Until recently Indian exports have been mostly of coarse and medium varieties for which the markets are quite limited. To meet the challenge from Japan and China, an additional measure proposed by Mr. K. C. Reddy, Union Minister for Commerce and Industry, was to licence new capacity to the extent of two million spindles on regional basis. Another one million spindles are to be allocated to make the existing spinning units come up to an economic size and to provide for a balance between spinning capacity and weaving capacity.

Against the target of 9,300 million yards of cloth production envisaged under the Third Five-Year Plan, 5,800 million yards are to be produced in the organised sector and the balance in the decentralised sector. To ensure the production of this quantity of cloth as well as to maintain exports of yarn, the production of yarn has to be nearly 2,250 million lbs. It has, therefore, been decided that a substantial increase in spindlage should be immediately provided for. It was pointed out that in determining the allocation for each State, careful consideration would be given to relevant factors, such as the current production of yarn and cloth, the existing distribution of spindlage, the concentration on handlooms and the overall needs of the decentralised sector. Sufficient provision would also be made for giving additional spinning capacity to make the existing spinning units come up to an economic size and to provide for a balance between spinning capacity and weaving capacity. The need for increased utilisation of existing capacity by working three shifts would also be considered. This allocation of additional spindlage is likely to provide sufficient fillip to production.

Engineering

EXPORT PROMOTION

SEVERAL INDIAN engineering goods have been well received in various foreign markets and it is realized that export earnings from this sector can be enhanced significantly if proper encouragement is provided to the exporters and manufacturers. The Centre was, therefore, actively considering a proposal for reducing the prices of iron and steel supplied to engineering industries with a view to giving fillip to the export of engineering goods. This was indicated recently by Mr. Satish Chandra, the Union Deputy Minister for Commerce and Industry. He, however, added that the import entitlement provided under the current export promotion scheme for engineering goods was 'sufficiently liberal' and the Government did not contemplate any further increase at the present time. But it had been decided to widen the benefits under the scheme to cover exporters who were not manufacturers themselves, provided they complied with certain conditions.

The Government had set up a freight investigation board to make specific suggestions for reducing ship-

ping freight applicable to engineering goods wherever such a move was justified. The provision of other possible incentives to boost engineering goods exports were also being considered. If the Centre is able to make the proposed assistance practicable, the manufacturers and exporters would definitely find themselves in a better position to compete and larger export earnings would certainly be ensured.

New Issues

CHAMUNDI CHEMICALS AND FERTILIZERS

IN VIEW of the importance given to the production of chemical fertilizers in the Third Five-Year Plan, the floating of the company "Chamundi Chemicals and Fertilizers Limited" is a welcome development. At present, indigenous output of phosphatic fertilizers is totally inadequate to meet the demand. The Third Plan envisages stepping up of production of phosphatic fertilizers from 55,000 tons to 4,00,000 tons in terms of phosphoric acid.

The plant of the company will be set up at Munirabad, about two miles from Tungabhadra dam in Mysore State. The Phosphate Acidulating Corporation of New York and Mr. S. A. Slack, their European Representative for Broadfield Superphosphate Process, have agreed to provide technical and foreign collaboration for the superphosphate plant of the company. The company proposes to enter into collaboration arrangements with them through their Indian associates, the DCM Chemical Works, for the supply of complete automatic plant for the manufacture of superphosphate and an automatic sulphuric acid plant. The foreign collaborators are of international repute and the Broadfield process of superphosphate manufacture is said to be the most modern.

To meet the foreign exchange cost of the project, the Industrial Credit and Investment Corporation of India has agreed in principle to grant a loan of Rs. 6 lakhs. The loan is repayable in sixteen half-yearly instalments.

The authorised capital of the company is Rs. 1 crore. Issued capital is Rs. 40 lakhs, consisting of 400,000 equity shares for Rs. 10 each. Shares worth Rs. 6 lakhs have already been subscribed by the promoters, directors of the company and their friends and associates. The directors and their friends and associates have agreed to subscribe another Rs. 6 lakhs. Shares worth Rs. 4 lakhs have been set apart for allotment to the Industrial Credit and Investment Corporation. The Life Insurance Corporation has underwritten shares worth Rs. 4 lakhs. The rest of the issued capital, Rs. 20 lakhs, is being offered for public subscription. The subscription list opens on August 28 and will close on September 2, or earlier at the discretion of the Directors but not before August 30.

At present the Mysore State's requirements of phosphatic fertilizers are assessed at more than 50,000 tons per annum, against a production of about 8,000 tons. The production of this factory will be of the order of 40,000 tons. The product of the company, therefore, can be expected to have a ready and assured market.

WINDOW GLASS LIMITED

ANOTHER COMPANY which is entering the market next week for raising capital is Window Glass Limited.

Its authorised capital is Rs. 1 crore, divided into 10,00,000 equity shares of Rs. 10 each. The issue offered to the public is Rs. 12.25 lakhs. Subscription list opens on August 29 and will close on September 5, or earlier at the discretion of the Company, but not earlier than September 2. Rs. 2.50 per share are to be paid with the application and another Rs. 2.50 on allotment. The balance of Rs. 5 will be paid on call or calls to be made after six months of allotment.

The Company has entered into collaboration arrangements for the supply of plant and equipment with a famous Polish firm. The plant and equipment to be imported will cost £126,909. It will be paid in Indian rupees. The factory will be located in West Bengal at a place called Bansberia, near Bandel. Production is expected to start by the end of 1962.

Indian Dyestuff

EXPANSION PLANS

MR. ARVIND N. MAFATLAL, Chairman, Indian Dyestuff Industries, revealed at the recent annual general meeting of the shareholders of the company that expansion plans of the concern relating to the production of intermediates and increase in the range and quantity of items being manufactured at present were under the consideration of the management. The total outlay on this expansion programme is expected to be Rs. 4.50/5 crores. It is hoped that on completion of the expansion programme, the sales of the company would amount to Rs. 5.5/6 crores.

It is well-known fact that the delay in the execution of this expansion programme was caused by foreign exchange difficulties and the delay in the delivery of the plant. Indications are that part of the plant might go into production by the end of the current year. The rest of it would be commissioned by the middle of next year.

The company has no intentions of resorting to a rights issue in order to finance the expansion programme. Instead, it is proposed to meet the cost through the company's own profits, reserves and by bank borrowings. This course is considered to be better than the issue of right shares at a high premium. The Chairman was of the view that it may be more prudent to increase the capital at a later stage by issuing bonus shares.

The technical know-how for the expansion programme is to be obtained from the company's Italian collaborators, which are also participating in the equity capital of the company. The Chairman gave an indication that the scheme for the manufacture of basic raw materials was also under consideration. So far as the setting up of the 50-ton sulphuric acid plant is concerned, Mr. Mafatlal pointed out that the company had obtained a licence, but the scheme had not been implemented as yet because of foreign exchange difficulties. Certain firms have offered to fabricate the plant in India. A decision on these offers would be taken in the next three or four months.

Lantern Industry

THE PROBLEM OF HIGH COSTS

IN A speech at the sixth annual general meeting of the Lantern Manufacturers Association, Mr. M. Hruska tried

to remove the widespread belief that the demand for lanterns would diminish with the electrification projects coming into operation within the next few years. His contention was that even if electrification was completed within the next 10 to 15 years, it would not be possible to provide pacca houses in villages throughout the country where electricity could be used, and the use of lanterns will continue for many years to come. While it cannot be denied that the use of hurricane lanterns would dwindle as more electricity becomes available, the fact is that it still would continue to play a useful role for multifarious jobs and a standby in case of electric breakdowns. From the available figures it is evident that the industry has made considerable progress. Its annual production amounts to nearly 50 lakhs of lanterns valued at over a crore of rupees. In fact the industry has progressed to such an extent that now it is in a position to meet the entire demand of the country, leaving a fair quantity of surplus for export.

If, however, the industry has been able to raise its production only to the extent of 51,50,400 lanterns per annum against a target of 60,00,000 lanterns during the Second Plan period, it is mostly due to the fact that the supply of raw materials has been irregular. So naturally Mr. Hruska's complaint was in this field. He was also disturbed on the score that there has been a fall in exports. The main difficulty which has caused the virtual stoppage of exports is, of course, the high cost of raw materials, i.e., tinplate waste and galvanized wire, which, owing to stiff licensing during the past three years have not been made available to all the units in sufficient quantities. The result was that the manufacturers had to depend to a greater extent on purchases from the open market at considerably higher rates which naturally was reflected in the higher production costs and increased sale prices in general. Excise duties imposed too had their share in the high cost of production. Since it is the general policy that exporters be encouraged, it is time to look into the difficulties of this industry.

Photographic Goods

GOVERNMENT-OWNED COMPANY REGISTERED

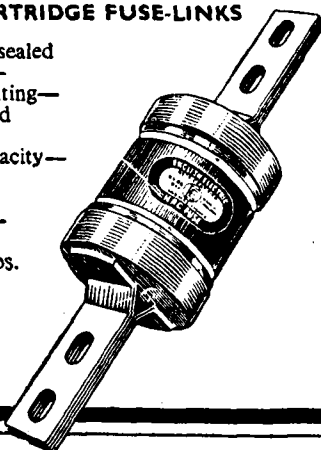
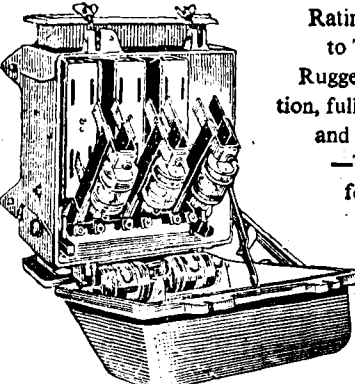
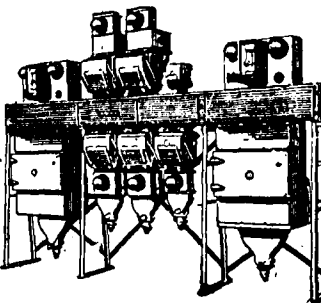
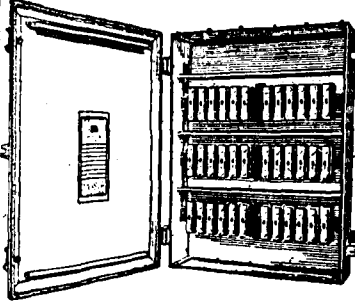
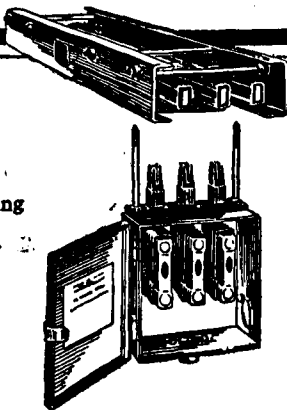
A fully Government-owned company has been registered, under the name "Hindustan Photo Films Manufacturing Company Limited", in Madras for implementing the project to manufacture cinema raw films, photographic films and paper, X-ray films and other sensitized materials. Technical know-how for this project has been secured from Ets. Bauchet of France. It is proposed to manufacture the following materials at this plant:

- | | |
|------------------------------------|-------------------------------|
| (1) Cinema raw films | 3.8 Million sq. m. per year. |
| (2) Photo films (rolls and sheets) | 0.71 million sq. m. per year. |
| (3) X-ray films | 0.60 million sq. m. per year. |
| (4) Photographic paper | 2.50 million sq. m. per year. |

Installed coating capacity of this unit will be 12.0 million sq. m. per year.

Commercial production at the plant is expected to start by December, 1962. The plant will be running to full capacity and producing Rs. 5 crores worth of the above materials per annum by the end of the Third Plan.

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FROM THE CAPITAL'S CORRIDORS

EXPANSION OF PRIVATE OIL REFINERIES

OIL has again been in the news. Replying to various question put to him in Parliament last week, the Union Minister for Oil, Mr. K. D. Malaviya, clarified Government's attitude towards allowing the expansion of the private sector oil refineries. Mr. Malaviya stated that the Government was not prepared to consider any expansion of the refining capacity of the three private sector refineries as long as the existing agreements between them and the Government were not revised. The obvious inference from this remark should be that the Government would be prepared to allow the private sector refineries to expand after the existing agreements between them and the Government have been revised.

The Government stand apparently is justified to some extent. The Standard Vacuum Oil Company and Burmah Shell have recently negotiated an agreement with the Pakistan Government which is said to be far more favourable to Pakistan than the existing agreements of these two companies with the Government of India. If Mr. Malaviya insists on a revision of the agreements with these two companies, especially in view of the fact that during the past two or three years they have been voluntarily foregoing some protection given to them, he is surely on a sound footing. Of course, the Government cannot take the initiative on its own as long as the agreements last. It can only persuade the oil companies to take the initiative and seek a revision of their existing agreements.

INCREASE OF EXCISE DUTIES ON PETROLEUM PRODUCTS

Meanwhile, in terms of the *ad hoc* agreements in force since May, 1958, between the oil companies and the Government for the pricing of major petroleum products, certain additional sums have accrued in favour of the Government. To authorise transfer of the funds to the Central Exchequer, the Union Ministry of Finance has increased, with effect from August 16, 1961, the additional duties levied under the Mineral Oils (Additional Duties of Excise and Customs) Act, 1958, on motor spirit, refined diesel oils and vapourising oil, diesel oil and furnace oil. There will be no increase in the retail prices of these petroleum products; the increased additional duties will be borne entirely by the oil companies.

DAMLE COMMITTEE'S REPORT

The Damle Committee has also submitted its report to the Government on scientific fixation of prices of major petroleum products. The Committee was set up nearly six months ago.

The Committee's report is at present being examined by the Oil Ministry. Government's resolution on its findings is expected to be released shortly.

OIL PRODUCTION AT ANKLESHWAR

Production of oil was started at Ankleshwar on Independence Day when the first 10 tons of crude were extracted from the bowels of the earth. The daily production is being stored at the field. The first consignment of 200 tons of this crude oil will be leaving for the Burmah Shell refinery at Bombay in the beginning of next month. The supply will be stepped up to 1,500 tons a day from January, 1962. Out of the 15 wells drilled so far in the Ankleshwar area, 13 have yielded oil. The remaining two have proved to be only dry holes.

Production has been started at the Cambay oilfield also. The rate of production here is 25 tons a day. The Cambay crude will be supplied to the neigh-

bouring towns to be used as furnace oil. Out of the 17 wells so far drilled in the Cambay area, 11 have yielded oil. Two have proved to be dry holes. The remaining wells are being tested.

THE PUBLIC SECTOR REFINERIES

Progress in the planning and construction of the three public sector refineries was detailed last week by Mr. K. D. Malaviya to the members of the Informal Consultative Committee of Parliament for the Ministry of Steel, Mines and Fuel. The construction of the Nunmati Refinery, Mr. Malaviya stated, was going on as scheduled. The refinery, he said, was expected to be put on stream by the end of the current year. Although laying of the pipeline could not be completed due to heavy rains in the region, the Minister added, the operation schedule of the refinery would not be affected as arrangements were being made to start production by transporting crude by means of tank wagons from Nahorkatiya to Nunmati.

About the Barauni refinery, Mr. Malaviya stated the detailed project report of this refinery was received in December last. A small change has been made in the product pattern of this refinery which will increase its cost by Rs. 50 to 60 lakhs. The construction work has been taken in hand and the refinery would go into production by the end of 1962, as scheduled.

About the refinery to be set up at Koyali, near Baroda, to process Ankleshwar-Cambay crude, the Minister for Oil stated that the Soviet Union had agreed to supply credit to meet the foreign exchange component of the cost of this refinery. Crude from this area has been sent for analysis on the results of which the product pattern of this refinery would be determined. It would take 10 to 15 months after the determination of the product pattern to prepare a project report for the refinery. According to present indications, the Koyali refinery is likely to be commissioned into production by the middle of 1964. This schedule, Mr. Malaviya stated, however, could be advanced if part of the refinery equipment was made available by the heavy machine building plants being set up on the country.

PIG IRON PLANT FOR SOUTH

The Union Minister for Steel, Mines and Fuel, Sardar Swaran Singh, disclosed at the Consultative Committee meeting that large-scale raisings of lignite from Neyveli area would commence towards the end of this year. Arrangements, he added, were being made to despatch bulk samples of this lignite for tests abroad immediately thereafter. Further steps in regard to designing and setting up of a pig iron plant based on the Neyveli lignite deposits and the Salem iron ore reserves, the Minister stated, would be taken up only when the results of the contemplated tests on lignite were known. Some small samples of lignite have already been sent to Norway and West Germany for laboratory tests.

MAINTENANCE IMPORTS

The Committee on Maintenance Imports, set up by the Union Government early this year, has reported that the provision of Rs. 3,650 crores made in the Third Plan to cover the cost of maintenance imports is likely to be exceeded by about Rs. 200 crores. It has accordingly suggested various economy measures to keep the expenditure on such imports within the ceiling prescribed in the Plan. The following are its main recommendations:

(1) In the field of durable consumer goods, such as bicycles, refrigerators, air-conditioning equipment, and household electrical appliances, it would be desirable to

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follow a policy of tight import allocation. Supplementary allocations may, however, be made on the basis of export earnings.

(2) Foreign exchange earnings from export of those categories of steel for which there is surplus capacity should equal the expenditure on imports of deficit categories (other than alloy and tool steels) even if this involves raising of domestic prices for the latter varieties. The supply of steel for purposes of construction and manufacture of durable consumer goods should be reduced to the absolute minimum. There can be a cut in the supplies of galvanized sheets.

(3) The provision made for the import of non-ferrous metals for other than electrical purposes can be reduced further. The Committee has estimated a 10 per cent growth in the demand for aluminium utensils and 6 per cent growth in the demand for copper and brass utensils. It has, therefore, suggested that consumption should be restricted till indigenous supplies of aluminium are available, although this may result in price increases.

(4) In the field of automobile and allied industries, it should be possible to reduce the provision for cars, thus securing a foreign exchange saving. It may be possible to recoup part of the foreign exchange allotment for scooters by linking the import allotment to export earnings. Scooters are in any event a good item from the export point of view, as costs would be economic if there is production on an adequate scale.

(5) Further capacity for drugs and dyes manufacture should be established on the basis of indigenous intermediates.

(6) In the event of a shortfall in the production of vegetable oils, facilities should be provided for the export of groundnut oil and import of copra and palm oil, to take advantage of differences in the relative prices of these products in India and abroad, subject to the net foreign exchange outlay not exceeding whatever amount can be allocated. This would secure the best value for the foreign exchange expended.

(7) There is no justification for any import whatsoever of cotton cloth. As regards silk goods, since raw silk is imported, export of silk fabrics should be undertaken even at a loss.

(8) Imports of synthetic fibres should be confined to the requirements of manufacture of yarn and filament in the country rather than of finished art silk yarn.

(9) A number of plastic products enter into relatively non-essential consumption. It will be difficult to secure supplies for essential purposes unless the overall quantum of supplies is adequate. Any substantial import of the finished product or processing on the basis of imported intermediates should be avoided. Adequate production from indigenous sources should be ensured before expanding consumption in this line.

(10) While imports of newsprint and of cheap paper for text books etc., are of high priority and have to be continued, some of the imports of finer quality papers can be dispensed with.

(11) Control in respect of items allowed to be imported by small-scale industries is not as strict as it might be, though the total amount involved is not as yet large. Every incentive should be given to the growth of small-scale industries, but it would be wrong to encourage development in the less essential lines on the basis of imported raw materials.

(12) In the case of petroleum products, the Committee feels there is scope for savings particularly with regard to import of kerosene, if suitable fiscal measures are adopted.

(13) Most imports of non-essential consumer goods such as spices and dates are on the basis that the trading partners will purchase from India goods which she cannot otherwise export. The Committee has recommended that profits arising from imports of such high profit items should be utilised to promote earnings.

(14) In many instances, industrial units are permitted to retain stocks to cover well above six months' requirements. A reason why firms try to build up large stocks is the delay in obtaining import licences. The Committee recommends that a procedure of automatic issue of licences early in the licensing period to cover a portion of requirements should be adopted and that at the same time the allowance for stocks should be reduced wherever possible. This would minimise the rise in levels of stocks that must accompany increase in consumption.

The Committee says that the estimates for export earnings in the Plan take credit also for earnings from the rupee payment area. In its opinion, there is no justification for permitting imports of relatively low-priority from these countries. What is needed is to make an intensive effort to secure the really essential requirements on a rupee payment basis. This may mean that commitments need to be entered into well in advance, as these countries undertake production only on the basis of long-term plans. The Committee has, therefore, recommended that a concerted effort should be made to arrange such imports, licences being granted with a sufficiently long validity period. The countries concerned should be encouraged to provide full information and advice to intending purchasers in this country, and Indian technicians and businessmen should be enabled to visit these countries.

STEPPING UP EXPORTS TO EUROPEAN COMMON MARKET

As a result of the possible entry of Britain into the European Common Market and with a view to step up exports to the Common Market countries, the Government of India has decided to transfer the offices of the Indian Commissioner-General for Economic Affairs from London to Brussels where the headquarters of the European Economic Community are situated. Mr. K. B. Lall, I.C.S., will be taking over as India's Commissioner-General for Economic Affairs in Brussels. Mr. T. Swaminathan who is at present holding this office in London, is returning to New Delhi. He is expected to succeed Mr. Lall as Additional Secretary, Ministry of Commerce and Industry. Before proceeding to Brussels, Mr. Lall will be joining the Ministry of Finance, in the Department of Economic Affairs, for a short period.

SHIPPING FREIGHT RATES

The Consultative Committee of Shipping Interests in the Indian Overseas Trade, which met here this Monday, decided that wherever there was any anomaly in the freight rates it should be looked into with a view to effect unification of tariffs.

The freight rate for woollen carpets has been reduced from \$59.20 to \$52. Further reduction in the rate for dry prawn powder from Cochin to Singapore and Penang has also been agreed to. The reduction in this case is to be effected from 146 sh. 6d. to 123 sh. 6d. per thousand kilograms.

The question of reduction of freight rates, it was agreed at the meeting, would be expeditiously dealt with by shipowners. The shipowners also agreed to consider reduction in freight rates for coir yarn and coir manufactures from Malabar coast to the United Kingdom and the Continent.

The shipowners have further agreed to change the freight rates on rolled hessian, linoleum and carpet

backing from Calcutta to the U.K. and the Continent on the basis of weight instead of measurement. The freight rates in the latter case work out to be slightly higher. Freight rates to the East Asia and the Persian Gulf countries, it was decided, should be suitably drawn up so as to be more realistic to the present-day conditions.

Inaugurating the meeting, Mr. G. Venkateswara Ayyar, Secretary, Department of Transport, Union Ministry of Transport and Communications, expressed serious concern at the reported announcement of India-U.K.-Continent Conference of a general 10 per cent increase in freight rates on east-bound cargo. Increase in freight on import cargoes, he said, would add considerably to India's import bill and accentuate the difficulties already being experienced on the foreign exchange front. The sustained effort which was being made to expand and diversify India's export trade would be hampered, if not thwarted, as a consequence to this increase in freight rates, he opined.

FOREIGN CAPITAL PARTICIPATION IN INDIAN INDUSTRIES

The Union Minister for Industry, Mr. Manubhai Shah, stated in the Rajya Sabha last week that when foreign collaborators sought majority holdings in the capital of the new Indian industries, it was considered by the Government only when three conditions were satisfied. These conditions were: firstly, that the project had a high priority for the fulfilment of Plan targets; secondly, that the main contribution of the project was in the field of technology where little progress had so far been made and a great deal of additional development was essential; and lastly, where the amount of foreign exchange needed for the project was such that, unless the foreigners were allowed to have a majority share, the Government would itself have to find a substantial amount of foreign exchange from its resources and when no alternative method of long-term finance was found practicable.

Mr. Shah emphasized that, as a rule, the Government preferred that majority interest in ownership and effective control of the company should be in Indian hands. The Minister disclosed that in 1960, majority capital participation by foreign collaborators was allowed in 26 cases. During the first half of the current year, the number of such cases approved was eleven.

DLF LOANS FOR POWER PROJECTS

The Government of India has signed three agreements with the U.S. Development Loan Fund for three credits totalling \$62.9 million (Rs. 30 crores) for financing the foreign exchange cost of three power projects—the second stage of the Sharavati Hydro-electric Project, Mysore State, the thermal station to be set up at Talcher, Orissa, and another thermal station to be constructed at Amlai, Madhya Pradesh. The rupee expenditure on these projects, totalling Rs. 32.3 crores, is intended to be met through loans from the sale proceeds of the agricultural commodities supplied to India under U.S. Public Law 480.

Like the other loans given to India by the U.S. Development Loan Fund, the new credits are repayable in Indian rupees. These rupee payments are not earmarked to pay for exports of goods from this country and as such will not be a charge against India's balance of payments.

The three projects will together generate over 7,50,000 kws. of electric power.

The United States has already helped in financing the first stage of the Sharavati Project, one of the biggest hydro-electric projects in Asia. Work on the second stage has also been taken up. On the completion of this stage, 4,45,000 kws. of electricity will be avail-

able. The electricity potential created by the first stage of the project was 1,80,000 kws. From the standpoint of cost per installed kilowatt, Sharavati is said to be one of the most economical hydro-electric projects in the world.

The Telcher thermal station will be producing 2,50,000 kws. of power which will be utilised for exploiting Orissa's vast industrial potential. The Amlai thermal plant will be generating 60,000 kws. of power and will make possible the exploitation of the abundant resources of the north-eastern region of Madhya Pradesh. Power produced by this plant would be supplied to cement, paper and pulp, coal mining, diamond mining and aluminium manufacturing industries. Some of this power will also be used for electrification of railways in the region.

KHETRI COPPER PROJECT

Details are now available of the agreement signed by the National Mineral Development Corporation in May last with Messrs. Western Machinery Company, of the United States, for securing consultancy services for the Khetri Copper Project. The agreement provides for the completion of the project preferably within a period 36 months from the date of announcement of the agreement, i.e. May 23, 1961.

The agreement envisages production of electrolytic copper at this plant to the extent of 10,000 tons per annum. The U.S. company will be supplying technical consultancy services in three phases. Under the first phase, the consultants shall assess the ore reserves and physical and technical characteristics of the Khetri copper mines and prepare a project report recommending the proper grade and quantity of ore required for the contemplated annual output. The project report shall discuss in details alternate methods for the mining, concentration, smelting and refining of copper and for recovery of by-products and associated metals etc., as may be economically feasible. The agreement stipulates that the consultants should make available to the Corporation the project report at the earliest possible date keeping in view a target of seven months from the date of announcement of the agreement. Within three months after the submission of the project report the National Mineral Development Corporation will be required to convey to the consultants its decision on it. This will mark the beginning of the second phase under which the U.S. consultants shall prepare detailed engineering drawings and specifications. Phase III relates to installation, construction and initial operation of the plant.

The consultants will be entitled to a lump sum payment of \$1,10,000 in U.S. currency and another \$10,000 in Indian rupees (\$1,20,000) for their services under the first phase. No amount of payment has been specified in the agreement for the consultancy services to be rendered by the consultants during the phases II and III. It is, however, stipulated that the total payment to them under all the three phases should not exceed 6 per cent of the "installed" cost of the operating mine, including all mine development costs and the cost of putting up the concentrator, smelter and refinery, but excluding the capital cost of water supply and electricity arrangements (the total cost of which is estimated at \$14.4 million). The consultants' estimate of charges for the second and third phases on this basis comes to \$7,44,000. The total payment to be made to the consultants for their services thus comes to \$8,54,000.

The consultants will have to complete the second and third phases of the project keeping in view the overall target of 36 months for setting up and operating the plant.

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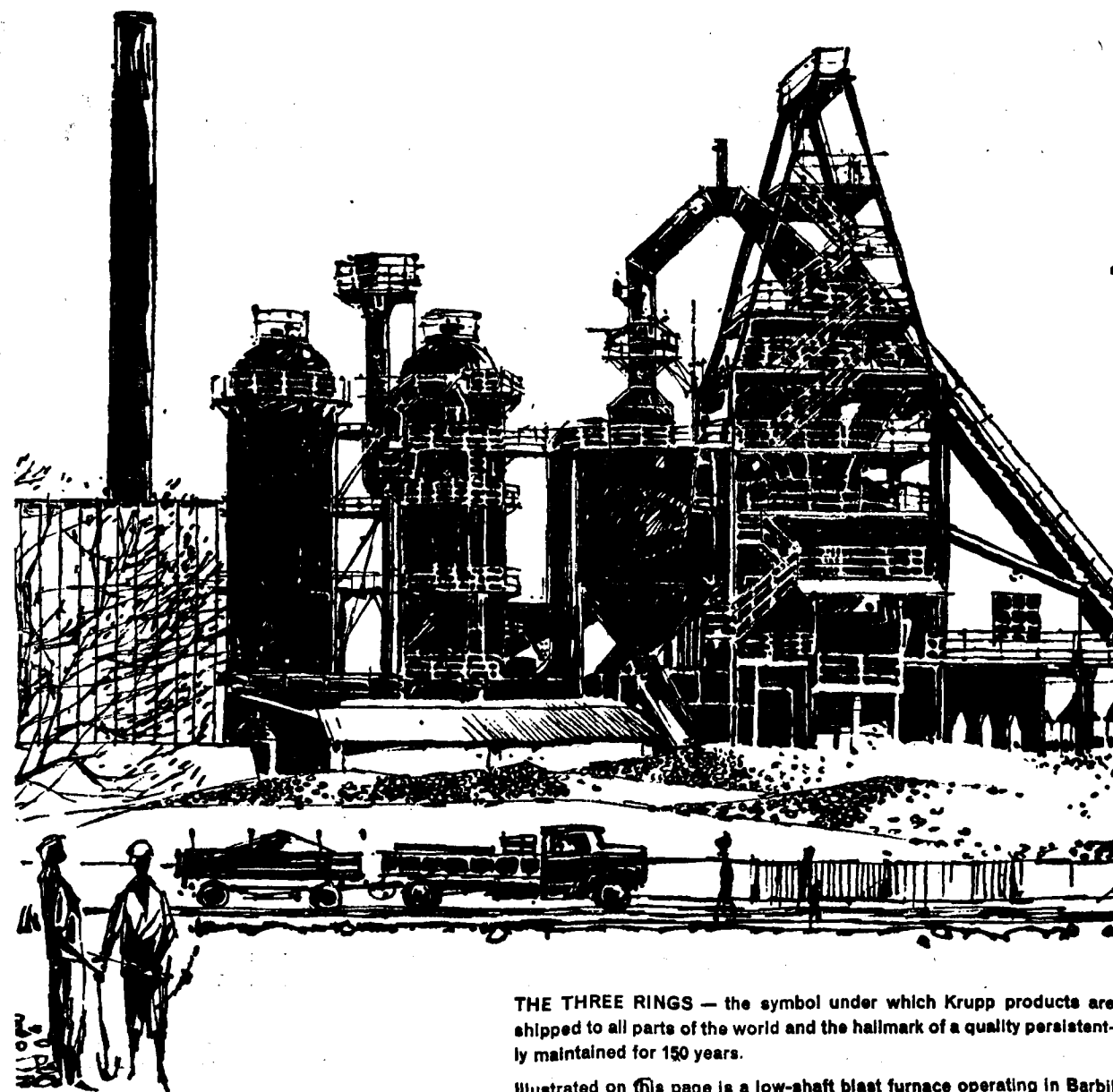
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Illustrated on this page is a low-shaft blast furnace operating in Barbil (India). Producing between 80 and 100 tons pig iron per day, it is chiefly adapted for small-size, low-grade fuel unsuitable for use in the conventional blast-furnace process.

Products and Services:

Exploration of mineral deposits · Engineering of mining schemes · Design, layout, and supply of plant for the production and processing of ferrous and non-ferrous metals · Preparation and dressing plant for ore, coal, and other minerals · Chemical-process plant · Cement, lime, and gypsum plant · Bridges, hydraulic structures, and reinforced-concrete structures · Materials, pressure vessels, and tanks for nuclear reactors · Castings and forgings · Rolls · WIDIA-sintered carbide · Magnetic materials · Cable-making and stranding machines · Hydraulic extruders · Machinery for the rubber and plastics industries · Edible oil extraction plant · Sheet-metal working and can-making machinery · Mobile water purifiers · Plate and sheet-metal fabrications · Pneumatic tools · Motor trucks, buses, and special-purpose vehicles · Diesel and electric locomotives · Special-purpose freight cars · Ocean-going vessels and river craft · Diesel engines · Giant excavators and bulk-handling plant · Power shovels and cranes.

FRIED. KRUPP · ESSEN · GERMANY

For particulars apply to:

Messrs. Protos Engineering Co. Private Ltd.,
173 Jamshedji Tata Road, Bombay
Branch Offices at Delhi, Calcutta and Madras

pyrites for manufacture of sulphur, are stated to have indicated to the Government of India, after preliminary tests conducted on these pyrites at their works, that there is need for more extensive plant tests before any definite conclusions can be reached on manufacture of sulphur from these pyrites. The Government of India has under consideration the question of sending a larger quantity of pyrites ores for such further tests. If the results prove to be satisfactory, a detailed project report would be commissioned and extensive exploitation of the pyrites deposits at Amjhore would be undertaken for the production of sulphur in the country.

DURGAPUR CHEMICAL PLANT

The Durgapur Chemical Plant will be a State enterprise in which Government of West Bengal will have 51 per cent share. The West Bengal Government proposes to associate two Indian firms and the general public also in the remaining 49 per cent equity capital of this plant. Technical collaboration is intended to be sought from a French firm which will also be supplying the foreign exchange required for import of capital equipment.

The plant will utilise the by-products of the Durgapur Coke Oven and produce synthetic phenol, phthalic anhydride, pentachlore phenol, caustic soda and chlorine. It is expected to be commissioned into production by the end of 1963.

MACHINE TOOL DESIGNS INSTITUTE

The Government of India has decided to set up, with Czech co-operation, an autonomous institute at Bangalore to design and develop machine tools. The decision of the Government follows the recommendations of a ten-member Experts Committee set up by it some time ago under the chairmanship of Professor M. S. Thacker, Director-General of Scientific and Industrial Research.

The Institute, according to the recommendation of this Committee, will be vested with the following functions:

- Design and development of machine tools, standardisation of machine tools element, tools and tooling; manufacture, testing and assessment of prototypes.
- Training of designers and designing personnel.
- Research in the methods of calculations in the design of machine tools, behaviour of machine tools and elements and on hydraulic, electrical, and electronic control systems in relation to machine tools.
- Research in metal cutting, production processes, measuring laboratory, tools and study of mechanability.
- Information and documentation.

The project report for the Institute will be prepared by the Czechoslovak Government which has agreed to bear the cost of capital equipment and expenditure on technical experts. Pending receipt of the final project report, the Government has taken steps to register a company under the Societies Registration Act 1960 to set up this Institute.

ECONOMIC ASSISTANCE FROM JAPAN

As a result of the discussions held at Tokyo in the past few days, an understanding has been reached between the Government of India and the Japanese Government on the utilisation of the 28.8 billion yen (Rs. 38.57 crores) credit made available by Japan for the first two years of India's Third Plan. The credit will be supplied by the Export-Import Bank of Japan in collaboration with some private Japanese banks. It will be used for such projects that may be agreed upon between the two Governments from time to time as

well as for purchases from Japan of plants, machinery and equipment in principal of the same category of capital goods as financed through the 18 billion yen credit extended to India by Japan during the Second Plan period.

The credit is repayable in 15 years, including a 5-year period of grace.

I.D.A. FUNDS FOR INDIAN HIGHWAYS

The following projects are proposed to be financed through the \$60 million credit advanced by the International Development Association for the improvement of national highways in India:

WEST BENGAL: National Highway No. 2. — Bypass from Vivekanand bridge (near Calcutta) to Saptagram via Baidyabati, Four-lane road from Vivekanand bridge to Joypurbeel, Two-lane road from Joypurbeel to Saptagram; National Highway No. 6 — Two-lane road from Joypurbeel to West Bengal/Bihar border, Bridge over the river Rupnarayan, Bridge over the river Kangsabati.

BIHAR: National Highway No. 6 — Two-lane road from Chichara on West Bengal/Bihar border to Subarnarekha Bridge on Bihar/Orissa border; National Highway No. 2. — Bridge over the river Sone; National Highway No. 33 — Two-lane road, Ranchi-Jamshedpur-Baharagora; National Highway No. 31 — Single-lane road from Barauni to Phulberia, Bridge over the river Mahananda at Dinghraghat, Bridge over the Kosi at Kursela, Bridge over the Burhi Gandak; National Highway No. 28 — Single-lane road from Barauni to Muzaffarpur.

ORISSA: National Highway No. 5 — Subarnarekha bridge on the Bihar/Orissa border to Cuttack (Single-lane), Bridge over the river Mahanadi, Bridge over the river Birupa, Bridge over the river Brahmani, Bridge over the river Kharswan, Bridge over the river Baitarni, Bridge over the river Salandi, Bridge over the river Nuniahari, Bridge over the Budabalong river.

MAHARASHTRA: Eastern Expressway in Bombay (Four-lane Divided Highway); National Highway No. 8 — Ghodbunder-Manor section (Two-lane), Bridge over the Bassein creek, Bridge over the river Tons, Bridge over the river Vaitarna, Bridge over the river Vandri, Bridge over the Kuman creek.

In addition, the credit includes a provision (\$300,000) for a traffic study of the Bombay city.

BRIEFS

The Government of India has agreed in principle to the proposal of the Gujarat Government to set up a fertilizers factory in that State. Details of the project, it is stated, are being worked out by the State Government. They will be examined by the Government of India in due course when an application for the grant of a licence is received.

Allis Chalmers International, U.S.A., has informed the Controller of Capital Issues that its application for the grant of consent to the issue of capital for setting up a factory in Madras to manufacture heavy-earth-moving equipment should be rejected for the present. The U.S. firm, however, has stated that it will be glad to collaborate with private industrialists in India who may like to manufacture the products of its design.

The Union Government has decided that the scheme envisaging public participation in the share capital of State enterprises need not be pursued at present.

COMPANY AFFAIRS

CENTRAL INDIA COAL-FIELDS

The performance of the Central India Coal-Fields Ltd. improved considerably during the year to March 31, 1961, when the raisings were recorded at 4.39 lakh tons against 3.81 lakh tons during the previous year. Despatches too were higher at 4.26 lakh tons against 3.80 lakh tons last year. At the Orient Colliery, construction of the railway siding was completed and the siding put in operation during the year under review. The working at the Pure Chirimiri Colliery continued to be difficult due to bad roof conditions. There was a fire in one section of its working and the section had to be sealed off; there is no danger to the rest of the mine. The directors have pointed out that the reserves of coal at this colliery are fast depleting and according to estimates, the colliery is expected to work only upto the end of this year, after which it shall have to be closed down. The directors have under active consideration proposals to replace the output of this colliery, by gradually increasing the output at its other collieries. The working of Badjna seam at the Khas Badjna Colliery was also difficult due to several intrusions in the seam and bad roof conditions. A quarry has been opened at that colliery in the Brindabanpur seam.

The Company has submitted plans for increase in production during the Third Five-Year Plan at its mines and these have received the general approval of the Government. Working at the collieries, after the end of the year, continues to be as before. The inadequacy of wagon supplies is causing a setback at the Orient Colliery, due to accumulation of stock.

Profit during the year after making provision for depreciation and taxation comes to Rs. 7.54 lakhs against Rs. 6.19 lakhs during the previous year. The directors have proposed to transfer Rs. 1.45 lakhs to development reserve. They have recommended the payment of dividend at the rate of Re. 1 per equity shares of Rs. 10 each, which will absorb nearly Rs. 5 lakhs.

NEW ISSUES

The Controller of Capital Issues has granted consent to the issue of a total capital of over Rs. 2 crores to six companies. One of them is a new company from Delhi. The consent is valid for a period of 12 months in each case. Following are the details:

Bombay Wire Ropes Limited (Bombay), has been accorded consent to issue capital of Rs. 1 crore (including Rs. 10 lakhs already issued under the exemption) divided into 10,00,000 equity shares of Rs. 10 each for cash at par. The proceeds would be utilised for manufacturing wire ropes.

Walchandnagar Industries Limited, (Bombay), en-

gaged in the production of sugar, vegetable ghee, sugar making machinery etc., have been accorded consent to the issue of 3rd debentures of the total value of Rs. 60 lakhs carrying a rate of interest not exceeding 7 per cent per annum and repayable after 15 years, for cash at par. The paid-up capital of the Company is Rs. 1,51,00,000.

Lepetit Renbaxy Laboratories Private Limited, a new company registered on June 16, 1961 in Delhi to undertake manufacture of chloramphenicol has been accorded consent to issue capital of Rs. 25 lakhs in equity shares of Rs. 100 each for cash at par, out of which shares of the value not more than Rs. 12.5 lakhs will be issued to the foreign collaborators.

Chowgule & Company (Hind) Private Limited, (Bombay), has been granted consent to the issue of capital of Rs. 15.95 lakhs into 1,257 equity and 338 (9.285 per cent) Preference shares of Rs. 1,000 each. Out of this, 400 equity and 338 preference shares will be issued to Messrs. Chemische Works, Albert, West Germany, against payment to be made by them to suppliers of machinery. The present subscribed capital is Rs. 5 lakhs in equity shares.

Pangal Nayak Bank Limited, Udipi (Mysore), has been granted consent to the issue of further capital of Rs. 5 lakhs divided into 50,000 'B' class ordinary shares of Rs. 10 each for cash at par. The proceeds will be utilised for strengthening the banking company's capital base. The present paid-up capital is Rs. 5 lakhs divided into 2,000 'A' class ordinary shares and 30,000 'B' class ordinary shares of Rs. 10 each.

Carritt, Moran & Company Private Limited, (Calcutta), a Company engaged in business as tea brokers, has been granted consent to the issue of 3,000 bonus shares of Rs. 100 each on capitalisation of its reserves to the extent of Rs. 3 lakhs. The existing capital of the Company is Rs. 1½ lakhs. It is proposed to issue 2 bonus share for each share held now.

Maharashtra Sugar Mills Limited (Bombay), has been accorded consent to issue bonus shares of the total value of Rs. 27 lakhs to be offered to the existing shareholders in the proportion of 2 bonus shares for every five shares held, on capitalisation of the Company's reserves to a like extent. The Company carries on business as manufacturers of white crystal sugar, sugarcane growers etc. and has a paid-up capital of Rs. 72.50 lakhs.

Globe Auto Electricals Limited (Bombay), have been accorded consent to the issue of capital of Rs. 20 lakhs in equity shares of Rs. 100 each. The proceeds will be utilised for manufacturing electrical accessories such as wind shield wipers, ignition coils, cendensors and parts of such electrical equipments.

THE BRITISH INDIA CORPORATION LIMITED, KANPUR

BRANCHES DIVISION

Cawnpore Woollen Mills Branch Cooper Allen Branch
New Egerton Woollen Mills Branch North West Tannery Branch

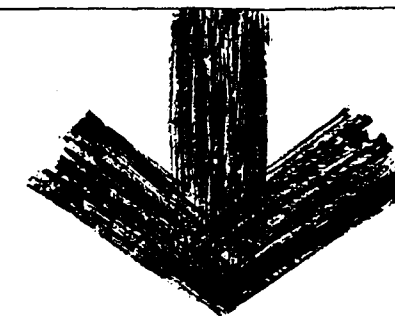
LONDON OFFICE. BEGG SUTHERLAND DIVISION

SECRETARIES & TREASURERS

The Elgin Mills Co. Ltd. Cawnpore Sugar Works Ltd.
Cawnpore Textiles Ltd. Champaran Sugar Co. Ltd.
Brushware Limited Saran Engineering Co. Ltd.

Secretaries for: Beta Picker & Co. Ltd.

Royal Exchange Assurance.



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STATE BANK OF INDIA
INDIA'S LEADING BANK

What was once a dream...

Over four years ago, when the Prime Minister of India visited Bhilai, the groundwork for the foundation of the steelworks was being made. "What was once a dream," he wrote in the Visitors' Book, "begins to take shape and come true—a symbol and a portent of the India of the future."

On his second visit to Bhilai in October last year to inaugurate the Rail and Structural Mill, he saw the dream come true. The one-million-ton steelworks is virtually complete and what was a blueprint only a few years ago is now an impressive network of towering structures on a waste-land of yesterday.

Bhilai has been the largest supplier of pig iron to the nation's foundries for quite sometime and one of the largest suppliers of billets to the re-rolling mills. And now, the products of the Rail and Structural Mill are feeding another vital section of our country's economy—the railways and engineering industries. On an average, two train loads of iron and steel have been leaving Bhilai every day and a part of its products has even been exported.



**HINDUSTAN
STEEL**

Backbone of Industry

ROURKELA • BHILAI • DURGAPUR
Headquarters: RANCHI

Products of
**BHILAI
RAIL & STRUCTURAL MILL**

Joists • Rails • Angles • Channels
Rounds • Flats

HSI

BOOK REVIEWS

AFRICAN AFFAIRS

Africa Quarterly: A journal on African affairs; published by the Indian Council for Africa; 1-W 5, Curzon Road Barracks, New Delhi; Vol. I, No. 1; Pp. 80; Price Rs. 3 per copy or Rs. 10 for the year.

The spotlight is likely to be on Africa during the sixties just as it was on Asia during the fifties. It is right, therefore, that efforts should be made to educate the Indian public opinion on the rapid developments in "emergent" Africa where a wind of change is currently sweeping away the remnants of colonialism. The Indian Council for Africa needs to be congratulated for its pioneering effort in bringing out a first-rate quarterly journal, bearing entirely on African problems. The first issue is at once a scholarly and detached exposition of the problems which the African countries face.

Here is a brief report on the aspects covered in the current issue. The first article is an abridged version of the address delivered by the Prime Minister while inaugurating a seminar on Africa early this year. He has rightly pointed out that the people of Africa are not interested in the cold war controversies since they are primarily interested in their own freedom. Dr. U. R. Ehrenfels has very ably expounded the theme of Panafrikanism in all its facets. Dr. Amba Prasad has made a very comprehensive analysis of the problems of Indians in East Africa. Mr. Dinesh Singh, M.P., has traced the history of the freedom fight in Algeria and has emphasised the right of the Algerian people to self-determination and independence—a right which has already been recognised by the United Nations.

The Quarterly, in fact, contains much valuable material for the researcher who wants to delve deep into the African problems. The journal has been printed in a very elegant manner, and holds out a promise of maintaining high standards in journalism and research.

PROBLEM IN MARKETING

Agricultural Marketing in India and Abroad: By R. S. Srivastava; Published by Vora & Co., Publishers, Private Ltd., 3 Round Building, Bombay-2; Pp. 243; Price Rs. 12.50.

The present volume attempts to compare the conditions on marketing in India as compared to other advanced countries. It brings out the out-moded character of Indian markets and shows the volume of work which needs to be done for improving the channels of marketing as well as for reducing the cost of distribution. The book will be of immense use to students, administrators and marketing organisations.

Mr. Srivastava has made a heroic effort to dig out statistical information regarding certain aspects of the Indian markets which were scattered over numerous publications. The estimates of the marketing surplus in the case of agricultural commodities for the year 1950-51, is illuminating. It is suggested that Mr. Srivastava should try to bring this table up-to-date in

order to make it more useful to the administrators. The holding of the price line in the case of food, according to some theoretical economists, hinges on the volume of the market surplus, and up-to-date information for this vital sector of the economy is not readily available from any public source.

Despite certain bad mistakes in proofreading, the present volume is without doubt a learned attempt on the marketing of agricultural produce in the Indian Union and will be found useful by all those who wish to learn fully about the hazards of marketing in this country.

GROWTH OF THE CORPORATE SECTOR

The Corporate Sector in India: A factual representation of long and short-term trends by Raj K. Nigam and N. C. Chaudhuri; published by the Research and Statistics Division, Department of Company Law Administration, Ministry of Commerce & Industry, Government of India, New Delhi; Pp. 194; Price Rs. 13.50 nP.

The corporate sector in the Indian economy has grown at a very fast rate during the last decade. The number of companies in 1960 was a little less than 27,000 with a paid up capital of nearly Rs. 1,600 crores owned by nearly half a million shareholders. The assets in the corporate sector are nearly Rs. 4,000 crores. These few figures bring out the importance of the corporate sector in India. The authors have done a valuable service in putting together all the material available on this subject. Attention has been focussed mostly on the last ten years, though long-term series have also been presented wherever figures are available. The contribution of the Reserve Bank of India is sizeable in view of the fact that a systematic analysis of the balance sheets of nearly 1,000 public and private limited companies has been presented by the Research and Statistical Division of the Bank during the last few years. The authors have spared no pains in presenting an objective picture of the growth and structure of the corporate sector and have touched upon almost all the important facets of the problem. The volume will be of considerable value to the planners, to the researchers and the students.

COMPANY LAW

A Guide to the Companies Act (Act I of 1956): As amended by the Amendment Act LXV of 1960; by A. Ramaiya; published by The Madras Law Journal Office, Madras-4; Pp. 933; Price Rs. 20.

The Company Law in this country has become very much complicated during the last few years. The frequent revisions of the various clauses have complicated matters further. Mr. Ramaiya has done a splendid job in explaining the various implications of all the important clauses and sub-clauses in a very concise and clear manner. Brief notes attached to every clause explain the significance of the revisions. It is a very profound study containing copious notes on the cases decided by the courts regarding the various issues involved in the controversial clauses. This is a guide which should be on the table of every secretary and manager.

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES (Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Fuel Power			Manufactures			All Commo- dities
		Food articles & Tobacco	Liquor and Tobacco	Light and Lubricants	Industrial Raw materials	Inter- mediate Products	Finished Products	Total
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	104.6
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	117.1
1960-61	..	120.0	110.0	119.6	145.4	130.5	122.8	124.8
May 1960	..	120.3	107.3	119.2	140.1	125.4	119.0	122.8
June ..	..	120.3	109.5	118.0	139.7	127.2	118.7	122.9
July ..	..	124.0	109.6	119.5	137.2	130.4	119.4	121.0
May 1961	..	117.2	104.1	122.8	152.8	136.9	124.5	126.3
June ..	..	119.9	100.1	122.2	148.7	135.2	127.4	125.3
July ..	..	124.3	98.6	121.5	151.3	141.9	124.6	127.0
1-7-1961	..	122.8	97.8	121.5	148.9	141.2	123.2	125.7
8-7-1961	..	123.3	98.2	121.5	150.4	142.7	124.2	126.8
15-7-1961	..	125.0	98.2	121.4	153.5	142.5	125.0	127.5
22-7-1961	..	125.7	99.5	121.6	154.4	141.9	125.2	127.5
29-7-1961	..	124.5	99.5	121.6	149.2	141.4	125.3	127.6

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS (August 1939 = 100)

Period	Bombay			Delhi Bengal U.P.		Central Provinces		Madras	E.P.	Bihar	All India†
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†
1939 (Aug.-Dec.)	103	—	—	—	—	105	104	—	106	—	—
1954 ..	342	359	244	138	327	408	373	139	341	148	140
1955 ..	322	338	217	130	321	371	364	133	321	134	135
1956 ..	336	352	244	142	347	424	397	151	358	152	146
1957 ..	352	368	259	150	364	448	422	162	374	157	157
1958 ..	376	394	274	150	384	468	447	165	401	157	169
1959 ..	393	412	308	158	384	469	498	163	429	166	173
1960 ..	401*	420*	296	158*	397	476	512*	165	467	167	166
1960 July	404	423	302	160	406	484	515	165*	467	169	166
August ..	402	421	304	160	410	484	515	163	470	169	168
September ..	399	418	302	161	403	484	520	163	472	167	168
October ..	402	421	304	162	396	488	517	163	477	171	166
November ..	404	423	300	159	392	498	509	163	484	171	168
December ..	400	419	297	160	385	480	507	163	488	169	167
1961 January ..	400	419	296	161	385	480	502*	165	470	171	166
February ..	401	420	—	163	389	488	491*	165	470	171	166
March ..	404	423	—	164	392	483	488*	—	479	169*	167
April ..	409	428	—	165	389	471	—	—	482	169*	166
May ..	412	431	—	166	389	464	—	—	479	—	—
June ..	—	—	—	167	—	474	—	—	478	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT) WEEK ENDED

	11-8-1961			4-8-1961			28-7-1961			21-7-1961		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	122.50	120.60	121.53	121.20	120.10	120.63	121.00	119.75	120.34	120.70	119.30	120.13
Silver (per kilogram)	202.85	201.85	202.29	202.05	200.10	201.08	201.40	199.95	200.80	200.60	199.80	200.08

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES				ASSETS				
	Notes in Circulation	Notes Held in Bank- ing Dept.	Total Notes Issued (a)	Gold Coin & Bullion (b)	1956-57 Foreign Securities (c)	1,475,77 Total of (b+c)	18,75 Rupee Coin	1,494,52 Rupee Securities	40,02 Total Assets
1957-58*	1,529,36	23,18	1,552,53	117,76	545,61	585,63	115,93	755,22	1,494,52
1958-59*	1,593,88	19,34	1,613,21	117,76	329,65	447,41	1,30,06	975,06	1,552,53
1959-60*	1,730,90	19,86	1,750,77	117,76	182,04	299,80	133,99	1,179,42	1,613,21
1960-61*	1,863,13	18,94	1,882,07	117,76	167,62	285,38	131,50	1,333,83	1,750,77
Average of Fridays									
May 1960 ..	1,886,74	20,78	1,907,52	117,76	163,01	280,77	125,34	1,501,41	1,907,52
June ..	1,860,95	26,56	1,887,51	117,76	149,26	267,02	125,34	1,495,15	1,887,51
July ..	1,827,14	25,64	1,852,77	117,76	140,01	257,77	128,59	1,466,47	1,852,77
May 1961 ..	1,989,60	16,63	2,006,23	117,76	113,01	230,77	118,51	1,656,95	2,006,23
June ..	1,958,79	30,43	1,989,22	117,76	108,01	225,77	119,54	1,644,92	1,989,22
July ..	1,922,49	24,13	1,946,62	117,76	93,01	210,77	121,31	1,614,55	1,946,62
Week-Ending									
7-7-1961 ..	1,949,27	27,46	1,976,72	117,76	93,01	210,77	119,03	1,646,93	1,976,72
14-7-1961 ..	1,937,98	19,85	1,957,83	117,76	93,01	210,77	120,08	1,626,98	1,957,83
21-7-1961 ..	1,911,95	18,05	1,930,00	117,76	93,01	210,77	122,18	1,597,05	1,930,00
28-7-1961 ..	1,890,76	31,15	1,921,92	117,76	93,01	210,77	123,93	1,587,22	1,921,92
4-8-1961 ..	1,903,98	16,88	1,920,86	117,76	93,01	210,77	122,87	1,563,37	1,920,86

BANKING DEPARTMENT

Period	Deposits					Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad§	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Gov- ernment	Other Gov- ernments	Banks	Others	Total									
1954-55*	89.13	20.66	55.20	36.29	201.28	23.62	234.90	23.24	6.10	87.53	1.14	26.55	80.52	9.82
1955-56*	60.11	19.85	53.77	18.31	152.04	35.59	197.64	17.21	9.78	66.96	1.73	36.99	49.36	15.61
1956-57*	57.52	14.10	52.46	19.73	143.81	91.21	245.02	18.91	5.69	64.77	4.89	85.34	51.82	13.60
1957-58*	54.61	11.28	81.00	111.38	258.27	84.36	407.63	23.30	4.81	40.47	32.90	77.91	213.92	14.32
1958-59*	57.62	20.80	87.53	118.73	284.67	71.71	441.44	19.41	6.18	25.57	28.23	65.83	284.49	11.73
1959-60*	55.50	23.24	79.61	123.48	281.83	83.18	450.01	19.94	15.54	28.97	25.53	88.92	258.90	12.22
Avr. of Fridays														
May 1960 ..	55.55	27.20	96.35	98.14	277.23	108.96	471.19	20.85	27.39	12.66	49.43	115.02	230.51	15.34
June ..	73.15	13.28	107.89	90.72	285.05	111.02	481.07	26.63	28.14	13.57	45.94	122.56	228.02	16.21
July ..	63.54	20.25	120.31	132.35	336.44	73.49	494.94	25.70	13.66	21.03	32.82	125.06	260.19	16.48
May 1961 ..	61.61	16.21	78.38	116.50	272.69	145.08	501.78	16.73	41.65	21.40	83.99	125.26	191.55	21.22
June ..	64.96	13.54	84.67	123.86	287.04	134.21	506.25	30.47	39.78	14.49	68.97	121.34	208.22	22.97
July ..	58.61	18.56	93.24	111.63	282.04	94.38	461.41	24.17	26.26	9.98	40.10	117.43	221.75	21.72
Week-Ending														
7-7-1961 ..	54.51	8.96	91.69	111.14	266.30	101.18	471.30	44.84	35.53	10.78	34.30	130.41	189.49	25.95
14-7-1961 ..	49.83	13.37	96.08	111.22	270.49	98.76	452.48	27.50	38.43	16.54	37.16	123.79	183.56	25.50
21-7-1961 ..	53.02	31.35	103.46	112.56	300.39	89.20	454.25	19.90	27.74	9.89	41.73	117.52	213.45	24.04
28-7-1961 ..	77.09	20.56	81.71	111.61	290.96	88.37	464.33	31.20	13.18	5.03	40.87	114.80	241.11	18.14
4-8-1961 ..	53.26	18.83	81.44	200.75	354.28	87.34	526.62	16.94	9.72	35.81	42.09	115.53	289.50	17.03

* Average of Fridays. **Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 23, 1957 and of Rs. 80 crores from July 5, 1957. †Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956 and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. §Includes cash and short-term securities.

INVESTMENT AND FOREIGN EXCHANGE REQUIREMENT: THIRD PLAN

(Rs. Crores))

Head	Total Investment	Foreign Exchange Requirement	% of (3) to (2)
(1)	(2)	(3)	(4)
A. Public Sector			
Agriculture and Community Development ..	610	30	4.9
Minor and medium irrigation ..	650	50	7.7
Power ..	1,012	320	31.6
Village and small industries ..	100	20	20.0
Large and medium industries and minerals (including oil) ..	1,470	690	46.9
Transport and communications ..	1,486	320	21.5
Social services and miscellaneous ..	572	90	15.7
Inventories ..	200	*	—
Total (Public Sector) ..	6,100	1,520	24.9
B. Private Sector			
Large and medium industries, minerals and transport ..	1,350	495	36.7
Villages and small industries ..	325	15	4.6
Others ..	2,625	Neg	—
Total (Private Sector) ..	4,300	510	11.9
C. Grand Total (A+B) ..	10,400	2,030	16.4

* Foreign exchange component of inventories is included under other heads.

FINANCING OF FOREIGN EXCHANGE REQUIREMENTS FOR THE THIRD PLAN

(Rs. Crores)

Item	Total Second Plan	Total Third Plan	1961-62	Annual Average Third Plan
(1)	(2)	(3)	(4)	(5)
A. Receipt				
1. Exports ..	3,053	3,700	667	740
2. Invisibles (net) (excluding official donations) ..	420*	nil	22	nil
3. Capital transactions (net) (excluding receipts of official loans and private foreign investment) ..	-172	-550	-133	-110
4. External Assistance ..	927@	2,600	575**	520
5. Draft on Foreign Exchange Reserves ..	598	nil	nil	nil
Total (1 to 5)*** ..	4,826	5,750	1,131	1,150
B. Payment				
1. Imports of machinery and equipment for Plan Projects ..		1,900	325	380
2. Components, intermediate products etc. for raising production of capital goods ..	4,826	200	60	40
3. Maintenance imports ..		3,650	746	730
Total (1 to 3)*** ..	4,826	5,750	1,131	1,150

* Includes reimbursements from the U.S.A. for freight expenses on PL 480 imports initially incurred by India.

** Represents external assistance required for financing imports.

@ Includes net drawings on the I.M.F.

*** PL 480 imports are excluded from both sides — about Rs. 534 crores for the Second Plan and Rs. 600 crores for the Third Plan.

BANK CREDIT TO GOVERNMENT SECTOR

(Rupees Crores)

Variations in the Financial Assets of the Reserve Bank											
Year	Loans and Advances to Government	Holdings of Government Securities*	Holding of Rupee Coins and Notes	Aggregate Variations in the Financial Assets of the Reserve Bank (2+3+4)	Variations in Government Deposits with the Reserve Bank	Reserve Bank's Net Credit to Government Sector (5-6)	Banks' Credit to Government Sector	Total Net Bank Credit to Government Sector (7+8)	Government Currency Liabilities to the Public	Variations in Treasury Balances	Impact of Government Sector on Money Supply (9+10-11)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1951-52	- 0.6	- 23.7	+14.8	- 9.5	+16.8	- 26.3	- 24.9	- 51.2	- 15.4	-0.7	- 65.9
1952-53	+ 2.4	- 15.9	+13.0	- 0.5	-49.6	+ 49.1	+ 8.9	+ 58.0	- 12.5	+3.6	+ 41.9
1953-54	- 2.8	- 59.6	+11.7	- 50.7	-27.3	- 23.4	+ 18.1	- 5.3	- 30.4	-3.1	- 32.6
1954-55	- 0.1	+ 65.2	+ 8.5	+ 73.6	- 8.6	+ 82.2	+ 28.1	+110.3	- 4.7	-1.4	+107.0
1955-56	- 0.5	+174.0	+ 0.8	+174.3	+ 9.7	+164.6	+ 21.2	+185.8	+ 7.3	-1.7	+194.8
Total 1951-52 to 1955-56	- 1.6	+140.0	+48.8	+187.2	-59.0	+246.2	+ 51.4	+297.6	- 55.7	-3.3	+245.2
1956-57	+ 7.7	+270.9	+19.5	+298.1	-32.8	+330.9	- 11.8	+319.1	- 5.3	+4.2	+309.6
1957-58	+13.6	+407.7	+ 6.6	+427.9	+ 6.7	+421.2	+ 80.6	+501.8	- 0.9	-1.1	+502.0
1958-59	+ 3.5	+129.6	+ 0.7	+133.8	-22.6	+156.4	+174.4	+330.8	+ 4.1	+2.4	+332.5
1959-60	- 2.4	+179.4	- 5.9	+171.1	+25.6	+145.5	+103.5	+249.0	+11.2	-3.7	+263.9
1960-61†	+16.7	+123.8	- 4.5	+136.0	- 0.7	+136.7	-153.9	- 17.2	+ 13.4	+3.7	- 7.5
Total 1956-57 to 1960-61	+39.1	+1111.4	+16.4	+1166.9	-23.8	+1190.7	+192.8	+1383.5	+ 22.5	+5.5	+1400.5

*Including bills purchased and discounted. †Provisional.

BANK CREDIT TO PRIVATE SECTOR

(Rupees Crores)

Variations in the Financial Assets of the Reserve Bank				Variations in the Financial Assets of Banks					
Year	Shares and Bonds	Loans and Advances	Total (2+3)	Shares and Bonds	Loans and Advances	Total (5+6)	Variations in Non-Monetary Liabilities of Banks	Bank's Net Credit to Private Sector (7-8)	Total Net Bank Credit to Private Sector (4+9)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1951-52	+ 0.1	—	+ 0.1	+ 1.5	+ 54.7	+ 56.2	- 8.8	+ 65.0	+ 65.1
1952-53	+ 0.2	—	+ 0.2	+ 0.1	- 41.0	+ 40.9	+ 35.8	- 76.7	- 76.5
1953-54	+ 3.0	+ 0.3	+ 3.3	+ 2.9	+ 9.2	+ 12.1	+ 16.4	- 4.3	- 1.0
1954-55	+ 0.3	- 0.3	—	+ 3.6	+ 71.1a	+ 74.7	+ 51.7	+ 23.0	+ 23.0
1955-56	+ 0.6	+ 0.6	+ 1.2	+ 3.9	+132.9	+136.8	+ 42.6	+ 94.2	+ 95.4
Total 1951-52 to 1955-56	+ 4.2	+ 0.6	+ 4.8	+ 12.0	+226.9	+238.9	+137.7	+101.2	+106.0
1956-57	—	+ 0.5	+ 0.5	+ 1.3	+164.2	+165.5	+ 62.6	+102.9	+103.4
1957-58	+ 0.3	- 1.0	- 0.7	+ 12.4	+ 79.1	+ 91.5	+237.5	-146.0	-146.7
1958-59	+ 1.3	+ 0.9	+ 2.2	+ 4.9	+ 47.3	+ 52.2	+195.9	-143.7	-141.5
1959-60	+ 0.5	- 0.1	+ 0.4	+ 16.9	+137.5	+154.4	+214.7	- 60.3	- 59.9
1960-61*	+ 0.4	+ 0.2	+ 0.2	- 6.1	+249.0	+242.9	- 51.3	+294.2	+294.4
Total 1956-57 to 1960-61	+ 2.5	+ 0.1	+ 2.6	+ 29.4	+677.1	+706.5	+659.4	+ 47.1	+ 49.7

a. Adjusted for 'foreign bills', data relating to which were obtained only since May 14, 1954.

* Provisional.

.Source: Reserve Bank Bulletin.

VARIATIONS IN THE NET FOREIGN EXCHANGE ASSETS OF THE BANKING SECTOR

(Rupees Crores)

Year	Variations in the Foreign Exchange Assets of the Reserve Bank	Variations in the Non-Monetary Foreign Exchange Liabilities of the Reserve Bank	Variations in the Net Foreign Exchange Assets of the Reserve Bank (2+3)	Variations in the Foreign Exchange Assets of the Banks	Variations in the Foreign Exchange Liabilities of the Banks	Variations in the Net Foreign Exchange Assets of the Banks (5-6)	Variations in the Net Foreign Exchange Assets of the Banking Sector (4+7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1951-52	-161.1	-	-161.1	+ 3.8	+ 21.4	- 25.2	-186.3
1952-53	+ 0.6	-	+ 0.6	+ 1.7	- 30.4	+ 32.1	+ 32.7
1953-54	+ 29.3	- 17.1	+ 46.6	+ 2.1	+ 0.6	+ 1.5	+ 47.9
1954-55	- 23.0	- 17.4	- 5.6	+ 1.0	- 0.6	+ 1.6	- 4.0
1955-56	+ 16.1	- 7.2	+ 23.3	+ 0.7	+ 10.1	- 9.4	+ 13.9
Total 1951-52 to 1955-56	-138.1	- 41.7	- 96.4	+ 1.7	+ 1.1	+ 0.6	- 95.8
1956-57	-219.3	+ 58.0	-277.3	-	- 15.6	+ 15.6	-261.7
1957-58	-259.8	+ 35.0	-294.8	+ 0.8	- 11.8	+ 12.6	-282.2
1958-59	- 53.9	+ 2.2	- 56.1	- 1.3	+ 2.3	- 3.6	- 59.7
1959-60	- 15.9	- 21.5	- 5.6	- 1.5	+ 1.4	- 2.9	- 2.7
1960-61*	- 60.9	- 9.3	- 51.6	- 1.9	+ 10.2	- 12.1	- 63.7
Total 1956-57 to 1960-61	- 609.8	+ 64.4	- 674.2	- 3.9	- 13.5	+ 9.6	- 664.6

* Provisional.

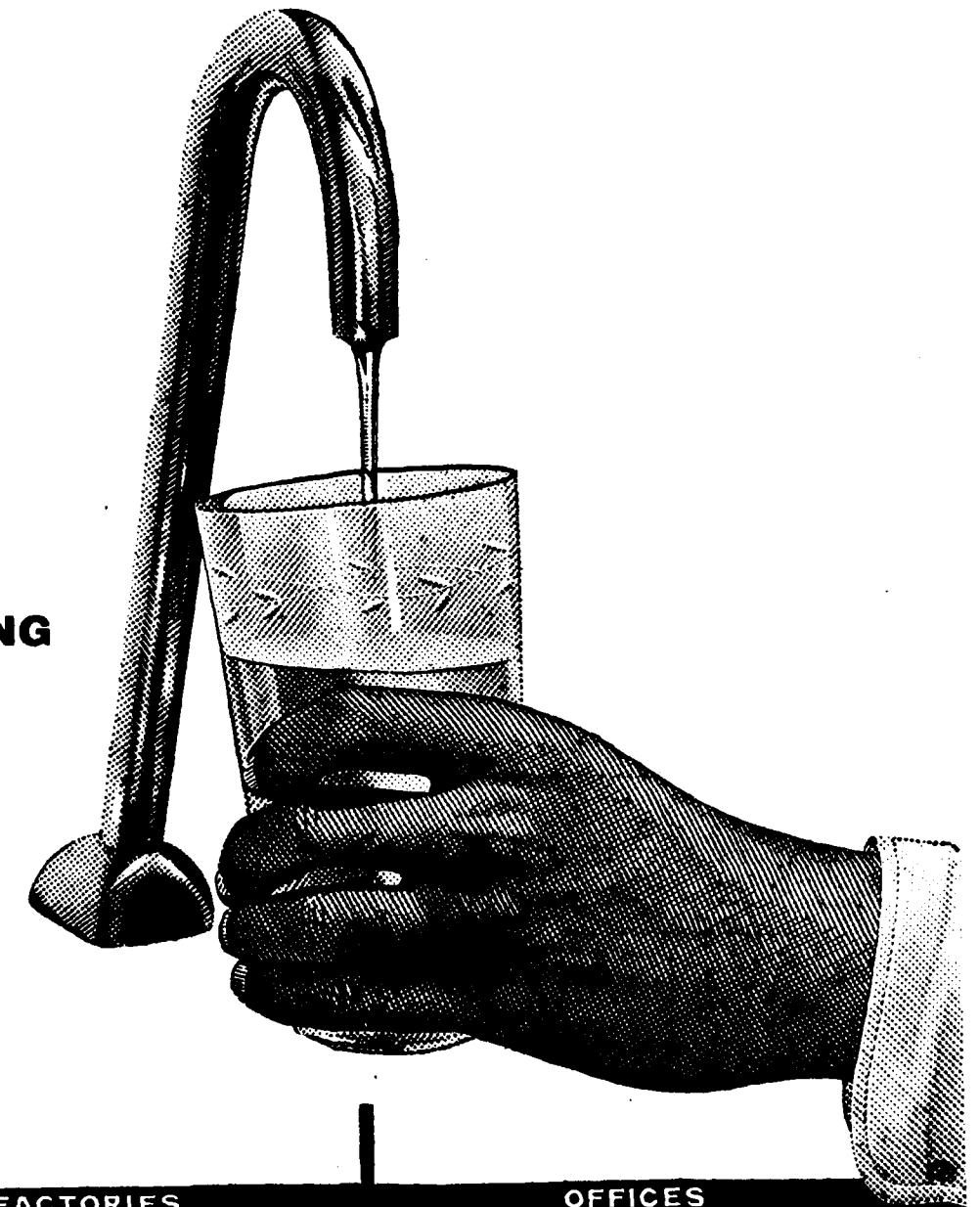
VARIATIONS IN THE NON-IDENTIFIABLE NET NON-MONETARY LIABILITIES OF THE BANKING SECTOR

(Rupees Crores)

Year	Reserve Bank			Banks			
	Other Assets	Non-Monetary Liabilities	Net Non-Monetary Liabilities (3-2)	Other Assets	Non-Monetary Liabilities	Net Non-Monetary Liabilities (6-5)	Net Non-Monetary Liabilities of the Banking Sector (4+7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1951-52	+ 20.5	+ 2.8	- 17.7	+ 0.1	+ 10.1	+ 10.0	- 7.7
1952-53	- 22.3	+ 4.8	+ 27.1	- 6.7	+ 8.1	+ 14.8	+ 41.9
1953-54	+ 1.0	- 5.6	- 6.6	+ 1.2	- 2.8	- 4.0	- 10.6
1954-55	+ 12.7	+ 4.8	- 7.9	+ 1.0	+ 2.3	+ 1.3	- 6.6
1955-56	- 3.6	+ 19.6	+ 23.2	+ 5.5	+ 22.1	+ 16.6	- 39.8
Total 1951-52 to 1955-56	+ 8.3	+ 26.4	+ 18.1	+ 1.1	+ 39.8	+ 38.7	+ 56.8
1956-57	- 4.1	+ 33.9	+ 38.0	+ 14.8	- 0.7	- 15.5	+ 22.5
1957-58	+ 0.5	+ 6.4	+ 5.9	+ 1.2	- 8.8	- 10.0	- 4.1
1958-59	- 2.0	+ 13.2	+ 15.2	+ 13.9	+ 20.2	+ 6.3	+ 21.5
1959-60	+ 2.2	+ 25.7	+ 23.5	+ 47.9	+ 26.2	- 21.7	+ 1.8
1960-61*	+ 5.6	+ 5.1	- 0.5	- 14.0	+ 8.1	+ 22.1	+ 21.6
Total 1956-57 to 1960-61	+ 2.2	+ 84.3	+ 82.1	+ 63.8	+ 45.0	- 18.8	+ 63.3

* Provisional.

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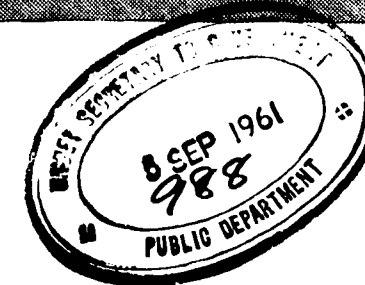
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THE EASTERN ECONOMIST

VOL. XXXVII NO. 9

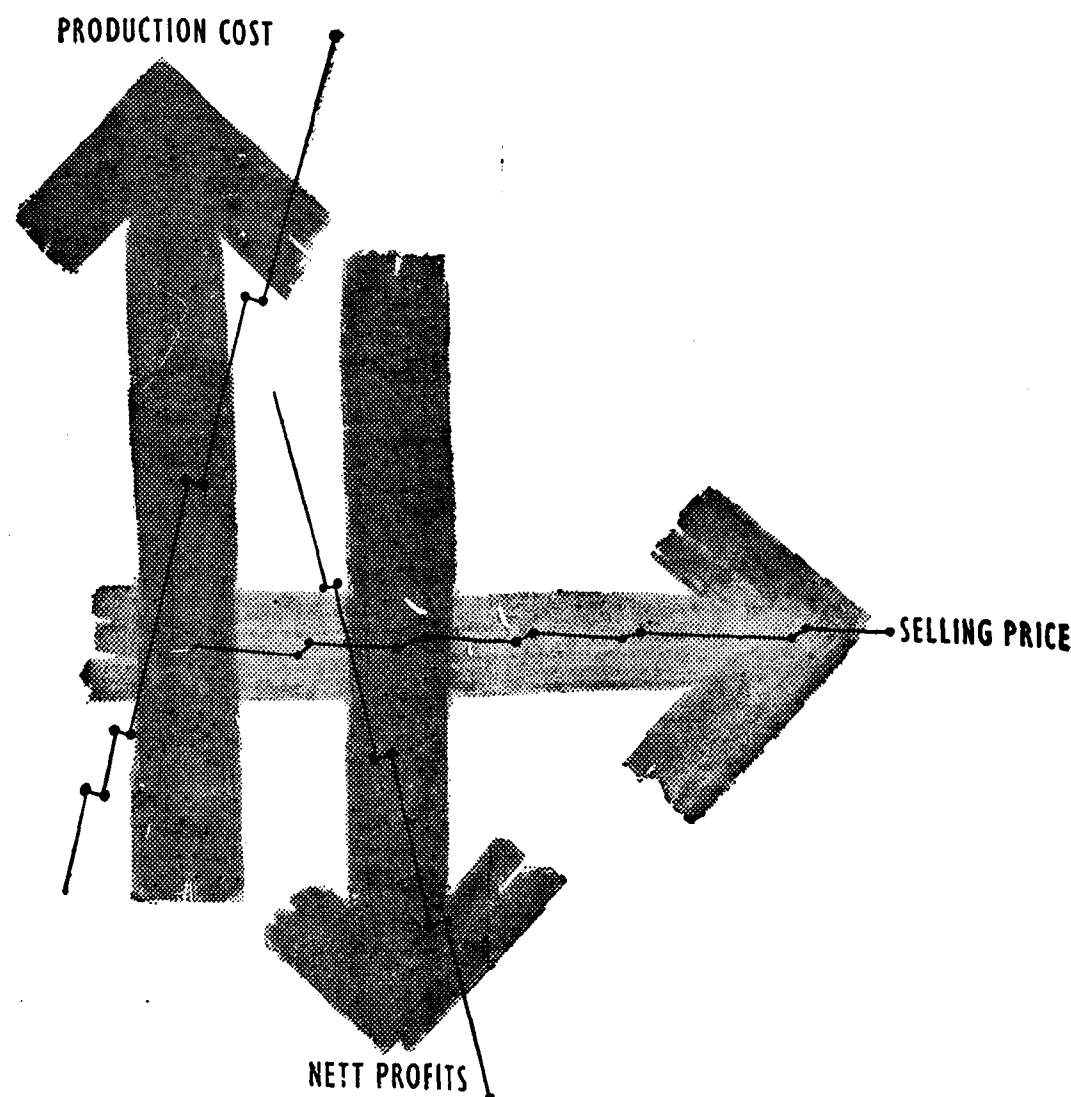
NEW DELHI: SEPTEMBER 1, 1961

ONE RUPEE



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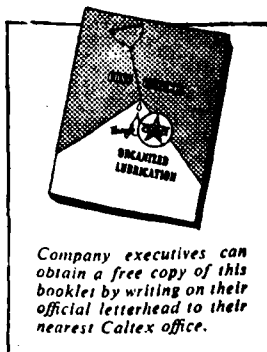


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PLANNED LUBRICATION—A VITAL FACTOR IN COST CONTROL

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The Eastern Economist

SEPTEMBER 1, 1961.

The Prime Minister

ON Wednesday, August 30, the Prime Minister left New Delhi for the Neutral Nations' Conference at Belgrade. There are many who consider that his absence from the country at this time, in view of the uncertain situation in the Punjab, is a grave error. Perhaps, the absence of his dominating personality is a condition of the creation of full responsibility elsewhere. But the Prime Minister's absence on this occasion does not imply freedom to anyone faced with a critical situation to deal with the matter as circumstances demand in each case. The Prime Minister has very firmly tied the hands of his Home Minister by his last statement in the Lok Sabha, with its painful reiteration of the correctness of his own stand and the almost total absence of any field for negotiations in any respect. This is a grave error. In a situation which might require flexibility—in the view of *The Eastern Economist* it already does—the fierce rigidity which surrounds the Prime Minister's pronouncements on the subject has made it impossible for the Central Government to negotiate, should circumstances arise in the Prime Minister's absence requiring a last minute round of negotiations. This is the price that India is paying for the supreme concentration of power in the Prime Minister, and for his refusal to delegate responsibility to anyone to deal with a difficult situation which, at any moment, can resolve itself into a deep crisis ending in bloodshed and in disorder.

The short period issue in the Punjab might look like a law and order situation. So, indeed, one might argue, was the great Calcutta Killing in those terrible days in 1946 when the inevitability of Pakistan forced itself upon thinking men and women on both sides of our current borders. It is obvious that the Punjabi Suba agitation has nothing like the same dimensions, and it does not confront the whole body-politic with a major decision in regard to the coming of Independence as did the great dilemma posed by Pakistan. But there are other issues as great and as seemingly

terrible as the differences which culminated in Pakistan. The most important of these is the question as to whether, in the last analysis, the separatist idea, apparently uncanvassed and unsupported in the rest of India, has nevertheless a secure place in future history. In the view of *The Eastern Economist* the journey might be a long and arduous one, but the substance of the Sikh demand will eventually be conceded. This is not because of the weakening of the Prime Minister's resolve, nor necessarily because some of his arguments are irrelevant. It is primarily because a great emotional upheaval, which might take place with Master Tara Singh's death, will place the Sikh community at a point of no return, just as events in 1946—dominated by the Great Calcutta Killing—charted the course of Pakistan more firmly than the full-voiced agitation for a decade preceding.

The question whether a point of no return arises in these matters is not rational and, in the last analysis, may not even be capable of analysis. But we have given hostages to fortune in this case by reason of the fact that elections are to be held within six months. Almost surely, as in the Gurdwara elections, the Akali Dal will prove its immense influence in the Sikh area, and, inevitably, Hindus in the Punjab will rally round not the Congress whose resolution on this matter will be doubted by militant Hindu groups, but round the Jan Sangh, Hindu Mahasabha and allied groups. In fact, political power in the State of Punjab will thus pass away from the Congress. Once this has occurred, a compromise between the Hindu and Sikh elements will be inevitable if an ordered democratic government is to be sustained. The Centre will not be able to maintain its present stand in the event of no Congress instrument in the State to carry out its behests or capable of maintaining the law and order situation. Neither the Akali Dal or whatever the associated party comes to power with its support, nor the Jan Sangh and allied parties can fill the place of the Congress as a secular force capable of riding

the Punjab in double harness. This involves inevitably the failure of the Central Government's current proposals and, less happily, the prestige of the Prime Minister.

During the current week the Prime Minister's prestige has suffered another bitter blow as a result of the error in his original statement on Berlin in regard to the Western Powers' right of access to Berlin with the suggestion that access could be lawfully hindered by the East German Government. The great outburst of indignation in the United States and elsewhere in the West has apparently compelled the Prime Minister not merely to revise his opinion, but to append to his speech on the Plan a correction—the more damaging, because his first speech had already been exploited by the Soviet Union in the great Berlin debate. In the net result, we have pleased no one, but have created the impression that our views on the Berlin question can be changed by protests after being originally misconceived in

terms of the documents and clear legal proofs available in abundance.

Whether on Berlin or on the Punjab the Indian people must now be convinced that responsibility rests too heavily on the shoulders of one man. The Prime Minister has no time to do what he described this week as "solid" work, because of his preoccupations with VIP's and numerous details which should never be a Prime Minister's concern. It is time, whilst not belittling the great gifts with which he has been endowed and his tremendous services to the Indian Union, that we should recognise that he can no longer carry the burden of office in these times without some delegation of powers and some considerable dispersion of authority. When he returns in a fortnight, it is sincerely to be hoped the Prime Minister will himself recognise that he is living beyond his capacity and that the country's need for delegation of authority in response to the present events has become more desperate than ever.

A Summary Debate

THE Income-Tax Bill was passed by the Lok Sabha on Monday this week in the altered form in which it emerged after the Select Committee's report and now it goes to the Upper House. This comprehensive piece of legislation is admittedly something more than a mere consolidation of the law on income-tax into a cohesive whole, seeking to integrate the piece-meal amendments made over nearly four decades since 1922. The major purpose of the Bill is undoubtedly to codify the law, but the codification is not intended to proceed on the basis of a straight rearrangement of the numerous sections and chapters in their logical sequence or topical relationship. There are important procedural as well as substantive amendments. Considering the nature of the amendments and the significance of the subject-matter of the Bill, a summary debate—for it was nothing more than that—to rush it through the Lower House in ten days within the limited time allotted to it was hardly fair. It speaks for the inadequate justice done by Parliament to its legislative function—a direct consequence of the plethora of legislation with which the agenda is overloaded from session to session.

Important provisions, such as those relating to the depreciation allowance, were disposed of with scant attention. Fortunately, no time was wasted in flogging the dead horse of the controversy over corporate donations to political parties on which the party in power has adopted an unbending attitude in enlightened self-interest. Enthusiasts were not lacking who could not restrain their zeal to insist on the taxation of the privy purses of the former princes, no matter if it involved a breach of solemn commitments made during an important stage of our constitutional evolution. An objective critic might interpret this attitude as irritation with some princes who participate in the elections to the legislatures in opposition to the ruling party. This summary debate, however, attracted ample discussion of three issues—directors' liability for company taxes in certain situations, gratuities paid to the private sector employees and policy on charitable trusts.

A new concept of directors' liability is being incorporated in the law by an amendment which specifically lays down that where any tax, which is assessed on the income of a Section 23A Company, before, during or after its liquidation, cannot be recovered from its assets, every person who was its director at the relevant time would be liable to pay the tax jointly as well as severally. Obviously this new tax liability has no relation to the director's shareholding and could go far beyond it. Mr. Masani fought a vain battle once again against the iniquity of violating the principle of limited liability which is the corner-stone of the capital structure of joint stock companies. Its other direct effect would be to deprive private companies of the benefits of the services of honest persons on the Boards of Directors for fear of this penal provision. This novel amendment is a gift made by the Direct Taxes Administration Enquiry Committee which has dismissed the objection as an attempt to exaggerate the sanctity of the principle of limited liability. It is of little consequence to the Committee that, in the present difficult era of scarce finance for the corporate sector, private companies are invited to play an increasingly onerous part.

The Finance Minister deserves credit for taking second thoughts on his inflexible attitude to the taxation of gratuities paid to employees in the private sector. The invidious discrimination is now being removed. Tax exemption is granted to this class of gratuities, but some of the grace with which the unanimous demand for the abolition of the discrimination has been conceded is taken away by the ceiling which has been put on the amount of gratuities eligible for exemption. Gratuities to the extent of Rs. 24,000 or 15 months' salary on the basis of the average of the salaries received in the last three years, whichever is less, will not be taxed. Once the principle of exemption is conceded, it ought to be applied to the full amount where an employer pays gratuities in excess of the ceiling fixed in the Bill.

The rigidity of the amendments in the original Bill in the form of the withdrawal of tax exemp-

tion for charitable or religious trusts has not been removed to the reasonable extent. Accumulation of income in excess of 25 per cent in any year is not to be penalised by assessment, subject to specified conditions. But the revocation of exemption of income-tax for trusts which will be created hence-forward for the benefit of any religion, community or caste has been retained. It is ordinary human nature that the settlor should seek to extend the benefits of his munificence to those for whom he feels a special affinity. If freedom of religion is guaranteed by the Constitution, it is inconsistent with the exercise of this right to debar a philanthropist from creating a trust for the objects specified. This point of constitutional validity was raised by Mr. M. S. Aney; but

without effect. Funds flowing from charitable trusts are a very important source of finance particularly for the educational institutions of religious minorities or communities. But apart from these weighty considerations, the reasoning on which the ban is imposed is unconvincing. Mr. Morarji Desai stressed that this policy was aimed at creating a "national consciousness". In a multi-religious society or multi-caste community, charitable trusts are likely to have the bias which is sought to be expunged by the law. So long as it is confined within *bona fide* limits, how does it militate against national integration? The probable effect of this disqualification will be not to promote national consciousness but to discourage the setting up of a good number of trusts.

Life Insurance : Heads I Win, Tails You Lose?

THE Chairman of the Life Insurance Corporation of India, Mr. P. A. Gopalkrishnan, made in his very interesting annual address a provocative statement regarding the relationship between the cost of life insurance and the rising tendency of prices in India. The Chairman said, "In a world of ever increasing commodity prices, life insurance policies in India cost less today than at any time during the last fifteen years or so". Elsewhere in his speech he also indicated that wholesale prices had risen by 30 per cent during the Second Plan period and consumer prices by 24 per cent. Thus, in a daringly simple manner, he attempted to compare a life insurance policy to a "commodity" whose price should normally move with the general trend in prices. What was implied in his statement was that the premium rates offered by L.I.C. were much lower than the prevalent level of prices in general, and the recent demands by the public for scaling down the premium rates were unwarranted.

What "commodity" does the Corporation sell? In fact, it is a mistake to call a life insurance policy a commodity. It is nothing more than a contract between the Corporation and the life insured. It is a promise by the Life Insurance Corporation to pay to the insurer a certain sum of money on death if it is a whole life policy, or on maturity if it is an endowment, unless payment becomes necessary due to earlier death. Ninety per cent of insurance policies currently being sold by the Corporation are endowment policies with the risk-cum-investment characteristics. There is no mention of the purchasing power of money in this contract. Thus, the promise of the Corporation to pay the sum assured a few years hence is in terms of money which is constantly depreciating. The commodities which the insurer buys are real assets whose prices are likely to increase. The two are, therefore, not at all comparable as the one moves on a rising curve of purchasing power while the other moves on a declining one.

This fact needs to be illustrated with reference to a policyholder who bought an endowment policy, say, in 1939 and also in relation to a policyholder who bought a policy in the current year. In the case of a policyholder who got himself insured for Rs. 1,000 in 1939 under the endowment without profit policy for 20 years, he had to pay roughly a sum of Rs. 1,000 during the 20-year period when the rupee had a declining purchasing

power. Deflating the money value of these instalments paid to L.I.C. to the 1939 level of prices, it is found that the life assured paid a sum of Rs. 411 while the Corporation, on the other hand, paid to the life assured Rs. 233 only in terms of 1939 prices, showing a loss of 44 per cent in real terms.

The fate of the current policyholder is not likely to be very different. Unofficial estimates indicate that even during the Third Five-Year Plan prices are likely to rise by about 5 per cent per annum. In other words, even policies currently underwritten have no protection against the erosion caused by price inflation. It is estimated that the erosion in purchasing power will be not less than 20 to 25 per cent for the policyholders during the next decade. In fact no one buys the equivalent real value of an insurance policy written into the contract.

The Chairman of the Life Insurance Corporation, however, ignored the basic reasons for which demands were made for reducing the premium rates. There has been a steady improvement in the expectation of life of the insuring public in the Indian Union and since the premium rates are calculated on the basis of mortality rates prevalent in India almost 20 years ago, there is no reason why the Actuarial Department of the L.I.C. should not place the true facts before the Chairman in this regard so as to lower the rates. Another factor which enters the calculations of premium rates is the rate of interest. Since the Bank rate has steadily risen during the last decade from 3 to 4 per cent and the market rate is double that level, the L.I.C. must lower rates on this count as well. These arguments stand apart from considerations of the falling purchasing power of the rupee which goes to increase the profits of the Corporation and cuts the real value of benefit available to the insurer.

The Chairman of the L.I.C. has done a distinguished job in reorganising the Corporation. He has placed the Government—and possibly the nation—in his debt. But he is totally wrong in his calculation of the equivalence of current premia with current real receipts. Will he not recognise that lower premia are necessary to redress the inflation from which the Corporation profits?

A DELHI DIARY

THE BAR OF THE HOUSE

WHAT is the Bar of the Lok Sabha? This question was constantly being asked before Tuesday when it was known that Mr. R. K. Karanjia, Editor of 'Blitz', was to be brought before the "Bar". The word 'bar' in a country overpowered by prohibition has an unseemly sound, and some foreigners were wondering why we have followed the precedent of the House of Commons in using the word 'bar' which, as far as I can remember, was an ancient ritual derived from the City of London's barricade at the entrance to the old city — still recognized by an appropriate monument in Fleet Street. There was no bar in India's Lok Sabha until Tuesday. A three-tiered wooden barrier had to be manufactured just inside the Chamber in the doorway facing the Speaker. This was by no means a perfect setting seeing that the large number of interested spectators in the Gallery missed Mr. Karanjia.

A large number of newspapers described this as a Lok Sabha "ceremony" implying rather more than, I think, the occasion demanded. All the Delhi newspapers carried the news on the front page as though it were a major event. I suppose it had at least two marks of novelty; firstly, it was the first time that the Lok Sabha had called anyone to the Bar and, secondly, it was the first time that an Editor of an Indian newspaper has been publicly reprimanded. Whether this has been a good thing or a bad thing for the Press has been ignored in the general opinion that the sovereignty of Parliament has been fully vindicated. Mr. Karanjia was unwise; but may I say he took his punishment like a man? He entered with dignity and received his reprimand in silence as, I believe, he was expected to do but which was, in this age of surprises, not necessarily inevitable. The Lok Sabha functions as the High Court of the Parliament but the proceedings do not permit of a submission by the offender. I wonder what the practice is in the Mother of Parliaments.

In Delhi at least opinions do not differ on the need to exercise restraint by the Press and the need for Parliament to exercise its jurisdiction of protecting members from ridicule when they are pursuing their lawful avocations. I am told that the authority of Parliament to sit as a High Court has been vindicated by the new precedent and now that the Supreme Court has upheld its decision in the 'Searchlight' case, Editors have to recognise a new source of authority against libel and irresponsibility. This is all to the good though how much nicer it would be if the Press did not need an additional restraint upon itself in the form of sanctions vested in other bodies? Many of us have regretted deeply that Indian journalism has chosen sometimes in order to pander to mass circulation to stoop to levels which cannot be justified under any code of conduct. Except for Communist Party members who absented themselves from the "ceremony" and Mr. Kripalani — who showed dignity in not being present, as though to avoid an impression of victory—Parliament was full and happy that its rights had been vindicated at last. May it not be that if Parliament had acted earlier on these lines many errors against good taste might have been avoided?

BELGRADE: WHAT OF HER?

I am moving, skilfully I hope, over troubled waters such as those implied in the Punjabi Suba and the Neutral Nations' Conference — whose common meeting point is the Prime Minister — to deal with the "environment" which surrounds the Neutral Nations' Conference opening on September 1. There is something to be said for studying environment by itself. Did not Professor A. C. Pigou, the noted economist, say somewhere that environments, like human beings, have children? Whether citizens of Belgrade can claim that they are begotten of their

"environments" or not, I cannot say. But I know of no city in the world which is more mixed in its upbringing than the city of Belgrade. In the heart of the city there is the old Turkish Fort, rugged like our own Tughlakabad, an impressive, though now graceless, protection against old fashioned technology. Not very far is the great Cathedral of the Orthodox Church, living now in a garden, but full of its own sadness because of the emptiness within. Very few people attend the church and though the candles are burnt brightly from time to time, it is difficult to believe that this church has any great part to play in the life of this restless city.

Marks of the Austrian Civil Service and the stately Franco-Austrian architecture, which it built round itself, are abundant; many Belgrade Federal offices are still in pre-World War I buildings. The Austrian administration, great in its capacity for detail, has left a true legacy in Yugoslavia in at least two respects; the magnificently high rate of literacy in Slovenia — the gift of Maria Theresa's forward education policy — and the high traditions of the Civil Service in Belgrade. Then comes the whole of modern Belgrade — beginning with the Hotel Metropol, the joint enterprise in which American methods of hotel management are living alongside Continental systems of service. There are also the new Secretariat buildings, not yet fully occupied; the largest modern monument, though not, perhaps, in terms of architecture, the most sublime. Not very far are the long rows of blocks built by students themselves now serving as University hostels. Thus it all is Greek, Russian, Turkish, Austrian, American, and in between, — and presumably above it all — the flexible Serbian artistic temper, mixing now with Slovenians and Croats in an agreeable emotional solution in which the old animosities have died away.

I am hoping the VIP visitors to Belgrade this week will see her many-sided life in this or in some other way; otherwise the city does not come into life at all. It has not only the glory of Rome, the sparkle of Paris or the perennial splendour of London; it has not the wealth of Milan or Dusseldorf and the eternal novelty of Vienna, but if one searches deeply, one perhaps can find traces of all these here and there. The Danube flows steadily on; and the Turks live too. One will find Turkish coffee at one's elbow almost every hour of the day. Yugoslavs keep it standing in little copper jugs from which one pours out a concoction of which I think I can state with assurance that nothing more potent than the coffee line has ever been produced.

HAPPY LANDING

The Prime Minister left for Belgrade on Wednesday evening. I shall say nothing about his absence except to produce, without comment, the uncharitable version of my naughty cartoonist!

What a Life!



Courtesy "The Hindustan Times."

ARGUS.

THE WEEK'S NOTES

Hungarian P.M.

A FRUITFUL VISIT

THE VISIT of Dr. Ferenc Munnich, Prime Minister of Hungary, to the capital city for three days from August 24, was a welcome event, whose significance could not but be fully grasped in spite of the fact that it happened to coincide with a grave internal problem over which the minds of our Cabinet as well as of the masses were very much exercised. No proof of the appreciation by the public of the message of friendship and co-operation which Dr. Munnich brought with him could be more eloquent than the public enthusiasm which marked the civic reception accorded to him in the Red Fort. Dr. Munnich recalled his career as a socialist and a revolutionary which dates back to the October Revolution of 1917. On this public occasion as well as in his talks with the Prime Minister, he declared his country's faith in peace and the liquidation of the remaining outposts of colonialism which is one of the preconditions of world peace. He made an unequivocal reference to Portugal's colonial pockets in India and urged that they must disappear without delay. Berlin was naturally an issue which was in the forefront of the discussion between the two Prime Ministers and there was full agreement between them about the urgency of a peaceful settlement of this explosive problem by negotiation. India and Hungary are beginning to come closer on the plane of contacts and the conclusion of a cultural agreement between the two is a matter of only a short time.

But it is economic co-operation which promises to give a solid content to the growing contacts. Hungary has shown readiness to extend collaboration to India in setting up an aluminium plant in the public sector. Simultaneously with the visit of Dr. Munnich, the Hungarian Aluminium Mission, led by Mr. Istvan Gebefugi, one of the Directors of Industrial Planning and directly concerned with the expansion of the aluminium industry in Hungary, was here on a five-day visit for inspection of a site for the aluminium plant. The choice of the location may lie chiefly between Mysore and Madhya Pradesh States and the claim of Amarkantak in the latter is being vigorously pressed. When the agreement for the plant comes to be signed between the two governments, an important concrete step will have been taken to pave the way of greater economic collaboration in the years to come.

Nagaland

THE ASSASSINATION OF DR. AO

THE MURDER of Dr. Inkongliba Ao has deprived the Nagaland People's Convention of a great leader, who combined the qualities of realism and moderation with firmness of conviction. It was no matter of ordinary courage to fight in opposition to the forces of Dr. Phizo. It was his patience and perseverance which ultimately succeeded in giving a practical lead to the majority of the people of Nagaland to fulfil their aspiration of autonomy in their own affairs. But it will do no good either to the Government of India or to the people of the Nagaland to ignore the impact of Dr. Ao's murder in broad day-light in a public street in Mokokchano. Its painful meaning is that the forces of fanaticism still dare to operate in public places and greater measures

of security will be needed to protect the lives of the members of the Executive Council for the Nagaland area as well as of the Interim Body. It would appear that Dr. Phizo's followers are driven to desperation as a consequence of their demoralisation. Dr. Phizo's attempt to enlist support in the UK for his case for an independent and sovereign Nagaland has failed and further his recent attempt to apply for British citizenship (which has posed an awkward problem for the UK Home Ministry) might quite reasonably be taken by his followers as an indication of his faltering decision to return to Nagaland to conduct the underground operations in person. The armed forces of the Indian Union are already engaged in combing out the fanatic rebels and greater energy and determination must be displayed at this critical juncture to vindicate the futility of their misguided operations.

But on the constructive side, imaginative action needs to be taken without loss of time. While the Interim Body of 42 members will need to address itself to the task of framing constitutions for the local councils as well as for an assembly for the Nagaland, tangible proof ought to be offered to the people that they are rapidly becoming the masters of the affairs in their own homes. There is an impression that the Indian officials are slow to delegate real authority to the Executive Council. A solution would lie in setting up a comprehensive team of civil administrators to conduct the normal administration and, on the analogy of the Interim Government in India before 1947, the members of the Executive Council ought to be given the status of ministers. The question of greater delegation of power is likely to come up for discussion on September 6 between the Executive Council and the Governor of Assam. Quick decision, accompanied by swift army operations, would prove an effective two-pronged approach to the Nagaland problem.

British Guiana

DR. JAGAN'S PROBLEMS

THE FIRST election under British Guiana's revised constitution has swept Dr. Cheddi Jagan's People's Progressive Party into power. One remarkable fact about the result of the poll is that this Party has won a decisive majority of 20 in a House of 35. All pre-election misgivings about probability of none of the three major parties being able to muster a clear majority turned to be misplaced. Basically, at the present time, party alignment in British Guiana has been on racial lines. The principal contestants at the election were Dr. Jagan's People's Progressive Party with its Indian complexion and Mr. L. F. S. Burnham's People's National Congress with its African domination. But it is significant that Dr. Jagan's Party could attract some African votes. A new Guianese nationalism is emerging as it is bound to.

It is internal self-Government which Dr. Jagan is taking over as Premier. Full independence is to follow soon and cannot be deferred longer than a year. What are Dr. Jagan's problems and how is he likely to face them? Between the last episode of his rise and overthrow in 1953 and now, the political climate has changed considerably. Some have attempted to draw a parallel between Dr. Castro and Dr. Jagan. There is hardly much common between them except that they

are both leftists in their own way. Dr. Jagan cannot disclaim his Marxist faith and there is undoubtedly an element of hard boiled communists in his Party. But he cannot be slow to draw the necessary moral from Cuba. Many observers, competent to judge the Guianese scene, agree that he is turning a realist first and anything else afterwards. He envisages an independent Guiana within the Commonwealth. He faces the responsibility of giving his people a feel of freedom, which means tangible proof in economic terms. His programme of co-operative rice and sugar farming on a limited scale with State support does not necessarily signify a beginning in the process of nationalisation. He is fully aware of his country's dearth in trained personnel and the Government's dearth of revenue to nationalise foreign enterprises with heavy investment in sugar plantations, bauxite mining and manganese exploitation. More than nationalisation he has to concentrate on economic expansion and attract foreign investment. But the least to which he must adhere is neutralism and acceptance of aid without strings. The two Western powers interested in this country will find in tactful relations with him a policy of far-sightedness.

Retired Officials

RE-EMPLOYMENT

THE RE-EMPLOYMENT of retired government officials in the private sector (as also under the auspices of the public sector) has become a marked phenomenon in recent years. Its beginning can be traced to the war-time emergency requirements of personnel at various levels. Therein lies the real explanation of this growing trend which has lent itself to conflicting interpretations. One section looks upon it with a suspicious eye and imputes objectionable motives both to the post-retirement employer and the employee. This attitude is based on the impression that the patronage is extended by the employer in anticipation of deriving improper benefit from it. In the Lok Sabha Mr. Arjun Singh Bhadauria moved a resolution urging upon the Government to introduce a Bill to prohibit the re-employment of retired government officials in private as well as government or semi-government establishments mainly on these grounds.

Mr. B. N. Datar, Minister of State in the Ministry of Home Affairs, rejected the suggestion out of hand. His exposition of the Government's policy on this question was well reasoned and amply supported by his Ministry's consistent attitude. In pointing out that the prevailing shortage of trained personnel of the requisite talent had compelled employers, including those in the public sector, to lean upon the limited pool of retired government officials, he hit the nail on the head. His further clarification of the official procedure for granting permission for re-employment should set at rest any lingering doubts on this question. It was a rule imposed on all government officers that they must not seek re-employment after their retirement for a period of two years without the prior permission of the Government. In granting this permission the Home Ministry weighed with proper care whether the prospective employer had any connections with the official during his tenure. Permission was withheld where the chance of improper advantage was real. Between 1956 and 1959, 176 retired government officials had sought the Home Ministry's permission for re-employment out of which 9 were unable to get it. The result of an indiscriminate ban based on prejudice would be to deprive the establishments in the private and public sectors of the available talent for which a suitable alternative is not ready at hand. Permission for re-employment has its humanitarian aspect too. Retirement confronts the official with the prospect of having to maintain himself on a pension

whose value in real terms is substantially deflated. While the capacity for work exists, it would only be fair to allow the retired official to supplement his inadequate pension.

Motor Transport

RELIEF IN SIGHT?

THE INAUGURAL address of Mr. A. K. Sen, the Union Law Minister, to the annual meeting of the Calcutta branch of the Indian Roads and Transport Development Association last week, holds out a hope that the long awaited measures of relief to motor transport would be partially available some time in the near future. But in the absence of positive commitments by the Minister, enthusiasm must be restrained by road transport operators. In vague terms, Mr. Sen announced that the Amendment Bill to the prevailing legislation would incorporate modifications to give the motor transport industry the benefit of the latest developments as strongly urged by the Masani Committee. This may mean anything in view of the comprehensive coverage of the Masani Committee's recommendations. But in so far as the most urgent relief from the heavy burden of taxation is concerned, Mr. Sen could do no more than to reiterate that the State Governments had been approached and pressed by the Centre from time to time to alleviate the tax burden and agree to a single tax on motor vehicles. This process of pressure does not bring any new knowledge to the industry. How many States have responded?

It was welcome news for the industry that the provision of the Hire Purchase Bill governing motor vehicles would be revised in the light of the recommendations made by the Road and Inland Water Transport Advisory Committee recently. The amendments would restore the status quo entitling the financier to take back possession of the hired vehicle in case of default in the payment of the instalment before the hirer becomes a full-fledged owner. The hirer is to be enabled to effect transfers of the vehicles with the express prior consent of the financier. These amendments would go a good way in removing the threatened drastic impediments to the industry.

THE INDIAN TOOL MANUFACTURERS LTD.

Notice under Sec. 154 of the Companies Act, 1956.

NOTICE IS HEREBY GIVEN that the SHARE TRANSFER BOOKS of the Company shall remain CLOSED from Wednesday, the 6th September, 1961 to Friday, the 15th September, 1961 (both days inclusive).

Bombay.
23rd August, 1961.

By Order of the Board,
R. H. TOPRANI
Secretary.

4 1/4%

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ISSUE PRICE AT PAR OPEN ON THE 4TH SEPTEMBER 1961

The loan will be closed as soon as total of approximately Rs. 10 crores has been subscribed and in any case not later than the close of business on the 9th September, 1961.

The applications for the loan will be received at—

- the offices of the Reserve Bank of India, Bombay, Calcutta, New Delhi, Madras, Nagpur and Bangalore,
- the branches of the State Bank of India within the State of Maharashtra, except at Bombay and Nagpur and at places mentioned in (C) below,
- the branches and Treasury Pay Offices of the State Bank of Hyderabad within the State of Maharashtra, except at Bombay,
- the Government treasuries and sub-treasuries in the State of Maharashtra at places where there is no branch or Treasury Pay Office of the aforesaid Bank.

Full particulars can be obtained at any of the offices mentioned above.

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The World Abroad

COMPETITION AND PLANNING

By
ODYSSEUS

THE CLASSICAL CONCEPT of competition was that when a manufacturer saw an opportunity to increase profits by expanding production, or by introducing a new commodity, the prospect of increased profits caused other manufacturers to do the same, until profit margins narrowed, and a new equilibrium was reached. In "Information and Investment" (Oxford Univ. Press, 1960. Price 21 sh.), Mr. G. B. Richardson is among the many economists who have no difficulty in showing that this theory implies perfect knowledge of market conditions, sources of supply, and potential demand, which would constitute a business man's paradise in which he could never make a mistaken judgment. The theory also ignores innumerable other uncertainties, e.g., the degree to which one manufacturer is dependent on unknown complementary investment decisions taken by his suppliers, or on the unforeseeable repercussions of strikes, wars, or crop failures.

Entrepreneurs try to reduce the uncertainties in which they flounder by building up regular market connexions, e.g., through goodwill, by offering loyal customers rapid delivery or servicing facilities, by taking on special and not very lucrative orders, by refraining from charging the highest obtainable price in times of scarcity. The practice of keeping prices steady irrespective of changes in demand is relevant to the problem of the availability of information on which investment decisions have to be taken. If demand and supply are continuously equalised by a flexible price, little evidence is provided about the magnitude of the changes in demand for which producers should plan. Futures dealings may ward off uncertainty for a few months ahead, but they cannot provide the certainty which will justify an investment decision which will commit a manufacturer for years. Producers may seek to decrease uncertainties by agreements with their competitors, but experience suggests that these are mostly of limited value, especially today when it is difficult to think of any commodity — ranging all the way from steel to tea — for which there is no substitute.

RESTRAINTS ON COMPETITION

Nevertheless open to unforeseeable risks as these and many other ways of decreasing uncertainties are, such "market connexions" do afford entrepreneurs a more secure basis on which to make investment decisions than if they did not exist at all. These restraints on pure competition increase the information available in a free economy. Restraints on competition are no doubt bad, but like the law itself, which restricts freedom, they are a necessary evil.

Could all risks and uncertainties be eliminated by forming bigger and bigger companies, pooling their information and their resources, until one company covered a whole industry? Or group of industries? Or, carried to its logical conclusion, until one company covered all industries?

Before a firm willingly amalgamates with another, its owners need to be assured that amalgamation will increase their incomes. They would wish to compare the size and certainty of the expected income of their own firm, acting independently, with the income expectable after amalgamation, which would depend on the amount both of the profits of the united enterprise and of their own share of them. But it may be difficult for an entrepreneur to estimate what the total

profits of the group would be. From his viewpoint, quite apart from whatever the reality might be, the future income of his own firm will generally be less uncertain than that which he expects to be earned by others, because he has more detailed knowledge of his own firm's affairs. It follows that his estimate of the amalgamation will be subject to appreciable uncertainty, even if he is ready to grant that amalgamation would not reduce the efficiency of (a) investment decisions and (b) of management. Contested take-over bids are evidence of such disagreements, when the unwilling directors believe that the company's future earnings, remaining independent, will exceed the compensation offered by the take-over bidder.

The basic assumption in a free enterprise economy is that if the individual benefits by a wise and profitable business decision, he must also bear the losses. Individual liability derives from the institution of private property, which is itself the hallmark of a competitive economy. Yes, says the Socialist, but if you abolish private property, investment decisions become a public rather than private liability. Reluctance to invest in undertakings, such as roads or schools, in which the return was uncertain would be eliminated and resources invested rationally.

Before dealing with this objection, remember that the profits or losses for an entrepreneur's investment decision affect (1) his future command of productive resources, and (2) his personal income. That is, individual liability is a competitive economy's means of (1) selecting entrepreneurs, as the successful become more powerful, while the unsuccessful are weeded out, and (2) providing incentives which give a motive to make as careful and unbiased estimates of yields as possible.

HEADACHES FOR PLANNERS

A planned economy must find a substitute for individual liability. The Planner-in-Chief must in practice delegate his authority to a great extent. Selection of managers is no longer automatic, and is, inevitably, influenced by actual performance, in which the contributions of luck and judgment are difficult to assess. Managers are human: their hopes of promotion and fears of demotion reduce readiness to undertake risks. If you give them bigger salaries, corresponding to their responsibilities, then you reintroduce inequality. Private enterprise minimises the working of Parkinson's law. State enterprise maximises it, because the state has no automatic system of selection and incentive.

The mandate which is given to entrepreneurs in a competitive economy by the possession of capital allows them to allocate resources in any way that they choose. On the other hand, in a planned economy, the mandates given to managers are those of delegated authority. Managers cannot allocate resources except in accordance with the plan for the whole economy. In a competitive economy different estimates of investment yields may lead to contradictory decisions. Differences of opinion will, of course, also exist among planners, but being subject to an ultimate authority, will not usually lead to actual investment decisions. In a competitive economy, where thousands of individual entrepreneurs are taking decisions, guided by their individual liability and their desire for profit, the errors of different entrepreneurs, being uncorrelated, cancel out. In a planned

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economy, however, estimates are not independent, but are subject to revision by higher authority, and the errors to which they are liable are likely to be correlated, and thus to be magnified.

Mr. Richardson submits that realisation of the inevitable imperfection of human knowledge should induce humility and lead us to welcome diversity both in action and in opinion. By setting out on many paths, we discover which are better. The failure of some policies, the success of others, and the gradual accumulation of knowledge and experience, enable a competitive society to improve individual decisions.

Competitive private enterprise, though not in itself ensuring diversity, favours it. Private property, by allowing individuals to devote resources to any lawful purpose, is a bulwark of non-conformity; it enables thousands to take independent initiatives and so to further freedom and variety in action, without which freedom and variety in thought and discussion lose much of their power to promote material and moral progress. Central economic direction, on the other hand, though it need not eliminate diversity, is hostile to it. Economic progress depends not merely on economic activity, but on the energy, initiative, and imagination of individuals, qualities more likely to be developed by opportunities for independent decisions.

It is interesting to note that a study sponsored by the Institute of Economics of the (Communist) Hungarian Academy says that in a Socialist society the development of individuals capable of independent creative action, of shouldering responsibilities, and of courageous thought, is hampered by the excessive use of instructions, which transform administrators into passive tools of the government. "A characteristic social type has emerged . . . the top manager who is reluctant

to make decisions independently, i.e. in the absence of instructions or the approval of central authority. It is not that he is a coward from the outset, rather he has become accustomed to doing everything in accordance with instructions."

Mr. Richardson's analysis implies that planned co-ordination of investment decisions may be necessary in some circumstances and not in others, and that centralisation may lead to losses as well as gains. Without some measures of planning and co-operation, harmony between competitive or complementary investment decisions may not be achieved, market uncertainty may not be brought within tolerable limits, and firms may therefore be deterred from risky but worth while enterprises. Without some degree of competition, on the other hand, it is difficult (1) to check monopolies, (2) for the central authority to allocate resources to those most fitted to use them, (3) for diversity to be preserved, and (4) for the springs of individual energy and initiative, on which all progress depends, to be kept unchoked.

Mr. Richardson's conclusion suggests the methods of the French Planning Commission (outlined here on May 12), which brings together voluntary committees of employers, workers, economists, and government officials, in each industry to pool ideas and information and to create a mystique of growth. These working groups have created emulation and secured a valuable degree of economic harmonisation by voluntary consultation, which neither eliminates competition nor kills individual initiative.

Mr. Richardson has written a thoughtful and authoritative study, addressed to advanced students of economics. Ordinary mortals, like you (and me) will find some of it pretty hard going.

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The European Scene

BRITAIN'S SOVEREIGNTY AND THE SIX

From Our West European Correspondent

PARIS, August 25.

THERE is considerable difference of opinion about how much of her "economic sovereignty" Britain will have to sacrifice if she joins the Common Market. On the one side, some are saying that by signing the Rome Treaty she will sign away her right to an independent national economic policy; on the other side, it is replied that membership of the Common Market will entail virtually no new obligations. Thus, I have seen an absurd and rather hysterical article by a British MP warning the readers of a big London daily that once Britain has signed, German parachute troops will be likely to land on the island to arbitrate domestic political conflicts! A soberer Sunday paper answers that the sole effect of Britain's membership will be to stimulate competition in private industry. Mr. Menzies warns that Britain will "no longer be an independent nation", while Mr. Macmillan's friends hint that, far from losing independence, Britain will be able to dominate the Continentals more effectively by joining their association. The Danish Premier favours following Britain's lead, because, he explains calmly, signature on the scrap of paper drafted in Rome entails no more obligations than signing the U.N. Charter; but the Swedish Premier refuses to follow Britain into the Roman trap because it will involve such loss of sovereignty as to make Swedish neutrality impossible.

What is the truth of the matter? Or, if that is too complex to be stated briefly, which of these contradictory statements is nearer the truth than the others? It all depends on whether Britain adheres to the spirit or to the letter of the treaty of European unity. If she has decided to joint without *arrière-pensée* the movement toward economic integration as this is conceived by the architects of the Common Market, then she must be reconciled to the prospect of gradually (very gradually) surrendering part of her sovereignty in exchange for the benefits and restrictions of a joint management of regional affairs. If, on the contrary, she has decided to subscribe to the written obligations clearly stated in the Rome Treaty, to seek exemptions from as many of them as possible, and to "interpret" the others as lawyers can "interpret" a contract, then the loss of sovereignty will be negligible. The evident lack of enthusiasm with which Britain has applied for admission rules out the first hypothesis.

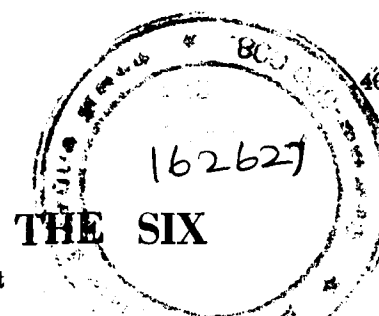
A detail in her application suggests that the second is correct. The Rome Treaty spoke of "adaptations" that might be required in the event of new members joining, apparently referring to the re-distribution of voting rights that would then be necessary. Mr. Macmillan translated this as "amendments" and announced that Britain would be calling for many such amendments "as foreseen in the Treaty"; of course, he had in mind much more extensive changes than a mere re-weighting of members' votes. A consistent and successful exploitation of this tactic of "interpreting" the letter of the Treaty would indeed have the result that membership of the Common Market would make little difference to Britain—but a lot of difference to the Common Market, which would be emptied of its long-term significance. The Treaty is riddled with escape clauses, pretexts for procrastination and deliberate vagueness. This is so for two main reasons. When they wrote the Rome Treaty, the Six over-estimated the difficulties of creating a common market in industrial manufactures and naturally wanted to walk into the water gingerly; the

more nervous members insisted on precautions that today are realised to have been unnecessary, and have seldom been invoked. Secondly, on many matters the Six were agreed to increase their collaboration but did not know in advance how to do so, and thus left many clauses purposely vague; they sought merely to indicate the direction they would follow, but it was taken for granted that they really would follow that path as far and as fast as was practicable.

A new member who was determined not to go very far or very fast could therefore invoke the letter of the Treaty to justify, if not obstruction, then a restriction of integration to a bare minimum. I shall illustrate this in regard to the important subject of harmonisation of short-term economic policies, e.g. the co-ordination of interest rates and other credit policies, and the matching of budgets and expansion rates. Now, first of all one needs to notice that some such harmonisation is required of Western nations in general today, whether or not the Common Market exists. This is one of the subjects dealt with by the OECD for all West Europe and North America, and it will be discussed at the Vienna meetings of the World Bank and Fund. All the industrialised nations, and not only the Six, have made their currencies convertible at least for non-residents, they have abandoned direct economic controls in most spheres, they are abolishing quotas and reducing tariffs, and above all they are realising that they must co-operate more closely if they are to keep ahead of the Communist bloc while increasing aid to the developing nations. Thus, their economies are more inter-dependent than ever before and they will have to co-operate constantly, if necessary, by surrendering particles of their economic sovereignty. A rigid and jealous nationalism is out of date, for reasons having little to do with the Common Market.

So a nation that consented to that degree of harmonisation could not claim that it was meeting the particular obligations of the Rome Treaty. That document foresees more intimate collaboration, made necessary by the objectives of completely free movement of goods, labour and capital within the region and, eventually, a joint commercial policy toward outsiders. There is no doubt about the means that the architects of the Treaty had in mind to attain that sort of integration: a gradual but extensive transfer of national power to a central authority which would one day issue a single European currency. It would have been quixotic to try to write the constitution of such a central authority in 1957 or to set a time-table for its elaboration, but the Treaty was written with that end in view. The ideal of complete economic integration informs every chapter of the document; it is the reason for the system of consultations that the Treaty requires. If the Six have not done a lot yet in practice to build the central economic authority, they have done nothing inconsistent with that goal and they have pressed ahead with studies about how it is to be reached. For example, when the West Germans, whose budget year used to begin on April 1, came into line with the four members whose fiscal year coincides with the calendar year, this was intended as a small but essential step toward fiscal unity. The Italians, who remain the only odd man because their budget year dates from July 1, are organising the change-over now, in the same spirit.

A new member who joined in this cautious process would be committed to the prospect, distant perhaps



but real, of far-reaching economic integration. Warnings about eventual loss of sovereignty would be, not alarmist, but simple honesty. Yet a member who joined with the intention of sticking to the letter of the Treaty would find that he was committed to virtually nothing, because on this important subject the Treaty contains no binding obligations to anything but periodic consultations—i.e. to no more than what is required of any Western nation whether or not it joins the Common Market. The black-on-white juridical terms of the Treaty refer to the harmonisation of short-term economic policies only in the articles 103 to 109; let us see what they say.

Article 103 simply says, "Member-States consider short-term economic policy to be a question of common interest. They consult together, and with the Commission, about the measures to take in various circumstances. . . . The procedure foreseen in the present article applies also in cases of shortages in the supply of certain products". That last sentence was written during the oil shortage caused by the Suez crisis and is meant to imply collaboration in the distribution of scarce commodities; it does not say so because it seemed unnecessary and difficult to specify a strict procedure in every case. As it stands, article 103 will oblige Britain to nothing if she signs with her tongue in her cheek.

Articles 104 to 109 appear under the heading "Balance of Payments", which is enough to show that co-operation is not required until a discrepancy between various national policies is causing payments difficulties; there is no explicit demand for constant harmonisation. This chapter states the general objectives of payments equilibrium, full employment and stable prices and asks governments to consult each other on how they are securing these things. If one member gets into serious difficulties and if it asks the aid of its partners, then

the Commission has the right to make an enquiry and make recommendations, which have no force of obligation. If the member follows this advice, but is still in trouble, the Commission can recommend measures of mutual aid. If the other members fail to provide that aid, then the member in difficulty can begin imposing restrictions (e.g. import quotas) but the Commission can amend or prohibit such restrictions, "except in case of emergency". In sum, there is no supranational compulsion at any point: nations are asked to consult each other and if one gets out of line there are conditions imposed on its receiving mutual assistance. Juridically, every member-nation's economic autonomy is left intact. There is no more alienation of sovereignty than is entailed by joining the old EOEC.

That is literally all that the Treaty says about harmonisation of policy. All the interesting, and encouraging, essays in closer co-operation that have been going on between the Six (unification of statistics, joint economic surveys, preparation of national, global budgets, rationalisation of governmental budgeting, unofficial quarterly meetings of Finance Ministers and various other Ministers, the monetary committee and sundry six-member working groups) belong to the customary law of the Six and not to their written law. They are required by the spirit of economic integration and not by the letter of the Treaty. A new member could claim that he was not obliged to take part in any of them; or, if he decided to play the game according to the unwritten rules, he could still limit his participation to mere consultation without admitting any binding force in the consensus that appeared. Therefore, how much sovereignty Britain surrenders by joining the Six will be determined, not by the bare requirements of the Treaty, but by the sincerity of her attachment to the ideal of European economic integration.

4¼ % ORISSA GOVERNMENT LOAN, 1972.

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The loan will be closed as soon as a total of approximately Rs. 500 lakhs has been subscribed and in any case not later than the close of business on the 9th September, 1961.

The applications will be received at the offices of the Reserve Bank of India, Bombay, Calcutta, New Delhi, Madras and Bangalore, at the branches of the State Bank of India in Orissa and at the Treasuries and Sub-Treasuries in the State of Orissa at places where there is no branch of the State Bank of India.

Full particulars can be obtained at any of the offices of the Reserve Bank of India or branches of the State Bank of India or at any treasury or sub-treasury in the State of Orissa.

Economic Report from the U.S.

ECONOMIC ASSISTANCE FOR LATIN AMERICA

WASHINGTON, Aug. 22.

THE nations of the American Continent have forged the machinery of a regional programme that promises to help Latin America to move in the direction of economic and social progress. The programme, of course, is President Kennedy's Alliance for Progress, the charter for which was approved last week by representatives of the United States and 19 Latin American countries at the inter-American ministerial meeting at Punta Del Este, Uruguay seaside resort.

The alliance for progress emerges as a concerted programme of self-help on the part of the Latin Americans, buttressed by large-scale financial and technical assistance from the United States and other quarters. U.S. Treasury Secretary, Douglas Dillon, who headed the U.S. delegation, has indicated that upwards of \$20,000 million in outside public and private assistance would be flowing to Latin America under the programme in the next 10 years. Well over half of this huge sum would come from the United States.

In signing the charter of the Alliance for Progress, the Latin Americans were in effect pledging a major effort to improve their own economic and social conditions as a basis for the effective use of the aid to be supplied by the United States and other supporters of their development aspirations. From all indications, there is general satisfaction that the nations of Latin America will undertake the kind of self-help that is needed to make the programme succeed.

One of the principal goals of the programme is the mobilization of social and financial resources to boost Latin American living standards by at least 2.5 per cent a year, as against the present annual gain of something less than one per cent, on the average. With Latin American population rising at a rate of 2.5 per cent a year, this implies an economic growth objective in the neighbourhood of five per cent a year or more. A related goal is the more equitable distribution of the fruits of the increased output among the people. Other specific goals include agrarian reform, raising of educational standards and eradication of illiteracy, improvement of health and sanitation, provision of better housing, effective maintenance of sound monetary and fiscal policies, and stimulation of private enterprise so that this important economic sector can be a significant and constructive contributor to the over-all economic advance. The broad-ranging alliance for progress charter also expresses approval of the kind of Latin American economic co-operation and integration already begun under the Central American customs union and the Latin American Free Trade Association.

As contemplated at present, the \$2,000 million or so a year needed in outside assistance to help the Latin Americans attain these goals would be drawn from several sources. About \$1,100 million, it is estimated, might come from the U.S. Government; \$300 million from international lending agencies, such as the World Bank and the newly operative Inter-American Development Bank; \$300 million from U.S. private investors; and another \$300 million from public and private sources in Western Europe and Japan. To help get the programme started quickly, the U.S. Government may be able to allocate about \$1,000 million in the year that began last March, when President Kennedy first announced the Alliance for Progress. This would con-

sist of both grants and loans, as circumstances require. The loans would be long-term—up to 50 years—and at low or no interest rates.

To assist the programme, experts will be available to help the Latin American countries in formulating and examining National Development Plans. This, it is believed, could help channel the combined efforts of the Latin American nations and those providing outside aid into the most productive directions, and thus help secure the success of the programme.

As is so often the case in international discussion, some differences of opinion were evident among the participants at Punta Del Este. It may be that not every aspect of the Alliance for Progress charter meets with the complete approval of every signatory nation. Whatever differences may have existed, however, were hammered out in careful and free deliberation, despite the diversionary tactics of the delegation from Castro's Cuba and its attempts to upset the proceedings.

What has emerged, in the view of the experts, is a constructive agreement which sets the stage for the wide-ranging economic and social development projects that can make the Alliance for Progress a meaningful reality to the peoples of Latin America.

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4 1/4 % STATE GOVERNMENT LOANS 1972

Name of State	Amount	Issue Price Per Cent
1. ANDHRA PRADESH	Rs. 10 crores	Rs. 99.75
2. BIHAR	Rs. 3 crores	Rs. 99.50
3. GUJARAT	Rs. 6 crores	Rs. 100.00
4. KERALA	Rs. 4 crores	Rs. 99.50
5. MADHYA PRADESH	Rs. 5 crores	Rs. 99.50
6. MADRAS	Rs. 10 crores	Rs. 99.75
7. MAHARASHTRA	Rs. 10 crores	Rs. 100.00
8. MYSORE	Rs. 7 crores	Rs. 99.75
9. ORISSA	Rs. 5 crores	Rs. 99.50
10. PUNJAB	Rs. 3 crores	Rs. 99.50
11. RAJASTHAN	Rs. 4 crores	Rs. 99.50
12. UTTAR PRADESH	Rs. 6 crores	Rs. 99.75
13. WEST BENGAL	Rs. 7 crores	Rs. 99.75

All the State Governments reserve the right to retain subscriptions upto ten per cent in excess of the notified amount.

All the above loans will be repaid at par on 4th September, 1972.

THE LOANS WILL OPEN FOR SUBSCRIPTION ON 4TH SEPTEMBER, 1961, AND CLOSE ON 9TH SEPTEMBER, 1961, OR EARLIER WITHOUT NOTICE AS SOON AS SUBSCRIPTIONS APPROXIMATE TO THE AMOUNT OF EACH ISSUE.

All the loans will bear interest from 4th September, 1961.

Subscriptions may be in the form of CASH/CHEQUE in respect of all the loans.

Securities of 3% Tapi Irrigation Development Loan 1961 and 3 1/2% Cochin Loan 1956-61 will be accepted AT PAR for conversion into the new loans of the Governments of Maharashtra and Kerala respectively. Securities of Mysore Government 3% Loan 1956-61, Madras Government 2 1/2% Loan 1961 and 2 1/2% Uttar Pradesh Loan 1961 will also be accepted for conversion AT PAR into the new loans of the respective State Governments.

Interest due on the securities of the loans tendered for conversion will be paid as under:

NAME OF LOAN	RATE OF INTEREST PER CENT PER ANNUM
(1) 3% Tapi Irrigation Development Loan 1961	@ 3% upto and including 30th April, 1961 and @ 4 1/4% from 1st May, 1961, to 3rd September, 1961 inclusive.
(2) 3 1/2% Cochin Loan 1956-61	@ 3 1/2% upto and including 31st May, 1961 and @ 4 1/4% from 1st June, 1961 to 3rd September, 1961, inclusive.
(3) Mysore Government 3% Loan 1956-61	@ 3% upto and including 19th April, 1961 and @ 4 1/4% from 20th April, 1961 to 3rd September, 1961 inclusive.
(4) Madras Government 2 1/2% Loan 1961)	@ 2 1/2% upto and including 31st August, 1961,
(5) 2 1/2% Uttar Pradesh Loan 1961)	and @ 4 1/4% from 1st September, 1961 to 3rd September, 1961 inclusive.

APPLICATIONS FOR ALL THE LOANS WILL BE RECEIVED AT THE OFFICES OF THE RESERVE BANK OF INDIA AT BANGALORE, BOMBAY, CALCUTTA, MADRAS AND NEW DELHI.

APPLICATIONS will also be received at PLACES WITHIN THE RESPECTIVE STATES as follows:-

- At the office of the Reserve Bank of India at Nagpur in the case of Maharashtra Loan.
- At the branches of the State Bank of India and at treasuries and sub-treasuries in the case of Andhra Pradesh, Bihar, Gujarat, Kerala Madhya Pradesh, Madras, Maharashtra, Orissa, Punjab, Rajasthan and Uttar Pradesh Loans.
- At the branches of the State Bank of India in the case of West Bengal Loan.
- At the branches and treasury pay offices of the State Bank of Hyderabad in the case of Andhra Pradesh and Maharashtra State Loans.
- At the branches and treasury pay offices of the State Bank of Mysore (except at Bangalore, Mangalore and Gulbarga), the State Bank of India, the State Bank of Hyderabad and at Government Taluk treasuries in Mysore State in the case of Mysore State Loan.
- In the case of Gujarat Loan the State Bank of Saurashtra at Bhavnagar and its branches in the State of Gujarat will collect applications and forward them to the nearest receiving office.

Copies of Notification and Application Forms may be obtained at any Receiving Office.

Applicants tendering their applications at the offices of the Reserve Bank of India at Bangalore, Bombay, Calcutta, Madras and New Delhi will, in the event of oversubscription to the loan applied for, be given the option of transferring their cash refunds to any of the other State Government loans which may not be fully subscribed by that time. To avail of this facility, the persons tendering their applications should complete the SPECIAL OPTION FORM copies of which are available on application from any of the abovementioned offices of the Reserve Bank of India.

UNDER-DEVELOPED COUNTRIES: A MULTILATERAL TRADING SCHEME

By ANDRES D. GOSECO*

EXPANDING the trade between underdeveloped countries has long been recognised as a way of accelerating badly needed development in these countries which in recent years has been felt even more pressing because of lagging exports to, and deteriorating terms of trade with, developed countries. Mostly exchange-starved, underdeveloped countries have been held back from importing more from each other, and have generally made use of direct barter and other soft currency transactions to gain whatever additional foreign trade could be obtained this way. Because such transactions restrict opportunities for exchange to only two or at most a limited number of countries and could consequently only include commodities produced in the countries involved, their impact on trade has so far been relatively meagre. It is for the purpose of increasing their workability by linking them together in a clearing system without at the same time upsetting current effort toward convertibility and trade liberalisation that this scheme is proposed.

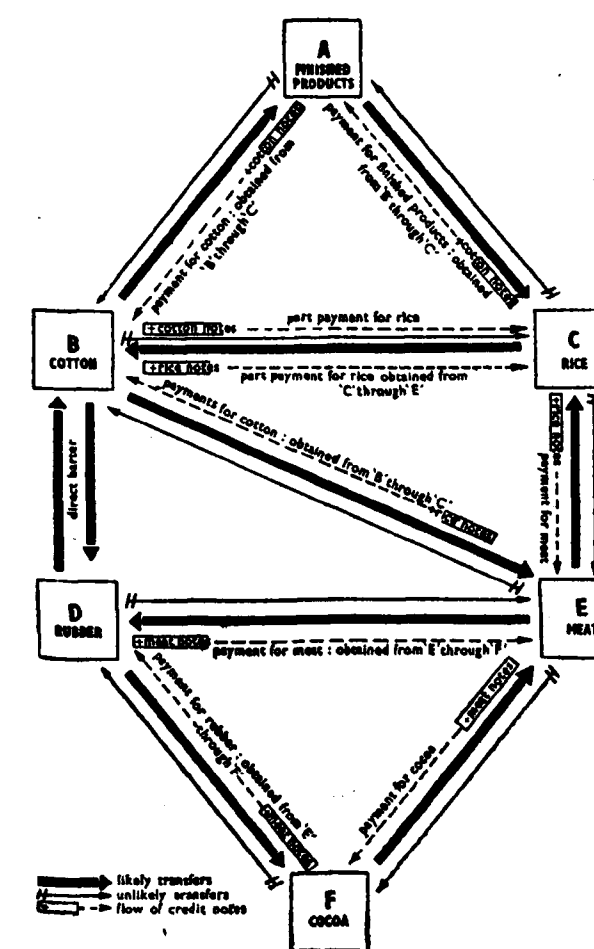
THE PROPOSAL

Establishment of a clearing system and the supporting machinery wherein only countries with non-convertible currencies may become eligible to trade: it revolves around the use of "commodity credit notes" which represent a firm offer on the part of issuing traders or countries to deliver a given quantity of a commodity at some quoted price. The "commodity credit notes" are to be broken up into convenient units (i.e. rice, Grade "X": 1 ton, 10 tons, 100 tons etc.) and may be advertised and traded as available on the basis of prevailing international trade practices; they may in fact be negotiated in the same way as warehouse receipts are traded in the commodity market.

The arrangement is intended to facilitate the meeting of needs which are impeded in bilateral transactions because of the limited choice of commodities and consequently the difficulty of finding suitable exchanges. Thus, if country D advertises that it has a quantity of rubber to offer which country F wants but is unable to buy because it does not have a commodity (meat) that country D wants in exchange but instead has another commodity (cocoa), it (country F) may, in the system, find a third country E which may want cocoa and not rubber but has the meat wanted by country D. Country F may accept meat credit notes from country E in exchange for cocoa, after which country F may turn to country D and offer its acquisition of meat credit notes in exchange for rubber; country D may then turn the meat credit notes over to country E for a shipment of meat. Such a transaction would not have been possible in a bilateral deal, and while it represents no more than a simple triangular transaction, the use of "commodity credit notes" and the participation of many countries in the system would multiply the number of possible exchanges by many more times than is possible in the model presented. This is so because each of the participating countries may have more than one commodity to offer and may want a little of many commodities, which may come from several countries in exchange. Again, country C may take both cotton and rice credit notes from country B in exchange for rice. Being a cotton producer, country B may raise the cotton credit notes from within the country; but the rice credit notes it may use partly to cover its rice imports from country C

which could come from country E where they (rice credit notes) may have been accepted in exchange for meat exports to country C. In its turn, country C may use its acquisition of cotton credit notes to obtain finished products from country A which may then turn the (cotton credit notes) over to country B to cover its (country A) imports of cotton. This illustrates how easily a multi-country transaction can be linked through the use of the "commodity credit notes". Under the arrangement such "notes" may be allowed to circulate for as long as no suitable exchanges are found. Actual delivery of a commodity may only be effected when a country in possession of the corresponding "credit notes" calls for it. The all-important features is that all transactions can be made under one roof and need not be the subject of comprehensive and usually time-consuming negotiations.

A transaction may run as follows: A trader in Burma might offer to exchange a certain quantity of rice at some quoted price in kyats (which may vary from day to day) with the indication that he would like to have certain approximate amounts of meat and cocoa similarly offered in the scheme along with a shipment of jute products, in return. An interested Indian trader might in turn ask for an option to deal on the offering terms—it does not have to be for the entire lot—and could in the scheme look for the commodities wanted in Burma. He might obtain a quantity of meat credit notes offered from Argentina in exchange for jute credit notes and some cocoa credit notes from Indonesia for a shipment of Indian bicycles, (also



* The author is an economist of the Food and Agriculture Organization of the United Nations. His views as expressed in the article do not, however, necessarily reflect those of the Organization.

obtained within the scheme) bearing in mind, for each intermediate transaction, the exchange value of his acquisitions in terms of the Burmese rice: he would not, of course, involve himself in any transaction which will in the end, as he sells his acquisition of Burmese rice, net him less than the rupee equivalent of his original investment in jute products and bicycles (allowing for transportation and other expenses). The Indian trader may then turn around and offer his acquisition of the required meat and cocoa credit notes along with the appropriate quantity of credit notes for jute products to finish off the deal with the rice trader in Burma. Commodity offerings may include indications as to what and how much of other commodities are desired in exchange to facilitate the matching of needs and offerings by traders. Thus, the Indian trader might, as soon as he knows of the Burmese offering and needs and after obtaining the option to deal with the Burmese trader, indicate his readiness to accept meat credit notes for jute products etc. to raise the required meat and cocoa asked for (which is also an offering of jute products and bicycles).

The exact terms of exchange may in all cases be negotiated individually between the parties concerned in much the same way as they are dealt with in ordinary trade. In practice, the arrangement would work as though a line of commodities of specified quantities were declared eligible for soft currency exchanges and traded on the basis of the direct conversion rates of the currencies used—a sort of convertibility among eligible soft currencies operated outside the pale of the hard currency market.

All the traders concerned could buy their stocks in local currencies and at prices comparable with those paid by exporters to hard currency markets since they could sell their own acquisitions at prices comparable with those applied for goods acquired with hard currencies. The similarity, however, ends here because transactions within the scheme can be made *without* the use of hard currencies even though they are exchanges of *mutually wanted* commodities. Thus, in the model presented, the Indian trader might have wanted to sell only in convertible currency for his jute export to Argentina had he not known of the feasibility of converting his jute products into Argentine meat and then exchanging the latter with Burmese rice which he wanted in the first place. Enabling him to get what he wants (and so with the Burmese and Argentine traders) with equal facility and on comparable terms even without using hard currencies, makes him just as happy with the arrangement.

In other words, what an underdeveloped country can sell for hard currency, it can also sell in the scheme with the use of soft currencies, but not vice versa. The criticism expressed that the scheme would not work on account of the highly variable, and large differences in the "free market" exchange rates of soft currencies is in fact of little relevance since pricing and payments within the scheme will be made in terms of the local currency equivalents of the prices paid for exports in hard currency *without* actually using the latter currencies.

The jute-for-meat transaction—which is an exchange between primary producing countries of their natural exports, would be the more common type of transaction likely to be involved in the scheme. A somewhat different type of transaction would be the exchange of finished products, which is represented in the model in the form of bicycle exports from India to Indonesia. It has been argued that finished products manufactured in underdeveloped countries, which we shall assume as more expensively produced, cannot compete in the markets of equally underdeveloped countries with low-cost imports from industrialized

countries. This argument would hold true only if the purchase price, vis-a-vis the import cost, were the principal determinant of the selling price. Such, however, is not the case in underdeveloped countries with foreign exchange restrictions because in these countries prices of imported products are determined more by the condition of their supply—which is almost always short—relative to demand. It may thus be that because bicycles are scarce in Indonesia, high prices prevail regardless of how cheaply they could be imported from industrially more advanced countries. Up to a point, therefore, presumably high-cost Indian bicycles obtainable by bartering exportable Indonesian cocoa (assumed as unsaleable for hard currency)—which is in effect lowering of its export price—may still be sold competitively.

To expand the area of possible transactions, importing countries may be allowed to pay in their currencies (naturally soft) in the event that no commodity or commodities acceptable to the exporting country are immediately available in the scheme. Alternatively, the exporting country may accept credit in exchange for the commodity taken by the importing country. Soft currency or credit so acquired may be circulated and discounted within the system and may be used by whichever country holds it last in paying for imports from the country of origin. As already noted, the same operation may apply to the "commodity credit notes" (or their equivalent in soft currencies), which may be bought, sold and discounted like ordinary commercial bills. They would, in fact, acquire some of the characteristics of money, namely, divisibility and a considerable degree of liquidity and negotiability. Partial convertibility is thus achieved. The use of credit as a means of payment should, however, be limited as it would allow countries with no real export potential to import: this could lead to an undue accumulation of inconvertible foreign exchange. On the other hand, the use of "commodity credit notes" as against straight soft currency deals has the important advantage of restricting transactions to commodities already available but unsaleable because of the impossibility of direct and quick exchanges between potential exporters and importers burdened by payments problems. This feature would have the effect of limiting the convertibility envisaged in the scheme to truly exportable surpluses. Needs will, in any case, have plenty of time to meet, and the more commodities and countries are involved, the more chances there will be for needs to coincide.

SOME IMPLICATIONS

The scheme will above all require a supporting machinery which may incorporate a clearing house. The system may operate on more or less business lines and may collect fees on transactions to cover its operational and maintenance expenses. It may work through the regular commercial and banking network at the national level. The scheme, if established, might initially aim at linking existing bilateral and limited multilateral trading arrangements, possibly as no more than a pilot project. It may as such work its way through the difficult world of trade and the veritable jungle of monetary policies wherein it must somehow adapt itself, and overcome such obstacles and prejudices as may lay in the way. Consistent, however, with the requirements of trade stability as well as with the end-all aim of achieving universal convertibility, the objective should be to broaden its operations and increase its competence since it could only function effectively if participating countries and eligible commodities are many and varied. This may mean breaking off with some much cherished notions on how best to foster trade and bring about convertibility and it may call for rare boldness on the part of those who decide.

THE BUSINESS WORLD

What People Want from the L.I.C. Today?

By

CROESUS

ALTHOUGH one may not agree with all the changes in the prevailing life insurance practice in India proposed by Dr. V. K. R. V. Rao, Director of the Institute of Economic Growth, at the fourth foundation anniversary of the Delhi Insurance Institute, some of them at least deserve more careful notice than they seem to have received. Among others, Dr. Rao made the following notable suggestions:

- i. The present rate of life insurance premiums should be reduced.
- ii. The amount of a life insurance policy on its maturity should be related to the value of money at that time.
- iii. The payment of an insurance policy need not be in terms of money alone; it could be in physical targets, such as, say, a house.
- iv. The pattern of investment by life insurance companies (Dr. Rao must have meant only the L.I.C.) should be changed to allow for greater investment than now in stocks and shares.

Some of these may be novel, indeed, but they are by no means fantastic. Of course, there is the question of feasibility, but even before one has carefully gone into that aspect, taking all the relevant factors into consideration, it would be unfair to scoff at the suggestions.

Now, I do not think any one would oppose a reduction in the present life insurance premium rates. True, since the L.I.C. took over, these have ere now been brought down somewhat, but not as much as one feels they ought to be. Apart from the reasons adduced by Dr. Rao, the insuring public insists on a reduction, because the Life Insurance Corporation claims to have underwritten in 1960 peak business and earned huge profits, and also because the Union Finance Ministry spokesmen have been saying that the Government is considering the question of a reduction in these rates. The case for a reduction in premium rates would acquire even greater support if, as is believed, the L.I.C. were to declare lower rates of bonuses than the insuring public has all along been led to believe. Add to these what Dr. Rao pointed out about the increase in the average life of an Indian as a result of improved health service. No more convincing proof to establish this fact is needed than the decrease in the rate of mortality disclosed by the last Census and the consequent increase in the annual rate of increase in the population of this country which has sufficiently embarrassed our planners. It is only proper that those in charge of life insurance business ought to take note of these changes in the pattern of India's vital statistics and adapt their tables of premium and schemes of insurance accordingly.

In this connection, I feel I ought to draw attention to an anomalous feature of the present life insurance practice of considering the 55th year, the official age of superannuation, as also the age after which the normal duration of a policy and the normal premium

rates could not hold good. How out of tune such is with the prevailing conditions is obvious from the fact that the number of people past the age of 55 in active service, be it government, business or politics, is today larger than at any time in the past. There is an explanation for this in the addition to the ranks of our educated unemployed. If, after completing their studies, their sons do not get employed, the burden of earning the bread for the family must perforce continue to be borne by the parent even if he has become superannuated. If any parent is good enough for this arduous task, I fail to see why he should be regarded as "abnormal" or "sub-normal" for purposes of life insurance, unless we are not prepared to abandon some old notions. Granting, for argument's sake, that there are sufficient valid reasons for this artificial demarcation of "normal" and "sub-normal" lives, if the authorities are keen on stepping up domestic savings — and Dr. Rao says that "unless domestic savings are raised, it will not be possible to achieve many of the targets set under the Third Plan" — they should encourage superannuated people to have the lives of their unemployed sons insured by extending to them the same concession as the insured now enjoy of a rebate of income-tax on these premiums, although the premiums may not be paid by the insured themselves. This, however, is only by the way.

Dr. Rao need not take any credit for originality — nor has he done so, to be fair to him — for suggesting that "the amount of an insurance policy on its maturity should be related to the value of money at that time." For such a practice, or rather a different version of it, is believed to be in vogue in some countries like Canada. I recall a controversy, years ago, over the accidental issue of a policy containing what is called a "gold clause" by a Canadian life insurance company to an insurer in India and the refusal of the said company to meet the claim of the insured on the maturity of the policy in question, on the score that the policy form used was not intended for use in India but in Canada only! Be that as it may, what concerns us here is the principle underlying the so-called "gold clause" life insurance policy, namely the underwriter's undertaking to meet the claim of the insured in terms of the world price of gold at the time of maturity. What Dr. Rao has suggested is only a variation of this formula; instead of basing the payment of the claim at the time of maturity on world gold prices, he has suggested the linking of it to the value of money, that is, presumably, the cost of living index. Dr. Rao has stated that it is essential to provide necessary safeguards against depreciation of money's value in order "to popularise" life insurance. I would go further and say in order "not to defraud" the unfortunate insured of their life's savings, which, in quite a few cases, is probably all his savings. For it is nothing short of that when the insurer receives from the insured say, Rs. 1,000 when the rupee is worth 100 nP. by way of premiums over a period and, on maturity, repays to the insured only 20 nP. This is precisely what has been happening

to many middle-aged policy-holders; for no fault of theirs, when their need has increased, they stand to receive, in terms of purchasing power, very much less than what they bargained for when they took out a life policy. According to Dr. Rao, this trend — i.e. of the purchasing power becoming less and less — will continue because of the country's expanding economy — or is it the expanding expenditure under our Five-Year Plans? — wherefore, it is imperative that "the insured persons must be compensated for the loss of money's value." Otherwise, as he warned, there would be a shift towards investment in shares or immovable property. I do not know why he did not (reportedly) mention gold. Talking of gold, I am reminded of a conversation between two economists (both in Government service) as they were comparing notes about their investments. Both of them had evidently taken out reasonably large insurance policies which had just matured. Force of habit prompted them to compare the gains or losses to each of them due to the change in the value of money over the period, and it was no surprise at all that, instead of any capital appreciation, the investments of both (in the form of life insurance policies) had depreciated in money value or purchasing power. The two professors then began to ask themselves whether, with all their background of economics, they were better investors or the unsophisticated village folk who stuck to their centuries-old habit of investing in gold. The answer was clear. It is to be seriously considered whether, at a time when the country requires as much of its savings as possible to be mobilised, such thoughts should be allowed to take roots by the pursuit of unimaginative or out-moded practices. As Dr. Rao said, "there is a general awakening among the people. In the years to come, they will expect more and more out of their investment in the Life Insurance Corporation. The idea of buying a policy to cover risk has become outmoded. The LIC should be prepared to meet this challenge".

It is the third proposal of Dr. Rao that has evoked most controversy. This concerns payment of the policy amount on maturity in terms other than money, such as, say, a house. This proposal has been condemned as "theoretically untenable" and "clearly impracticable". True, the proposal entails considerable sorting out of such ticklish issues as the policy-holder's choice of the site and the type of house desired, the time when this choice is to be made — whether taking out the policy or after maturity — and, perhaps, also by whom (this will arise if the policy-holder dies when the policy has some more years to mature, in the event of their being no nomination, or more than one nominee) and the most important question, already discussed, as to who should bear the difference in the agreed cost of the

house at the time of taking out the policy and that at the time of actual construction, due to the variations in the value of money. All these, however, should not make us shy away from even considering the proposal on its merits. But, if one views the proposal from the angle of whether it would make a sizable contribution to the solution of the housing problem, one cannot feel very enthusiastic about it. For the LIC has as yet no specialised experience in this field; even its record of maintenance of the buildings it has inherited from a number of life insurance companies still leaves much to be desired. There is, however, one direction in which the LIC can really be more purposefully effective, and that is, if it is prepared to relax its terms for granting loans against life insurance policies for building houses. In the alternative, the LIC should invest a larger portion of its resources in the form of loans to State Co-operative Housing Finance Societies and similar apex house-financing bodies. If need be, the LIC may stipulate that, if loans are made by these housing financing bodies to any of its policy-holders, a token rebate of interest should be given. This way, I visualise, the LIC would prove more useful to its policy-holders.

Coming as it has from Dr. Rao, the fourth proposal really came as somewhat of a surprise to me. This proposal questions — and rightly so — the wisdom of investing almost everything in government securities. If we ignore that this is a precious prop to the government securities market, which undoubtedly influenced the decision to nationalise life insurance, apart from putting all the eggs in one basket, this affects the LIC's income adversely. Investment in sound equities offers a comparatively higher yield any day. There may also be other and relatively more paying lines of investment, if only the LIC has the enterprise and is prepared to explore. But, for obvious reasons, it is too much to expect any radical departure from the present policy of investment of its funds by the LIC. From the point of view of the policy-holder, this Hobson's choice is rather unfortunate, inasmuch as he has to be a helpless witness to an investment policy which inhibits prospects of a probably higher bonus. In any case, many policy-holders seem to have abandoned all hopes of a higher bonus and would be content if at least the existing rates of bonuses are maintained. The days of differential rates of bonuses also seem to be numbered. At this rate, I guess that old school which has been advocating one uniform type of policies, all without profits, may soon have its way. It will now argue vehemently: if we can't have handsome bonuses, even after paying higher premiums, why go in for such policies; let us all be content to have "without profit" policies and have them at appreciably lower rates of premium than today.

Business Notes

Banking

TEMPO OF RISE IN DEPOSITS SLACKENS

"THE STATISTICAL Tables Relating to Banks in India, 1960," just released by the Reserve Bank, serves to corroborate, as is only to be expected, the latest trends in banking which were referred to by Mr H. V. R. Iengar, in his address to the Indian Institute of Bankers, recently. Only they give a more complete break-down of the figures of deposits, advances, etc., of all the banks in the country.

The publication shows, for example, that the increase recorded in the deposits of scheduled banks in 1960 was much smaller than the increase recorded in 1959. The deposits and loans of non-scheduled banks,

on the other hand, witnessed a decline, in contrast to a rise recorded in 1959. Thus, the total deposits of scheduled banks (excluding P.L. 480 funds) rose by only Rs. 92 crores to Rs. 1,566 crores in 1960, while the increase of deposits in 1959 was as much as Rs 156 crores. The downward trend experienced in the rate of increase in deposits, according to the Reserve Bank Governor, was due mainly to two factors, namely, the reduced scale of deficit financing in contrast to the extent of such in previous years and the larger pressure on our external reserves, which has been evident since some time past.

On the other hand, the total earnings of banks in 1960 were larger as compared with their earnings in 1959. This was mainly due to the marked increase in the level of advances, and partly also to the rise in the

lending rates of the banks. As a matter of fact, the scheduled banks had the advantage of a higher interest rate on all their advances, whereas they were required to pay a higher rate of interest to the Reserve Bank only on a portion of their borrowings from the Central Banking Institution, as Mr. Iengar pointed out. Anyway, as a result of the increase in advances, the ratio of advances to deposits (excluding P.L. 480 funds) went up to as high as 79. Drawing pointed attention to this, the Governor of the Reserve Bank observed that, normally, even in countries like the U.K. and the U.S.A., the ratio tended to be near 50 : 50.

The publication further indicates that, the earnings in respect of loans and advances of the Indian scheduled banks registered an increase of Rs. 6 crores (to Rs. 45.9 crores), as compared to a rise of only Rs. 3 crores (to Rs. 39.9 crores) in 1959. The earnings from investments, however, remained more or less static. As a result, the total operating earnings also rose by only Rs. 9.2 crores (to Rs. 92.4 crores), as compared to a rise of Rs. 11.4 crores in 1959.

In the case of current operating expenses, the increase of Rs. 5.0 crores in the year under review compared with a rise of Rs. 8.1 crores in 1959. The current operating earnings of foreign scheduled banks alone showed an increase of Rs. 2.5 crores (to Rs. 18 crores).

The number of scheduled banks offices in the country in 1960 increased by 233, as compared to a rise of 297 in 1959 and 356 in 1958. In the case of non-scheduled banks, however, the number of offices continued to decline. At seventy-eight, the net increase in the offices of the State Bank of India also was lower; the net increase in the offices of this bank being of the order of 111 in 1959 and 90 in 1958.

New Issues

CAMPHOR AND ALLIED PRODUCTS LTD.

THREE COMPANIES have announced plans to raise public subscriptions for their share capital.

Camphor and Allied Products Limited proposes to offer for public subscription, at par, 23,560 equity shares of Rs. 100 each and 5,000 cumulative redeemable preference shares also of Rs. 100 each. The preference shares carry a fixed dividend of 9.23 per cent per annum, free of company's income-tax, but subject to deduction of tax at source at the prescribed rates. The lists open on September 4 and will close on September 12 or earlier at the discretion of the directors, but not before September 7.

The authorised capital of the company is Rs. 100 lakhs, divided into 50,000 equity shares of Rs. 100 each, 10,000 cumulative preference shares of Rs. 100 each and 40,000 unclassified shares also of Rs. 100 each. The total issued capital, including the offer that the company has made to the public, is Rs. 60 lakhs—Rs. 50 lakhs in equity shares and Rs. 10 lakhs in preference shares. The promoters, directors, their associates, friends, and nominees will be holding capital worth Rs. 19.52 lakhs, all in equity shares. The Life Insurance Corporation has a firm allotment to its credit against underwriting arrangements to the tune of Rs. 10 lakhs, equally divided into equity shares and preference shares. The foreign engineers and constructors of the company, Messrs. American Hydrotherm Corporation, New York, will be given 1,920 equity shares, provided the Government of India approves of it.

Camphor and Allied Products Limited will be the first company to manufacture synthetic camphor in India. All the present requirements of the commodity, which is finding increasing use in the production of drugs and pharmaceuticals, are being met through imports.

The factory of the company, which is expected to go into production by the end of the 1962, will be located at Clutterbuckganj, near Bareilly in Uttar Pradesh. It will have a capacity of 900 tons of camphor output per annum. Technical collaboration has been arranged with Messrs. E. I. Du Pont De Nemours and Company, Wilmington, Delaware, U.S.A., who are one of the leading manufacturers of chemicals in the world. The U.S. company will be deputing one of its experienced engineers to supervise the commissioning of the plant. The company has also secured for two years the services of Dr. Gastau Etzel, one of the leading experts in the production of camphor in the world, who is retiring from Du Pont this year.

The total cost of setting up and operating the plant is estimated at Rs. 1.30 crores. Of this, Rs. 60 lakhs will be available from the share capital of the company. The rest of the funds are envisaged to be secured through loans from the Industrial Credit and Investment Corporation of India, the Industrial Finance Corporation of India and from the company's bankers. The ICICI has sanctioned, in principle, a loan of Rs. 24 lakhs in foreign currencies and another of Rs. 6 lakhs in Indian currency. The Industrial Finance Corporation has also sanctioned, in principle, a loan of Rs 18 lakhs.

KIRLOSKAR OIL ENGINES

KIRLOSKAR OIL Engines Limited is offering for public subscription, at par, 1,50,000 redeemable cumulative participating preference shares of Rs. 100 each. A sum of Rs. 5 per share is to be deposited along with the application and the remaining Rs. 5 on allotment. The shares will be carrying a dividend at a graduated scale from 8 to 10 per cent per annum. They will rank pari passu with the existing similar shares and will be participating in the dividend which may be declared in respect of the year ending March 31, 1962, in the proportion of the amount paid-up thereon and the respective periods between actual date of payment of the money on allotment and March 31, 1962. They are redeemable any time after March 31, 1975, and not later than March 31, 1980. The list opens at 10-30 A.M. on September 1 and closes at 3-30 P.M. on September 4, or later at the discretion of the directors.

The proceeds from the issue will be utilised for financing the expansion programme of the company, which consists of extension of not only the existing lines of its manufacture, but also production of 3 BHP engines with technical assistance from Ricardo and Company Engineers Ltd., of England, manufacture of a range of engines from 80 to 440 BHP under a licence agreement with Maschinenfabrik Augsburg-Nurnberg AG, West Germany, and production of AGROM air-cooled engines in the ranges 20 to 50 BHP in technical collaboration with Societe Agriculture Grosshans Olliers Marep of Paris. Part of the proceeds are also envisaged to meet the increase in the cost of machinery already ordered, due to higher customs duties and exchange rates. The expansion programme is expected to be completed by the end of 1965.

The authorised capital of the company is Rs. 100 lakhs, divided into 6 lakh equity shares of Rs. 10 each and 4 lakh redeemable cumulative participating preference shares also of Rs. 10 each. The capital already issued and mostly subscribed consists of 375,000 equity shares and 2,50,000 preference shares.

BARODA ELECTRIC METERS LIMITED

THE THIRD company which will be entering the market next week for raising capital is Baroda Electric Meters Limited. Its authorised capital is also Rs. 100 lakhs divided into 75,000 equity shares of Rs. 100 each and 25,000 unclassified shares of Rs. 100 each. It is raising, in the first instance, Rs. 40 lakhs, all through issue of equity shares. The directors and their friends

are subscribing Rs. 12.50 lakhs. Capital to the tune of Rs. 5 lakhs will be taken up by the Life Insurance Corporation. The rest of Rs. 22.50 lakhs issued capital is being offered for public subscription. The list opens on September 6 and will close on September 19, or earlier at the discretion of the Board of Directors but not before September 9.

The company will be undertaking manufacture of electric meters (A.C.), both single-phase and polyphase, to the tune of 60,000 pieces and 24,000 pieces per annum respectively. The present demand in the country for single-phase meters is estimated at 10 lakhs pieces per year and for polyphase meters at about 2.5 lakh pieces. Total production of single-phase meters during the year ended June 30, 1961, was of the order of 4.8 lakh pieces. Till recently no polyphase meters were manufactured in the country. Demand for both single-phase and polyphase meters is envisaged to go up to 2.1 million pieces per annum by the end of the Third Plan. The company's products, thus, can be expected to have a ready market.

For setting up the factory, the company has entered into technical collaboration with Messrs. Deutsche Sahler-Gesellschaft, Hamburg, for ten years during which period it will be able to draw upon the experience and research of the foreign collaborators. The German firm will be rendering help in all technical matters, from preparing of the blueprint of the plant to supplying of equipment and training of Indian technicians in Germany. About two-thirds of the equipment (worth about Rs. 6.57 lakhs) required will be imported from West Germany. The remaining one-third equipment (worth nearly Rs. 3.98 lakhs) will be imported from East European countries. Government of India has sanctioned the necessary foreign exchange for these imports. The Industrial Credit and Investment Corporation of India has agreed, in principle, to grant a loan in foreign currencies equivalent to US \$105,000 (approximately Rs. 5 lakhs). The factory is expected to go into production by the end of 1962.

Oil

AGREEMENT WITH ENI

THE UNION MINISTRY OF OIL has signed an agreement with Ente Nazionale Idrocarburi, the State-owned oil corporation of Italy, under which the Italian company will be providing a credit upto 60 billion lire (equivalent to nearly Rs. 46 crores) to cover the foreign exchange cost of several petroleum projects to be set up in the public sector. The projects fall into two categories. The first category includes such projects as laying of products pipelines from Barauni to Delhi and from Barauni to Calcutta, setting up of a gas fractionation plant, establishment of a liquid petroleum gas bottling plant and distribution facilities, putting up of a lubricating oil plant, arranging of distribution of petroleum products, and contract drilling in areas specified by the Oil and Natural Gas Commission. General provision has already been made for these projects in the Third Five-Year Plan. In the second category come projects like petro-chemicals and some others which are yet to be finalised by the Government.

Agreements for individual projects will be signed separately. The credit, it is understood, is to be repaid within 10 years of the acceptance of the project reports for these projects and the start of the supply of equipment from Italy. It will carry interest at the rate of 6 per cent per annum. As the detailed project reports are yet to be prepared, it is difficult to say what repayment liability of this credit will fall due within the Third Plan period.

The Oil Ministry has also under consideration an offer of \$20 million further credit from ENI for oil

prospecting in Kutch area. ENI proposes to supply its specialised services and equipment for this exploration programme and will be assisting the Oil and Natural Gas Commission without participating in the risks of the venture.

The ENI credit and the arrangement concluded recently with the French Petroleum Institute for oil prospecting in Jaiselmer area will enable the public sector to emerge as the biggest investor in the Indian oil industry.

NAHORKATIYA - MORAN OIL AND GAS RESERVES

THE PROVED and indicated oil reserves of Nahorkatiya and Moran oilfields are now placed at 304.4 million barrels or 47 million long tons, as against 284.2 million barrels or 44 million long tons estimated in 1960. The latest estimate of proved crude reserve is 207.4 million barrels and of indicated reserves 97 million barrels. Since crude to the tune of 8.1 million barrels has already been produced, the Nahorkatiya and Moran oilfields will be yielding a total of 312.5 million barrels.

The latest estimate puts gas reserves of these oilfields at 741,428 million cubic feet, as against 719,034 million cubic feet estimated at the end of 1960.

One hundred and nine wells have been completed upto now in these two oilfields—94 in the Nahorkatiya region and 15 in Moran area. Three more wells are being drilled at present—one in Nahorkatiya and two in Moran. Of the 109 wells completed, 74 wells—66 in Nahorkatiya and 8 in Moran—have yielded oil. Eight wells—7 in Nahorkatiya and one in Moran—have produced gas. Fourteen wells—8 in Nahorkatiya and 6 in Moran—have been abandoned because they neither yielded oil nor produced gas. Thirteen wells have yet to be tested. Eighty seven of the wells drilled so far have thus proved to be successful. The ratio of successful wells to the total number of wells drilled in Nahorkatiya oilfield is as high as 91.5 per cent. It is about 60 per cent in the case of Moran oilfield.

Textiles

ALLOCATION OF ADDITIONAL SPINDLAGE

IN ORDER to achieve the target of 800 million yards additional cotton cloth output by 1965-66, the Government of India has decided to license immediately three million more spindles. Of these, slightly more than two million spindles have been allocated to States for setting up new units. The remaining spindles will be licensed to the existing units for balancing their spinning and weaving capacities.

State-wise, the distribution of new spindlage is as follows:

State	Spindles Sanctioned
Maharashtra	75,000
Gujarat	75,000
Madras	75,000
Andhra Pradesh	2,25,000
Bihar	2,25,000
Uttar Pradesh	2,25,000
Orissa	1,50,000
Assam	1,50,000
Kerala	1,50,000
Madhya Pradesh	1,50,000
Punjab	1,50,000
Rajasthan	1,50,000
Mysore	1,00,000
West Bengal	1,00,000
Manipur and Tripura	50,000
TOTAL	20,50,000

The spindlage allocated to Maharashtra, Gujarat and Madras covers the need for setting up five purely export-oriented model textile mills. The new units that will be established with these spindles will be having a minimum of 12,000 spindles and a maximum of 25,000 spindles. The possibility of Maharashtra, Gujarat and Madras getting extra spindlage is not ruled out, since the targets fixed for some other States may not be fulfilled. In making the above allocations the Union Government has taken into consideration such factors as the population of a State, current production of yarn and cloth in a State, the existing distribution of spindlage in the country, concentration of handlooms and the overall needs of the decentralised sector.

Iron & Steel

THE PROBLEM OF EXPORTS

IN HIS presidential address at the annual general meeting of Steel Importers' Association of India, Mr. P. L. Master highlighted the fact that proper attention had to be paid to the subject of steel exports too. He argued that the Government should evolve a definite and long-term policy in this respect though at present the actual exports were not very substantial. As against exports of 50,000 tons during the preceding year, exports during 1960-61 were recorded at around 1,15,000 metric tons. The items exported were mostly basic pig iron and semi-finished steel. The exports, he pointed out, were made possible only because there was a marginal surplus available with the public sector plants consequent on the delays in the starting up of their finishing mills. But these exports had to be taken more seriously because, when our steel plants reach their production targets, we may be forced to develop export markets for our surpluses. It would be proper if the exporters are encouraged even now to set up organizations and seek contacts. He suggested that each producer should be allowed to set aside a percentage of his output, say 10 per cent, for purposes of export regardless of the indigenous demand. Within reasonable limits, this policy might prove quite practicable.

In dealing with the question of Barter Contracts, he pointed out that the contractors had been allowed to effect imports in advance against evidence of an Export Contract supported by a 15 per cent Bond which would be released only on completion of the exports. The exporters found themselves in an impossible situation when the Iron and Steel Control authorities issued export licences against such contracts for the export of billets and the public sector steel plants suddenly suspended the supply of billets against such orders under the instructions of the Iron and Steel Controller on the plea that the needs of the re-rollers in the country had to be met first. This affected the exporters adversely because this threatened them with the loss of their deposits of 15 per cent. It seems reasonable to argue that exporters should be allowed to complete their commitments, estimated at about 25,000 tons, which represent barely one per cent of the annual billet requirements of the re-rollers estimated at 2 million tons.

Engineering

EXPORT PROMOTION

EXPORT OF engineering goods during the first five months of 1961 have earned Rs. 390 lakhs, as compared to Rs. 311 lakhs during the corresponding period in 1960, thus showing an increase of about Rs. 80 lakhs. Mr. A. K. Bhattacharya, Chairman, Engineering Export Promotion Council, indicated recently that this performance was not very encouraging when seen in the context of the fact that exports fell short of the target by 20

per cent. Outlining the difficulties which inhibited exports of engineering goods, Mr. Bhattacharya recounted that while supplies of pig iron had improved, shortage of steel still continued to be experienced by the engineering industry. To this had been added the shortage of coal and coke over the past few months with the result that available supplies of pig iron could not be fully utilised. Moreover, the cost of raw materials has been increasing from year to year, although the value of gross output has not gone up to the same extent. This is, indeed, a disconcerting feature for the industry and does not enable it to compete in foreign markets. Mr. Bhattacharya illustrated his point with the following figures:

INDICES OF MATERIALS CONSUMED AND GROSS VALUE OF OUTPUT

Year	Materials Consumed	Gross Output
1953	100	100
1954	132.4	130.1
1955	167.6	160.3
1956	226.0	206.2
1957	271.4	249.3
1958	285.6	261.7
1959	325.6	299.9
1960	393.3	361.0

Mr. Bhattacharya added that exports of some items of railway track like fishplates and bearing plates had been controlled. Large orders for these were coming in, but they could not be accepted, because the Government did not allow their exports.

There is obviously need to have a dynamic approach to the problems of the engineering goods industry; it can play a very important role in diversifying our exports. Stocks of raw materials should be built up at important centres and made available to the exporting industries immediately on demand. Similarly, prices of pig iron and steel should be brought down as suggested by the Steel Prices Committee.

S.T.C. Report

RISE IN EXPORTS

THE PERFORMANCE of the State Trading Corporation during the eight month period from December 1960 to July 1961 indicates a significant improvement over the corresponding period in the preceding year. The total volume of exports during this period was nearly Rs. 26 crores. The non-mineral commodities exported in the order of importance were shoes valued at Rs. 82.67 lakhs, cement valued at Rs. 70.80 lakhs, coffee (entirely to Italy) valued at Rs. 43.20 lakhs and tobacco (entirely to the U.S.S.R.) valued at Rs. 27.68 lakhs. The total export value of all the minerals such as iron ore, manganese ore, manganese dioxide, ferro-manganese, chrome ore, kyanite, bauxite, mica and salt came to Rs. 22 crores. This analysis shows that the minerals do occupy a very important place in the exports of the State Trading Corporation but the volume of other commodities such as cement, coffee, tobacco and shoes etc. is by no means small. As in the past, there is likely to be a certain amount of loss on manganese ore which will be made up by gains from other commodities such as cement, jute bags, shoes etc.

The statistical details in regard to the structure of exports are given in Table I below. Table II gives S.T.C.'s long-term contracts for exports of iron ore to Japan extending as far as 1980-81 and, in the case of Yugoslavia and Rumania extending upto 1965-66. There is no doubt that the Corporation will be able to show sizeable profits for this year again, though it is hard;

possible at this time to conjecture whether the dividend would be raised beyond the 9 per cent declared last year.

TABLE I.
STATEMENT SHOWING THE COMMODITIES EXPORTED BY THE STATE TRADING CORPORATION FROM DECEMBER 1960 TO JULY 1961 AND EARNINGS ACCRUED FROM SUCH EXPORTS

(In rupees)	
Commodity	Earning accrued
Iron Ore	10,83,00,000
Manganese Ore	6,02,96,000
Manganese Dioxide	3,49,000
Chrome Ore	23,59,000
Ferro-Manganese	5,29,12,000
Kayanite	1,46,000
Bauxite	9,63,000
Mica	27,88,000
Salt	18,59,460
Cement	70,80,000
Stone Boulders	1,09,000
Pulses	11,03,810
Jute Bags	13,21,084
Coffee	43,20,000
Tobacco	27,68,533
Opium	21,00,000
Shellac	3,66,952
Sugar Bags	1,25,500
Shoes	82,67,021
Woollen Textiles	15,75,590
TOTAL	25,91,09,950

TABLE II.
STATE TRADING CORPORATION'S LONG-TERM CONTRACTS FOR EXPORTS OF IRON ORE

Country	Grade	Quantity (Tons)	Period of Supply
Japan	65/62	72,00,000	1957-58 to 1961-62
	62/60	4,50,000	1959-60 to 1961-62
	63/60	2,00,00,000	1964-65 to 1973-74
Czechoslovakia	65/63-		
	62/60	6,00,00,000	1966-67 to 1980-81
	65/63	7,50,000	1960 to 1961
	62/60	2,00,000	1960 to 1961
Poland	60/58	2,20,000	1960 to 1961
	65/63	6,00,000	1961 to 1963
German Democratic Republic	65/63	3,00,000	1961 to 1963
Rumania	65/65	17,00,000	1962 to 1966
	62/60	9,50,000	1962 to 1966
Yugoslavia	65/65	5,70,000	1961 to 1965
	62/60	6,15,000	1961 to 1965
	65/63	1,40,000	1961 to 1965
(Magnetite)			

Jute

COST OF RENOVATION

SIR JOHN BROWN, Chairman, Howrah Mills Co. Ltd., commenting on the state of the Indian jute industry, on the occasion of the annual general meeting of the company, stated that if the industry was to retain its significant position in the country's economy, and if it was to exploit its full installed capacity, it was absolutely essential that all those interested in the industry—the representatives of capital, management, labour and the State—examined closely the shape of things to come during the next decade or so. He opined that "the

outlook (for the industry) is not nearly so grim as is sometimes painted". But he qualified this statement by saying: "My belief is subject to one important reservation and that is that our costs are reduced and reduced very substantially. Nothing will be gained, I am sure, from evading this issue".

It was quite logical, Sir John said, that the cultivator would have to earn his reward from increased production per acre and labour's wages, if in the long run had to be higher, could be practicable only through better utilisation of improved mechanical methods. It could not be denied, he added, that jute companies were making desperate efforts to modernise their units by incurring heavy expenditure on machinery in their various departments. It appeared, however, that in order to compete in the world markets, the mills would have to incur further capital expenditure on modernisation of the weaving departments. Sir John was nevertheless apprehensive of the fact that this further expenditure might be beyond the capacity of the majority of companies, at least immediately. He said, therefore, and perhaps, rightly so, that the true national interest demanded that means were found to enable the mills to shoulder further liabilities. The Government could definitely advance a helping hand.

Sugar

APPROVAL FOR HIGHER OUTPUT

THE GOVERNMENT OF INDIA has allowed fifteen sugar mills—nine in U.P., four in Maharashtra and one each in Bihar and Andhra—to increase their cane-crushing capacity to the tune of 4,818 tons per day. The Government had taken this decision before it was decided not to allow any more expansion in the sugar industry for sometime. The expanded capacity of these sugar mills will make them better economic units.

The following is the list of the mills which have been allowed to expand their cane-crushing capacity.

Company	Additional crushing capacity per day (Tons) sanctioned
1. Shankar Sugar Mills (U.P.)	295
2. Sriram Sahakari Sakar Karkhana Ltd. (Maharashtra)	200
3. Phalton Sugar Works Ltd. (Maharashtra)	200
4. The Malegaon Sahakari Sakar Karkhana Ltd. (Maharashtra)	250
5. Shri Anand Sugar Mills Ltd. (U.P.)	350
6. Raza Buland Sugar Co. Ltd. (U.P.)	500
7. Sasa Musa Sugar Works Pt. Ltd. (Bihar)	200
8. UpperDoab Sugar Mills Ltd. (U.P.)	750
9. Pannijee Sugar & General Mills Ltd. (U.P.)	500
10. Andhra Kirlampudi Sugar Mills Ltd. (Andhra)	900
11. The Ganesh Sugar Mills Ltd. (U.P.)	200
12. The Amritsar Sugar Mills Co. Ltd. (U.P.)	300
13. The Lakshmi Sugar & Oils Mills Ltd. (U.P.)	300
14. The Belapur Co. Ltd. (Maharashtra)	200
15. Lakshmi Devi Sugar Mills Pt. Ltd. (U.P.)	273

FROM THE CAPITAL'S CORRIDORS

RAILWAYS' DEVELOPMENT PROGRAMME

The rapid growth of the Indian economy over the past decade has placed heavy demands on the country's transport system. The main burden, of course, has fallen on railways. The originating traffic on railways has shot up from 91.5 million tons in 1950-51 to 154 million tons in 1960-61. The average lead of freight traffic has gone up from 292 miles to 354 miles. In terms of tons originating, the volume of traffic carried by railways has, thus, increased by 69 per cent. In terms of ton-miles, it has gone up by over 100 per cent. But still stresses and strains continue as is evidenced by the terrific bottleneck in the movement of coal.

Passenger traffic has also shown a marked increase during the past ten years. The increase has been relatively much larger in suburban traffic than in the inter-city traffic carried by railways. The volume of suburban traffic has increased from 4,247 million passenger-miles in 1951-52 to 7,500 million passenger-miles in 1960-61, i.e., by 77 per cent. The overall increase in passenger-miles during this period has been around 24 per cent.

The number of wagons on the rails, in terms of four-wheelers, has gone up under the first two Plans from 222,441 to 341,041. The number of coaches (units) has increased from 20,502 to 28,271. The increase in locomotives in operation has been of the order of 2,093; locomotives in service at the end of the Second Plan period were 10,554. To meet the increasing demands of traffic, about 1,300 miles of railway track have been doubled and 800 miles electrified. Nearly 1,200 miles of new lines have been added to the railway system during the fifties. Another 400 miles dismantled during the war have also been restored.

The railways' Third Plan has been formulated on the basis of an expected originating traffic of 245 million tons in 1965-66—91 million tons more than what railways handled at the end of the Second Plan period. The increase in passenger traffic is envisaged to be of the order of 3 per cent in non-suburban traffic and slightly more in the suburban traffic. Of the total increase of 91 million tons of goods traffic estimated to accrue during the Third Plan period, 79.5 million tons is estimated to be the traffic originating on account of movement of coal, steel and raw materials for steel plants, cement, iron ore for export etc. The remaining 11.5 million tons represent the expected increase in the general goods traffic.

The total cost of the railways' development programme under the Third Plan as estimated at present will be of the order of Rs. 1,325 crores. The Planning Commission envisages a review of the development programmes for various modes of transport when the final report of the Committee on Transport Policy and Co-ordination is available.

The Rs. 1,325 crores expenditure expected to be incurred on development of railways during the five years to 1965-66 is made up of the following programmes:

Programme	(Rs. crores)
Estimated cost.	
Rolling stock	510
Workshops, machinery and plant	62
Track renewal	170
New lines	147
Electrification	70
Signalling and safety works	25
Traffic facilities (line capacity works)	183

Programme	Estimated cost
Bridge works	25
Other electrical works	8
Other structural works	15
Staff quarters and staff welfare	50
Users' amenities	15
Road services	10
Stores suspense	35
Total	1,325

As many as 90,447 wagons (four-wheelers), 5,025 coaching vehicles and 1,150 locomotives are proposed to be added to the rolling stock during the Third Plan period, besides the replacement of the over-aged stock. Manufacture of electric locomotives at Chittaranjan Works, in collaboration with Heavy Electricals, Bhopal, is envisaged to be stepped up to 60 units per annum; production of electric locos at Chittaranjan has already been taken on hand. Production of diesel locos is also proposed to be undertaken in the public sector during the Third Plan period.

AUGMENTING LINE CAPACITY

So far as augmenting of line capacity is concerned, the Third Plan development programme of railways envisages doubling of 1,600 miles of single track, re-modelling of certain yards, opening of crossing stations and provision of crossing loops, besides construction of some new lines and electrification of some additional sections. The railways would be concentrating during the current Plan period on strengthening the trunk routes and the lines on which traffic in heavy commodities is required to be moved in increased quantities. The programme of electrification provides mainly for completion of works on those sections which have already been taken on hand. Electrification of the Moghulsarai-Kanpur section has also been included in the Plan. Track renewals will be undertaken on about 5,000 miles, rail renewals on 2,500 miles and renewal of sleepers on about 2,250 miles.

About 1,200 miles of new lines will be constructed. Work on some of these lines was started during the Second Plan period. It will be completed during the Third Plan period. Plans are to lay 12 additional lines, besides those spilled over from the Second Plan. The 12 new lines to be constructed include one from Madhopur to Kathua (in Kashmir) and another connecting Haldia port to its hinterland. There is provision to construct 200 miles of new lines in connection with the development of the coal industry. Laying of four such lines—Manipur-Hassan, Bangalore-Salem, Manamadhurai-Virudhunagar and the rail link from Sukinda/Daitari mining area in Orissa to be main line and from Kharagpur to Cuttack—is under consideration.

The other engineering works proposed to be undertaken during the Third Plan period are completion of the Brahmaputra bridge and a bridge over the Jamuna near Delhi, the completion of some other bridges on which work was started during the Second Plan, improvement of signalling and tele-communication facilities including the inter-locking of some sections, and provision of centralised traffic control on the link route leading to Assam.

A provision of Rs. 50 crores has been made for staff welfare. Of this Rs. 35 crores will be spent on construction of staff quarters. A sum of Rs. 15 crores is envisaged to be spent on provision of further amenities for railway passengers.

RAILWAYS' SELF-SUFFICIENCY DRIVE

So far as the self-sufficiency drive of the railways is concerned, substantial increase in capacity for the manufacture of rolling stock has been achieved. All the steam locos, coaches and wagons needed by the railways are manufactured in the country. Complete self-sufficiency has been achieved in respect of mechanical signalling equipment. Capacity is also being created to produce the entire supplies of track materials needed by the railways. To the extent possible, efforts will be made during the Third Plan period to manufacture indigenously those items of railway equipment which are still being imported. It includes manufacture of diesel and electric locomotives. A few items of specialised equipment will, however, have to be imported even after 1965-66. The total cost of these imports during the five years of the Third Plan is estimated around Rs. 186 crores. During the Second Plan period as much as Rs. 332 crores had to be spent on imports of equipment and raw materials, especially steel required for the production of rolling stock.

LABOUR CONFERENCE

The next meeting of the Indian Labour Conference is scheduled to be held at Bangalore on October 9 and 10. Among other things, the Conference will be discussing, and taking a decision if possible on, three important issues—(1) Revival of the Labour Appellate Tribunal; (2) Compulsory deductions from employees' salaries in the interest of stepping up savings drive; and (3) Integration of various social security schemes.

The revival of the Labour Appellate Tribunal was first considered at the Indian Labour Conference in 1959 in the context of the recommendations of the Law Commission which had remarked that "the files of the Supreme Court are full of appeals on labour matters and relief should be given to that Court by enabling parties to file appeals in these matters either to the High Court or to a special tribunal constituted for the purpose." At present, a separate Bench of the Supreme Court is dealing with labour cases. During 1960 as many as 125 appeals relating to labour matters were filed before this Bench which with 222 appeals brought forward from the previous year, brought the total number of pending cases before it to 347. Of these, 249 cases were disposed of during the year, leaving 98 cases still pending.

The State Governments who had been asked to make an assessment of factual material such as disposal of cases, reducing of references to High Courts and to the Supreme Court, have generally expressed against the revival of the Labour Appellate Tribunal.

To expedite disposal of labour cases it is proposed to amend the Industrial Disputes Act in the next batch of amendments with a view to enabling the appointment of serving or retired District Judges as presiding officers of labour tribunals.

COMPULSORY DEDUCTIONS

The second issue which will be considered by the Conference at its forthcoming meeting is whether legislation should be undertaken to enable compulsory deduction of a part of the salaries of employees, both industrial and non-industrial, in the public as well as private sectors, for investment in Government securities under a non-contributory provident fund scheme. It is pointed that while there is no intention of enforcing compulsory deductions in the immediate future, the idea is that the Government should have power to enforce such deductions if and when it may become expedient, with a view to ensuring adequate savings in the economy in national interest.

Details of this scheme have yet to be worked out. It is, however, intended to exclude from this scheme

employees covered by the Employees' Provident Fund Scheme, temporary employees who have not completed six months' service, employees working in establishments with less than 20 persons and those drawing salaries less than about Rs. 75 per month. The actual rates of deduction would be changed from time to time with certain ceilings which might vary from 10 per cent in the case of employees drawing less than Rs. 300 per month to about 20 per cent in the case of those drawing about Rs. 1,000 per month. These deductions would be inclusive of the payments now being made by employees by way of contribution to provident fund or as life insurance premia. The proposal is to have a single comprehensive legislation at the Centre in this regard. This, it is stated, will bring about uniformity throughout the country by the application of the compulsory deductions scheme to the employees serving under the Central Government, State Governments, Municipal, local or private employment. The State Governments are being consulted on the question. The representatives of employers and workers will also be provided an opportunity to express their views on the matter before bringing the employees in the private sector within the scope of this scheme.

INTEGRATION OF SOCIAL SECURITY SCHEMES

The third important item on the agenda of the forthcoming Labour Conference is a proposal to incorporate all the existing social security schemes, such as employees' state insurance and employees' provident fund. The Conference will also be discussing conversion of the various provident fund schemes into a statutory scheme of old age, invalidity and survivorship and pension-cum-gratuity. The scheme has already been approved by the Tripartite Standing Labour Committee and has been included in the Ministry's Third Plan proposals. Setting up of a single agency, it is believed will result in two advantages—laying of comprehensive security programme and reduction of overhead expenditure on individual schemes.

The other items on the agenda for the next meeting of the Indian Labour Conference are: (1) Productivity and welfare of workers; (2) Reduction of hours of work in hazardous occupations; (3) Representation of technicians, supervisory staff etc. by representative unions; (4) Rights of a recognised union under the Code of Discipline vis-a-vis an unrecognised union; (5) Abolition of contract labour where feasible; (6) Ensuring of satisfactory conditions of work for contract labour where abolition of contract labour is not feasible; (7) Working of the implementation machinery; (8) Considering of the report of the sixth session of the Committee on Conventions; and (9) Convening of meetings of Industrial Committees.

BRITAIN AND THE EUROPEAN ECONOMIC COMMUNITY

India has asked for, and it is expected will be given, a seat as an observer at the forthcoming meeting of the members of the Treaty of Rome to consider Britain's application for becoming a member of the European Economic Community. It is expected that till such time arrangements are made for the transfer of the headquarters of the Indian Commissioner-General for Economic Affairs from London to Brussels, the present incumbent of the job, Mr. T. Swaminathan, will continue to represent this country as an observer at the meeting.

India has also enquired of the British Government of its plans for setting up the consultative machinery in connection with the negotiations on Britain's joining the European Common Market. The issue is expected to dominate the Commonwealth Prime Ministers' Conference scheduled to be held at Accra in the second week of this month.

STEPPING UP COAL OUTPUT

The Government of India has accepted the following offers from foreign countries for their collaboration with the National Coal Development Corporation for stepping up coal output in the public sector:

Country	No. of experts assigned	Purpose of assignment
1. United Kingdom	3	For preparing a project report for opening up and for developing the abandoned Jarandih mine.
2. France	2	For technical advice on depillaring steeply inclined thick seams in Karanpura coalfields and providing training facilities to Indian technical personnel in France.
3. U.S.A.	5	For developing of Ramgarh mines in Hazaribagh—Bihar.
4. West Germany	2	For layouts and management of workshops and coal preparation installations.

Two experts from France, two from West Germany and one from the United States have already arrived in India. They are visiting the N.C.D.C. collieries with the development of which they are to be associated. The proposed period of their stay here varies from one month to three years.

Meanwhile, under the Indo-Polish agreement on economic co-operation, the National Coal Development Corporation has entered into two agreements with CEKOP of Poland, one for the preparation of project reports for the development of a deep-shaft mine and an inclined mine at Sudamdih, in Jharia coalfields, and the other for the supply of shaft-sinking machinery. The preparation of the project reports will cost Rs. 3.80 lakhs. Another Rs. 60,000 will be required for preparation of designs and collection of data for starting the sinking of shafts. The machinery and equipment which Poland will be supplying under the second agreement will be delivered by March 31, 1962, excepting a few items which will be made available by August 31, 1962. The machinery to be purchased would be costing Rs. 36 lakhs.

PRIVATE SECTOR COLLIERIES

The estimated foreign exchange requirements of the development of coal mining in the private sector during 1961-62 are placed at Rs. 348 lakhs—Rs. 198 lakhs for the first half of the year and Rs. 150 lakhs for the second half. An allocation of Rs. 30 lakhs together with a likely commitment of Rs. 20 lakhs has already been made under the Indo-Polish agreement for the import of coal mining machinery and equipment. The World Bank has also granted a loan of \$35 million (Rs. 16.67 crores) for the development of private sector collieries during the first two years of the current Plan.

ORISSA MINING CORPORATION

The Government of Orissa has proposed to the Government of India that it would like the Orissa Mining Corporation to be fully State-owned and State-operated

concern. The Central Government is understood to have agreed to the State Government's proposal. Action is being taken to give effect to this decision. All the interest of the Centre in this Corporation will be secured by the State Government.

The Corporation is at present operating three iron ore mines in Mayurbhanj and Keonjhar districts. It has secured mining leases or prospecting licences over some additional areas as well for mining and prospecting of iron ore, manganese and chromite. The Third Plan programme of the Corporation, involving a capital investment of Rs. 86 lakhs, envisages production of 8 lakh tons of iron ore, 25,000 tons of chromite and 20,000 tons of manganese by the end of 1965-66. There are possibilities of extending the operations of the Corporation further through acquiring of more leases and raising of the targeted production. The State Government has formulated a scheme to develop iron ore mines through the Corporation in the Sukinda area with a view to export two million tons of iron ore by 1964-65. Securing of equipment will be placed shortly.

SIKKIM MINING CORPORATION

The programme of the Sikkim Mining Corporation to exploit mines in the Sikkim State for preparation of concentrates of copper, lead and zinc, which was to start in June last, has been delayed due to non-completion of the Rongni Hydel Project and also owing to some delay in the delivery of imported materials. The underground work on these mines is now expected to commence in November or early December, by which time electricity will be available from the Rongni Project and the equipment would have been imported from abroad. Actual production from the mines at the rate of 100 tons of ore per day is expected to be achieved during the first half of 1962. Ore production of this order is expected to yield 11 tons of concentrates of copper, lead and zinc. Tenders for the milling plant have been finalised by the Corporation. Orders for securing of equipment will be placed shortly.

TRAINED PERSONNEL FOR STEEL PLANTS

The Minister for Steel, Sardar Swaran Singh, in reply to various questions in the Lok Sabha in regard to availability of trained personnel for the public sector steel plants in general and the Rourkela Plant in particular, gave the following replies:

(i) "The exact requirements of technical personnel for the Third Five-Year Plan have not been worked out. It is, however, estimated that for the expansions of the Bhilai, Rourkela and Durgapur, the Alloy and Special Steels Plant at Durgapur, Bokaro, and the Central Designs Organisation, 1,626 engineers, 2,075 operators and 14,400 skilled workers will be required. With the training institutes at Rourkela and Bhilai and the institute coming up at Durgapur, Hindustan Steel hopes to have adequate facilities to train the bulk of the personnel required for expansion themselves."

(ii) "The main difficulty now facing Rourkela Steel Plant is the shortage of sufficiently experienced operational personnel and the usual "teething" troubles experienced in any new plant. A large number of young men fresh from the universities and technical schools have been recruited and trained either in India or abroad, but even the best training is not a substitute for experience. The teething troubles are also more numerous owing to the highly mechanised and complex nature of the plant. Accordingly, Hindustan Steel have taken steps to recruit some experienced personnel from West Germany."

(iii) "Government have agreed to Hindustan Steel Limited's proposal to recruit up to 225 German technicians for the operation and maintenance of the various units of the Rourkela Steel Plant for periods up to three years. Hindustan Steel Limited have also recruited and trained a large number of Indian technicians

However, they still lack the experience necessary to operate and maintain successfully a complex steel plant like the one at Rourkela. The German technicians who are now being recruited will help and guide Indian technicians. It is expected that by the time Germans are ready to leave, the Indian staff of Rourkela will be fully competent to run this plant."

(iv) "The report of the two-member U.S. Steel Mission, which came to India to assist the Hindustan Steel Limited in the establishment of an overall training plan, has made the following recommendations:

"(a) A separate training division should be established in the Head Office of Hindustan Steel Limited, Ranchi.

"(b) A Management Training Institute should also be set up at Ranchi to prepare a supervisory training course for implementation at the Plants and to conduct Company Management training courses at the Institute.

"(c) Hindustan Steel should take advantage of the Hyderabad Staff Training College as well as the new Management Institutions that are being set up in the country for training of their senior executives.

"(d) The General Superintendent of each plant should assume full responsibilities for the training of all personnel in the works both management and non-management. The Superintendent of Training in each plant should be responsible directly to the General Superintendent.

"(g) An 'In-plant Training Service' should be established for training of existing working personnel under an Assistant Superintendent of In-plant Training Service who should be assisted by Training Engineers.

"(f) Seminars for the benefit of Training Staff should be arranged.

"(g) Programmes for the training of artisan operatives and graduate apprentices should be revised with emphasis on 'In-plant Training'."

RAW JUTE SUPPLIES AND MANUFACTURE OF JUTE GOODS

Presumably due to increasing arrivals of raw jute in the market, the Indian Jute Mills Association, it is learnt has agreed to unseal additional 9 per cent looms sealed in August last. These looms will be re-commissioned into production in the first week of September.

A two-member delegation of the Indian Jute Mills Association has had discussions here with Mr. D. S. Joshi, Additional Secretary, and some other senior officials of the Ministry of Commerce and Industry on stabilisation of jute prices.

The Indian Jute Mills Association, it is learnt, has agreed to urge its member mills to step up their jute purchases with a view to steadying the market. The Association has also agreed to do away with the quota system hitherto in force so that there will be no limitation on what each member mill may buy. The Jute Commissioner will check the rate of purchases by the mills in order to ensure that adequate purchases are made. It is hoped that these measures will help to stabilise raw jute prices.

It was emphasised by the Government at the discussions with IJMA representatives that reasonable prices of jute should be assured. The Government has under consideration a scheme for market operations to stop falling of raw jute prices below economic levels. The Indian Jute Mills Association, it is understood, has

promised its full support for the successful operation of this scheme. Consequent upon the discussions with the IJMA delegation and a conference between Dr. B. C. Roy, Chief Minister of West Bengal, and three Central Ministers, Mr. S. K. Patil, Mr. K. C. Reddy and Mr. Nityanand Kanungo, the Government of India, it is understood, has decided, in principle, to fix a fair minimum price for jute so as to prevent its prices falling below economic levels.

DISTRIBUTION OF SUGAR

Restrictions on the retail sale of the sugar have been removed in most of the States. This was disclosed by the Union Food and Agriculture Minister, Mr. S. K. Patil, at the last week's meeting of the Informal Consultative Committee for the Ministry of Food and Agriculture. The Governments of U.P. and Bihar, Mr. Patil said, had allowed wholesalers to sell in the free market such sugar as was not lifted by the authorised retailers within a particular period. The Governments of West Bengal and Orissa had similarly permitted wholesalers to sell such sugar in the free market as was surplus or was not required for distribution through controlled channels. The Government of Rajasthan has also withdrawn restriction on sugar sales at the wholesale stage.

In reply to a question regarding the possibility of higher allocations of sugar for free sale within the country, Mr Patil pointed out that whereas the Central Government was releasing sugar at the rate of 24 lakh tons per year, the States were lifting at the rate of only 20.5 lakh tons.

Talking about the extension of area under sugarcane cultivation, the Minister disclosed that during the Second Plan period area under sugarcane cultivation had gone up by 12 lakh acres to 57 lakh acres. This year's sowings, the Minister stated, showed that area under cane cultivation would go up by another 4 lakh acres. This diversion of area to sugarcane cultivation has been at the expense of wheat, rice and other crops and has been the result of there being no restrictions on cane cultivation.

Referring to sugar exports, Mr. Patil stated that of the recently announced U.S. quota for sugar imports from India to the tune of 1.87 lakh long tons, about 1,40,000 tons had already been "booked for sale". The entire quantity, he stressed, would have to be not only sold, but would have to reach American shores by the end of December this year. If all the sugarcane produced in India were crushed into crystal sugar, India, Mr. Patil observed, would be producing something like 10 million tons of sugar. He pointed out that against this, it is contemplated at the moment to export only half a million tons of sugar.

Mr. Patil also dwelt at the Consultative Committee meeting on the availability of chemical fertilisers. The position this year in this regard, he said, was much better than in the previous years. The Ministry of Food and Agriculture had allotted to the States whatever quantities they had demanded. It was, however, noticed that in several cases, the full allocations had not been lifted. The Minister stressed the importance of fertilizers being properly used.

Talking about the role of minor irrigation under the Third Plan, Mr. Patil stated that as many as Rs. 300 crores were expected to be spent on implementation of the minor irrigation schemes included in the Third Plan, as against Rs. 145 crores spent during the Second Plan period. It was proposed, he added, to continue the practice of holding regional minor irrigation conferences during the Third Plan period.

COMPANY AFFAIRS

NEW ISSUES

The Controller of Capital Issues has granted consent to five companies for the issue of a total capital of Rs. 1.2 crores. The consent is valid for twelve months in each case. The following are the details:

Sen Raleigh Industries of India Ltd., Calcutta: Issue of further capital of Rs. 65 lakhs, divided into equity shares of Rs. 10 each for cash at a premium of Rs. 4 per share. Out of this 644,015 shares will be offered to Messrs. Raleigh Industries Limited of Nottingham. The present paid-up capital is Rs. 1 crore.

Pimpri Glass Works Private Ltd., Bombay, (a new company: Issues of Rs. 20 lakhs for cash at par divided into 16,000 equity shares of Rs. 100 each and 4,000 Cumulative preference shares of Rs. 100 each carrying a dividend of 9.5 per cent free of company's tax but subject to deduction of taxes at source at the prescribed rates. The proceeds will be utilized to manufacture fluorescent rods, tubes, incandescent lamps, ampules and chemical tubes.

Fort William Co. Ltd., Calcutta: Issue of 210,000 equity shares of Rs. 10 each to be issued to its existing shareholders at a premium of Rs. 3.50 per share in the ratio of one new share for every share now held. The present capital is Rs. 31 lakhs. The new capital will be utilized to manufacture steel wire ropes.

Dharamsi Morarji Chemical Co. Ltd., Bombay: 18,190 bonus shares of Rs. 50 each on capitalization of Rs. 9,09,500 of reserves to be made in the ratio of 4 bonus shares for every 10 shares held. The company manufactures superphosphate fertilizer, mixtures and various types of heavy chemicals and acids. The company has a paid-up capital of Rs. 22,73,800 in equity shares of Rs. 30 each.

Indian Tool Manufactures Ltd., Bombay: Issue of Rs. 5 lakhs bonus capital divided into equity shares of Rs. 100 each. The shares will be allotted to the existing shareholders of the company in the ratio of one bonus share for every two shares held.

THE GANGES ROPE COMPANY

The production of the Ganges Rope Company Limited was maintained at a satisfactory level during the year to March 31, 1961. The directors of the company have reported that higher sales—Rs. 88.88 lakhs during the year against Rs. 79.47 lakhs during the previous year—were despite constant difficulties experienced in obtaining essential raw materials from indigenous as well as foreign exchange sources. There was considerable competition and even then the total sales increased. As a result of the representation made to the Government of India by the Indian Rope Manufacturers' Association, some relaxation was made in the issue of licences which has enabled the industry as a whole to import larger volume of Manila and Sisal fibres. The directors of the company hoped that Government will continue to pursue this enlightened policy also for import of machinery to replace the old and worn out plant, as in the case of Jute Mills.

During the year under review a profit of Rs. 8.57 lakhs was recorded after making provision for taxation etc. The directors proposed to transfer a sum of Rs. 2.32 lakhs to general reserve. They have proposed to distribute a dividend at a rate of Rs. 20 per share subject to deduction of tax for the year under review which will absorb Rs. 2.80 lakhs.

BRITANNIA BISCUITS

The Britannia Biscuits Company Limited continued with its programme of expansion during the year to

March 31, 1961. The company spent Rs. 26.13 lakhs on building new plants and machinery financed from internal resources. This increasing capital expenditure and additional working capital is an evidence of the company's gradual expansion and this has partly been achieved by a retention of a portion of the profits.

The directors have reported that last year they decided to implement the second phase of a plant replacement and modernisation programme and they are trying to arrange manufacture of equipment in India to conserve foreign exchange. It appears that the company may have to be allowed to import a part of the machinery which cannot be manufactured in India at the moment.

The company, it seems, is fully alive to the fact that biscuits can be an important item of export and has made endeavours during the last three years to raise the export of biscuits. Although it is essentially an industry which has to pave its own way in the foreign markets, the Government cannot fail to recognise that a part of the responsibility rests with them too. It is hoped the Government will assist the company by giving some concessions so that the company's products can compete in the foreign markets.

During the year under review the company made a profit of Rs. 31.68 lakhs after providing Rs. 6.71 lakhs for depreciation and Rs. 24 lakhs for taxation. The directors have transferred a sum of Rs. 12.70 lakhs to general reserve, Rs. 1.50 lakhs to debenture redemption reserves and Rs. 2.96 lakhs towards development rebate reserve. The half yearly dividend on preference shares at the rate of 4 per cent and interim dividend of 6 per cent on ordinary shares was paid in December 1960. The directors have now recommended the payment of a final dividend on preference shares at the rate of 4 per cent subject to deduction of tax. A final dividend of 19 per cent subject to deduction of tax making 25 per cent for the year on ordinary shares has been recommended to be paid. A special bonus of 5 per cent subject to deduction of tax on ordinary shares has also been recommended to be paid.

THE PUNJAB NATIONAL BANK

The working of the Punjab National Bank Ltd., for the half year ended 30th June, 1961 indicates that the Bank has made satisfactory progress. Subject to audit, the net profit of the Bank for the half year ended 30th June, 1961 after providing a sum of Rs. 5.90 lakhs for payment to the Gratuity Fund Trust and making necessary provisions amounts to Rs. 75.96 lakhs as against Rs. 45.37 lakhs for the corresponding half year in 1960. After adding a sum of Rs. 4.23 lakhs carried forward the amount available for appropriations is Rs. 80.19 lakhs. The Directors have decided to pay an interim dividend for the current year at the rate of Re. 1 gross per share amounting to Rs. 12.50 lakhs leaving a balance of Rs. 67.69 lakhs to be carried forward to the next half year's account. The Bank has 430 offices in India, Burma & Pakistan and offers all types of banking and foreign exchange facilities.

THE PREMIER AUTOMOBILES LTD.

The total turnover of the Premier Automobiles Ltd. for the year 1960-61 amounted to about Rs. 22.72 crores. The company sold 6,913 cars and 6,075 trucks during the year. The turnover of the company for the year 1959-60 amounted to about Rs. 20.95 crores when 5,729 cars and 5,997 trucks were sold during the period. The company has, therefore, made a significant progress during the year under review.

A Letter to the Editor

HOLLAND AND INDONESIA

Dear Sir,

I got the May 19 issue of your "The Eastern Economist" on my desk and I read with interest your West European Correspondence about colonists coming home.

Indeed, from the economic point of view it was not overdifficult to give Dutch nationals from Indonesia a reasonable place in Holland. But as the majority were from mixed Dutch-Indonesian origin and most of them lived their whole lifetime in Indonesia, the physical and social adaptation was harder, especially for the older people. But they are welcome and as citizens no better and no worse than ordinary Dutchmen.

However, you said that Holland lost 30 per cent of her revenue when Indonesia cut adrift. I am not clear about the meaning of that figure, I only can state that following a pre-war report of our Central Bureau of Statistics, the income for Holland out Indonesia (including also the secondary benefits) was in 1938 about 15 per cent of the total national income of the Netherlands.

I think that in general but at least in regard to my country the amount of revenues extracted from the colonies is overstressed, whilst on the other hand the benefits for the colonies from the occupying country are underrated;—that is to say from the economic point of view.

Whatever it may be the loss of Indonesia certainly has not been such a deadly blow as often was said; on the contrary it seems that the greater part of the losses have already been overcome;—at least we try to make the best of the changed situation.

Yours etc.,

(Ir J. H. de Haan),

Landutilisation for the Tropics.

Wageningen,
Netherlands,
July 26, 1961.

[Our Correspondent clarifies the point as follows: "The 30 per cent decline was in Holland's export revenues. The decline in the national income was indeed about half that percentage. As for the exaggeration of the economic benefits of imperialism, I thoroughly agree with M. de Haan. The assertion that colonies are profitable for every class in the imperialist nation is what I called the Big Lie in the article 'Belgium and the Colonial Fallacy', in the issue of January 20, 1961. Holland's progress since the loss of her Indonesian ball-and-chain is constantly referred to by the anti-colonialist party in France."—Ed.]

UNIVERSITY OF MALAYA IN KUALA LUMPUR

A Research Fellowship in rice Economics and Statistics has been instituted in the Department of Economics, University of Malaya in Kuala Lumpur as a result of a grant received from the Lee Foundation.

The Research Fellow is expected to carry out a comprehensive investigation of the Economics and Statistics of rice consumption and production in the Federation of Malaya. Ministries concerned have agreed to make available data on rice production and trade in the country and some relevant material is available in the Department of Economics.

Intending applicants should have a good Honours degree in Economics or equivalent qualifications. Experience in handling cereal statistics, particularly rice, would be an advantage. Subject to University entry requirements being met, part of the research material may be used to obtain a higher degree in the University of Malaya.

The fellowship is tenable for a period of fifteen to twenty months, and would cover the following: (i) An all-in monthly stipend of between M\$1,300/- to M\$1,800/- (US\$1 = M\$3) depending on qualifications and experience; (ii) Return passage for the Fellow (if married, for wife and children below age of 12); (iii) accommodation; (iv) Medical charges in accordance with University regulations; (v) Funds for travelling and field research.

Applications should be made in accordance with the prescribed form (12 copies). Further particulars and application forms are obtainable from the Registrar, University of Malaya in Kuala Lumpur, Pantai Valley, Kuala Lumpur.

The closing date for the receipt of applications is 15th October, 1961. (Ref. (30)68[1]).

Company Meeting

HOWRAH MILLS COMPANY, LIMITED.

Statement of the Chairman, Sir John Brown, to the 136th Annual General Meeting held at 4, Clive Row, Calcutta, at 12 o'clock noon on Wednesday, 23rd August, 1961.

Gentlemen,

Before I move the first resolution I feel it is appropriate in the circumstances facing the Mills today that I should supplement the information regarding the Company's working contained in the report of the Directors dated the 7th July, which has been in your hands for some time.

From the Report you will have seen that from May, 1960 there have been successive reductions either in working hours or in the number of looms being worked. In view of statements which have been made from many quarters and which have recently received a wide currency in the daily press, I should make it clear that every cut in production means an increased cost of production to mill owners on account of increased overheads per ton and therefore either a smaller profit or a larger loss. It is difficult in the circumstances to understand the criticism which is directed at mill owners as it must be obvious that no one will willingly increase his cost of production of an article which to a very great extent has to be disposed of in the World's markets in competition not only with the jute industries of other countries but also with substitute packaging materials. What then is the reason which has forced the member mills of the Indian Jute Mills Association to restrict production? For two successive years the jute crop both in India and Pakistan has been a short one with the result that supplies of raw material reaching the mills in Calcutta have dwindled and naturally have increased in price in accordance with the ordinary laws of supply and demand. As a matter of fact, the total stocks of raw jute with mills at the 30th June in each of the last five years were as follows:

1957	..	10.95	lakh bales
1958	..	10.95	" "
1959	..	16.70	" "
1960	..	12.46	" "
1961	..	4.48	" "

Supplies at 30th June, 1961 represented barely 4 weeks' consumption on the basis of working then in force. Our own stocks were the equivalent of 3½ weeks' consumption and when I tell you that we normally regard 8 weeks' stock actually in the mill as a safe working minimum you will get some idea of the extent of the deficiency and the practical difficulties facing the staff and our operatives. Since the end of June the new season's crop has started to reach up-country markets and also Calcutta but as yet supplies are restricted and even now they do not match consumption. This situation was foreseen by the Committee of the Indian Jute Mills Association and in agreement with the Central and State Government authorities arrangements

were made for a block closure of the mills for one week in each of the months of June and July. While there is no doubt that this action was instrumental in avoiding a scramble for material which was in hopelessly short supply, and resulted in spreading the burden of the loss involved over the workers as a whole and the mill companies, it is unfortunate that more recently an acute controversy has developed in regard to the necessity or otherwise for a further cut in production between the beginning of August and the time when the mills can reasonably expect to start to replenish short stocks from arrivals.

Criticism of the mills is mainly on two counts; namely, that they are using coercive measures to inflict loss and suffering on the workers engaged in the industry with a view to influencing the decisions of the Wage Board which is now considering the wage structure of the industry, and secondly, that they are attempting by refraining from purchasing jute to depress its price and thereby inflict loss on the cultivators. The mills are also accused of a failure to have regard to what is described as the national interest in this matter.

Let me say rightaway that speaking for the Board and management of your Company, and I am sure for the managements of all the other Mills in the membership of the Indian Jute Mills Association, the first criticism, namely that we are trying to harass and cause loss to our workers, is totally unfounded. The losses suffered by our operatives are much to be deplored, but they are only a small part of the loss suffered by the industry as a whole in recent months. I read recently a criticism that the wages in this industry were low. It is true that they are by no means the highest wages paid in this State, but any criticism on this score should take account of the fact that ours is an industry which has to dispose of its output largely in foreign markets and we have to accept the price which the foreign buyer is prepared to pay; and he is not obliged to buy our goods unless it suits his convenience. We read a great deal these days, both in the daily press and in the financial journals, of India's need to increase her exports in order to meet the country's mounting foreign exchange liabilities and the increasing demands of her expanding industry. We in this trade and industry have a long experience of the economics of export and we are therefore, I believe, in a position to express a responsible opinion on this subject. The export trade requires a very considerable attention to detail on the part of those engaged in it but its two outstanding requirements are, firstly, to produce an article which the overseas buyer wants and secondly, to produce it at a price which he is prepared to pay. Looking at the Indian scene today I think there are many who would agree with me that we are more

likely to succeed in the first of these objectives than in the second. The price at which a manufacturer can afford to sell his goods is determined by his costs and the need to service his capital. In the jute mill industry the two largest single items of cost are raw material and labour and I have seen it suggested in some of the many press reports on meetings concerning the present situation in the industry that mill owners, instead of allegedly adopting oppressive tactics against their labour and the cultivators, should reduce the expenses of management. In industry the battle to reduce costs is a constant one and I can assure you that so far as this Company is concerned it is not confined to reducing labour costs and the price at which we buy jute, which is in any case determined by supply and demand in the market. Those responsible for the comment to which I have just referred are almost certainly not aware of the fact that, for many mills engaged in the production of standard constructions of cloth and bags, in the past three months losses would have been incurred even if management and overhead expenses, including depreciation, had been eliminated altogether; in other words, the cost of the raw material plus the labour cost alone exceeded the price at which the goods produced could be sold. It will be appreciated that this is a state of affairs which clearly cannot last for long if the industry is to survive at all and continue to contribute any significant part of India's foreign exchange earnings.

The suggestion that mill owners are attempting to oppress the cultivator by withholding purchases and thereby artificially depressing the price of raw jute is equally unwarranted. Such figures as are available indicate that arrivals of raw jute in Calcutta at the present time do not match consumption even on the basis of present restricted working. It would be a simple matter no doubt for one or two of the bigger groups to enter the market and buy up all the jute that was offering and thereby leave all other groups without any source of raw material. I cannot see, however, how that would in any way improve the situation from the point of view of the production of the industry as a whole and therefore of its workers. What the mills have done is to attempt to regulate their working to the amount of the raw material of the qualities required which is in hand or in sight in the immediate future and to avoid as far as possible the total closure of individual units which, I suggest, would entail far greater hardship to the workers involved. In the case of this Company we have had to seal temporarily a further 322 looms, representing 15 per cent of our registered complement. It is indeed unfortunate that notwithstanding the efforts of managements certain mills were forced to close completely last week due to a shortage of raw material. I do not think that it can be seriously suggested that mill owners are so short-sighted as to see any advantage in bringing ruin to cultivators, as some of the more exaggerated press reports suggest is their object, and thereby jeopardising their future supplies of raw jute, leading in turn inevitably to further price increases.

Jute goods are not a luxury but an essential packaging or process material used in many other industries and, from the buyer's point of view, while naturally he would wish to get his goods as cheaply as possible, most buyers whom I have met and with whom I have discussed this matter agree that stability of price is very nearly just as important as the actual price level. The question then is: at what level is stability to be determined? I have seen it suggested recently that the Central or the State Government should somehow or other lay down a minimum price of Rs. 50 per maund for jute. This may sound fantastic to you, as it was to me to read it; but it does serve to indicate how far away from reality

are some of the present critics of our industry. I have already referred to the necessity for us to compete with the jute mill industries of other countries and in today's terms that means particularly Pakistan. On the day on which I drafted this statement the difference between the price of raw jute in the Calcutta market and the price in the Narayangunj market was as much as Rs. 10 per maund; in other words, the Pakistan mills were getting their raw material at a price which was 24 per cent less than the Indian mills had to pay for a fibre of what is generally admitted to be inferior quality. From the mill owner's point of view it is indeed immaterial what price he pays for his raw material as long as he can sell his goods at a price which covers his costs and leaves him some margin of profit to put back into his business after paying a modest dividend to the shareholders. Other things being equal, it is in his interest to see that the grower is well rewarded for his efforts as this will ensure an adequate supply of raw material for the future. We inevitably get back, however, to the question of how much the buyer abroad is prepared to pay, since we do not live in a protected internal market where demand exceeds supply. Therefore, the question of a minimum price for jute has to be considered in relation to the price at which our production can be sold. Although it is admittedly not easy, I am sure that it is not beyond the wit of all the interests involved to devise a system of minimum price fixation which takes all these considerations into account and ensures that the positions of the mills on the one hand and the cultivator on the other are equitably regarded. Such a system might well be linked with a scheme for the setting up of a buffer stock of raw jute in the mutual interests of mills and growers. This is a matter which I understand is currently engaging the attention of the Indian Jute Mills Association and the Central and State Governments and I am sure we must all hope that a speedy solution acceptable to both the cultivators and the mills will be found.

Among the many exhortations to industry generally these days is an appeal to be prepared to export, even at a loss. This is exactly what the jute mill industry has been doing for some time; and it is not just a loss incurred in respect of simply a small portion of its production which can be absorbed in the higher profits which are obtainable in many other industries on the internal market. Nevertheless, if we are to survive and keep our mills running, we have to be prepared to incur such losses as indeed we have not infrequently had to do from time to time in the past. I would, however, suggest that it would be not unreasonable to expect that in these circumstances we should be entitled to at least some sympathy instead of being pilloried by sectional interests in the raw jute trade as well as by labour leaders generally. It appears to have been overlooked in recent controversies that as far back as December last year, the mills agreed to reduce working hours rather than to seal more looms in order to lessen the impact of the situation on the workers and this has resulted in additional losses to the mills during the intervening months, thus aggravating the already difficult position arising from the disparity between raw jute and manufactured goods prices, the only reason for which is the high price of jute caused by a physical shortage of fibre.

I have already referred to criticism of mills and their managements for an alleged failure to consider the national interest in this matter of adjustment of production in line with available supplies of raw material. Such criticism, I feel, is greatly to be deplored. The term "national interest" may be interpreted in a variety of ways but to me a factor which must always find a place in any consideration of its meaning in the contribution which the particular policy

which is advocated is going to make to the future of this country, the building up of its industry and an increase in the standard of living of its people. Who is it who is looking to the national interest in considering the solution of the present difficulties of our industry? Is it those who are clamouring for a jute price of Rs. 45 per maund or even Rs. 50 per maund when our competitors in foreign markets can buy their raw material at Rs. 32 per maund at present with a prospect of a substantial further fall? Is it those who claim to be representing our workers and who demand higher wages without any change in work loads and without any reduction in the numbers presently employed? Or is it those who look ahead five or ten years and who on the basis of the history of the past thirty or forty years realise that while the world's consumption of packaging materials has gone up enormously, consumption of jute goods has not risen proportionately and furthermore that a major jute industry is being built up right on our doorstep so that international competition can only be intensified, leading to keener and keener prices and demanding reduced costs with ever increasing efficiency at all levels if the future of the Indian cultivator, the mill worker and the shareholder are to be safeguarded? It is no use blaming the foreign buyer and complaining that he should pay more for his goods. The remedy is to be found much nearer home. It is in the hands of all those who have an interest in this industry, whether as growers of the raw material, as workers in the mills, as managements or as shareholders, not forgetting the Central and State Governments whose overall interest is to see that a broad equity is maintained as between all those engaged in the industry while, particularly so far as the Central Government is concerned, ensuring that the industry's capacity to earn foreign exchange for the country is not impaired in the long term by sectional interests.

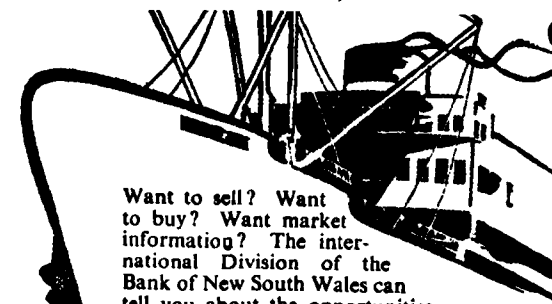
Criticism of the mills, particularly by raw jute and labour interests, seems to overlook the fact that as a class shareholders in jute mill companies have not only not as yet benefited in terms of income from the heavy capital expenditure which has already been incurred on modernisation but, practically alone among equity holders, have also seen a substantial decline in the value of their investment, not only since the partition of the country in 1947 but even since 1952-53, on which year the Reserve Bank of India's indices are based. This is indeed a poor reward to those who have provided the financial sinews of what was last year once again the country's leading export industry in terms of foreign exchange earnings.

If this industry is to continue to occupy the place in the country's economy which it has made for itself, and if it is to expand its production to anywhere near the limit of the present installed capacity, it is absolutely essential that all of those who are concerned in it, whether they represent capital, management, labour or the Central or State Governments, should examine closely the probable trend of events over the next ten years or so. I am one who believes that the outlook is not nearly so grim as it is sometimes painted; but my belief is subject to one important reservation and that is that our costs of production are reduced, and reduced very substantially. Nothing will be gained, I am sure, from evading this issue. The cultivator will have to get his reward from an increased outturn per acre; in other words, with the aid of fertilisers and improved seeds he will have to produce more jute without having to himself employ more labour, either his own or his neighbour's. It is unthinkable that labour wages can be reduced and therefore if a solution satisfactory in the long term is to be found to this question of wage rates

it must be by the employment of improved mechanical methods as a result of which higher wages can be paid to a reduced number of workers. From the point of view of the mills, the majority of them are still endeavouring to amortise the heavy capital expenditure incurred in recent years in modernising the preparing and spinning departments. Technological advances indicate that a stage will shortly be reached when, in order to compete in the world's markets, the mills will have to face further heavy capital expenditure on the modernisation of their weaving departments. While some companies are relatively well found financially, I fear that the financial burden involved in this further expenditure may be beyond the capacity of the majority of companies, at least immediately. I suggest, however, that the true national interest demands that means be found to enable mills to shoulder the further liabilities to which I have referred. This can only be done if the cost structure of the industry is such that it can operate efficiently at such a profit as will enable it to amortise not only existing debt but also the fresh debt which it will have to incur. In the case of your own Company, since the date of the Directors' Report, the Board has sanctioned further capital expenditure in the factory and it will be our policy to continue to do so as far as we can within the resources at our disposal. I cannot, however, conclude this statement without making it clear that the Company has suffered very severe losses since the month of May and this setback will undoubtedly result in a slowing down of the modernisation process. I and my colleagues, however, feel that this is not a time to stand still and with faith in our ultimate future we intend to equip ourselves to be as competitive as we can in the years ahead.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting referred to.

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Corporation's Meeting

"IN A WORLD OF EVER INCREASING COMMODITY PRICES, LIFE INSURANCE POLICIES IN INDIA COST LESS TODAY THAN AT ANY TIME DURING THE LAST FIFTEEN YEARS OR SO," SAYS L.I.C. CHAIRMAN.

STATEMENT BY SHRI P. A. GOPALKRISHNAN, ICS, CHAIRMAN

At the 64th Meeting of the Life Insurance Corporation of India, held in Bombay on 28th August, 1961 to discuss Annual Report and Audited Accounts for the year 1960.

Gentlemen,

I have great pleasure in welcoming you all to this fifth anniversary meeting of the Corporation. We have assembled here today to consider the draft of the Annual Report and Audited Accounts of the Corporation to be submitted to Government under Section 27 of the Life Insurance Corporation Act. These have already been circulated to all the Members.

NEW BUSINESS:

2. The Corporation is now five years old. During this period, the Second Five-Year Plan of the country has come to a close and considerable progress has been made in all fields of economic activity. The national income at current prices has risen from Rs. 9,980 crores in 1955-56 to Rs. 12,840 crores in 1959-60. On the other hand, the general price level has also increased hitting middle-classes with fixed incomes. These classes form the bulk of our policyholders and we have been finding it extremely hard to get business from them. To add to our difficulty, there were in 1960 widespread floods in Punjab, Uttar Pradesh, Bihar and Orissa, drought in Mysore and Andhra Pradesh and linguistic disturbances in Assam. Our business in these areas was adversely affected by these factors. We had also to contend with rival demands made by the various forms of savings propagated by banks and the Government.

3. In spite of all the above factors, our new business last year was Rs. 498 crores covering 1.26 million policies as compared with Rs. 429 crores in 1959 covering 1.15 million policies. The premium income increased from Rs. 84 crores in 1959 to Rs. 97 crores in 1960 and the total income exclusive of refund of tax from Rs. 105 crores to Rs. 122 crores. In 1955, the year immediately preceding nationalisation of life insurance, the premium income of all the companies was only Rs. 58 crores and the total income Rs. 74 crores.

RURAL DEVELOPMENT:

4. We have been able to achieve these results and hope to improve upon them during the current year owing to our policy of systematically expanding business in the rural area. Field Officers have been allotted exclusive rural territories in which they are building up a net-work of agency force. In some States, we have been utilizing the agency of Panchayats and Co-operative Societies for securing rural business. Rural publicity has been intensified and life insurance literature is now distributed through Community Development Blocks and village panchayats, in addition to our normal channel of distribution through our own branch and sub-offices. Jeeps have been supplied to all divisions and a mobile publicity van equipped with projector and films has been provided to each zone as an

experimental measure. These vans visited over 3,400 centres in 1960 and secured spot business of about Rs. 37 lakhs. Approximately, 26 lakhs of people attended the meetings convened by the officers-in-charge of these vans. Seeing the future prospects for rural business revealed by this mobile van publicity, we have supplied an additional van to each zone during the current year. The spot business secured by these vans during the first half of 1961 is as much as Rs. 61 lakhs. In the Southern Zone, we have gone a step further by converting the mobile publicity van into a mobile insurance office. This Office underwrites business and issues policies on the spot. The experiment has been recently extended to the Northern Zone also and will be extended to other areas if it proves a success.

NON-MEDICAL BUSINESS:

5. Another significant step that we have taken in the current year is to extend non-medical business, i.e., insurance without medical examination, to all those within certain age groups whose total insurance does not exceed Rs. 2,000. This will help us to secure more and more business from the rural areas. Non-medical business to special categories of persons in civil employment has been increased upto a limit of Rs. 5,000 and to category 'A-I' of the Commissioned Officers in the Armed Forces upto a limit of Rs. 10,000.

FOREIGN BUSINESS:

6. In the foreign countries, where we operate, conditions were not quite favourable for life insurance business in 1960. Political uncertainty in East Africa led to a flight of capital and fall in the business secured from the Indian community. In 1960, however, we started insuring African lives and we got a certain amount of business from this source. There was considerable damage in Mauritius by a cyclone and in Fiji Islands by a prolonged strike of cane growers. Nevertheless, we completed in all Rs. 9.7 crores of new business during the year as against Rs. 9.47 crores in the previous year.

FOREIGN EXCHANGE EARNINGS:

7. Although our foreign business is very small compared to the business that we are doing in India, it is very important from the point of view of foreign exchange. Our net earnings of foreign exchange per year amount approximately to Rs. 2.5 crores.

BUSINESS IN FORCE:

8. The total business in force at the end of 1960 was Rs. 2,285 crores covering 7.7 million policies as compared with Rs. 1,958 crores covering 6.9 million policies at the end of 1959. These figures include the business outside India which increased from Rs. 103

crores in December 1959 to Rs. 109 crores at the end of 1960. In this connection, I would like to refer to the phenomenal growth of life insurance in India during the last ten years and, particularly, after nationalisation of the industry five years ago. The life business in force in India has almost trebled during this period. To this remarkable increase, the contribution made by the private sector companies during 1950-55 was Rs. 380 crores. During the following five years, the increase has been as much as Rs. 1,048 crores. Expressed as a percentage of the national income, life business in force has increased in the country from about 11 per cent in 1955 to 17 per cent at the end of 1960. As these figures do not include the comparatively small amounts of business on the books of the Postal Department and a few State Governments, the percentage of business in force at the end of 1960 should be more than 17.

YIELD FROM INVESTMENTS:

9. The income from interest, dividends and rents before deduction of income-tax rose to Rs. 23.96 crores from Rs. 20.98 crores in 1959. During the five years from 1955 to 1960, the income from this source has more than doubled. The gross interest yield on the Life Fund was 4.58 per cent as compared with 4.54 per cent in 1959 and 4.52 per cent in 1958. This steady increase in the yield on our investments has been brought about mainly by the judicious manner in which we are making investments from year to year.

LIFE FUND AND ASSETS:

10. The Corporation's Life Fund has registered a significant increase from Rs. 495 crores in 1959 to Rs. 560 crores in 1960. The total assets have similarly increased from Rs. 554 crores in 1959 to Rs. 622 crores in 1960. Net investments of all kinds made in 1960 amounted to Rs. 63.62 crores as compared with Rs. 35.04 crores in the previous year. The total Stock Exchange investments as on 31st December, 1960 had a book value of Rs. 471 crores. Their market value on the same date was higher by nearly a crore of rupees. There is, moreover, a reserve of Rs. 13.41 crores to offset any future fall in the market value of these investments and it is proposed to keep this reserve in tact for the present.

HOUSING:

11. Owing to the acute housing shortage in the country, the Corporation decided to build its own staff and officers' quarters at different places and step up housing loans to State Governments, Co-operative Housing Finance Societies and other institutions. Besides, in granting mortgage loans against the security of buildings, the Corporation shows special consideration to applicants wanting loans for constructing or completing residential buildings for their own use. From the commencement of these schemes within the last two years up to March of this year, the total housing loans sanctioned by the Corporation amount to Rs. 23.05 crores. These loans have not yet been fully utilised by the agencies which received them. According to information available with us the State Governments have so far sanctioned loans for the construction of 3,859 middle class houses and 4,238 State employees' houses. The Co-operative Housing Finance Societies and other institutions have disbursed loans for the construction of 2,795 houses and the Corporation itself has constructed 264 quarters in India besides sanctioning loans to its employees' Co-operatives for building 116 houses. The number of houses, for whose construction or completion mortgage loans have been sanctioned is 95. Thus, the total number of houses constructed or under construction in the country with the aid of L.I.C. funds is 11,367. The Corporation has also indirectly helped the relief of housing shortage by putting up or completing office buildings worth Rs. 3.91 crores during the last five years.

EXPENSES OF MANAGEMENT:

12. Turning to expenses of management, 1960 was a difficult year. The cost of administration has been going up owing to various reasons such as increase in the prices of stationery and printing and of conveyances and their maintenance. Higher rates of conveyance and travelling allowances had to be sanctioned for certain categories of touring officers. The penetration of the rural area and organization of publicity in the villages are costing more than the procurement of business in the cities and towns. Above all, we had to sanction from 1st April, 1960 an ad-hoc increase of Rs. 15 in the dearness allowance paid to all our officers and staff drawing upto a salary of Rs. 500 per month. This alone increased our expenditure in 1960 by Rs. 46.44 lakhs. However, by effecting economies, wherever possible, and keeping a strict control on recruitment of staff, it has been possible for us to keep down our expenses of management. The overall expense ratio of the Corporation fell from 28.7 per cent in 1959 to 28.4 per cent in 1960 but the renewal expense ratio, which is the real indicator of economy of management, remained practically constant at 12.9 per cent. Had it not been for the factors mentioned above, the renewal expense ratio might have been nearer 12 per cent than 13 per cent.

CLAIMS PAID:

13. Maturity benefits to owners of policies amounted during the year to Rs. 23 crores and death benefits to Rs. 8 crores. The total claims during the year thus amounted to Rs. 31 crores as compared with Rs. 28 crores during 1959. During the four years and four months ending with December 1960, the total benefits to our policyholders and their beneficiaries by way of claims amounted to Rs. 113 crores.

PREMIUM RATES:

14. There has been a suggestion in certain quarters that since competition has been eliminated after nationalisation of life insurance and overheads have been reduced, the Corporation should examine the possibility of reduction in premium rates. I would like to point out in this connection that the premium rates charged by us are much lower than those charged in the past by Indian companies. For example, the rates charged by the Oriental Government Security Life Assurance Co. Ltd. from 1947 to 1953 under main insurance plans were 5% to 35% higher than the Corporation's rates. In 1954, there was a drastic reduction in premium rates by all the Indian companies, including "Oriental", and these reduced rates continued upto the date of nationalisation. In spite of this drastic reduction, the 'Oriental' reduced rates were higher than the Corporation's rates by Rupee 1 per thousand sum assured or anything from 1 per cent to 5 per cent under various plans. Thus, while the price of every other commodity has been increasing, life insurance policies cost less today than at any time during the last fifteen years or more. It is true that our mortality experience has been showing steady improvement and death claims have been going down as compared with the volume of business in force. While these factors should enable premium rates to be reduced, inflation and the resultant increase in the cost of administration and the higher cost involved in the expansion of rural business work in the opposite direction. All these problems are constantly under study in our Actuarial Department and if and when we find it possible, we shall certainly consider further reduction of premium rates.

LAPSE RATIO:

15. During the Second Plan Period, the general price level is estimated to have increased by 30 per cent and the working class cost of living index by 24 per cent. Inflationary pressures thus generated have begun

to be reflected in the net lapse ratio of the Corporation. The lapse ratio which was 9.1 per cent in 1956 came down to 6.4 per cent in 1957 and to 5.1 per cent in 1958. In 1959, it rose to 6.0 per cent and in 1960 to 6.6 per cent. The abnormal drop in the ratio of 1958 is partly accounted for by a necessary alteration in our system of treating policies as lapsed. Even so, it is clear that the net lapse ratio which gradually fell after nationalisation, has begun to rise again. There are also certain other disquieting signs which show that some policyholders with fixed incomes and increasing commitments are finding it difficult to save enough and keep their policies alive. Loans to policyholders, which used to increase by roughly Rs. 1 crore per year till 1959, increased by Rs. 3 crores in 1960. Outstanding premiums, which similarly used to increase by Rs. 1 crore per year, have increased in 1960 by Rs. 2.5 crores. If inflationary pressures increase during the period of the Third Five-Year Plan, it is bound to accentuate these tendencies and make it extremely difficult for the Corporation to keep down its lapse ratio. The only gratifying fact is that the 1960 lapse ratio of 6.6 per cent is still well below the lapse ratio of 7.6 per cent in the last year of life insurance management by the private sector companies.

ADMINISTRATIVE EFFICIENCY:

16. The efficiency of our administrative offices has been steadily improving as a result of our training programmes and better supervision and control by the officers-in-charge. Practically, every Divisional Office has one or more instructors to train newly recruited assistants and also existing assistants who need training. Our Officers' Training College at Nagpur has already trained 536 officers and supervisory personnel. As more and more of our administrative staff are trained at these institutions, further improvement of the efficiency of our offices may be expected to take place. The improvement that has already resulted is evident from the big drop in the number of complaints received and also from the increase in the average output of our offices. In 1959, the monthly average of the number of complaints received in our various Divisional Offices and major I.H.O. Units was 3,274. In 1960, the number fell to 2,171 representing a fall of 33.7 per cent, despite the increase in the number of policies. Similarly, the increased output of our offices will be evident from the fact that, while between 1957 and 1960, the number of new policies increased by 55 per cent and the total number of policies on our books increased by 36 per cent, the total staff of the Corporation increased only by 30 per cent. Further steps are being taken to improve our systems and procedures for more expeditious despatch of business and also to assess the minimum staff requirements of each office on a more scientific basis than hitherto. These steps are bound to bear fruit in future years.

FIELD EFFICIENCY:

17. The Development Training Centres which we have started in all the Zones have been systematically training our field officers and agents. The number of persons trained so far is 5,214 field officers and 4,844 agents. This training as well as the experience gained by the field officers during the last five years have enabled them to increase their average output of new business from year to year. The average output in 1957 was Rs. 4.9 lakhs and it has increased by 60 per cent to Rs. 7.8 lakhs in 1960. The average output of an active agent has increased by 55 per cent from about Rs. 31,000 in 1957 to about Rs. 47,900 in 1960. This improvement in average output is only partly accounted for by a 14 per cent increase in the average size of a policy issued between 1957 and 1960.

INCOME-TAX:

18. The Corporation pays tax to Government just as the life insurance companies in the private sector used to pay in the past. Assessments upto the end of 1958 have been completed and the tax assessed amounts to Rs. 4.36 crores. During 1959 and 1960, tax deducted at source amounted to Rs. 10.19 crores which will be adjusted against future tax assessments.

DIVIDEND TO GOVERNMENT:

19. The capital invested by Government in the Corporation is Rs. 5 crores and, under Section 28 of the Life Insurance Corporation Act, upto 5 per cent of the surplus that emerges at each valuation may be utilized for such purposes and in such manner as the Government may determine. The Government have indicated that in respect of 1957 to 1959 Valuation the entire 5 per cent should be credited to them. At the 1957 Valuation, the share of Government was Rs. 1.45 crores. Deducting from this figure an amount of Rs. 71.5 lakhs which Government have agreed to contribute in respect of the policies of deficit companies taken over by the Corporation, the return to Government amounts to 11 per cent per annum on their capital. In respect of the 1959 Valuation it is estimated that the Government's share of the surplus would give them a dividend of 13 per cent for each of the years 1958 and 1959.

BONUS ANNOUNCEMENT:

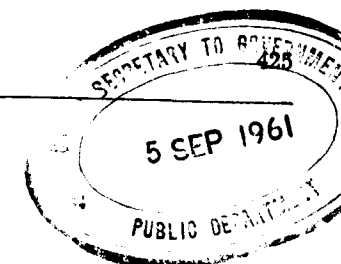
20. Our policyholders have been making anxious enquiries about the bonuses that would attach to their policies as a result of the 1957 and 1959 Valuations. Our field officers and agents have also been experiencing difficulty in securing with-profit proposals since bonuses have not yet been declared by the Corporation. I had hoped that it would have been possible for us to declare bonuses on the different groups of policies on our books by the middle of this year. The work involved took a slightly longer time, but everything was finalised sometime back and the regulations framed in this respect were submitted to Government for their approval. As soon as the approval is received, it will be possible for the Corporation to make its bonus announcement.

21. Five years is too short a period in the life of a new institution but we can be justifiably proud of what we have achieved during this period. We are aware of our deficiencies and are constantly trying to overcome them. If we persist in our endeavour in a spirit of dedication, a day will soon come, much sooner than we expect, when we will be able to announce that we are much nearer the goals promised at the time of nationalisation than we are today. All that I can say is that we must hope and strive.

22. Before I close this statement, I sincerely thank all the Members of the Board and of the Investment Committee for their unstinting co-operation during the last three years and more that I have been Chairman of this organization. My thanks are also due as Chief Executive of the Corporation to all the senior officers who have loyally co-operated with me and performed their duties. Above all, I am indebted to the thousands and thousands of our field officers and agents, without whose unrelenting efforts, the Corporation would not have been able to show such remarkable results during the last five years. Last but not the least, I am grateful to all those steady workers in the Corporation's offices who have not only kept up but improved upon the efficiency of the Corporation.

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)



Average of months/ Average of weeks ended Saturdays		Food articles & Tobacco	Liquor & Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures			All Commo- dities
						Inter- mediate Products	Finished Products	Total	
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61	..	120.0	110.0	119.6	145.4	130.5	122.8	123.9	124.8
May	1960	120.3	107.3	119.2	140.1	125.4	119.0	119.9	122.8
June	"	120.3	109.5	118.0	139.7	127.2	118.7	119.9	122.9
July	"	124.0	109.6	119.5	137.2	130.4	119.4	121.0	121.0
May	1961	117.2	104.1	122.8	152.8	136.9	124.5	126.3	125.2
June	"	119.9	100.1	122.2	148.7	135.2	127.4	125.3	125.6
July	"	124.3	98.6	121.5	151.3	141.9	124.6	127.0	128.6
8-7-1961	..	123.3	98.2	121.5	150.4	142.7	124.2	126.8	127.9
15-7-1961	..	125.0	98.2	121.4	153.5	142.5	125.0	127.5	129.5
22-7-1961	..	125.7	99.5	121.6	154.4	141.9	125.2	127.5	130.0
22-7-1961	..	125.7	99.5	121.6	154.4	141.9	125.2	127.5	130.0
5-8-1961	..	124.0	99.9	121.5	150.4	141.8	125.1	127.5	128.5

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS (August 1939 = 100)

Period	Bombay		Delhi		Bengal		U.P.		Central Provinces		Madras	E.P.	Bihar
	Bombay	Bombay June 1934=100	Delhi	Delhi	Calcutta	Kanpur	Nagpur	Jubbulpur	Madras June 1936=100	Ludhiana	Jamshedpur	All India	
1939 (Aug.-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—	—
1954	342	359	244	138	327	408	373	139	341	148	140	138	—
1955	322	338	217	130	321	371	364	133	321	134	135	132	—
1956	336	352	244	142	347	424	397	151	358	152	146	145	—
1957	352	368	259	150	364	448	422	162	374	157	157	152	—
1958	376	394	274	150	384	468	447	165	401	157	169	161	—
1959	393	412	308	158	384	469	498	163	429	166	173	168	—
1960	401*	420*	296	158*	397	476	512*	165	467	167	166	171	—
1960 July	404	423	302	160	406	484	515	165*	467	169	166	174	—
August	402	421	304	160	410	484	515	163	470	169	168	174	—
September	399	418	302	161	403	484	520	163	472	167	168	173	—
October	402	421	304	162	396	488	517	163	477	171	166	173	—
November	404	423	300	159	392	498	509	163	484	171	168	171	—
December	400	419	297	160	385	480	507	163	488	169	167	171*	—
1961 January	400	419	296	161	385	480	495	165	470	171	166	170*	—
February	401	420	296	163	389	488	491*	165	470	171	166	170*	—
March	404	423	296	163	392	483	488*	—	479	169*	167	171*	—
April	409	428	296	165	389	471	—	—	482	169*	166	170*	—
May	412	431	—	166	389	464	—	—	479	—	—	—	—
June	—	—	—	167	—	474	—	—	478	—	—	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT) WEEK ENDED

25-8-1961			18-8-1961			11-8-1961			4-8-1961		
High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age

INDEX NUMBERS OF WHOLESALE PRICES — IMPORTANT COMMODITIES

(1952-53 = 100)

Average of months/ Average of weeks	Rice	Wheat	Jowar	Bajra	Gram	Ground- nut Oil	Mustard Oil	Sugar	Gur	Tea
1954-55	82	75	77	78	54	77	127	104	122	255
1955-56	78	72	67	84	49	74	104	94	88	170
1956-57	97	88	123	122	71	104	176	95	100	165
1957-58	105	88	114	126	68	105	164	110	107	164
1958-59	105	105	105	126	96	107	148	121	131	169
1959-60	105	96	119	126	75	118	150	124	161	186
1960-61	108	90	122	130	87	138	168	127	136	206
June 1960	114	87	127	128	80	129	157	127	144	187
July	115	92	130	132	89	137	162	127	148	207
August	115	90	127	129	86	135	163	127	148	212
September	114	91	129	132	90	138	163	127	146	215
October	111	90	125	137	91	144	165	127	142	216
November	106	90	126	135	93	138	173	127	141	218
December	102	90	120	131	93	135	177	127	126	N.A.
January 1961	99	91	113	132	94	141	184	127	120	N.A.
February	101	91	110	130	92	144	184	127	116	213
March	101	91	111	128	90	153	180	127	112	208
April	101	88	110	130	79	154	169	127	114	216
May	103	86	109	134	76	152	168	127	116	198
June	106	86	113	141	81	159	169	127	122	206
July	108	88	117	147	81	159	175	127	122	224
15-7-1961	108	88	118	150	81	161	175	127	122	227
22-7-1961	109	88	117	146	81	160	175	127	122	224
29-7-1961	109	88	117	146	81	160	175	127	122	224
5-8-1961	108	89	116	147	83	156	175	127	122	220
Average of months/ Average of weeks	Spices & Condiments	Tobacco Raw	Coal	Cotton Raw	Jute Raw	Ground- nut	Cotton Manu- factures	Jute Manu- factures	Silk & Rayon Manu- factures	Machi- nery
1954-55	114	90	100	102	112	82	107	102	92	99
1955-56	110	77	101	97	117	79	105	96	91	102
1956-57	97	80	116	111	126	111	116	95	88	104
1957-58	96	92	128	108	133	108	116	95	86	107
1958-59	127	93	133	99	118	117	112	87	93	109
1959-60	152	98	135	106	125	131	117	91	96	111
1960-61	128	111	141	112	210	146	128	131	104	116
June 1960	128	111	140	112	187	146	126	113	103	116
July	130	111	140	112	155	150	129	107	103	116
August	130	107	140	112	166	140	131	115	102	116
September	130	104	141	112	181	141	132	116	101	116
October	129	116	141	114	225	142	130	136	102	117
November	130	121	141	111	232	140	129	142	102	117
December	126	114	141	110	226	143	129	143	102	117
January 1961	125	113	141	111	248	151	128	155	104	117
February	124	113	141	110	280	153	126	168	112	117
March	122	114	141	111	271	159	127	162	117	117
April	123	111	141	110	243	162	127	142	117	117
May	128	101	141	110	254	162	127	137	115	118
June	151	95	141	110	208	167	126	125	117	118
July	144	94	141	108	223	172	127	134	119	118
15-7-1961	145	93	141	108	230	170	126	133	119	118
22-7-1961	144	94	141	108	227	176	127	134	119	118
29-7-1961	144	94	141	107	209	169	127	134	119	118
5-8-1961	144	95	141	107	216	167	127	133	118	118

PRIVATE SECTOR PROJECTS
EXPANSION OF SELECTED MAJOR INDUSTRIES IN THE THIRD PLAN

Name of Industry	Unit	1950-51 Production	1955-56 Production	1960-61 Estimated Capacity	1960-61 Estimated Production	1965-66 Capacity	1965-66 Production	Fixed Investment during 1961-66 (Rs. crores)	Foreign Exchange Component of Fixed Investment (Rs. crores)
MECHANICAL ENGINEERING INDUSTRIES									
1. Industrial machinery (1)									
i. Cotton textile machinery	Rs. crores	n.a.	4.0	10.0	9.0	22.0	21.0	5.0	3.0
ii. Cement machinery	"	"	0.34c	1.1	0.6	4.5	4.5		
iii. Sugar machinery	"	"	0.19	10.5	3.3	11.0 to 12.0	11.0	3.0	2.0
iv. Paper machinery	"	"	"	0.7	"	8.5	6.5 to 7.0	7.0	4.0
v. Dairy machinery	"	"	"	0.25	Neg.	2.5	2.5	0.5	"
vi. Industrial boilers	"	"	"	3.7	0.4	29.0	25.0	10.0d	5.0d
vii. Cranes	'000 tons	"	"	2.5	1.5	60	60		
viii. Machine tools	Rs. crores	0.34	0.78	7.0	5.5	30.0	30.0	40.0	27.0
ix. Heavy machinery building (steel and chemical machinery)	'000 tons	"	"	"	"	80	(e) 119.0	81.5	
x. Coal mining machinery	"	"	"	"	"	45	30		
xi. Heavy plate and vessel works (pressure vessels, heat exchangers and other types of chemical plants and equipment)	"	"	"	"	"	40	30	20.0	12.0
2. Structural fabrication (including heavy structural shop)	"	"	90	500	150	1,100	1,000	25.0	10.0
3. Precision instruments, industrial and scientific	Rs. crores	"	"	3.6	3.0	23	12	9.0	6.5
4. Surgical instruments	million pieces	"	"	"	"	2.5	2.5	2.7	2.0
5. Watches	'000 nos.	"	"	"	"	360f	240f	4.0	2.5
6. Railway rolling stock and components								2.0	1.0
i. Locomotives:									
Steam	nos.	7	179	300	295	300	1,175g		
Diesel	"	"	"	"	"	n.a.	434g		
Electric	"	"	"	"	"	60	232g		
ii. Wagons (in terms of 4-wheelers)	"	2924	41986g	26000	20300	33500	109866g		
iii. Passenger coaches	"	479	4384g	1300	1210	1420	7837g		
7. Automobile and ancillary industries								85.0	40.0
i. Passenger cars	'000 nos)	"	"	20	20	30	30		
ii. Commercial vehicles	")	16.5	25.3	28	28	60	60		
iii. Jeeps and station wagons	")	"	"	5.5	5.5	10	10		
iv. Automobile ancillaries including trailers	"	"	"	0.7	n.a.	2.5	2.5		
v. Motor cycles and scooters	"	"	1.5	24	18	48 to 60	50		
8. Ball and roller bearings	million nos.	0.08	0.9	1.6	2.9	10.0	14.0h		
9. Earth moving equipment									
i. Crawler tractors	nos.	"	"	"	"	600	500		
ii. Dumpers and scrapers	"	"	"	"	"	600	500		
iii. Shovels	"	"	"	"	"	125	100		
10. Road rollers	"	"	"	800	400	800	700		
11. Agricultural implements and machinery								27.0	18.0
i. Power driven pumps	'000 nos.	34	37	184	90	184	150		
ii. Diesel engines (stationary)	"	5.5	10	62	40	72	66		
iii. Tractors	"	"	"	1.05	0.6	12.0	10.0		
12. Bicycles	million nos.	0.10	0.51	2.2	1.05	2.2	2.0i		
13. Sewing machines	'000 nos	33	111	268	297	700	700j		
14. Welding electrodes	million r. ft.	"	"	600	350	1080	900		

PRIVATE SECTOR PROJECTS

EXPANSION OF SELECTED MAJOR INDUSTRIES IN THE THIRD PLAN

Name of Industry	Unit	1950-51 Production	1955-56 Production	1960-61 Estimated Capacity	1960-61 estimated Production	1965-66 Capacity	1965-66 Production	Fixed Investment during 1961-66 (Rs. crores)	Foreign Exchange Component of Fixed Investment (Rs. crores)
15. Ship building (expansion of Hindustan shipyard, dry dock and second ship-yard)	'000 GRT	..	50g	20	20	50 to 60	50 to 60	32.0	7.0
CHEMICAL AND ALLIED INDUSTRIES									
16. Fertilisers								225.0	100.0
i. Nitrogenous (in terms of nitrogen)	'000 tons	9	79	248	110	1000	800		
ii. Phosphatic (in terms of P ₂ O ₅)	"	9	12	60	55	500	400		
17. Heavy chemicals								42.0	18.0
i. Sulphuric acid	"	99	164	476	363	1750	1500		
ii. Soda ash	"	45	81	268	145	530	450		
iii. Caustic soda	"	11	35	124	100	400	340		
iv. Calcium carbide	"	..	3(c)	17	10	67	60		
v. Sodium hydro-sulphite	"	..	..	2.3	0.6	12	10		
vi. Hydrogen peroxide	"	..	..	3	1.2	9.5	8		
18. Miscellaneous chemicals products								13.0	5.0
i. Carbon black	"	..	..	..	..	30	30		
ii. Industrial explosives:									
(a) Blasting explosives	'000 tons	..	..	5	6	20	20		
(b) Liquid oxygen explosives	"	..	..	2	2	9	9		
(c) Safety fuses	Million coils	..	..	7	2	25.0	25.0		
(d) Detonators	Million nos.	..	..	..	..	80	80		
iii. Rubber chemicals	'000 tons	..	..	2	n.a.	3	3		
19. Coke									
i. Soft coke (low temperature carbonisation)	Million tons	..	..	..	..	2.0	1.8	42.0	26.6
ii. Hard coke by-product	'000 tons	..	..	620	500	1160	1100	29.2	13.0
20. Dyestuffs & organic intermediates								28.0	13.0
i. Dyestuffs	Million lb.	..	4.0	18	11.5	22.4	18.0		
ii. Intermediates	Tons	..	..	..	..	25000	25000		
21. Drug and pharmaceuticals								39.3	18.0
i. Sulpha drugs	Tons	..	83(c)	330	150	1000	1000		
ii. Penicillin	Million mega units	..	6.6	45	40	205	120		
iii. Streptomycin	Tons	..	..	..	..	150	150		
iv. P.A.S.	"	..	..	..	..	400	400		
v. Anti-dysentery drugs	"	..	6.0(c)	60	30	75	75		
vi. I.N.H.	"	..	1.0(c)	33	30	100	100		
vii. Phytochemicals	"	..	..	..	..	76.4	76.4		
viii. D.D.T.	"	..	284	2800	2800	2800	2800		
22. Plastics (polyethylene, P.V.C., polystyrene and others)	'000 tons	..	0.7	15.7	10.0	85.0	74.0	27.5	10.5
23. i. Soap (2)	"	106	102	254	150	254	500		
ii. Synthetic detergents	"	..	..	7.2	1.5	20.0	20.0		
24. Raw films: cinematographic etc.	Million sq. metres	..	..	..	..	10.0	10.0	9.0	5.5
25. Rubber manufactures								11.5	5.0
i. Automobile tyres	Million nos.	..	0.9	1.61	1.35	3.7	3.0		
ii. Bicycle tyres	"	..	5.8	16.9	11.0	38.6	31.0		
26. Synthetic rubber	'000 tons	..	..	..	..	50	50	25.0	12.5
27. i. Paper and paper board	'000 tons	114	187	410	350	820	700	100.0	35.0
ii. Newsprint	"	..	4.2	30	25	150	120		
iii. Security paper	Tons	..	..	..	..	1500	1500	5.5	4.0
28. Cement	Million tons	2.7	4.6	9.0	8.5	15.0	13.0	60.0	12.0
29. Refractories	"	..	0.28	0.87	0.52	2.0	1.6	22.0	10.0

PRIVATE SECTOR PROJECTS

EXPANSION OF SELECTED MAJOR INDUSTRIES IN THE THIRD PLAN

Name of Industry	Unit	1950-51 Production	1955-56 Production	1960-61 Estimated Capacity	1960-61 Estimated Production	1965-66 Capacity	1965-66 Production	Fixed Investment during 1961-66 (Rs. crores)	Foreign Exchange Component of Fixed Investment (Rs. crores)
30. Electric porcelain (h.t. & l.t. insulators)	'000 tons	..	4.3	12.5	8.4	30	24	3.0	2.2
31. Glass & glassware (including ophthalmic glass)	'000 tons	92.0	125	370	225	615	400	11.0	3.5
32. i. Petroleum products	Million tons	..	3.6	6.02	5.67	10.77	9.86	73.5	33.4
ii. Lubricating oils	'000 tons	..	..	..	..	100	100		
33. Power and industrial alcohol	Million gallons	8.6	15.2	40	22	72	60	4.0	0.4
34. Industrial gases								11.0	0.5
i. Oxygen	Million cft.	..	..	1000	700	2300	1650		
ii. Acetylene	"	..	..	156	90	250	200		
METALLURGICAL INDUSTRIES									
35. Iron and steel									
i. Steel ingots	Million tons	1.4	1.7	6.0	3.5	10.0	9.2		
ii. Finished steel	"	0.98	1.3	4.5	2.2	7.5	6.8	640.0	305.0
iii. Pig iron for sale	"	0.35	0.38	0.9	0.9	1.5	1.5		
iv. Alloy, tool and special steel (finished)	'000 tons	..	..	40	40	200	200		
v. Grey iron castings	Million tons	..	..	n.a.	n.a.	1.2	1.2		
vi. Steel castings	"	..	..	0.10	0.05	0.20	0.20	30.0(a)	15.0(a)
vii. Steel forging	'000 tons	..	..	60	35	200	200		
36. Ferro-manganese, electro-thermal	"	..	..	150	..	..	..		
37. Ferro-silicon	"	n.a.	n.a.	5	100	220	200	2.5	2.0
38. Aluminium	"	3.7	7.3	18.2	6	40	40	2.0	1.2
39. Copper (fire refined and electrolytic)	"	6.6	7.5	9.0	..	..	..		
40. Lead	"	0.8	2.1	6.1	8.9	22.0	20.0	0.6(b)	0.4(b)
41. Zinc	"	..	..	nil	3.5	8.5	8.0	7.3	2.7
42. Tungsten carbide	Tons	..	..	5.0	nil	15	15	1.0	0.5
ELECTRICAL ENGINEERING INDUSTRIES									
43. Electric transformers (below 33kv.)	million kva.	0.18	0.63	2.2	1.2	4.2	3.5		
44. Electric motors (200 h.p. & below)	million h.p.	0.10	0.27	1.25	0.7	3.0k	2.5k		
45. Electric cables and wires									
i. A.C.S.R.	'000 tons	1.7	8.7	28	22	55	44		
ii. V.I.R. and plastic coated	million yds.	39.4	86.9	500	220	800	600		
iii. Paper insulated	miles	..	..	1000	750	4500	4000		
iv. Dry core cables	miles	..	525	470(1	1077	2000 to 2500	2000)		
v. Coaxial cables	miles	..	..	300	200	300	300		
46. Electric fans	million nos.	0.19	0.29	1.8	0.98	2.8	2.5	30.0	18.0
47. House service meters	"	..	0.25c	0.6	0.46	2.5	2.1		
48. Electric lamps									
i. G.L.S. and others	"	15.0	25.03	43.131	38.05	76.0	68.0		
ii. Fluorescent tubes	"	Nil	0.75	1.201	1.46	7.0	6.0		
49. Radio receivers (organised sector)	'000 nos.	49.0	102.0	279.18(1	254.0	900.0	800.0		
50. Storage batteries	'000 nos	200.0	258.08	379.3(1	509.0	900.0	800.0		
51. Dry batteries	million nos	136.3	161.1	224.50(1	200.0	400.0	350.0		
52. Heavy electrical equipment in the public sector	Rs. crores	..	..	..	..	80.0	80.0	104.0	60.0

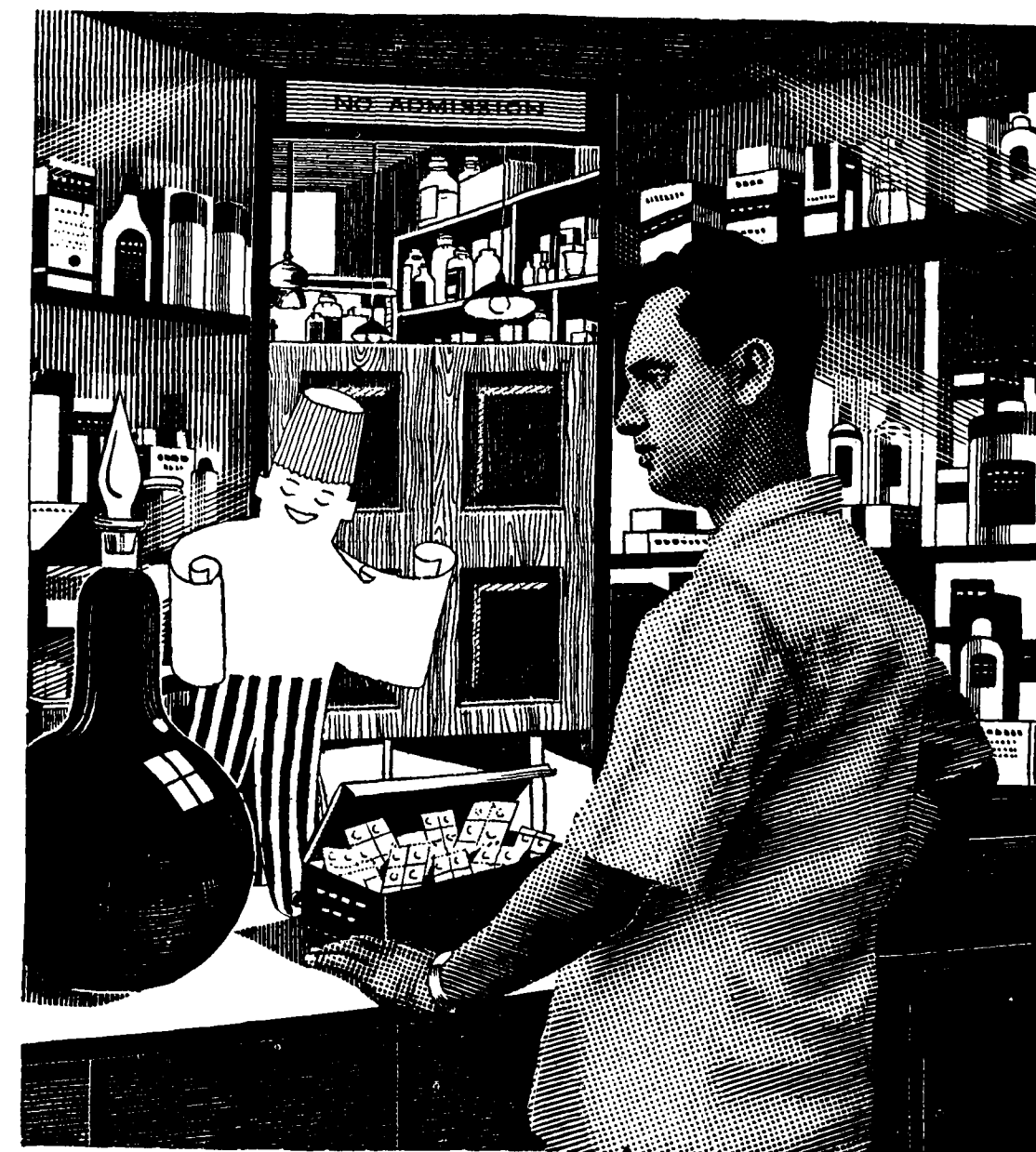
PRIVATE SECTOR PROJECTS

EXPANSION OF SELECTED MAJOR INDUSTRIES IN THE THIRD PLAN

Name of Industry	Unit	1950-51 Production	1955-56 Production	1960-61 Estimated Capacity	1960-61 Estimated Production	1965-66 Capacity	1965-66 Production	Fixed Investment during 1961-66 (Rs. crores)	Foreign Exchange Component of Fixed Investment (Rs. crores)
TEXTILE INDUSTRIES									
53. Cotton								32.5	11.0
i. Yarn	million lb.	1179	1643	2100	1750	2250	2250		
ii. Cloth (mill made)	million yds	3720	5102	5300	5127	5800	5800		
Jute	'000 tons	892	1150	1200	1065	1200	1100	75.0	45.0
54. Rayon and staple fibre									
i. Rayon filament	million lb.	0.4	16.0	52.3	47.0	140.0	140.0		
ii. Staple fibre	million lb.		14.0	48.0	47.8	75.0	75.0		
iii. Chemical pulp	'000 tons					100.0	90.0	2.0	1.0
55. Woollen manufactures									
i. Woollen and worsted yarn	million lb.	18.3	21.7	67	28	67	52		
ii. Woollen cloth	million yds.		15.0	48	15	48	35		
iii. Wool tops	million lb.			10		31.5	31.5		
FOOD INDUSTRIES									
56. Salt	million tons	2.7	3.0	3.9	3.7	6.5	5.4	9.0	2.0
57. Sugar (3)	million tons	1.12	1.86	2.25	3.0	3.5	3.5	100.0	12.0
58. Vegetable oils									
i. Solvent extraction of oilcakes	'000 tons			550	25	2000	160		
				(cake)	(oil)	(cake)	(oil)		
ii. Cotton seed oil	'000 tons			180m	15m	850	100	10.0	2.5
				(seed)	(oil)	(seed)	(oil)		
59. Vanaspati	'000 tons	153	276	434	330	550	500		
60. Miscellaneous industries								168.0n	43.0
								2454.6	1109.9

- (1) Except in the case of cotton textile machinery, capacity and production under this head are related to the demands for original equipment.
- (2) Excepting for the production figure in 1965-66 the figures relate to the Organised Sector only.
- (3) Figures relate to crop year.
- (a) Over and above the expenditure envisaged under Foundry/Forge (included under item 9 (ix) in the Table, Mining Machinery Project, and steel castings foundry of Chittaranjan Locomotive Works.
- (b) Investment on the capacity under the Public sector is shown under the outlay on Minerals.
- (c) Relates to calendar year.
- (d) Expenditure envisaged on private sector schemes only.
- (e) Actual production will be linked by and large with the programme for expansion of steel capacity.
- (f) Relates to the Public Sector only.
- (g) Relates to five-year period.
- (h) By working the capacity on three shifts.
- (i) An additional 0.5 million Bicycles are expected to be produced in the small-scale sector.
- (j) An additional 1,50,000 sewing machines are expected to be produced in the small-scale sector.
- (k) These figures are for 300 H.P. and below.
- (l) Single shift capacity.
- (n) Figures relate to organised sector only.
- (m) Including Rs. 50 crores for townships and Rs. 47.0 crores for other public sector projects not covered under above industries.

Source: Planning Commission.



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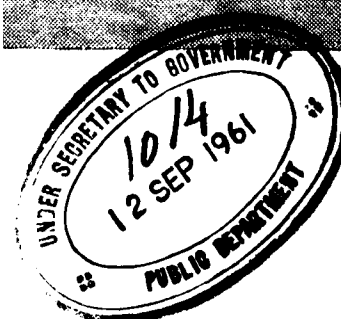
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THE EASTERN ECONOMIST

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ONE RUPEE



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The Eastern Economist

SEPTEMBER 8, 1961.

A New Look at Exports

NOTHING has been so encouraging in economic policy in the last year as the final determination of the Government of India to compel exports, an outline of which was given by Mr. Gulzarilal Nanda in the Rajya Sabha last week. Mr. Nanda announced that Government was studying legislation to compel private industrial units to set apart quantities for export "by setting limits on internal sales." He very rightly spoke of our export performance "as a very vulnerable part of the Plan." While the Government was examining the export problem "in its general and specific implications", the tone of his speech was clear enough that now, at long last, the Government of India is determined on action. The weak incentives that it has attempted to apply over the last three years have ended in dismal failure. This is the time for categorical imperatives, both in the public, and in the private, sectors.

The first need is to dispel confusion. In the private sector in the Indian Union at the present time there is a rooted objection to exports 'at a loss'. The assumption is constantly made that any additional compulsion will be necessarily a reduction of profits, being a subtraction from the volume of profitable internal sales. This is probably Government's own thinking on the subject, but it is not necessarily written into a situation in which export targets are now to be fixed. It is possible to fix the internal and export targets at a level above the existing targets of the Plan, provided the necessary imports to be financed by foreign exchange are earned by additional exports and provided existing capacity can be utilised to cover the increased targets of production. This—and not the cutting back of the internal supply which will lead to a rise in the internal prices—is the answer to the problem. Mr. Nanda cannot have it both ways. He speaks confidently about maintaining the price line, but proposes in the same breath higher excise duties to restrain demand and the diversion of supplies to export markets, both of which will be strongly inflationary. The only

way in which the export targets can be maintained whilst maintaining internal price levels and supplies is by increased targets of production to cover internal and export needs.

This, and no other, is the central problem now to be solved. Is it possible for India to add—not subtract—new export figures to our internal production targets? If so, how is the foreign exchange component for raw materials and possibly some balancing plants to be met? Secondly, what particular effort will need to be made internally so that production is obtained so as to satisfy internal demand fully whilst providing the proposed margin for exports? If raw material guarantees, where they need be provided, are not made, the Government of India will be imposing on Indian industrialists an impossible choice and on the price level an ineffectual decree to stay where it is. The first of the studies to be undertaken by the Planning Commission should, therefore, relate to those commodities in which the raw material allocations can be immediately made; secondly, the fixing of new targets for the "quick" utilisation of unutilised capacity. In the Blue Supplement, published with the issue of *The Eastern Economist* of August 11, 1961, an indication was given of the wide range of unutilised capacity in Indian industry. Some at least of this lack of utilisation is connected with the absence of spares and raw materials, though probably much less than the private sector would have the country to believe. The first step must be the guarantee of all additional raw material requirements connected with the "additional" exports proposed. This is possible since the earnings from exports would always be substantially greater than the raw materials required to sustain those additional exports. On the other hand, it cannot be that every industry is equally placed in this respect. In some cases the additional charge for raw material imports might be so heavy in relation to export earnings that they should receive low priority. What is needed is an immediate balance sheet of priorities and import and

export demands of raw materials required to export additionally in order to meet our balance of payments.

The problem of losses to be incurred in order to export at a world price as against the high Indian domestic price also needs to be solved by additional, not by a diversion of internal, production.

Indian export policy is by no means unique. Most countries are exporting at a figure below their domestic price of production. India has erred in allowing her domestic production in some commodities to move unduly far from the international price. The case of sugar where the international price is Rs. 400 per ton as against the domestic price of Rs. 700 per ton without excise duties, is the most glaring of our failures. But it is not necessarily true that our capacity to export is greatly limited by the high cost of internal production. If existing capacity is fully utilised, and our full overheads are not thrown on our exports, there is a very large number of industries in which India is still competitive. Sir Biren Mookerjee, Chairman of the Indian Iron and Steel Company, has pointed out that we are on the threshold of great opportunities in steel and engineering provided we can now frame a policy in the right terms. What are the elements of that policy? Surely they are, firstly, that where there is installed capacity, additional production is to be sold abroad covering prime costs and not necessarily full costs including overheads. There will be some margin in many industries to permit of ex-

ports, if costs are reckoned without full domestic overheads which have already been covered by the internal sales. Profits will vary greatly. But so long as there are no excessive losses there should be no unwillingness on the part of private industry to export covering prime costs only when internal sales are not reduced.

It is sincerely to be hoped that Sir Ramaswami Mudaliar Committee, reporting at the end of this year, will place this particular problem in perspective by enunciating the right priorities and principles by which a vastly expanded export effort can be based on the supply of additional raw materials to exporting industries so that they might utilise capacity which is now idle. In these terms neither private industry nor the country needs to export at a loss. They can, indeed, be made to export at a profit. But in any case, the policy cannot wait for a nice calculation of profitability in each case. Again, the task of gaining exports is too urgent for it to be dealt with by any more political statements of which we have already had too many. This is the time for action under imperatives which should admit of no exception. Let the Government frame export targets within the month; industry will soon find ways of raising production (and in the process reducing costs); more slowly, it will find the capacity to export. The country will then realise what has been impossible for four years can be accomplished by the power of will. That will be, truly, the beginning of wisdom.

The Neutral Summit

IT is a cruel irony, but an undeniable fact, that if Moscow had not shocked the conscience of the world with the pronouncement of the Soviet Union's decision to resume the nuclear tests, the deliberations of the neutral nations' summit conference would have rambled over a vague field and the utmost that could have emerged would have been a reaffirmation of the familiar platitudes and slogans. Before the conference ended, Russia held three nuclear tests in amazing succession in the briefest span known to atomic history. Whether the timing of the pronouncement and the actual resumption of the tests were intended to convey any special meaning to the delegates at the conference will remain a subject of speculation, but it would be naive to presume that there was no such design. It should be clear, however, that Russia made a miscalculation in the timing inasmuch as the reaction of the heads of State or Government assembled at Belgrade was patently adverse to her.

The first two days of the conference, occupied with the plenary session, gave the clear impression of a feast of speeches, most of the leaders enlarging on conventional problems like colonialism, racialism, general disarmament, co-existence, and so forth. These subjects, of course, were not without their individual merits and relevance to the international situation at the present time. Among other issues of discussion emerged the question of the limited reorganisation of the United Nations. There were no specific proposals in this behalf, but one could discern the earnest desire of the spokesmen of the African nations for a fairer representation for them and a greater accommodation for

their voice to be heard. The Communist gain, if it can be so called, was the added support which the spokesmen gave to the immediate admission of Communist China to the United Nations. But what was left unsaid on the real issue of re-organisation was of far deeper significance to Russia than what was advocated on behalf of China. Not one of the delegates endorsed Russia's proposal of the re-organisation of the United Nations on the troika pattern. That in itself was the most eloquent testimony of the unanimous rejection of this move, which was obviously seen as a device to neutralise the United Nations as a potential force.

Germany and West Berlin which lie at the root of the current crisis of assumption of warlike postures by the big powers inevitably figured in the forefront of the discussion and the leaders of the neutral nations urged upon the West to accept the fact of the existence of two Germanys and impressed upon Russia the urgency of guaranteeing West Berlin's free access to the outside world. This was to pronounce opinion on the merits of the two facets of this burning problem, but to go no further in making any tangible proposals. Mr. Nehru's weight on this question was considerably weakened by the positions he took with regard to West Berlin and subsequently corrected them. A passing reference was all he could allow himself on this subject.

But his real contribution to the deliberations of the conference (and in fact its sole solid achievement) was his successful and impassioned advocacy of giving overriding priority to the gravest of threats of war held by the sudden shift in

Russia's strategy to resume nuclear tests and America's retort to it. It was this advocacy which gave a sense of direction and some substance to the business transacted at the conference. In making the most fervent appeal to Russia and America to halt this dangerous race and to come together at the conference table for talks on reimposing the ban on nuclear tests in the first instance, the

neutral nations are doing the utmost that lies in their power to pull the world from the brink of the deadliest of wars. The neutral summit thus ended in a passionate plea for the potential summit of the Big Two to save the world from disaster. How soon and how effectively will the plea be heard? Thereby hangs a big and tormenting question mark.

Guest Editorial

The Decision to Test Again

By WILLIAM REES-MOGG

THE Russian decision to resume nuclear testing is a very extraordinary one. The arguments against taking such a decision must have been very strong, even in the Kremlin. Apart from the real danger from fallout it provides the United States with an extremely important propaganda victory. It must alienate the non-committed powers, and will affect Russia's standing in the United Nations. It makes the whole paraphernalia of the peace campaign look ridiculous.

Nor are the military reasons in favour of resuming testing at all self-evident. Until the decision was announced the Americans who wanted to resume tests argued that the United States, with rockets of comparatively small load capacity, needed to resume testing in order to produce light weight nuclear warheads with a destructive power equal to the heavy pay-load of the Russian rockets.

This argument was not itself convincing, but it did point to the fact that Russian nuclear capacity and rocket systems are capable of destroying any conceivable enemy or group of enemies, with a wide margin to spare. The same, of course, is true of the United States. If the deterrent is already adequate, and likely to remain adequate in any conceivable circumstances, why then should the Russians feel the need to experiment further?

The American view is that this represents part of the move by Russia into her period of strength. The Russians feel that their physical military power is now the greatest in the world and that, therefore, they can afford to use bullying tactics in order to get what they want. The threats on Berlin, the resumption of tests, the deliberate creation of an atmosphere of crisis, are all signs of a consciousness of a new military superiority, and of the determination to use it to overawe the world.

This may well be the right theory, or at least partly right. It does, however, imply that Russian thinking is strangely naive. When two men are standing with pistols to each other's heads the calibre of the pistols is not particularly important. No power can start a nuclear war without itself being certainly annihilated. The room for military bluff must therefore be limited.

What must be true, however, is that in Russia, military needs, or fancied military needs, are bound to be given excessive weight, simply because defence takes up so large a part of the national expenditure. With about 40 per cent of the United States national income Russia mounts a similar scale of defence effort. Whereas this effort takes about 10 per cent of the disposable resources

of the American nation, in Russia it takes about 25 per cent. These figures need to be treated with some caution, but they are an indication of orders of magnitude. Both sets of figures include the space programme under defence — and rightly so.

There are two questions which need to be asked about the Russian defence effort. The first is how a country can be persuaded to devote a quarter of its income to defence? — and the second is what effects such a policy is likely to have?

There can be little doubt that the reason Russia is able to devote such a disproportionate share of wealth to its defence programme is, quite simply, that total State ownership leads to an exaggeration of the functions of the State, and an impoverishment of the functions of the individual. This is the precise opposite of the case Professor Galbraith makes in his book, "The Affluent Society".

Professor Galbraith in effect complains that American individualism means that money is spent on things which the individual wants which ought to go on the needs of the community — too many Cadillacs and too few hospitals. The Russian system is subject to exactly the opposite bias. Too many resources are devoted to the service of the State, and too few to the service of the individual — guns before butter was the old phrase for it.

The effects of this policy must almost all be bad. There is, of course, a gross economic distortion — Russia has a wonderful growth record, but in a real sense it is growth in the wrong direction. There must also be a political distortion.

The purges under Stalin, or the role of the army in maintaining Mr. Khrushchev in power, show that you cannot give a set of soldiers control of a quarter of the national income without also giving them a very strong potential influence on national policy. No doubt the politicians are jealous of their own power, but they can only preserve it by conciliating or by massacring so important an interest group.

Tyrannies tend to be militarist—because the State depends on the army. It does not follow that they are genuinely warlike. It is a comforting thought that in the next war half the Red Generals would be dead in the first twenty-four hours. That must weigh with them as an argument for prudence. Even Stalin did not act so quickly.

A DELHI DIARY

MOSCOW GETS TOUGH

THIS Diary partakes of the surrounding gloom. I cannot remember any time since 1939 when the international signs looked so threatening. Naturally it is difficult in Delhi to get a measure of the extreme tension in Berlin and the new "resolution" on both sides. But there seems little doubt even from peaceful Delhi that Moscow is getting tough. Toughness, as a policy in the Kremlin, is not new. Under Stalin it was an everyday affair. The chances then were that Russians themselves would be its victims much less than the neighbouring States. It is to be remembered that the greatest challenge that Stalin faced, according to his own account, was in the collectivisation of the thirties. Many—too many!—Russians know what toughness means. But toughness in Comrade Khrushchev somehow or another strikes an anachronistic note. His very built is that of a jovial dispenser of friendship and, at any rate, in India the picture of him is more of a Father Christmas rather than of Great Avenger. It has, therefore, been almost impossible for those of us in Delhi who have not understood the zig-zag course of Communist doctrine to recognise that a man like this can cease to be the spearhead and become an instrument of a grim machine. The machine, for reasons which are not entirely clear, has suddenly changed its character. Dr. Jekyll has become Mr. Hyde. It is determined to get what it wants at almost any price and Mr. Khrushchev is now talking the language of force, and what is more has acted aggressively twice within a fortnight. The first of this, the blocking of Berlin, looked like Mr. Ulbricht's work, but it was soon seen that great walls of concrete which now divide East and West Berlin were a Soviet invention. This was followed by the unilateral rejection of the nuclear test ban treaty and current reports suggest that within the week, the Russians have tested three Hydrogen Bombs in the "intermediate" range. Any one of these bombs could wipe out three or four cities of the size of Delhi in a few minutes! The word 'intermediate', therefore, should give us no consolation.

THE NUCLEAR TEST ISSUE

While people in Delhi are still trying to understand the significance of these events—on which they are necessarily uninformed because some of the technical literature on this subject is so difficult to follow—there has been much wishful thinking on the Neutral Nations' Conference. It is almost certain now, notwithstanding the Neutral Nations' Conference, that America

will be forced to follow suit and perhaps other countries, will resume testing later. It is right that one should recognise that this new danger is far greater than the raising of walls between East and West Berlin. The Prime Minister is now in Moscow but he does not have a chance, it would seem, of bringing his influence to bear on the Russian Prime Minister. Did not Comrade Khrushchev say on July 10, 1961: "Even if all the countries of the world adopted a decision that did not accord with the interests of the Soviet Union and threatened its security, the Soviet Union would not recognise such a decision but would uphold its rights, relying on force"?

THE PRIME MINISTER AT MOSCOW

In the face of this utterance few of us have been disposed to attach much importance to the Prime Minister's Moscow visit. We are naturally proud of the part the Prime Minister has played at Belgrade Conference and of his success in giving the Conference perspective, taking it away from petty issues which are unrelated to the major threat to peace posed by the current Berlin problem and by the refusal of the U.S.S.R. to stop nuclear testing. It is interesting to note that even President Tito deprecated a statement on this issue, but the Prime Minister declared himself unambiguously that he was against nuclear testing "at any place and at any time." That at least is the kind of dynamic neutrality that India—and the world— sorely needs. There is no doubt that if the Prime Minister's personal weight can have an effect on Soviet policy (which many of us take the liberty of doubting) it must be in the acceptance of some restriction on nuclear testing which rightly the Prime Minister considers a major retrograde step. But did not the Conference, except for the Prime Minister, give forth a very uncertain sound? It looked as though it were afraid to come out openly against nuclear testing. Have the neutral nations only the capacity to make appeals? If so, their role looks pretty petty or should I have said pretty pitiful?

HARRY CURRAN

Let me pass from disagreeable nations to a very agreeable person. I am choosing Harry Curran, Representative of the World Bank (who left New Delhi on Wednesday for his new post in Paris) as my Man of the Year. To my (happily expanding) reading public, I expect, Harry Curran means very little; I have known no one in Delhi who has so assiduously kept his light under a bushel. Ten years ago as Treasury Representative for the United Kingdom, he helped us to find a formula which, in those uncertain times, allowed us to draw any amount we liked from our sterling balances. Those who saw what use we made of this liberty in 1957-58 may think less happily of Harry Curran's efforts. But I am old-fashioned enough to think that the capacity to use the sterling balances helped us to escape from the extreme diffidence which presided over our First Five-Year Plan. Don't forget its original national income target was 11 per cent in five years and our population was increasing at 2.1 per cent per year. Will you kindly figure out how much per capita progress our First Plan provided if both figures enclosed us at the time.

However, Harry Curran's claim to India's gratitude is based on his work of helping in underwriting our foreign exchange for the Third Plan. I dare say—comparisons remain odious!—that, of all those in Delhi, his has been the greatest contribution. This is not merely because of his fine judgment and advocacy; it is because of the high esteem in which he is held by the Bank's President, Eugene Black, whose name has worked many revolutionary changes under a conservative guise. Now, apparently, Mr. Black thinks there is no more great work to be done in Delhi: they say the greatest organisers in the world are those that make themselves unnecessary at the point of operation!

ARGUE.

What a Life!



Courtesy "The Hindustan Times"

THE WEEK'S NOTES

U.S. Aid Bill

A HAPPY HALF-WAY HOUSE

IT IS some compensation that Congressional opposition to the authorisation for the President to draw directly from the Treasury a total foreign economic aid amount of \$8.8 million during the period of five years and thereby dispensing with annual appropriations did not maintain its original rigidity. The joint House-Senate committee has struck a compromise formula and it is to be trusted that when the Bill passes the final legislative stage and goes for the President's signature, it will not be diluted any further. President Kennedy's imaginative policy of long-term aid and the amount of hard work he poured into trying to get Congress to agree to it have not met with the response they merited. At one stage the Administration showed its readiness to accept authorisation for three years, but the proposal could not find acceptance with Congress. In this context it is worth while recalling that Congress maintained its jealous control of the purse with greater care during Mr. Eisenhower's second term of office and granted somewhat smaller appropriations than he had asked for.

The formula forged by the joint House-Senate committee does not relax Congressional right of appropriations year by year. For the current fiscal year aid of the aggregate amount of \$1.2 billion has been voted as asked for. But the distinctive and attractive feature of the formula is that the President has been empowered to enter into commitments of long-term aid with the receiving countries totalling \$6 billion, with a stipulation of an annual ceiling of \$1.5 billion for the next four years. The half-way house thus marks an improvement granting authorisation to the President to commit the Administration to long period aid and reserving actual appropriations year after year for Congress. Here there is a moral obligation on the part of Congress to honour the Administration's commitments when they come up for the annual vote. This procedure cannot, however, be equated with the blanket authority to make promises of assistance and provide the finance by straight drawings of funds from the Treasury without bringing Congress in the picture each year. Although the commitments will be ordinarily backed by appropriations, the known sympathies of Congress or its disfavour for certain programmes of aid or economic and political policies pursued by some beneficiary countries or for the way they utilize the aid will operate as a vital consideration for the Administration in entering into the individual long period commitments now authorised.

Penal Code

SUPPRESSING COMMUNALISM

THE INDIAN PENAL CODE (AMENDMENT) BILL, which was passed by the Lok Sabha last week, has for its purpose the object of providing a more effective punishment via Section 153A for promoting or attempting to promote enmity or hatred as between groups of various descriptions—religious, racial, linguistic, caste or communal. In essence, it aims at suppressing the resurgent communalism in the body politic. One major objection raised by the Opposition speakers was that the timing of the Amendment Bill clearly indicated the intention of the ruling party to put the opposition parties in a position of disadvantage by invoking the amended law. While Mr. Shastri conceded that it was during the general election campaigns that communal passion or hatred or enmity was aroused by some propagandists, he would forthwith give the assurance that the amended law would not be abused in the manner alleged. His assurance ought to be accepted at face value.

An astonishing provision of the Amendment Bill is that it places on the accused the onus of proof of absence of his guilt. This runs counter to the general principle of criminal jurisprudence that the burden of proof should be on the prosecution. In vindication of the shift in onus it is pointed out that the prosecution finds difficulty in getting witnesses with knowledge to tender evidence in the open in the law courts. Would the accused not suffer from the same handicap when the cases of this class create, as they are expected to create in a large number, a sensation in the local area concerned?

The efficacy of law for the suppression of communalism by deterrent or higher punishment is to be seriously doubted. Communalism once suppressed may rear its head. The proper remedy is to eradicate it by creating the necessary climate—social, political and economic. The Government's vain effort for the past several weeks, intensive though it has been, to evolve some formula to ban communal parties should bring a realisation of this basic difficulty and of the need of the right approach. What two elder Congress members said during the debate on this Bill should come as a painful home truth to the party in power. Mr. M. S. Aney said that the supporters of Master Tara Singh and Sant Fateh Singh should be punished rigorously, but those who created communal disharmony and bear responsibility for the Jabalpur riots should also be visited with similar punishment. The sting, of course, is in the reference to Jabalpur. Whom does the cap fit? Mr. Arun Chandra Guha was blunt in castigating the Government for having to introduce a Bill of this character fourteen years after independence. Are those parties which select their candidates at the elections according to the communal or caste bias in the constituencies less guilty of promoting communalism than persons who do so openly? Can the Congress Party vouchsafe that it is free from this bias?

Brazil

BRAKE ON LEFTWARD MOVE

THE SUDDEN resignation of President Quadros, followed by his departure to Britain, marks the culmination of a crisis that was developing for the past few weeks. The rest of Latin America cannot be indifferent to the forces that lie behind the crisis, because in a continent studded with small republics Brazil stands out as a giant, commanding an economic and political potential to give guidance to the rising urge for a new order and greater independence of action. During the brief span of office which he allowed to himself, Mr. Quadros achieved quite a good deal in every direction. The major problem of fighting inflation was being successfully tackled with a right strategy. A boost was given to production by means of greater incentives to private investment, consumer subsidies were being cut down, the exchange racket was being put down with a stern hand, coffee exports were being stimulated by a ruthless insistence on quality and the tax collection machinery was being tightened where the need was most pressing—in the upper income brackets. Further, a programme of the reform of land tenures was under preperation.

In the sphere of foreign affairs, Mr. Quadros was striving to establish the policy of neutralism. His trade agreements of bilateral balance with the countries of the communist bloc and the loan aid of about \$200 million from the United States were typically characteristic of neutralism—but in economic affairs. His advocacy of enabling Cuba to reduce its dependence on Russia, on whom it is leaning to a point of negation of real independence, also found general acquiescence.

But some of his adventures in the field of international politics were too much to swallow — at least for the right wing parties which are still numerous in strength and the army. His commitment to support Peking's membership of the United Nations brought matters to a head and his action in honouring Major Guevara of Cuba with one of the highest military awards of Brazil filled the cup to overflowing.

President Quadros attributed his precipitate decision to resign to the pressures of reactionary forces which threatened to neutralise his capacity to function. But he seems to have let the truth slip when he announced that, if he were called upon to stage a comeback, it would not be in a democratic set-up. The army, it appears, was planning to put a curb on the presidential powers by means of constitutional changes. The question of a successor to Mr. Quadros was not a little embarrassing. Vice-President Goulart, who was away on a goodwill mission to the Far East, hurried back to his country. But his avowed greater leftist leanings and his background as the most popular trade union leader in his home province of Rio Grande do Sul created more complications in his claim to the presidency, which, however, could not be brushed aside. The army generals from Rio Grande showed signs of mutiny and the dismissal of three of them could not promise to settle the issue. As we go to Press, Mr. Goulart has received a unanimous invitation from the army to assume office, but not before the Chamber of Deputies and the Senate were prevailed upon to change the presidential system under the Constitution to the British pattern of the Cabinet Government. What modifications it takes in the Brazilian set-up, time will decide. For the present, a brake has been applied to rapid change to the left.

Deposit Insurance

THE SECRECY CLAUSE

OPINION WAS overwhelmingly behind the proposal for setting up a statutory organization for the insurance of bank deposits and its urgency was being pressed in the past few months as a part of the programme of the rationalisation and reinforcement of the structure of banking in the light of a few weaknesses which attracted attention after the failure of the Palai Central Bank. It is nobody's case that deposit insurance offers a fool-proof protection or a substitute for sound bank management practices. But it is undeniable that it buttresses confidence in the safety of deposits in the small and medium-sized sector of banking. The scheme of the Deposit Insurance Corporation has been soundly conceived after drawing upon the experience of the United States in particular. The major provisions of the Deposit Insurance Corporation Bill will be found set out in our separate feature, "From the Capital's Corridors", elsewhere in this issue.

Clauses 34 to 38 of the Bill deal with a delicate issue relating to this sensitive industry. In pursuance of them the insured banks are placed under an obligation to submit returns and information on matters specified by the Corporation and this would involve divulgence of information now protected from disclosure under the law. Similarly, the Corporation may ask the Reserve Bank to conduct an inspection or investigation into the affairs of an insured bank. But the report prepared and furnished on the basis of the inspection or investigation is entitled to privilege against compulsory production in a court of law or before an arbitrator or a similar authority.

Real delicacy attaches to the returns and information inasmuch as the Corporation's Board of Directors is to include two nominated non-officials, although of undoubtedly high standing. Information which could

be legitimately claimed as confidential will thus be exposed to outside knowledge. But it is difficult to see how the Corporation could function as a sound insurer without access to such information. The Governor of the Reserve Bank is the ex-officio Chairman of the Corporation and if knowledge of this type of information was exclusively confined to him (and to the Bank) by delegating this authority to him, the Board of Directors will need to accept his decisions and discretionary recommendations for the management of the Corporation's affairs touching these questions. In that case the directors may find their status reduced to that of passive members in matters arising out of the issues concerned and to that extent the corporate personality of the organization will suffer. To get over the difficulty posed, Clause 39 provides that the directors, auditors, officers and other employees of the Corporation shall take an oath of fidelity and secrecy in the form prescribed in the First Schedule. This should serve as a satisfactory safety valve. Nevertheless, this extraordinary power must be used by the Corporation with great circumspection.

Law and Order

TRAGIC TRENDS

TO WHAT a deplorable condition the maintenance of and order is reduced in some cases and in some areas is tragically demonstrated by the strong strictures passed against a police official in Uttar Pradesh by Mr. Justice A. N. Mulla. The strictures would have hardly merited pointed attention, if they could be treated as condemnation in an isolated case. But, if the Press agency report of the judgment is accurate, they go far beyond and are expressly meant to denounce a state of affairs which the Judge has generalised with righteous indignation. The matter arose out of a petition made by inspector of police to the Lucknow Bench of the Allahabad High Court in the course of the proceedings started against him for fabricating false evidence in a prosecution for an offence punishable with transportation for life. It was with great hesitation and reluctance that the Judge accepted the apology tendered by the petitioner, the primary consideration which is said to have weighed in the adoption of this attitude of leniency being that "where every fish stinks, it is idle to pick out one or two and say that these only stink". But the purposeful generalisation which Mr. Justice Mulla is reported to have made bears quotation for the gravity of the situation it exposes: "I say it with all sense of responsibility that there is not a single lawless group in the whole of country whose record of crimes is anywhere near the record of that organised unit which is known as the Indian Police Force." These are solemn words, presumably based on the long experience of a Judge, who is on the verge of retirement.

There is yet another aspect of the manner in which lawlessness is shielded and encouraged in a most flagrant manner. The case came for attention on the floor of the Orissa State Legislative Assembly and the Law Minister confessed to a sense of disgrace about it. Certain persons convicted by a law court are at large and the sentence passed against them remains unexecuted for no other reason than that they are taking this licence with the connivance of officials. Some may question whether there is a chain of connivance and, if so, how high it goes. The Law Minister has started an enquiry into this affair and the expectations are that the convicted persons will be lodged where the law orders them to be confined and those responsible for enabling them to be at large will be brought to book and punished severely. To what extent the second expectation may be fulfilled needs to be watched.

The World Abroad

INSIDE A VANISHED INDIA

By
ODYSSEUS

RARELY HAVE I ENJOYED a book so much as "Punjabi Century: 1857-1947" (Chatto & Windus, London, Price 21sh.), by Mr Prakash Tandon, the first Indian to become Vice-Chairman of Unilevers in Bombay. I take it that, to hold down so responsible a post, he must be an able businessman. His book reveals him as much more—a gifted writer, who has a vivid, indeed a poetic, command of the English language. He has done for the countryside of the Punjab what another superb writer, Sudhin N. Ghose did for the folk-lore of the Santal Parganas in "Cradle of the Clouds," and Nirad C. Chaudhuri for the backwaters of Mymensingh in his "Autobiography of An Unknown Indian."

Nothing, says Mr Maurice Zinken in an introduction to Mr Tandon's book, is more important to the illumination of history than good autobiography. It is particularly valuable in times of transition. Documents and statistics can give the facts of change, but only Cicero's letters tell us what the fall of the Roman Empire meant to those whom the Republic mattered. Domesday Book provides the land records after the Norman conquest of Britain, but what would we not give for a Saxon peasant's first hand account of what happened when the Normans established their raj? Of third century B.C. Magadha, we have tantalising glimpses through Kautilya's "Arthashastra," and Asoka's rock edicts, but as, thereafter, the empire crumbled into its component parts, how fascinating it would have been if some Indian John Gunther had travelled around gathering eye-witness accounts for an "Inside Magadha." We, and posterity, should be grateful to Mr. Tandon for his record of life in the Punjab before and during its break-up.

THE PRE-BRITISH PUNJAB

In three generations, between 1857 and 1947, staggering changes have transformed India's mofussil and social structure. Mr Tandon's account of these changes is and must remain unique, for nobody will ever again be in the position that he is. Mr Tandon has the good fortune of a retentive memory, which enables him to set down the stories told him by his grandfather and granduncle, who knew the pre-British Punjab. He follows this with the story of the career and times of his father, one of the first Indian canal engineers to be trained at Thomason College, Roorkee. Mr Tandon himself stardles the last tumultuous decade of the British raj and the first of the new India.

Now, as India settles into its new, managerial world of industrialisation, and imposes the Socialist, on the ancient, pattern, the generation which is growing to power no longer knows what the old India was like. But the ancient pattern had its set of values, in the security of social and family obligations, in the intimate contact between townsman and villager, and its own charm in the leisurely pace of life with its unsophisticated pleasures.

We are apt to pity the peasantry of India for the monotony and drabness of their lives. Mr Tandon's sparkling descriptions of wedding tamashas, the hospitality due to visiting relatives and guests, the conscious artistry and choice selection of classical language of a carefully organised, and hugely enjoyed, day-long quarrel between women, the varied round of festivals—Lohri, Basant, the farmers' boisterous thanks giving;

Holi; Besakhi, a secular feast in which Hindus, Muslims and Sikhs all participated; Rakhri, the festival of the protection tie; Dusserah, the performance of the entire cycle of the Ramayan by the villagers themselves, in which all the small boys vied with each other to secure the envied part of a monkey in Hanuman's army; and Diwali, the festival of the home when families unite; the uproarious antics of the Mirasis, a caste who beat drums and played the shehnai (a flute with a trumpet end) at weddings and other celebrations, and whose speciality was the wit and repartee which they let loose, with traditional immunity, on the highest and lowest in society; the farmers who danced the Bhangra; the hereditary Bazikars (acrobats); Madaris (jugglers); Saperas (snake charmers); the Behroopia (whose speciality was to disguise himself and act a role at a party—as, for example, of a toothless old hag—which took everyone in, until he threw off his disguise and revealed his true identity, provoking amazement and laughter); the Punjabi love of good food—curds, buttermilk, thick chappatis, sarson sag, cooked mustard leaves, and pinnis (made of equal parts of sugar, ghee, and roasted gram flour); Mr. Tandon's nostalgic descriptions of these, and so many other colourful customs, do not suggest monotony but a satisfying, vigorous life. It is Mr Tandon's gift to posterity that, himself one of the outstanding members of the new generation, he had been able to catch, and describe in glowing prose, the flavour of these vanished, or vanishing times.

Mr Tandon recalls that when he was at school, his history text book ended with a chapter on the blessings of the raj—law, order, irrigation, roads, bridges, schools, railways, telegraphs, public health, and so on. In his generation, he says, these were taken for granted, but to his grandfather the new order meant much.

To those who had lived through the break-up of the Sikh empire, human rights and respect for life and property came as revelations: "They really understood what it meant not to be harrassed any more by marauding groups of disbanded soldiers.... If our generation began to be amused at the text book blessings of the British raj, my grandfather's took them seriously and praised unreservedly. So did my father and his generation, at least to begin with." His father "sometimes spoke to us of his stay at Roorkee as a dream. The thought that in two years he might become an engineer—he had never in his life met one—in one of the coveted Government services, with a fixed salary of an amount that he would hardly know what to do with, spurred him to work.... It is difficult to imagine his elation, and I find it hard to compare with anything in my life. Perhaps my joining a British commercial firm marked among us something just as new and daring...."

Indeed, it was. Those of Mr Tandon's generation (he is about 50 years of age) made a big contribution to transforming the India of their fathers. Thirty years ago, when Indian chartered accountants scarcely existed, he went off to England to become one. In England, he did not confine himself narrowly to the society of his own compatriots but carved out for himself a successful university career—reveling in the academic and social freedom of university life—enriching his experience by mingling with all sorts and conditions of men and women, without ever losing light of his Indian heritage. Over twenty years ago, when Indian executives in big British firms were rare, and

when business to many Indians was far from being an honoured profession, he recognised that industry had a contribution to make to the India of tomorrow. He met with some rebuffs from both Indian and British firms. The Indians were reluctant to pay him a living wage and the British had not yet reached the stage when they were seeking out young Indians. But honour where honour is due: Unilevers had the vision to snap up a capable man when they saw one.

RANCOURS FORGOTTEN

As he made his way up the Unilever ladder, Mr Tandon has again and again been the first Indian to hold his position: the first Indian in market research, the first Indian head of a division, the first Indian on the board, the first Indian Vice-Chairman. That Mr Tandon's generation has taken over from Englishmen the keys of Indian society makes their experience wholly different from that of their fathers and of their sons alike. Just as Mr Tandon's father took for granted the law and order which amazed his grandfather, but was elated by the strangeness of becoming an Indian canal engineer, so Mr Tandon's sons will take their right to be leaders in their own society for granted, and know nothing of their father's elation as a pioneer—save by reading his book.

One point that makes Mr Tandon's pages especially pleasant and encouraging is that they suggest that the political rancours that were unavoidable between Indians and British of my generation are happily dead. We meet today as equals, who have much to learn from

each other, in political and economic cooperation, and cultural and social good fellowship.

As for the past, anyone who has the curiosity, and the leisure, will add to his enjoyment of Mr Tandon's earlier pages, covering the Punjab's first years under the British raj, by reading Percival Spear's "Twilight of the Moghuls" (Cam. Univ. Press, 1951), which describes the advance of the British to the Punjab and what they found there, and, secondly, "A Year on the Punjab Frontier in 1848-49" by the redoubtable Herbert Edwardes. This was published in 1851 and presumably is only obtainable from a public library. It provides a fascinating background to Mr Tandon's recollections of his grandfather, Maya Das, who lived through the stirring events that Edwardes describes. Mr Tandon's father helped to turn the deserts, over which Edwardes marched and fought, into the smiling canal colonies which Mr Tandon knew as a boy.

As for the future: let us be mischievously embarrassing and ask: What next for Mr Tandon? The first Indian Chairman of Unilevers? Eventually the first Indian chairman of the parent company in London? Mr Tandon ends his story in 1947. If, occupying the key positions of ever increasing importance that he has, Mr Tandon, with his imaginative insight into men and affairs, and his gift for English prose, fails to write a sequel covering the tremendous first decade of independence, may rakshasas pursue him from re-incarnation to re-incarnation! Mr Tandon: You have been warned.

ORIENT PAPER MILLS LIMITED.

Regd. Office: Brajrajnagar (Orissa)

NOTICE is hereby given that the Forty-Third Annual General Meeting of the ORIENT PAPER MILLS LIMITED will be held at the registered office of the Company at Brajrajnagar in the district of Sambalpur (Orissa) on Friday, 29th September, 1961 at 3 P.M. for the following purposes:

- To receive and consider the report of the directors and to adopt the audited accounts of the company for the year ended 31st March, 1961.
- To declare dividends on Preference and Ordinary Shares.
- To elect Directors in place of Shri Shavax A. Lal who retires by rotation and in place of Shri R. K. Somany who retires by rotation as well as under Section 261 of the Companies Act, 1956.

Shri R. K. Somany is an associate of the Managing Agents and has been on the Board of Directors since almost the inception of the Company. It is considered desirable to avail of his valuable advice by retaining him as a director of the Company. The Company has received the requisite special notice from a shareholder and accordingly the special notice is hereby given to the shareholders for passing the following special resolution for re-appointment of Shri R. K. Somany as a director of the Company.

"RESOLVED that Shri R. K. Somany, an associate of the Managing Agents, be and is hereby re-elected as a director of the Company".

- To appoint Auditors for the current year and to fix their remuneration.

By order of the Board,
B. K. VYAS,
Secretary.

8, India Exchange Place,
Calcutta, the 21st August, 1961.

- N.B. (i) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.
- (ii) The Share Registers and Transfer Books of the Company will remain closed from the 29th August to 14th September, 1961, both days inclusive.
- (iii) The dividends, when declared, will be payable to registered shareholders as on the 14th September, 1961 on or after the 25th October, 1961.



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The European Scene

PARIS AND MR. H

From Our Special West European Correspondent

PARIS, September 2.

IN the hostility that France now shows the United Nations and its Secretary-General, one needs to distinguish two different elements. First, there is the animosity that French Government and much of the French people would be bound to display toward that organisation when it interferes in the process of decolonisation that France is carrying through, extremely clumsily but nevertheless sincerely and irrevocably. Secondly, there is the peculiar contribution of President de Gaulle, who has ideas on the role of Great Powers in maintaining world peace, which do not coincide with the views of most of his countrymen but which do coincide with the opinion of Mr. Khrushchev. The President, who nowhere more clearly than on this issue appears a man of the 19th century, exploits the first sort of hostility to put across his view that Mr. Hammarskjöld's motley rabble of minor powers should not usurp the responsibility of the Great Powers, apparently believing that any such usurpation must always be to the disadvantage of France and the other Western Allies.

Yet if that were so, one would have to explain why Mr. Khrushchev pursues Mr. H with a ferocity and crudity of which French diplomacy is incapable. While Paris accuses the Secretary-General of partiality to the Tunisian cause and of lending quite unnecessary support to a move to hold an Assembly meeting that was bound to degenerate into anti-colonialist demagoguery, Moscow calls the same person "the valet of the colonialists", the friend of Moses Tschombe, the accomplice of the assassins of Lumumba, etc. Both cannot be right—or can they? Could it be that in using the UN as a machine to protect small nations, Mr. H is embarrassing a Great Power like France who is not liquidating her colonial positions quickly enough but he is also making difficult or impossible the policy that Moscow is counting on to extend the empire of Communism?

If this were the case, French reactions to UN interference would be extremely short-sighted. It could, at worst, complicate and envenom a painful retreat to which France is committed in any event, UN or no UN; but, over the longer term, it could, at best, check the spread of Soviet penetration which represents a much greater threat to France than material and moral losses suffered during an ungracious decolonisation. A confusion of this sort is pardonable in public opinion, which naturally reacts emotionally to appearances, but a longer view might be expected of statesmen. Among the other Western Powers, one sees a just appreciation of the issues only in Britain, where the insults and humiliation inflicted at the time of Suez have not blinded Government and opinion to the long-range effects of Mr. H's policy. Despite American patience with the UN one cannot be sure that there is the same realisation in the USA. Americans have so far little to complain of, because they have managed by skulduggery to keep their worst enemies, the Chinese, out of the UN and they have succeeded in blocking the organisation's interest in Latin America, even at the moment of the Cuban invasion. On both these points, the days of American obstruction are numbered. The necessary and logical development of Mr. H's policy is that he should befriend former US dependents as ostentatiously as he now does former French dependents in Africa. We shall see then whether Washington avoids the confusion into which Paris has fallen.

The hostility of a majority of UN members toward France and the disgust most Frenchmen feel for the UN are both richly deserved, but relatively unimportant. Without any prodding from the UN but learning

from her previous costly errors, France has in recent years given the UN more new members than any other nation, thus manufacturing the majority that will vote against her when she runs into trouble with some more intricate exercise in decolonisation. The verve with which Communist hypocrites and slave-trading sheikhs fall upon these temporary failures in an immense process whose liberal trend cannot be doubted is, of course, exasperating. Yet, fundamentally, the differences between France and the UN majority—arrogant huffs on the one side and hysterical impeachments on the other—come down to impatience to see concluded a process whose end no one doubts, but whose ultimate difficulties are underestimated by some (as in the case of Algeria) or overestimated by Paris (as in the case of Bizerta's evacuation). Obviously, in a year or so these affairs will be settled; the UN's ambition to regulate international life presents no permanent threat to France.

Quite the contrary in Russia's case. Mr. H's pretention to make the UN Secretariat an international executive entrusted with maintaining order and preventing conflicts, in the interest of the smaller nations, would be the undoing of Moscow's strategy for the encirclement of capitalism. That strategy depends on winning over to alliance with Communism one by one the ex-colonies that still supply the West with its raw materials—and meanwhile refusing any embryo of a world government that is not Communist-controlled or subject to a paralysing Communist veto. Several years ago, Moscow was entitled to think that this programme had a real chance of success, as Egypt, Guinea, Mali, Ghana, Cuba successively fell into its camp—not in becoming Communist states, but in joining the anti-Western coalition that would make the UN a Russian instrument for the reduction of every "capitalist" position. The Western Powers were unable to prevent this drift of many poor nations into Russian service. Capitals that had ordered the invasions of Suez and of Cuba were powerless to enlist a faithful following in the UN for very long. Their situation would become much more serious if (as is quite probable) the treasures the USA is lavishing in Latin America failed to stop the crumbling of her domination over the two score republics of that continent. Besides, the leaders of many newly independent countries seemed themselves powerless to control this drift into the Russian retinue; the "reasons" the leaders of Guinea and Mali gave for breaking with the West were so insubstantial as to appear frivolous.

In a world divided into two power-blocs and without any prospect of a supra-national authority (and hence, incidentally, no earthly hope of disarmament), one bloc's loss was inevitably the other bloc's gain. Since, at least, the neutrals refused (and were unable because of their own differences) to form a third bloc, and since all the recruits to neutralism after Tito must come from the Western side, the enlargement of the so-called neutral camp was tantamount to the increasing isolation of the capitalist world—which is the goal of Mr. Khrushchev's "peaceful co-existence". The process was hastened by the inability of the Great Powers to police international conflicts, as they did in days gone by, from the Pax Romana down to the period of British hegemony. Every local conflict brought the two blocs face to face, from Laos to the Congo, and their opposition meant that no local solution was possible without the country involved falling into the orbit of one or other bloc; at one point of the Congo and Laos affairs, Moscow was entitled to feel confident that it would always be the gainer, if necessary by the detour of a local partition of short duration.

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Now Mr. H's effort to constitute a clientele for the UN, composed of small nations that break with the West without falling into Russian service, promises to ruin Moscow's plausible calculation. By vigorous, independent action of the sort he undertook in the Congo, in Laos and latterly in Tunisia he has shown that the UN can do the job previously done by a Great Power, it can police minor conflicts without bringing the power blocs face to face, so that the upshot need not be the passage of yet another raw-material producer from one camp to the other. Naturally, this policy requires Mr. H to show no sympathy for the Western powers and if necessary to defy them, as he dealt unceremoniously with Belgium in the Congo, with France at Bizerta and as he no doubt would with the USA if Cuba or another Latin American question falls into his province. The implication of Mr. H's programme is certainly the end of all Western "spheres of influence", but this is not unduly alarming for the European ex-imperialists, who have virtually wound up their empires in any event; and it might not upset the Americans either if they were sure that South American republics would fall behind Mr. H and not do as Castro was forced to do: embrace the Russians simply to signify his independence of the USA.

To carry his policy really far, Mr. H would need to get his hands on the one thing that tempts poverty-stricken small nations into one camp or the other: money.

If the day ever comes when the UN can distribute development aid on a substantial scale, the Western industrialised nations will have lost many political advantages they enjoy today because of their capital exports—but Moscow will, more importantly, have said good-bye to its dream of isolating and encircling the capitalist world. Even now, without much money to offer, Mr. H has demonstrated that political co-operation of small nations around the blue banner can limit the extent of the cold war and stop the expansion of one power-bloc at the expense of the other. Nothing he has done or could hope to do lends any colour to the nonsensical notion of a "world government", which, if ever it came, would be the work of one, or two, Super Powers to the disadvantage of all other nations. But he has shown that an independent UN Secretariat representing all the nations liable to be an object of competition between the big nations could be an influential force. In restricting the area of Western domination it would do little damage, because the West is already reconciled to this prospect and in fact has begun to profit from decolonisation. In restricting the area of Russian influence, it would ruin hopes of a progressive triumph of Communism. When Mr. Khrushchev attacks Mr. H, he is assailing the most serious opponent he has yet encountered. When Paris attacks Mr. H, it is reacting emotionally to insults that are indeed undeserved but break no bones.

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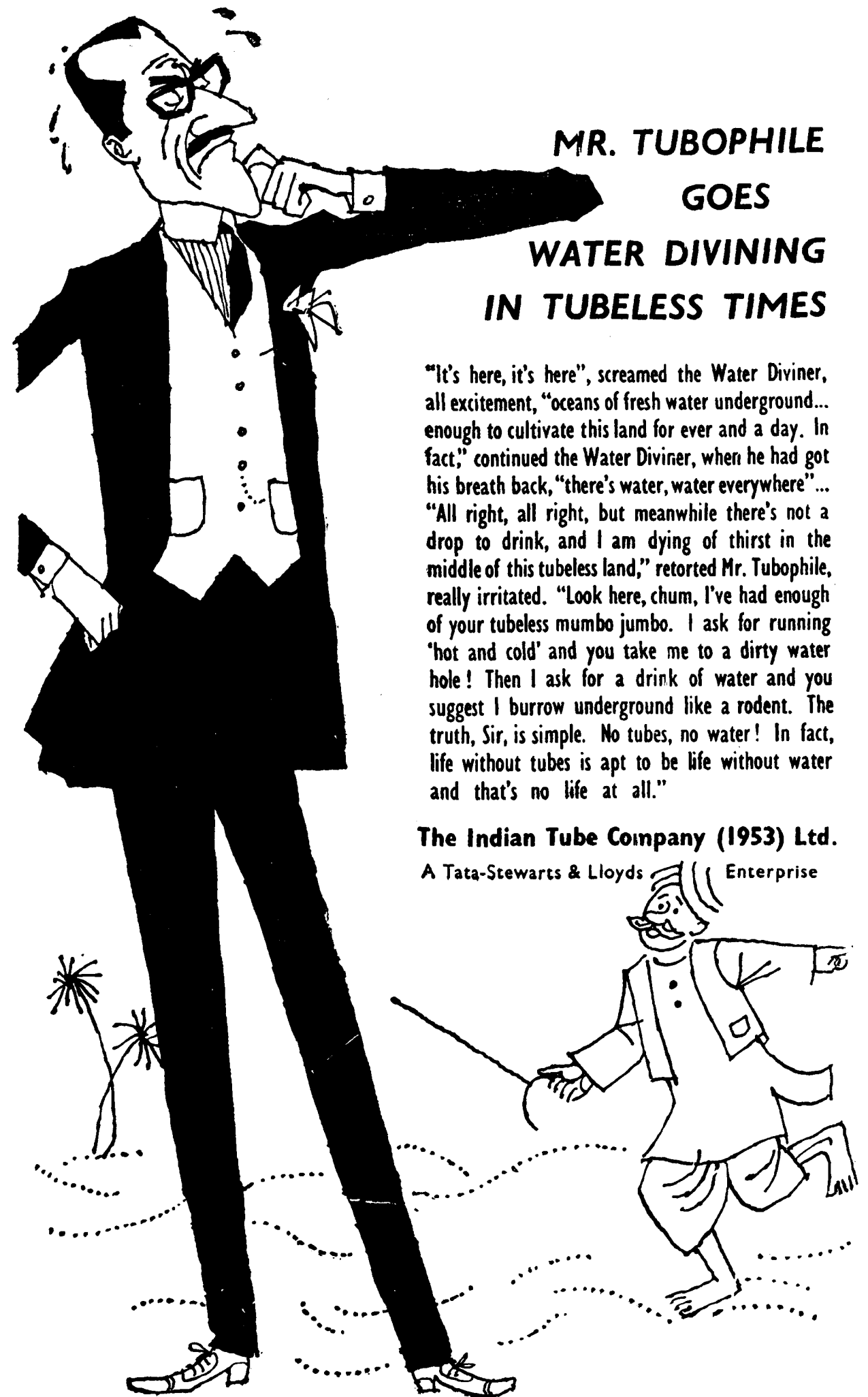
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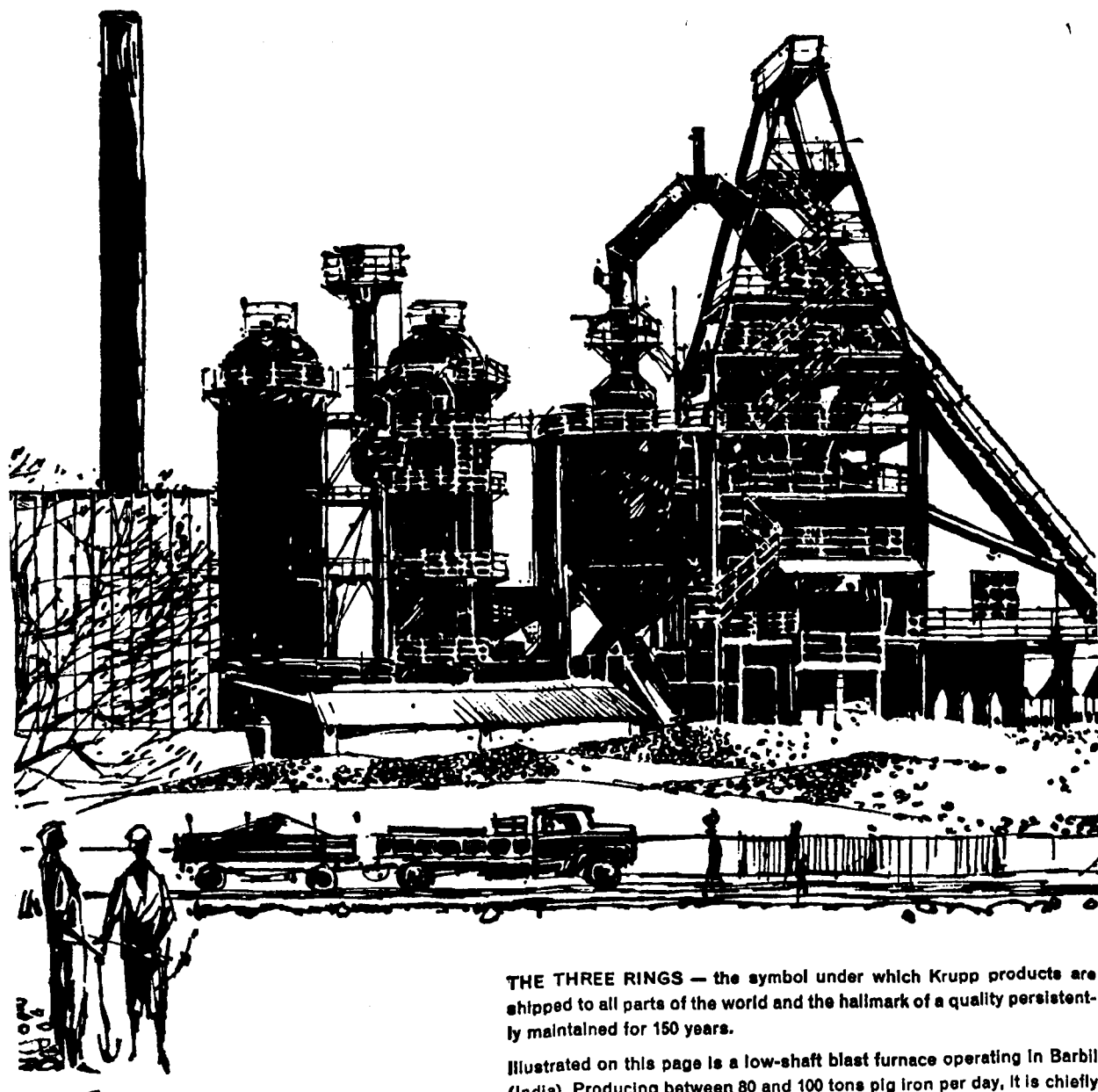


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Economic Report from the U.S.

DR. HELLER ON U.S. ECONOMY

WASHINGTON, Aug. 31.

THE Chairman of President Kennedy's Council of Economic Advisers has given one of the clearest summations yet of the Administration's thinking on the current economic progress and policies of the United States. In the words of Dr. Walter Heller the U.S. economy is "well on its way to a strong and buoyant recovery." The rebound of the past several months, he remarked, has already carried production to new highs. In fact, it is his conclusion that the current upswing is even stronger than anticipated, and carries with it the prospect that significant inroads will soon be made into the sticky unemployment situation.

At the same time, despite the rapid pace of the upturn, he continues to favour the relatively 'easy' monetary and fiscal policies now in effect, and cautions against the adoption of restrictive policies that might choke off the recovery too soon. Dr. Heller made these views known last week in a speech at the University of Wisconsin's School of Banking. In so doing, he was returning to old and rather familiar haunts. Wisconsin is his native State, and it was at its State university that he received his graduate training in economics, although much of his teaching career was spent at the neighbouring University of Minnesota. The University of Wisconsin, incidentally, is considered a pioneer in the so-called pragmatic approach to economics. This is an approach based not so much on unrelated theory as on the practical investigation of the facts, and from this a delineation of policies designed to meet current and prospective problems most effectively.

Dr. Heller sees several basic factors that promise a continuing upswing in the U.S. economy. Among these are inventory restocking by business; a pick-up of investment in plant expansion and modernization by industry; an expansion of consumer activity; and Government stimulants, including the impact of the President's programme to meet the Soviet challenge in Berlin and elsewhere. Given these factors, he notes, economic policy must be alert to the dangers that lurk in any vigorously expanding economy. In particular, these involve at present a new round of inflation and a deterioration of the improving U.S. balance of pay-

ments position. However, in Dr. Heller's view inflationary pressures do not seem strong, and the deficit in the nation's balance of international payments promises to be considerably smaller than in 1960. For these reasons, in his words, "there exists a consensus within the Administration that present circumstances call for a continuation of a policy of monetary ease."

Such a policy, which is being followed today by the independent U.S. Federal Reserve Board, means holding interest rates down and making lendable funds available to the nation's banking system. It thus tends to act as stimulant to over-all economic activity. Nor does the President's Economic Adviser believe that present circumstances call for any sharp change in budget or fiscal policy. He holds that a shift from the currently contemplated budget deficit for the present fiscal year—now estimated at about \$5,300 million—to an anticipated budget surplus in the coming fiscal year will not be of such proportions as to slow the recovery.

In common with other Kennedy Administration officials, Dr. Heller sees in the 1959-60 experience a lesson against encouraging too drastic a switch in Government policy. It is his view that the economic upturn of those years was retarded and eventually stalled by two basic factors. One was a gigantic swing, in just one year, in the federal budget (from a deficit of \$12,400 million to a surplus of \$1,200 million). The other was an especially swift rise in long term interest rates—a rise which was influenced by tighter credit curbs imposed by an inflation-wary Federal Reserve Board. This does not mean that the Kennedy Administration is taking an inflexible stand on monetary and fiscal policy. On the contrary, Dr. Heller has indicated clearly that policy will be fitted to the requirements of the day. "It is fully recognized," he told his Wisconsin audience, "that if recovery turns into boom, if inflation threatens, if the payments balance worsens, central banking policy, as our most flexible instrument, can be quickly revised to become an instrument of restriction instead of a generator of expansion." On balance, however, his view is that today's prospects appear favourable to a continuation of policies that will encourage rather than retard the current economic expansion.

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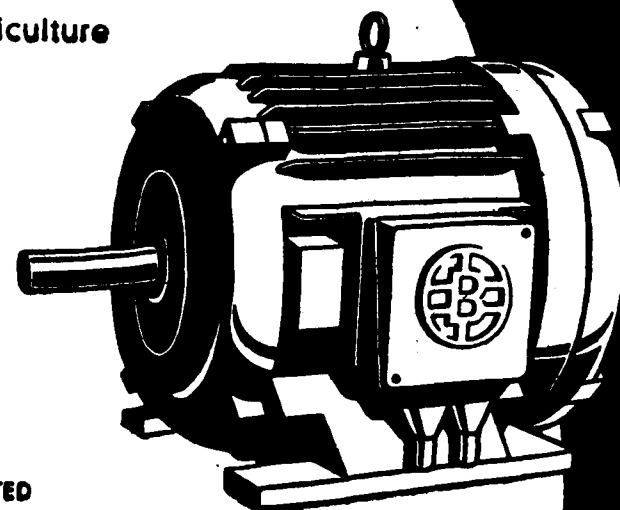
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Special Article

THE THIRD PLAN, THE BANKS AND BANKING REFORM

By DR. OM. P. NUHAWAN*

AN attempt has been made in this article to study:

- (1) the important role the commercial banks are playing in our developing economy,
- (2) the requirements imposed by the Third Five-Year Plan on the banking system, and
- (3) the compatibility of recent banking reform proposals with the role the commercial banks may be called upon to play in the successful implementation of the Third Plan programmes.

Deposits of scheduled banks in India increased from Rs. 846.21 crores in 1951 to Rs. 1,022.32 crores in 1955 and further stood at Rs. 1,693.69 crores at the end of March 1961 (excluding P.L. 480 deposits). There has been a tremendous increase in the resources of the scheduled banks since 1955. This points to the fact that a greater part of national savings accruing from deficit finance and otherwise from an increase in national income have been flowing to the banking system by way of deposits. In fact for many years before 1960, the rate of increase of deposits with commercial banks has been more than the rate of increase of their advances. The rapid growth of industrial production during the last year of the Second Plan, however, created greater demand for funds on the banking system than it could meet. That the flow of savings into the banking system has increased considerably is also evident from the fact that while during 1950-51 only 2.61 per cent of total savings at current prices were attracted by the banking system by way of deposits, during 1954-55 this percentage increased to 13.8 and further to about 29 in 1957-58. However, it cannot yet be claimed that the banking system in India has acquired the importance and efficiency in mobilizing savings at the level of its counterparts in some of the more industrialised countries of the world. The increasing importance that the commercial banks in India have assumed in the matter of mobilizing national savings is also evident from the fact that while during 1950-51 total deposits of scheduled banks constituted only 9.3 per cent of the national income at current prices, during 1959-60, this percentage increased to 14.8. The extent of possibilities of mobilizing national savings may, however, be judged by the experience of some more industrialized countries. Against a percentage of deposits to national income of 14.8 for scheduled banks in India in 1959-60, this percentage in the U.S.A. in 1960 was 42.25, in the U.K. 32.12, in West Germany 36.30 and in Japan 60.79. Given due encouragement, the scope of expansion of banking activity in India is tremendous.

Apart from the increasing role commercial banks have been playing in mobilizing savings in the economy, their lending policies have also been changing consistent with the needs of the economy. During the first two Plans while total credit extended by scheduled banks increased from Rs. 546 crores to Rs. 1,333 crores, industrial credit upto October, 1960 increased by Rs. 410 crores or two-thirds of the total increase in scheduled banks' credit during the period, raising the relative share of credit to industry from 32 per cent to over 51 per cent. The importance of banks in the matter of industrial finance is also evident from the fact that in case of 1001 companies (representing about 77 per cent of the total paid-up capital of public limited companies

in the private sector) recently surveyed by the Reserve Bank of India, scheduled banks contributed 43.56 per cent to the total borrowings of these major companies in India and the share of bank finance in their total capital and liabilities stood at a considerably high figure of 11.70 per cent. Commercial banks in India are, thus, not only financing short-term working capital needs of the Indian industry, but by providing medium-term credit they are also aiding the capital formation of the private sector of the Indian economy. The genuine demand for funds from the industry for working capital and expansion and modernization purposes is increasing very rapidly. Due to a relatively lesser rate of growth of deposits, banks are already finding it difficult to meet this demand. In addition, the commercial banks are taking increasing interest in financing small-scale industries. With all this the resources of commercial banks in India are already strained.

THE CHALLENGE

The programme of the Third Five-Year Plan entails an investment effort of Rs. 10,500 crores compared to Rs. 6,750 crores during the Second Plan and Rs. 3,360 crores during the First Plan. It is noteworthy that investment in village and small-scale industries and organised industry and minerals will increase from Rs. 1,810 crores during the Second Plan to Rs. 2,995 crores during the Third Plan, an increase of over 65 per cent. In the private sector alone investment in fixed assets of industry is estimated to total Rs. 1,350 crores during the Third Plan. Investments of the magnitude envisaged during the Third Plan impose certain requirements on the banking system—that it must be geared to the needs of the developmental programmes of the Third Plan.

It is very difficult to visualize exactly what the requirements of the Third Plan may be. There are, however, various methods to make rough estimates of the requirements of the Third Plan on the banking system. Four different projections are made:

- (1) The Reserve Bank of India has stated that the business of commercial banks in India during the Third Plan will double itself. This means that at the end of the plan deposits of scheduled banks would attain a level of Rs. 3,388 crores and advances Rs. 2,673 crores, giving an advance-deposit ratio of 78.9 per cent which is considerably higher than the highest reached so far.
- (2) At the end of the Second Plan period (1960-61) deposits of all scheduled banks accounted for 11.7 per cent of the national income and advances 9.2 per cent. If we assume that national income will continue to bear the same relationship with deposits and advances of scheduled banks at the end of the Third Plan, deposits will reach a level of Rs. 2,223 crores and advances Rs. 1,748 crores, giving an advance-deposit ratio of 78.6 per cent.
- (3) The fact that deposits as percentage to national income increased from 9.3 per cent in March, 1951 to 11.7 per cent in March, 1961 and advances as percentage to national income increased from 5.7 per cent to 9.2 per cent during the same period, points to the fallacy of the above assumption. The

* The author is economist of the Punjab National Bank Ltd. His views as expressed in this article do not, however, necessarily reflect those of the organization.

increase in these percentages, more than anything else, shows that the monetary sector of the Indian economy has been expanding. In view of this it would be valid if we assume that due to developing banking habit, increased monetization of the already non-monetized sector of the Indian economy, and with the increase in economic activity and ensuing increased national income, deposits and advances as percentage to national income will increase by the same percentage points during the Third Plan period as they did during the decade 1951-61 (the investment efforts during the Third Plan being almost of the same magnitude as undertaken during the decade 1951-61). With this assumption deposits by 1965-66 should increase to 13.8 per cent of the national income or to Rs. 2,622 crores and advances to 12.7 per cent of the national income or to Rs. 2,413 crores, giving an advance-deposit ratio of 92.0 per cent.

- (4) There is, yet, another way, how we may project deposits and advances of scheduled banks during the Third Plan. During the decade 1951-61 deposits of scheduled banks (excluding P.L. 480 deposits) increased by 91.85 per cent and advances by 144.36 per cent. Should there be the percentage increase in deposits and advances during the Third Plan equal to the one experienced during the first two Plans, the level of advances at Rs. 3,265 crores would increase the level of deposits to Rs. 3,249 crores, giving an advance-deposit ratio of over 100 per cent.

Whatever the validity of the assumptions underlying the above estimates, an average of deposits and advances thus arrived at may be taken. This will give us estimated deposits of Rs. 2,870 crores and advances of Rs. 2,525 crores at the end of the Third Plan, giving an advance-deposit ratio of about 88 per cent.

A high degree of accuracy is not claimed for the above varying estimates. The idea is to bring out the demand that the investment efforts of the magnitude of Rs. 10,500 crores is likely to create on the banking system. The experience of commercial banks in India with respect to the accretion of deposits in relation to the demand for funds from commerce and industry during the past year has not been a happy one. The estimates made here show that the demand for funds from the banking system is likely to grow at a greater rate than the accumulation of deposits with banks during the Third Plan. The high anticipated advance-deposit ratio points to an unhappy situation with regard to the expected inability of the banking system to cope with the demand for funds that would be created due to the high magnitude of investments envisaged during the Third Plan period. Commercial banks will have to put in a concerted effort to increase the flow of deposits into the banking system. The efforts of commercial banks alone may not be able to accomplish the task. Without a definite lead from the Reserve Bank of India and the formulation of policies conducive to the expansion of the banking system, the task will become difficult of achievement.

THE REFORM PROPOSALS

Since the failure of the Palai Bank in July, 1960 there has been considerable confusion in all circles as to the stability, strength and the effectiveness of the banking system in India. It seems as if the failure of one bank has all of a sudden created some awakening in the minds of our policy-makers and strengthening the banking system has become the objective of our banking policy. Hence, legislation is being sought to achieve various reforms. While it is a welcome awakening, we have to be careful, lest in speedy legislation sought we lose sight of the role that the banking system

is called upon to play in the programme of regeneration of our national economy. In fact, it may be more important to strengthen the institutional channels and modes of behaviour than to institute reforms which would hinder the developmental process of the economy.

In principle the declining trend in capital-deposit ratio and liquidity of banks should not only be arrested but improved. Whatever the pros and cons of the proposals may be, fixing of a statutory ratio of capital to deposits would certainly limit the expansion of banking activity in the country. In as much as the banks are not able to raise the capital required for maintaining that fixed ratio, they shall have to limit their activities towards attracting deposits as well, which is hardly desirable in a developing economy and is inconsistent with the objectives of the Plan.

Further, the increase in reserve requirements and the liquidity ratio will limit the potential ability of banks to provide much needed finance for increased economic activity during the Third Plan period. Increasing the liquidity ratio will also mean some inflexibility in the earning assets of commercial banks. This along with limited resources would not permit them to vary credit to meet the seasonal needs of the industry. With a very high investment portfolio banks will also become susceptible to losses due to increases in the rates of interest. It will be in the interest of safety and stability of banks that their resources are built up to meet this contingency also. But a high level of interest-bearing deposits of banks in India and a higher liquidity ratio will affect the profitability of banks and hence their reserves adversely.

The proposed high liquidity ratio can create a vicious circle for banks in India. The high liquidity ratio will lower the profitability of banks which will not induce public investments for raising the fresh capital required to maintain the statutory capital-deposit ratio (the return on bank capital is already lower than in most of the industries). The non-availability of the required capital will put a limit on the flow of deposits into the banking system, resulting in an all-round stagnation of banking activity in India.

The implications of the proposed measures for strengthening the banking system, thus, do not seem to be consistent with the 'challenge' of the Third Plan which requires financing institutions to place increasing amounts at the disposal of entrepreneurs who are able to organize productive units. While these measures may not help in improving the working of banks, they are sure to limit the deposit attracting capacity, lending potential and profitability of banks in India and hence stagnate the banking activity.

The ultimate aim of the Reserve Bank's proposals is to provide a cushion to depositors in the event of a bank failure. It will, however, be more important to make banks safe so that such a contingency does not arise. The proposed introduction of deposit insurance should be helpful. Certain other measures like strengthening of reserves and for improving banking practices may also be taken.

Even with the liberal estimates of deposits made in this article for the end of the Third Plan, the credit requirements of the Plan would shoot up the advance-deposit ratio of banks to over 88 per cent which is considerably high for the Indian conditions. As such it may be suggested that any proposal for strengthening the banking system in India which would hinder the growth of deposits or which does not create environments for an accelerated growth of bank deposits is not worthy to be implemented for, that will never permit commercial banks to play the role which the magnitude of the Third Plan calls for.

THE BUSINESS WORLD

The Problems of Small-Scale Industries

A SPECIAL small-scale industries information exhibition organised in New Delhi in the first week of this month focussed attention on the numerous and varied problems which the small-scale industries have faced in the recent past. A number of guest speakers drew the attention of the Government to certain vital questions which deserve special attention if the targets set in the Third Five-Year Plan for these industries are to be achieved. By and large, small-scale industries have suffered in the past from paucity of finance, shortage of raw materials, absence of marketing facilities, out-moded techniques of production and lack of proper management. All these hurdles are basically born out of the smallness of the units. The various steps taken hitherto by the Government such as the establishment of the National Small-Scale Industries Corporation Limited and the setting up of the office of the Development Commissioner for Small Scale Industries have gone a long way in solving some of the problems, but much still remains to be done.

The fact that small-scale industries had not advanced even at the average rate of the over-all growth of the economy was clearly indicated by the National Income data. On the eve of independence, 10 per cent of India's national income originated from small-scale and cottage industries. Its share had dwindled to about 8 per cent of the total income. It by no means implies that the size of the small-scale industries' sector has in any way dwindled. On the other hand, it has steadily progressed with the only drawback that it has not kept pace with the general growth of the economy. Mr. Manubhai Shah, India's dynamic Minister for Industry, illustrated by citing relevant figures the "rapid" strides taken by the small-scale industries' sector. He said that nearly one lakh units had received extension assistance from the Government and a chain of Small-Industry Services' Institutes was organised in different parts of the country. There were no less than 16 Institutes, 4 Branch Institutes and 54 Extension and Production-cum-Training Centres for furthering the sphere of small-scale industries. During the Second Plan, a sum of Rs. 11 crores was spent to extend the industrial estate programme while a sum of Rs. 30 crores was proposed to be spent during the Third Plan for the same objective.

Amongst the various problems listed by the critics, finance takes the pride of place. Financial institutions have hitherto been shy of providing credit facilities to these industries. They had to depend mostly on the unorganised banking institutions and paid out heavy rates of interest. The commercial banks in particular have not participated in the adventures of the small entrepreneurs while the State Bank has advanced, under pressure of the Government, not even 5 crores of rupees which is hardly 2 per cent of its total advances. Mr. Morarji Desai, India's Finance Minister, indicated

at one of the lectures that he would take necessary steps so as to extend the volume of credit facilities offered by the State Bank of India to small-scale industries. The Minister believed that within a very short period the State Bank would be able to allocate more than 10 per cent of its total advances to the small-scale units.

The shortage of raw materials in particular continues to hamper the growth of these industries. Many of these industries had to buy their raw materials in the open market at exorbitant prices in order to keep their units in production. It is a pity that the small-scale industries are not well organised so as to take advantage of the benefits offered by the Government and its various agencies. It is necessary that all the controlled raw materials to these small units should be provided through their own organisations. The Government must encourage the establishment of associations of the small industrialists with the objective of helping them in getting their applications processed through various government agencies. The small-scale industrialists have to deal with a number of agencies such as the State Director of Industries, Director of Small Scale Industries Service Institute, the Development Commissioner of Small Scale Industries, the State Government's Industrial Estates, Industrial Colonies and the National Small Scale Industries Corporation Limited. The small entrepreneurs have little legal or technical knowledge to get their applications processed smoothly in all these offices and the creation of an association of their own would considerably help them in getting their grievances redressed.

In certain States, the sales-tax imposes an additional burden due to the factors of localisation. In Delhi and Madras, in particular, the small-scale industrialists have to pay four times the sales-tax paid by their counterparts in any of the neighbouring States for machinery purchased through the National Small Industries Corporation. These anomalies need to be removed if the Government desires a rapid progress of these industries.

Last, but not least, is the dissemination of technical knowledge to these small entrepreneurs who may, with all their enthusiasm and availability of finance, not be able to make much progress. Unfortunately, very little has been done in this particular sphere by the official agencies. Nine times out of ten when the small industrialist feels the necessity of technical guidance, he does not know the official agency or even the non-official agencies to whom he may turn for the solution of his problems. There needs to be a well-organised unit for technical guidance with the National Small Industries Corporation as well as with the Development Commissioner of Small Scale Industries for assisting the small entrepreneur.

Socialistic Pattern Slant in Life Insurance?

By CROESUS

WHEN I wrote my last despatch on Life Insurance, I knew I was commending some rather unorthodox practices for the consideration of the L.I.C. But I find that the Corporation Chairman, Mr. P. A. Gopalakrish-

nan, has proved to be far more unorthodox than I had been in the remarks that he offered on some aspects of Life Insurance administration to the Bombay Insurance Institute, last week. This came as a complete

surprise to me, especially after my experience of the last press conference held by him to release the fifth annual statement of the L.I.C. From his replies then, no one could have imagined that Mr. Gopalakrishnan could be so breathlessly unconventional as he has since turned out to be. I wonder whether there will be much need for actuaries in this country, if the suggestions of Mr. Gopalakrishnan are accepted. The actuarial profession, it was felt—rightly or wrongly—had lost a sure field of employment with the nationalisation of Life Insurance. But the impact of the suggestions of the shortly-to-retire Chairman of the L.I.C. may be even more. For, without saying in so many words, he seemed to convey the impression that much of the value of all the actuarial work that is now being indulged in is lost because of the long delay in the availability of their results. The present actuarial technique, it would seem, according to him is out of place in the existing scheme of things. Indeed, Mr. Gopalakrishnan wants a revolution in actuarial technique. To quote him, "a mass revolution in the business of Life Insurance can be brought about only by a similar revolution in our actuarial technique." Such a revolution "will not merely enlarge the Life Insurance business on a mass scale but will revolutionize also the present methods of life insurance administration."

I must hasten, however, to add that all these remarks were made in connection with his plea for transforming the **individual approach** involved in the use of averages by the actuarial technique into a **mass approach** in order to obtain mass business. To put it more precisely, the LIC chief wants that, "instead of issuing individual policies with different rates of premium depending upon the age at entry and the duration of the policy, mass policies should be issued to the industrial and commercial establishments, army personnel and workers in Government departments, insuring them at a standard amount. There will be no medical examination and no requirement of age proof." Of course, any such scheme is bound to swell the volume of life business. More or less a similar technique, albeit a little more rigid, prevailed in some of the erstwhile princely States in this country—e.g. Mysore—and the scheme is not without its attraction. Thus "there will be no payment of first year's or renewal commission, no administrative work dealing with field officers and agents, and no payment of medical fees. For millions of policies, the number of premium notices and receipts to be issued will be only a few thousands. The renewal expense ratio for this mass business will be reduced to one to two per cent and premium rates can be reduced to astonishingly low levels."

But is it all so simple, and will there not be any opposition to this novel experiment? Mr. Gopalakrishnan himself felt there would be objections to the scheme. For instance, he said: "Actuarial purists may object that a mass policy of the type described will benefit those on the verge of retirement far more than those who have been just employed." But he wanted actuaries to regard insurance cover as an amenity provided by the employer. Moreover, he pointed out, "a mass policy is only an extension in a certain way of the essential principle underlying life insurance, namely that every policyholder, whatever his longevity, pays for the mortality of other policyholders." It is not clear if the actuarial purists will be satisfied with this. Not that it matters very much. For unlike "actuarial purists" and traditional life insurance men, the L.I.C. Chairman was motivated by considerations other than pure life insurance, that is to further the socialistic pattern objective of the Government. "Our country is wedded to the objective of a socialistic pattern and it is the duty of a nationalised corporation", he reasoned, "to extend the benefit of life insurance to more and

more millions of people every year." Apparently he does not consider the present rate of expansion of business as effective enough to enable the Corporation to take a big leap forward. Hence the special responsibility of the LIC to work out the mass technique which alone will enable it "to treble or quadruple its business or even increase it ten times in a very short time!"

Throughout his address, I could not help feeling that Mr. Gopalakrishnan was having only the urban masses at the back of his mind. Could this be his understandable reaction to the woefully poor response to the too-much-boosted Janata policy? In any case, it is a pity that, when there is more prosperity in the rural areas than ever before and there is also no dearth of organisations—what with panchayats, community projects, national extension services, co-operatives and small savings institutions, to mention only a few—whose services could be harnessed to carry the gospel of life insurance to the doors of every villager, the head of the L.I.C. had nothing concrete to offer to the rural masses. Yet we continue to hear the slogan "India lives in her villages" glibly repeated on every conceivable occasion. But this is not to minimise the risk inherent in any drive for mass coverage in the rural areas, such as the relatively heavier costs of procurement, the unlimited scope for non-disclosure or mis-statements by the prospective insured of material data, greater chances of impersonation, prevalence of a large measure of illiteracy, etc. But, even in the urban areas, there are risks, and it is in the interest of the L.I.C. itself to take note of these. For instance, it is necessary to ensure that, in the craze for mass business, standards of medical check-up, particularly when insurance of heavy sums is proposed, are not relaxed unduly.

I should now like to revert to the L.I.C. Chief's other references to the work of actuaries. Although these were made in connection with the need for statistical techniques other than annual accounts and periodical valuations "to enable the top management to formulate policies and consciously control the cost at the various levels of management," they are significantly suggestive. Thus, while Mr. Gopalakrishnan admitted that the study by the actuaries of the mortality rates from year to year and their comparison with the rates assured in the premium tables was "one of the important investigations which help the fixation of revision of premium rates," he said that one need not have to wait for these studies for finding out the general trends. Taking figures of increase in the business in force and of death claims over the last decade, he showed how one could get a significant enough pointer to the improvement of mortality rates among the insured. Again, in regard to lapses, Mr. Gopalakrishnan stated that "the analysis of lapses of the entire organisation by the Actuarial Department is merely a **post-mortem** report." I do not know whether to describe this as "assenting with civil leer" or "damning with faint praise."

In saying all these, the LIC chief was presumably only trying to impress upon insurance men not to wait for the belated results of these studies but to try and anticipate them by personal studies of the trends on the spot, which, with some application and intelligent interest in their work, they can easily do. As he rightly said, "the purpose of the various statistical analyses made at the headquarters of an insurance organisation (especially a mammoth organisation like the LIC) is largely defeated, since these analyses come long after the harm is done." This, in fact, is the **raison de etre** of his call for a rough and ready method regularly to improve the position as regards lapses as well as death claims in time, at the lowest level. This call was obviously needed to remove the impression at the lower

levels (branches and divisions) that mortality rates, lapse ratios, etc. are "the special pigeon of the actuaries" and that they are not concerned with them. As Mr. Gopalakrishnan tried to impress upon them, "they are very much concerned and it is they and they alone

Road And Rail Traffic

SOME very interesting figures have been produced by the Neogy Committee on Transport Policy. They should go to prove that there has been in the recent past a marked shift from the consumption of petrol by road transport towards dieselisation and that the high freight traffic is being increasingly diverted from the railways to road transport. The data which the Committee has produced is based on the material supplied by the Railway Board and a survey organised by the Committee itself during some specific weeks on five important routes—Amritsar-Delhi, Delhi-Kanpur, Calcutta-Patna, Bombay-Bangalore and Bangalore-Madras. The findings of the Committee obviously are of considerable import for formulation of future policy of the Government in regard to consumption of diesel oil and rail-road co-ordination.

The survey carried out by the Committee over the afore-mentioned five routes has revealed that nearly 87 per cent of the vehicles operating on these routes are run by diesel instead of petrol. To check this growing shift towards dieselisation of road transport it is imperative to lower the price of gasoline in which petroleum product the country is not only self-sufficient but has also a sizeable surplus.

PETROL AND DIESEL VEHICLES IN OPERATION ON ROUTES SURVEYED BY NEOGY COMMITTEE

(Percentage)

Route	Petrol	Diesel	Total
Amritsar - Delhi	3	97	100
Delhi - Amritsar	3	97	100
Delhi - Kanpur	3	97	100
Kanpur - Delhi	4	96	100
Patna - Calcutta	18	82	100
Calcutta - Patna	19	81	100
Bombay - Bangalore	23	77	100
Bangalore - Bombay	22	78	100
Madras - Bangalore	12	88	100
Bangalore - Madras	9	91	100
All routes	13	87	100

The data produced by the Committee on diversion of high freight traffic from railways during the past three years is all the more revealing.

On Amritsar-Delhi route, there was a significant drop in traffic on the railways in 1958-59 as compared with the previous year in the case of sugar and gur (69.4 per cent), mineral oils (73.9 per cent), wood and timber (80.6 per cent), fruits and vegetables (44 per cent), and foodgrains (19.4 per cent). On this route, the groups of commodities wholly or mainly moved by road as compared with rail during the survey period (November 23, 1959 to November 30, 1959) included (from Delhi to Amritsar and Amritsar to Delhi respectively): provisions (100 per cent and 100 per cent) animal and animal products (98.2 per cent, 74.3 per cent), finished products (90.4 per cent, 99.1 per cent), products of forests (100 per cent, 100 per cent), and manufactures (96.9 per cent, 99.1 per cent); and from Delhi to Pathankot and Pathankot to Delhi, products of agriculture (100 per cent, 99.5 per cent), provisions (100 per cent, 100 per cent), finished products (84.6 per cent, 100 per cent), and manufactures (98.9 per cent, 100 per cent).

who can improve the position", of course, by adopting the methods that were outlined by him for their benefit. It is to be hoped that, while this desideratum follows, the actuaries will not feel that their contribution has been belittled, even if only unwittingly.

On Delhi-Kanpur route, the traffic in sugar and gur by rail suffered a perceptible decline (46.8 per cent) in 1958-59 as compared with 1957-58. On this route, the groups of commodities moving mainly by road from say, Delhi to Kanpur and Kanpur to Delhi during the survey week included products of agriculture (98.8 per cent, 100 per cent) and manufactures (99.8 per cent, 99.8 per cent).

On Calcutta-Patna route, there was a decline in coal and coke (15.9 per cent) traffic by rail during the period under consideration, viz., 1958-59 as compared with 1957-58. The goods moving mainly by road during the period 5-1-1960 to 12-1-1960 on this route included from Calcutta to Asansol, provisions (100 per cent), finished goods (96.8 per cent), mineral oils (99.2 per cent) and manufactures (96.6 per cent); from Calcutta to Raniganj, products of agriculture (99.4 per cent), provisions (100 per cent), finished goods (98.1 per cent), and iron and steel (99.8 per cent; from Raniganj to Calcutta, products of agriculture (100 per cent) and coal and coke (72.5 per cent).

On Bombay-Bangalore route, the commodities which suffered a substantial decline in traffic by rail during the period under consideration included cotton and jute raw (68.1 per cent), cotton manufactures (31.2 per cent), provisions (31.7 per cent), iron and steel wrought (26.5 per cent) and foodgrains (13.6 per cent). The commodities which were mainly moved by road during the period 11-2-1960 to 18-2-1960 included from Bombay to Bangalore and Bangalore to Bombay, provisions (96.7 per cent and 100 per cent respectively), finished goods (92.1 per cent, 96.2 per cent), iron and steel (81 per cent, 99.6 per cent) and textiles (95.4 per cent, 96 per cent; from Bombay to Sholapur and Sholapur to Bombay, cotton and jute raw (99.8 per cent, 92.6 per cent) provisions (100 per cent, 100 per cent), textiles (99.9 per cent, 96.6 per cent), and from Bombay to Kolhapur and Kolhapur to Bombay, provisions (100 per cent, 100 per cent), finished goods (95.6 per cent, 100 per cent), mineral oils (75 per cent, 100 per cent), iron and steel (87.1 per cent, 100 per cent) and textiles (100 per cent, 100 per cent).

In the case of Madras-Bangalore route, the traffic which moved mainly by road as compared with the railways during the period 9-3-1960 to 16-3-1960 from Madras to Bangalore and Bangalore to Madras included provisions (100 per cent, 100 per cent), animal and animal products (100 per cent, 77.8 per cent) and textiles (100 per cent, 100 per cent).

The total quantity of goods traffic carried by road on the five routes surveyed by the Neogy Committee during the particular survey weeks and the ton-miles performed on these routes were as follows:

GOODS TRAFFIC CARRIED AND TON-MILES PERFORMED BY VEHICLES

Route	Quantity (Tons)	Ton-miles
Amritsar - Delhi	19,764.44	29,41,169
Delhi - Amritsar	25,022.70	34,33,244
Delhi - Kanpur	23,230.86	24,28,516
Kanpur - Delhi	22,294.09	26,76,767
Patna - Calcutta	31,610.58	42,70,464
Calcutta - Patna	20,228.11	32,63,987
Bombay - Bangalore	26,576.79	45,55,797
Bangalore - Bombay	25,182.85	41,43,366
Madras - Bangalore	13,173.40	19,11,810
Bangalore - Madras	14,887.79	19,56,699
All routes:	2,21,971.61	315,81,819

Part of the decline in goods traffic carried by railways during the years 1957, 1958 and 1959 can be attributed to fall in output of various commodities and recession in imports and exports. For instance, production of oilseeds in 1958 declined by 5 per cent as compared to 1957, that of cotton (raw and manufactures) by 14.1 per cent, of jute (raw and manufactures) 5 per cent, of sugarcane and sugar by 21.3 per cent, of tea by 3.1 per cent and of ores by 2.8 per cent. Similarly, there was a fall in 1958 in the quantum of exports of cotton piecegoods to the tune of 30.8 per cent and in that of manganese ore to the extent of 44.1 per cent, compared to the previous year. The value of imports of raw cotton and raw jute in that year also declined by 36.9

per cent and 52.1 per cent respectively. But, despite this, the data produced by the Neogy Committee should be sufficient to lead one to the conclusion that there had been some diversion of high freight from railways to road transport. The Committee has, however, been cautious in interpreting this data when it says that to arrive at a firm conclusion in this regard would require some more detailed data which are not available.

This diversion of high freight traffic from railways to road transport, it can be safely assumed, has been further accentuated during 1960 due to transport requirements growing at a much faster rate than the railways could cope with.

Business Notes

Trade

EXPORT PROMOTION

INDIAN EXPORTS this year are expected to show considerable improvement over the 1960 level. This optimism is borne out of two facts; firstly, exports during the first seven months of the current year, at Rs. 368.97 crores, have been nearly Rs. 31 crores higher than during the corresponding period last year, and secondly, output of various agricultural crops especially tea, oilseeds and sugarcane, has recorded an increase this year.

To step up exports the Government has in the recent past taken some energetic action. It should also prove helpful. Besides constituting a Cabinet Subcommittee for reviewing the progress of exports and the measures taken in the field of export promotion, setting up a Committee of Secretaries, with the Cabinet Secretary as its Chairman, to ensure quick implementation of the measures designed to step up exports and reorganising the work of various authorities dealing with exports, the Government has extended the list of export items on which drawback of excise duty is allowed. The list now includes such items as beer, toys fitted with magnets, aluminium articles, shrimp cartons for packing sea food, paper products, low-tension switchgears, motor starters, umbrellas and umbrella ribs, books, hacksaw blades, fireworks, alumina ferric, thermit portions (material for welding of rails) etc. Fifty per cent rebate on rail freight has similarly been extended to such items as confectionery, biscuits, radios railway track stoves, guar gum and seeds, window glass and sheet glass, verticle turbine pumps, electric motors, alcohol, etc.

Along with this grant of rebate on rail freight, Conference lines have been persuaded to reduce ocean freight in respect of items like groundnut-in-shell, cardamoms, coffee, rice bran, steel furniture, mild steel bolts and nuts, fish products, plywood, bicycle rims and steel tubes. To facilitate exports from the south-west coast of India, which is emerging as a major exporter of such goods as tea, coffee, cashewnuts and essential oils, an Honorary Adviser has been appointed for this area, much on the lines of the advisers appointed previously for Bombay, Madras and Calcutta regions. A Port Advisory Committee under the Chairmanship of the Adviser at Cochin has also been set up to look after promotion of exports from Cochin. A Freight Investigating Board is being set up to take the place of the Freight Investigation Bureau. This Board would investigate all matters relating to ocean freight and other connected problems.

The number of Export Promotion Councils has been increased to 13 by the setting up of an Export Promotion Council for marine products. Provisional recognition has been accorded to the setting up of two export houses to develop export of difficult items to non-traditional markets. The programme of publicity of Indian goods abroad is also being stepped up. In pursuance of the recommendations of the Ad Hoc Committee on Quality Control and Pre-shipment Inspection, it is pro-

posed to exercise compulsory quality control and pre-shipment inspection on export goods through rationalisation of quality standards and setting up of an Export Inspection Council.

The Union Government has also under active consideration the recommendations of the Committee set up under the Chairmanship of the Managing Director of Exports Risks Insurance Corporation to go into the question of provision of credit facilities to exporters. The Committee, it may be recalled, had recommended (1) modification of foreign exchange regulations of 1952, (2) extension of long-term credits for capital goods and certain engineering goods, (3) grant of advances and permission for discounting against export bills, and (4) modification of the working of the Refinance Corporation so as to enable it to grant export credit for medium term. The Government is also considering legislation for ensuring compulsory exports and for giving some tax rebate for export-earning industries. Sir Ramaswami Mudaliar Committee, set up early this year in response to a request from the trade and industry for rationalisation and streamlining of the procedure adopted under the Import and Export Trade Control regulations is expected to submit its report by the end of the current year.

Chemicals Industry

SODA ASH PRICES MUST BE REVISED

THE TARIFF COMMISSION is currently examining the question of continuance of protection to the soda ash industry beyond December 31, 1961. Opening the public inquiry in this behalf, Mr. K. R. P. Ayyangar, the Tariff Commission Chairman, did well to underline the economic significance of this important industrial raw material. According to him, there are at present four units engaged in the production of soda ash (light), viz., (1) Tata Chemicals, (2) Dharanghadhra Chemical Works, (3) Saurashtra Chemicals and (4) Sahu Chemicals and Fertilizers, while a fifth unit — Khan Bahadur M. M. D. H. Bhiwandiwalla & Co., Bombay, licensed in 1957 — is expected to go into production by October, 1963.

The present installed capacity for the manufacture of soda ash is, 2,68,000 tons, as against 46,800 tons over a decade ago. During the last three and a half years, (1958, 1959, 1960 and January-June, 1961), the respective figures of output were 89,804 tons, 92,288 tons, 1,45,012 tons, and 90,386 tons. Thus, by the end of the Second Five-Year Plan period, the annual production rose to more than four and a half times, compared to the production some ten years ago. As regards heavy soda ash, only a beginning has been made by one of the existing units, so that the production thereof is still very small. However, Mr. Ayyangar indicated that all the four units had their plans to embark upon the manufacture of heavy soda ash. The Third Five-Year Plan envisages a capacity of 5,30,000 tons, including heavy soda ash, by the end of 1965-66. The actual production of soda ash, both light and heavy, is estimated to go up to about 4,50,000 tons by 1966.

With regard to demand, the latest available annual consumption of about 2,42,000 tons has actually exceeded the Tariff Commission's estimates of consumption for 1961 made by it in 1958 by about 3,000 tons. The latest estimates of the country's requirements of soda ash, as indicated by the Development Wing, the producers and the other interests, vary from 2,26,000 tons to 2,60,000 tons, while a further rise in the annual demand is expected from 2,60,000 tons, in 1961, to 4,50,000 tons, that is the actual production target to be reached by the end of 1965.

The industry, which has been enjoying protection for more than a decade, has achieved all-round progress. The quality of the domestic producers too has improved considerably. That the quality of the indigenous product has really improved is borne out by the fact that even manufacturers of glass and glass bangles, who were reluctant at one time to use light soda ash, have begun to use it in larger and larger quantities. Accordingly, it is believed, the Tariff Commission itself has agreed to earmark 25 per cent of the indigenous consumption of soda ash by glass manufacturers as the margin of consumption of light soda ash required by these interests. According to the spokesmen of the industry, there would appear to be a good case for raising this percentage even to 50, considering that several glass factories have reportedly been using indigenous light soda ash without the admixture of imported heavy soda ash. In other words, the old myth of the glass industry having to depend only on heavy soda ash has since been exploded. It would now seem that, with slight modifications and adjustments in the proportion of mixing, coupled with the plans for indigenous manufacture of heavy soda ash on an appreciable scale, the authorities could drastically reduce, if not altogether do away with, imports of heavy soda ash.

As regards light soda ash also, it is becoming no less obvious that further imports are not at all needed — not even to oblige the S.T.C.! For the light soda ash that is available in the country today so far exceeds the actual demand that, at times, the indigenous manufacturers find themselves competing with each other in marketing their product and offering, it is alleged, rebates of as much as Rs. 35 to Rs. 40 per ton on the price fixed by the Government. This does not mean that they can afford to forgo so much out of the price fixed, but, as between the two evils of complete closure and selling at a loss, they probably feel that this is the lesser one.

In regard to price, the industry has admittedly a good case for an increase. There must be an upward revision of the selling prices in view of the substantial rise that has taken place in manufacturing costs all round since the last enquiry was held. Costs of production have increased due to (1) increase in labour costs, (2) rise in raw material prices, and (3) higher packing charges, among others. It is these factors, rather than the artificially low prices arising out of the acute competition among the producers, that ought to influence the decision of the Tariff Commission in fixing prices. The Tariff Commission, or rather the authorities, must not consider that their responsibility is over, once the fair selling prices have been fixed. It must be the T.C.'s endeavour, as also of the authorities in New Delhi, to ensure that the fair selling prices as fixed by the Tariff Commission are, in fact, realised by the manufacturers. Perhaps the surest way to ensure this is by properly regulating imports. If the authorities continue to import large quantities, even if it be through the S.T.C., the result would be that the quality of the indigenous production would avoidably suffer. It would do so to the extent that the price actually realised by the manufacturers falls short of the economic price.

Woollens Industry

WHY THIS STEP-MOTHERLY TREATMENT?

AFTER ITS bitter experience of the raw material import policy for the 1960-61 licensing period, the composite section of the Indian woollen industry may well ask: why this step-motherly treatment? This section is not only disappointed but distressed at the alleged discrimination and disparity between the composite units and the spinning units generally and even as between one unit and another inter se. Its disappointment is all the greater in the context of its contribution to the country's economy, which can be judged from the following table:

Particulars	All India	Federation's Share
Installed Capacity:		
(a) Worsted (Spindles)	1,26,284	81,392
(b) Woollen and Shoddy (Spindles)	69,031	53,245
(c) Powerlooms — Composite and Exciseable (No.)	1,835	1,563
Amount of Excise Duty Paid (In Rs.)	1,30,14,000	1,20,23,604
Value of Government Orders Executed (In Rs.)	3,12,00,000	2,50,50,998
Value of Exports of Piecegoods (In Rs.)	50,00,000	47,99,482
Quantity of Indigenous Raw Wool Consumed (In lbs.)	1,00,00,000	63,25,288
Total Number of persons Employed	20,000	18,561

The above table shows that the members of the Federation of the Woollen Manufacturers in India (FWMI), which represents the composite units, account for the major part of the installed capacity (64.44 per cent worsted, 77.13 per cent woollen and shoddy, and 85.12 per cent power looms) of the organised woollen industry in India; they pay the largest amount of excise duty (92.39 per cent) to the Exchequer; they are responsible for turning out the largest number of Government orders (80.20 per cent); the total value of their exports amounts to 95.98 per cent; they consume the largest quantity (63.25 per cent) of indigenous raw wool (without taking into account the consumption by the carpet industry), and they employ the largest number of persons (92.80 per cent.)

It is inconceivable how, in spite of the useful role played by the composite units, the authorities could afford to treat them so cavalierly. That the members of the Federation should have been intrigued and incensed to such an extent as to demand a thorough probe is, therefore, quite understandable. But what is important and pertinent now is that the wrong that has been perpetrated already should on no account be perpetuated. In this connection, the plea of the FWMI Committee to revise the ceiling and the floor for the imported raw materials to Rs. 700 and Rs. 600 per spindle, respectively, deserves to be sympathetically considered. The representatives of the Federation are already believed to have placed all these facts before the Union Minister for Commerce and Industry (through the Textile Commissioner), and it is to be presumed that they have been able to convince the Minister of the gross injustice done to them.

New Issue

AMERICAN REFRIGERATOR COMPANY LIMITED
THE AMERICAN REFRIGERATOR COMPANY LIMITED, CALCUTTA, which was converted into a public limited concern on August 26, 1961, is to increase its issued, subscribed and paid-up capital from Rs. 7,94,700 to Rs. 17,05,300 through the issue of 1,70,530 equity

shares. The authorised capital of the company is Rs. 50 lakhs, divided into 4,00,000 equity shares of Rs. 10 each and 10,000 preference shares of Rs. 100 each. Out of the new issue, the directors and their friends have agreed to subscribe for 48,030 shares. The remaining 1,22,500 shares are being offered for public subscription. The list opens on September 11 and will close on September 16 or earlier at the discretion of the directors but not before September 14.

The new capital is to be utilized for providing part of the finance needed for the expansion programme of the company which started manufacture and assembling of various refrigeration products in 1957. The present production of the company — a monthly turnover of Rs. 5 lakhs (approximately) — is less than half its licensed capacity. The directors have decided to raise the output to the full licensed capacity. At the completion of the expansion programme, the company's annual turnover will be of the order of Rs. 1.32 crores for the equipment to be manufactured and another Rs. 60 lakhs from the engineering and service departments. The expansion programme is expected to cost Rs. 34 lakhs. As the new issue will be yielding only Rs. 17,05,300, the rest of the requirements are envisaged to be met through raising of loans from the company's bankers. The West Bengal State Finance Corporation has agreed to grant a loan of Rs. 1.75 lakhs, at 6½ per cent interest, repayable within a period of 12 years. The company has not yet decided to avail of this loan. If it does, the borrowings of the company from its bankers would be reduced to this extent.

The company, it is stated, has the largest plant in India to manufacture refrigeration coils required by the refrigeration and air-conditioning industries and also for various industrial applications of heat transfer in textile mills, rayon mills, tea industry and chemical processing plants.

Technical collaboration for the expansion programme has been secured for a period of five years from Messrs. Dunham-Bush of the United States. One of the partners of this U.S. firm, the Bush Manufacturing Company Inc., has been collaborating with the Indian concern since 1955. Technical collaborators have given the company exclusive rights of manufacture of its products in the refrigeration and air-conditioning heat transfer fields, barring "Burner" line and cast aluminium heat transfer products, for consumption in India and sale abroad except in countries where they provide designs, drawings, technical know-how and other technical data to local companies.

In view of the expanding demand for the company's various lines of manufacture during the Third Plan period — demand for air-conditioning equipment in 1965-66 is expected to increase to 50,000 numbers (value Rs. 13 crores) and for water coolers 20,000 numbers (value Rs. 4 crores) from the current estimated demand of 25,000 numbers (value Rs. 6.8 crores) and 3,000 numbers (value at Rs. 60 lakhs) respectively — the company is not likely to encounter any difficulty in marketing its products, provided they are of satisfactory quality.

Insurance

RUBY GENERAL

MR. B. M. BIRLA, Chairman of the Ruby General Insurance Company, at the annual general meeting held recently at Calcutta, expressed satisfaction on account of the company's notable progress during the short span of its existence. It is quite remarkable to observe that the net premium of the company nearly doubled in fire and miscellaneous accident departments between 1955 and 1960. The marine department fared comparatively less satisfactorily. The fall in premium in the department was due to reduction in overseas hull business. The department, however, has shown a profit

this year. The Chairman was of the opinion that unrestricted competition brought cargo rates down to uneconomic level. He added, therefore, that a comprehensive Tariff for internal transit could definitely help to improve the situation. This is quite a sound suggestion and it is hoped the Government will give thought to it.

It was observed by Mr. Birla that the Government directed its business mostly towards the LIC subsidiaries, which was not very fair in the sense that healthy competition could not grow under these conditions. It is indeed heartening to note that the Federation of Indian Chambers of Commerce and Industry has taken initiative to draw the attention of Indian industrialists and businessmen to providing of support to Indian insurance. In view of the fact that the industry was passing through a period of transition and the public was not still fully insurance-minded, Mr. Birla said it would be proper for the industry to spend a part of its earnings on propaganda.

Mr. Birla asserted that there was a paramount need of vigilance against fire and road accidents which led to a large national loss. He was of the opinion that the Insurance Association should take up a programme to educate the public in fire preventive methods. This indeed was an important point to raise because it has been generally observed that in many fires the people around appear absolutely helpless, and usually it was too late when the assistance arrived. The Insurance Association would do a real service to the country by following Mr. Birla's advice. This was also true as far as motor accidents were concerned. A large number of road accidents could definitely be avoided only if the people were taught proper road habits and the roads were kept in proper condition. Apart from saving damages to vehicles, which was only a marginal gain, this would result in saving of many precious lives.

Electricity

SOUTH MADRAS ELECTRIC SUPPLY CORPORATION LIMITED

AT THE 21st Annual general meeting of the South Madras Electric Supply Corporation Ltd., Mr. K. A. P. Visvanatham, Chairman of the Company revealed that the revenue earnings this year of the company has nearly touched Rs. 1 crore and it has been able to maintain the usual 9 per cent dividend on equity shares subject to tax. As regards dividend on preference shares, Mr. Visvanatham pointed out that an extra 30 per cent over and above this stipulated dividend will be paid as required under law. The gross dividend works out to 7.15 per cent in terms of the Preference Shares Regulation Act, 1960.

Mr. H. K. Rangaswamy, Director of the Managing Agency and ex-officio Director of this company had been abroad between April and July and among other things he has been examining possibilities of securing foreign collaboration for a switchgear and electrical domestic equipment manufacture. Though no concrete proposals have been received, it is likely that in the course of time, the company may be in a position to suggest a diversification of its activities, by entering into manufacture as the directors believe that as a long range policy it would be the right thing to do.

The Chairman further stated that the company has drawn up a programme to take up works amounting to Rs. 20 to Rs. 25 lakhs a year having regard to availability of materials and power supply from the Electricity Board's Power Generating plants. It is now hoped that the company would be able to get about Rs. 20 lakhs as loan to take up schemes specified by the Government. Totally a loan of Rs. 45 lakhs has been asked for from the Madras Government for various schemes.

FROM THE CAPITAL'S CORRIDORS

INSURANCE OF BANK DEPOSITS

The long-awaited Deposit Insurance Corporation Bill to provide for the establishment of a corporation to insure deposits of scheduled banks was introduced in the Lok Sabha last week by the Union Finance Minister, Mr. Morarji Desai. The Bill envisages the establishment at an early date of the proposed Deposit Insurance Corporation as a wholly State-owned subsidiary of the Reserve Bank. Its paid-up capital will be Rs. 1 crore. Its headquarters will be at Bombay.

The Corporation will insure all deposits with commercial banks, including the State Bank and its subsidiaries. Deposits of the Central Government, State Governments and foreign Governments with the State Bank or its subsidiaries and with the other commercial banks will, however, be exempt from this insurance. Deposits with the Indian scheduled banks at their foreign branches will also not be covered by this scheme.

The limit of insurance cover will be Rs. 1,500 per deposit, but it can be raised by the Corporation with the previous approval of the Central Government. Premium rates will be determined by the Corporation from time to time in consultation with the Central Government; the maximum rate for which provision is being made in the Bill is 15 nP. per Rs. 100 per annum. In the event of default in the payment of the premium by any insured bank, the Corporation will collect interest on the arrears at a rate not exceeding 8 per cent.

Every existing banking company shall be registered with the Corporation as an insured bank within 30 days of the Corporation's coming into being. All the new banking companies shall be required to register themselves with the Corporation as insured banks as soon as they receive a licence under the Banking Companies Act. The registration of a banking company as an insured bank with the Corporation will stand cancelled the moment it is prohibited from receiving fresh deposits, as a consequence to cancellation of its licence by the Reserve Bank or the refusal of the Reserve Bank to issue to it a licence or on amalgamation or voluntary liquidation of the company. The Madras Industrial Investment Corporation will not be required to register itself with the Deposit Insurance Corporation because though technically it is a banking company as defined in the Banking Companies Act, it actually performs the functions of a State Financial Corporation.

The Corporation will be managed and directed by a Board of Directors, whose chairman will be the Governor of the Reserve Bank. The other members of this Board will be the Deputy Governor of the Reserve Bank, an officer of the Central Government and two non-officials, not actively connected with any scheduled bank but having specialised knowledge of banking, commerce, industry or finance. The last three members will be nominated by the Central Government in consultation with the Reserve Bank.

The Bill sets out at length the manner in which the Corporation will pay off the depositors in the case of liquidation or reconstitution of an insured bank. Provision has also been made for payment directly to the depositors in case this proves to be either necessary or desirable. Payments due to depositors within the prescribed limits of the insurance cover will be made by the Corporation within five months, either directly or through the liquidator or through the transferee bank or insured bank to be credited to his account as the case may be in the event of an insured bank going into liquidation or amalgamation with some other bank.

The Corporation will maintain two funds — a De-

posit Insurance Fund and a General Fund. The Deposit Insurance Fund will be built up for meeting the liabilities of the Corporation on account of insured deposits, from the premium payments made by the insured banks. In the event of a deficiency in this Fund for meeting the liabilities which may have to be made from it, a temporary transfer to it would be made from the General Fund or through obtaining temporarily a sum not exceeding Rs. 5 crores from the Reserve Bank on such terms as may be approved by the Central Government. All incomes arising from the investments made by the Corporation will also go to this Fund. All other moneys will go to the General Fund. All moneys belonging to the Deposit Insurance Fund or the General Fund which may not be immediately required by the Corporation would be allowed to be invested in promissory notes, stock or securities of the Central Government. All other amounts are to be deposited with the Reserve Bank.

The Bill provides wide powers to the Corporation for inspection of insured banks and for obtaining statements and information relating to their deposits, notwithstanding the provisions of the Banking Law or any other law in force. The Corporation can not only inspect the books of accounts or investigate the affairs of any insured bank but is also empowered to publish in a consolidated form any information obtained by it, after consulting the Reserve Bank, in a manner as considered expedient. The Corporation will have free access to all records of insured banks and every insured bank is required to furnish within the specified time any statement or information relating to deposits of the bank that the Corporation may ask for. In pursuance of these clauses, the Bill has made ample provision to safeguard the interests and the legal standing of the Corporation and its directors so that no suit or legal proceedings can be instituted against the Corporation or its Board of Directors or its agencies to whom the Board of Directors might have delegated its powers or the Reserve Bank for any damage caused or likely to be caused by the operation of the Act.

Any dispute regarding the amount of premium due from any insured bank is to be settled by the Central Government. The Bill provides for penalty upto three years' imprisonment for supplying of false information by an insured bank or making of wrongful statement by it or its failure to comply with such requests from the Corporation.

The Corporation is specifically excluded from the purview of the Company's Act and the Insurance Act. It will not be liable to pay any income-tax or super-tax on any of its income, profits or gains for the first five years, including the year of its establishment.

IMPLEMENTATION OF TEXTILE WAGE BOARD'S RECOMMENDATIONS

According to an official spokesman, the Union Labour Ministry is of the view that all avenues of persuasion must be fully explored to secure implementation of the Textile Wage Board's recommendations, before resorting to legislative measures.

In pursuance of its policy of voluntary approach to the solution of industrial disputes, the spokesman said on Tuesday, the Labour Ministry had recently convened a tripartite meeting to seek employers' co-operation in bringing in line the recalcitrant units. That this step was taken even when repeated efforts had failed earlier and a Bill had already been introduced in the Rajya

Sabha clearly showed how keen the Labour Ministry was to ensure the success of the voluntary principle — and how keen to avoid legislation, the spokesman added. The employers, he further said, were represented on the Wage Board and were a party to its recommendations. They should, therefore, now honour the recommendations, made by their own representative, by voluntarily implementing them.

Regarding the small and financially weak units, the spokesman said, the Government resolution on the Textile Wage Board and the Bill introduced in the Rajya Sabha had both provided for exemption of these units. There was, however, absolutely no justification for the financially sound units for not implementing the recommendations. The spokesman pointed out that if there was any one such unit which had not implemented the recommendations of the Wage Board, it was a constant reminder of the non-implementation of jointly agreed decisions. This attitude, he opined, was not likely to be acceptable to the workers and not even to those employers who had taken the decision to implement the Wage Board's recommendations. This cuts at the very root of the voluntary principle which must be protected by resort to all possible measures. It was in this background, the official spokesman stressed, that Mr. G. L. Nanda, Union Labour Minister had said that necessary legislation would be brought forward even if it was for the sake of one recalcitrant unit.

The spokesman expressed the hope that persuasive efforts would bear fruit and the financially sound textile mills which had not implemented the Textile Wage Board's recommendations so far would do so, thus obviating the need for legislation.

COTTON TEXTILE INDUSTRY

There are at present 480 cotton textile mills in India — 287 composite mills and 193 spinning mills. The composite mills have 10.60 million spindles and 1.98 lakh looms. The spinning mills have 3.05 million spindles. There has been an increase in spindlage to the tune of 1.6 million during the Second Plan period. The number of looms has remained more or less static.

In order to achieve the target of 9,300 million yards cloth output — 5,800 million yards in the organised mill sector and the balance in the decentralised sector — the Government has decided to license new yarn producing capacity to the extent of three million spindles. Two million spindles have been allocated (details of this were published in this column last week) on regional basis after careful consideration of all the relevant factors such as current production of yarn and cloth in a State, existing distribution of spindlage in the country, concentration of handlooms and the overall needs of the decentralised sector. The remaining one million spindles are to be licensed to the existing units to enable them to come up to economic size and to bring about a balance between the spinning and the weaving capacity. Wherever licences previously granted have been revoked, steps are being taken to reallocate them in the same State. To ensure production of yarn sufficient to meet the Third Plan cloth output requirements as well as those of exports, it is estimated that there would be need to produce 2,250 million lbs. of yarn over and above the current output.

Efforts are to be continued during the Third Plan period to secure better utilization of the existing installed capacity by increasing the number of spindles and looms in the second and third shifts. There has been a slow but steady increase in the spindles and looms

worked in all the three shifts during the past three years as is evident from the following table:

DAILY AVERAGE NUMBER OF SPINDLES AND LOOMS WORKER IN

	1st Shift	2nd Shift	3rd Shift
Spindles (millions)			
1959 ..	11.3	10.9	5.2
1960 ..	11.8	11.6	6.1
1961 ..	12.0	11.8	5.9
Looms (Numbers)			
1959 ..	175,968	168,254	37,416
1960 ..	178,975	173,010	42,774
1961 ..	181,935	176,132	46,925

No spectacular increase in third shift working, however, is envisaged in the short run since there are several practical difficulties in the way such as shortage of power and coal, the worn-out condition of the machinery, commitments under labour laws, etc.

TEXTILE EXPORTS TO U.K.

Exports of cotton textiles from India to the United Kingdom, hitherto operated through London, will henceforward be licensed by the Joint Chief Controller of Imports and Exports, Bombay, according to an understanding reached between the two Governments. Goods reaching the United Kingdom from the beginning of 1962 are envisaged to be covered by the export licences to be issued in India.

As in the past, major part of these exports will be handled by established exporters who will be given licences on the basis of their past performance. The basic period for the establishment of the quotas will be any two consecutive calendar years between 1957 and 1960 — 1957 and 1958 or 1958 and 1959 or 1959 and 1960. The actual choice of the basic period will be left to the exporters.

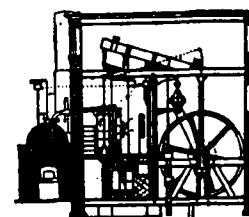
While the actual licences will be issued by the Joint Chief Controller of Imports and Exports, Bombay, the scrutiny of the documents relating to past exports and the establishment of quotas based thereon will be done by the Cotton Textiles Export Promotion Council. Part of the exports will also be handled by manufacturer-exporters.

It is understood that India may get next year another 20 million yards export quota in addition to the current quota of 175 million yards. The additional quota will materialise should the United Kingdom accept Hong Kong's plea for enhancing the ceiling on its imports from that colony. It may be recalled that exports of cotton cloth from India, Pakistan and Hong Kong are regulated by export quotas voluntarily fixed by them in consultation with British textile interests.

N.I.D.C.'S ASSISTANCE TO TEXTILE INDUSTRY

Upto July 1, 1961, National Industrial Development Corporation had sanctioned long-term loans of the total value of Rs. 14.52 crores to 53 applicants from the textile industry. The amount actually drawn by the applicants from the Corporation was about Rs. 2.76 crores. These loans are repayable in 15 equal annual instalments and carry interest at the rate of 6 per cent per annum. They are secured against the fixed assets of the borrowers.

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The new AVB plant is nearing completion on a 700-acre site at Durgapur. The workshops, designed on modern lines, will have built into the structure electric overhead travelling cranes with 70 tons lifting capacity. All workshops have been designed to allow for progressive expansion so that it will be possible to lift 200 tons without making structural alterations. Up-to-date machine tools are being installed. When completed, they will include a 3000 ton hydraulic press capable of bending steel plates up to 5' thick for use in the manufacture of high pressure boiler drums, and pressure vessels required for the fertiliser, chemicals and oil refining industries. The new plant will make it possible to manufacture steam-raising equipment in the high pressure range — for the first time in India.

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[W.T.-AVB. 2348 (a)]

FROM THE TROMBAY PLANT OF UNION CARBIDE INDIA

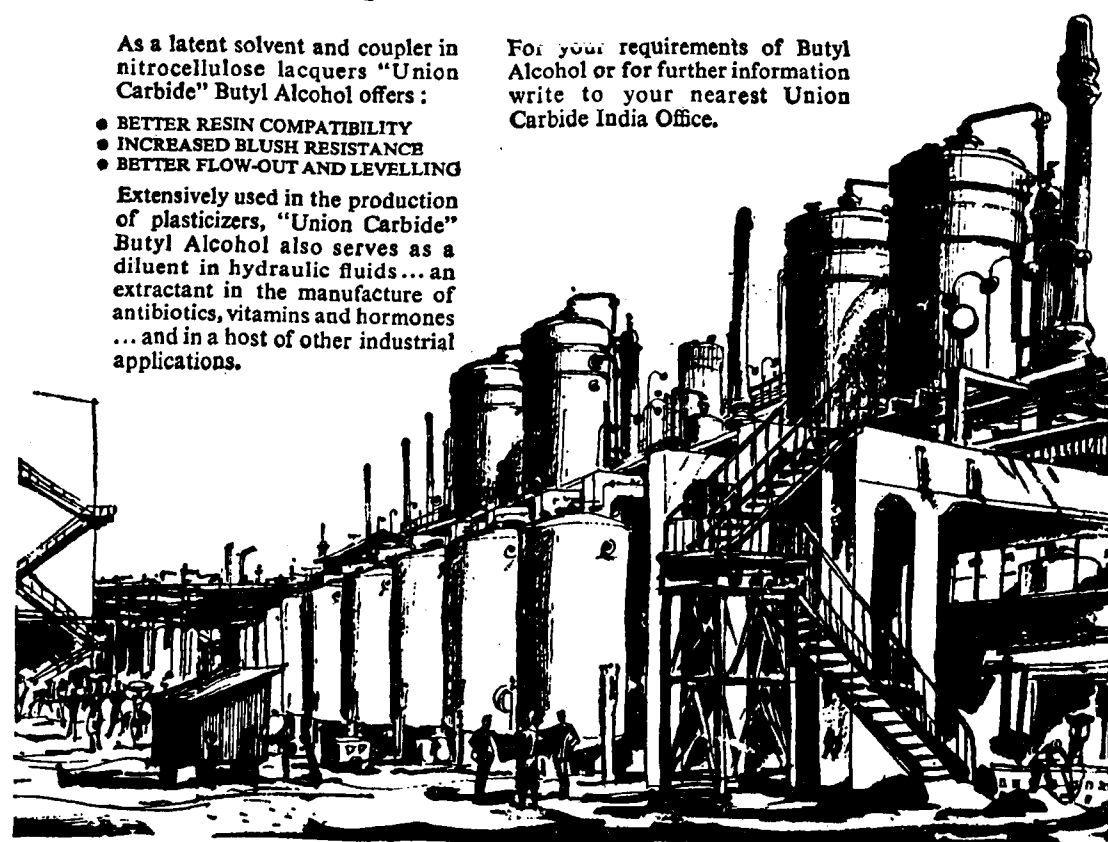
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INDUSTRIAL PRODUCTS SALES DIVISION

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The Corporation has also been helping the textile industry with short-term loans for installation of indigenous machinery by financing the purchase of the machinery. The machinery is made available by the Corporation on hire-purchase basis, the value of the machinery together with the interest thereon being repayable in a period of 5 years. The Corporation had upto July 1, 1961, sanctioned loans of the total value of Rs. 35 lakhs to 7 applicants on this account.

The short-term loans advanced by the Corporation to the textile industry are aimed at giving a fillip to the modernisation and rehabilitation programme of the industry.

ENI. CREDIT

Some further details are now available of the agreement signed by the Union Oil Ministry with the Italian State-owned oil corporation, Ente Nazionale Idrocarburi, last week. The agreement provides for repayment of the Rs. 46 crores credit to be made available by the Italian company for setting up of various petroleum projects in the public sector in the following manner: 5 per cent of the foreign exchange cost of a project would be payable at the time of signing of the individual agreement for the project; another 3 per cent of the cost will be required to be paid 12 months after the signing of an agreement; the balance will be payable in 20 equal half-yearly instalments starting two years after the signing of each agreement. The Government of India will be entitled to pay 50 per cent of the amount under the first four instalments; the remaining 50 per cent would be added proportionately to the other 16 instalments.

The chief value of the agreement lies in the fact that neither the Italian company would be called upon to provide the full amount of credit at one time, nor India would be liable to make repayment in a lump sum. Agreement for each project would be negotiated and signed separately and the repayment liability for the credit made available for a project would fall due in the manner stated above.

Among the projects for which the ENI credit will be available is included a refinery. But it will be set up as an adjunct to the lubricating oil plant. The refinery will be established only if the Italian company can show that setting up of the refinery would be more economical if grouped with the lubricating oil plant.

Setting up of a lubricating oil plant in the public sector with ENI's assistance does not rule out the establishment of a similar plant by the Esso Standard Oil Company in equal partnership with the Government of India. The Esso Standard Oil Company's proposal, it is understood, is being seriously examined by the Oil Ministry.

MOVEMENT OF COAL BY ROAD

The Government of India, it is understood, has under consideration a scheme to move nearly 6 million tons of coal by road. For the present, the Government, it is further learnt, has decided that free movement of coal of Grade II and below should be allowed by road from the Karanpura coalfields to the consumers in North Bihar and Uttar Pradesh.

The scheme has been drawn up as a sequel to the recommendation of the Committee on Transportation set up by the Ministry of Steel, Mines and Fuel some time ago to assess the scope for utilising road transport for movement of coal, especially to industries located not far away from the coalfields, particularly in the Bengal-Bihar region. The Committee had recommended that movement of coal by rail within short distances should be completely stopped except for meeting the requirements of the steel plants and those of the railways.

SHIP-BUILDING AND REPAIRS

The Indian shipping companies have been negotiating with the Yugoslav Shipyards for the construction of three or four ships under the credit offered by that country. The specifications for the types of vessels to be ordered have been settled. No settlement, however, has yet been reached on the construction price of these ships.

Meanwhile, the Government of India has laid down that the loans advanced to the Indian shipping companies would carry a stipulation that each loanee shall have to purchase, at least, one ship from the Hindustan Shipyard.

So far as repair work of ships by Indian firms is concerned, it is observed from the replies received from the various ship repairing firms in the country that they are reluctant to undertake any expansion or modernisation of their installations. A few firms have indicated that they could consider schemes of development of their installations provided they were assured by the Government of financial assistance and provision of adequate repair work. The Government, it is understood, is unable to give any assurance to the industry for providing adequate repair work. Requests for financial assistance would, however, be considered on merits of each case.

The Government also proposes to set up local Advisory Committees at Calcutta and Bombay to deal with matters concerning general improvement in repair facilities, repair berth and dry dock programmes, availability of ship repair material etc. It is hoped that these Committees in their reports would make recommendations for assistance to ship repair firms for undertaking the development and modernisation of their works. If any such recommendations are received, the Government would consider whether any general scheme for the grant of financial assistance to the ship repairing industry is necessary.

ONE SHIPPING CORPORATION

The Eastern and Western Shipping Corporations, it is understood, will be merged into a single unit, to be named the Shipping Corporation of India, with effect from October 2. The authorised capital of the new Corporation will be Rs. 35 crores, of which Rs. 23 crores will be paid-up. The Corporation will have on that date a total tonnage of 1,30,000 GRT (approximately), made up of 14 dry cargo vessels, two passenger-cum-cargo ships and two tankers for coastal service. Orders for some more vessels of the Lubecker and Mitsubishi type have been placed with the Hindustan Shipyard.

The fleet of the Corporation will operate between India and Japan, Australia, the U.S.S.R., Poland and East Africa, besides on coastal routes.

The Corporation has been admitted to the India-U.K. Conference which comprises shipping companies operating in this region. It will automatically become a member of the India-U.K. — Continent Conference to which the Western Shipping Corporation had already been admitted as a member.

CREDIT FOR SMALL INDUSTRIES

The Union Minister for Finance, Mr. Morarji Desai, has stated that credit facilities offered by the State Bank of India for small-scale industries might be expanded. He indicated that shortly the State Bank would be able to allocate over 10 per cent of its total advances to small-scale units. Commercial banks were also being persuaded to fall in line with the State Bank so that the problem of financing small-scale industries was solved, Mr. Desai added.

TRADE FOLLOWS AID

As mentioned earlier in this column, India's trade pattern has been somewhat changing in the recent past consequent upon the availability of aid from various countries. The United Kingdom which has been the traditional supplier to India of machinery for paper and plastic industries, is now being replaced by the United States. Indian importers of these two types of machinery have been asked by the Government to meet their future requirements from the United States. It is due to the fact that the credit to finance these imports is being made available by the U.S.A.

Power units below 15,000 kW. capacity are now being imported from the rupee payment countries.

IMPORT DUTY ON RAW JUTE GOES

After taking account of the supply position of raw jute and in order to promote exports of jute goods, the Government of India has decided to remove, with effect from September 1, 1961, the existing levy of 35 per cent on raw jute imports. This measure, it is stated, will enable Indian jute mills to obtain supplies of raw jute from abroad at competitive prices, thus enabling them to sell jute manufactures at reasonable prices in the world market.

AMERICAN TECHNICIANS FOR ROURKELA

Hindustan Steel Limited has entered into a contract with American Consulting Corporation for securing 19 experts for a period of 2 years for operating the hot strip and cold rolling mills of Rourkela Steel Works. This, it is stated, has been done because operating personnel with sufficient experience are not available either in India or in West Germany. The American firm specialises in the running of rolling mills and is expected to help Hindustan Steel to get production from the hot strip and cold rolling mills of Rourkela to their rated capacity. The total cost of the stay of the 19 experts from the United States will be Rs. 6.2 million.

MANUFACTURE OF SCOOTER ENGINES

Messrs. Enfield India Limited have entered into an agreement with Villiers Engineering Company, Wolverhampton (U.K.), to manufacture scooter engines of the British firm's make. These engines will be manufactured at the existing factory of Enfield India where motor cycles are already being manufactured. Besides manufacturing Villiers scooter engines, Enfield India will be producing at these works Royal Enfield scooters as well.

Villiers Engineering Company has also permitted Cycle Equipment (Private) Limited of Okhla, Delhi, to produce Villiers free-wheels.

Enfield India will have a capacity to manufacture 9,600 Villiers engines per annum. The capacity of Cycle Equipment (Private) Limited will be 500,000 free-wheels a year.

CENTRAL ADVISORY COUNCIL FOR INDUSTRIES

The Central Advisory Council for Industries is scheduled to meet here on October 28. Besides reviewing the general economic situation in the country and considering the annual report of the Development Council, it would discuss the industrial development programme of the Third Plan, with particular reference to export promotion. The Council will also review the progress achieved in the field of machine manufacturing industry.

RUBBER PLANTING

The Planning Commission, after considering the Kerala Government's schemes regarding new planting

of rubber in the State has reached the conclusion that the following programme will be a realistic one:

	Acreage	Estimated Cost (Rs. lakhs)
(i) Planting by Government Company	20,000	250.00
(ii) Small holders (Unit of 10 acres)	75,000	380.00
(iii) Landless and poor peasants (Unit of 7 acres)	10,000	60.00
Total	105,000	690.00

RURAL ELECTRIFICATION

A provision of about Rs. 105 crores has been made in the Third Plan for rural electrification. The tentative State-wise break-up of this provision is as follows:

State	Provision (Rs. crores)
1. Andhra Pradesh	9.45
2. Assam	0.25
3. Bihar	3.00
4. Gujarat	7.00
5. Jammu and Kashmir	1.86
6. Kerala	4.00
7. Madhya Pradesh	6.75
8. Madras	30.00
9. Maharashtra	8.33
10. Mysore	4.25
11. Orissa	1.50
12. Punjab	7.00
13. Rajasthan	1.11
14. Uttar Pradesh	13.90
15. West Bengal	0.40
16. Union Territories	5.88
TOTAL	104.68 (or say Rs. 105 crores)

The scope of rural electrification programme in each State is determined by the State Government concerned, having regard to the need for funds required for other sectors and also the need for a balance between increased generating capacity and extensions in transmission, distribution and rural electrification.

RESERVE BANK AND STATE BANK NEW CHIEFS

Mr. P. C. Bhattacharyya, at present Chairman of the State Bank of India, will take over as Governor of the Reserve Bank with effect from March 1, 1962, in succession to Mr. H. V. R. Iengar, who is retiring. Mr. Bhattacharyya will be succeeded in the State Bank by Mr. S. Ranganathan, at present Secretary to the Government of India, Ministry of Commerce and Industry.

BRIEFS

A 10-kilometer section between Koderma and Gujhandi on the main line of Eastern Railway was energized on August 31, 1961. This fills an important gap in the electrification of the Durgapur-Gaya section.

India has secured orders for another 1,10,000 pairs of shoes from Russia and 28,000 pairs from East Germany.

COMPANY AFFAIRS

NEW CAPITAL ISSUES

The Controller of Capital Issues has granted consent for the issue of a total capital of Rs. 1 crore to three companies. Of these one is a new company which will manufacture pneumatic tyre and tube valves in collaboration with an American firm. The consent is valid for a period of 12 months in each case. The following are the details.

Utkal Machinery Limited, Bombay, with its factory at Rourkela, Orissa, has been granted consent to the issue of further capital of Rs. 55 lakhs divided into equity shares of Rs. 10 each for cash at par. Out of this further issue the three existing German collaborating firms will be offered shares of the value of Rs. 26.25 lakhs and the balance will be subscribed by Indians. The company's existing paid-up capital is Rs. 100 lakhs in equity shares of Rs. 10 each.

Schrader-Scovill Duncan Limited, a new company incorporated in West Bengal, has been granted consent to the issue of capital of Rs. 35 lakhs divided into 3,50,000 equity shares of Rs. 10 each for cash at par. The company has obtained an industrial licence for the establishment of an undertaking at Bombay for the manufacture of pneumatic tyre and tube valves. Fifty-one per cent of the issued capital will be subscribed by the foreign collaborators, Messrs. Scovill Manufacturing Company of the USA which will be utilized in meeting the foreign exchange requirements for import of machinery. Messrs. Duncan Brothers & Co. Limited, who are proposed to be appointed as Secretaries and Treasurers, will subscribe 87,472 shares and 84,028 shares will be offered for public subscription.

International Computers and Tabulators (India) Private, Bombay, carrying on business of dealers in tabulating machines have been accorded consent to issue a capital of Rs. 16,93,600 in equity shares of Rs. 100 each at par, of which shares of the value of Rs. 49,194 will be for cash and balance for consideration other than cash. The shares will be allotted to Messrs. International Computers and Tabulators Limited, London, in discharge of the loan due to Power-Samas Accounting Machine (Sales) Ltd. The present paid-up capital of the company is Rs. 27,06,400.

MUKAND IRON

The working of Mukand Iron during the year to March 31, 1961 shows a considerable improvement over the previous year. The production of steel castings and rolled products at 5,624 metric tons and 69,552 metric tons show an increase over last year of 31 per cent and 50 per cent respectively. The sales of the two products at Rs. 1.78 crores and Rs. 4.59 crore were higher by 55 per cent and 50 per cent respectively over the previous year.

The Company has commenced regular supplies of Centre Buffer Couplers to the Indian Railways. There has also been good progress in the production of roller bearing axle-boxes, automobile components and castings for sugar machinery manufacture. The directors have pointed out that the supply of billets was easy during the year under review and this has enabled the Company to show improved results. "We could have even rolled half as much more, had supplies been better. Although the Government of India have indicated that that billets will be allocated to the re-rolling industry in the current year on the basis of its performance for

the year ended 31st March, 1961, the supplies are not commensurate with these indications." The Government should devise measures to prevent deterioration. A three-year expansion programme for the foundry at the Kurla Works of the Company has been planned. In the first stage, which will be spread over two years, the capacity is proposed to be increased to 750 tons and in the second stage to 1000 tons per month.

The Company's relations with employees have entered a new phase with the conclusion of a five-year agreement effective from 1st October, 1960. This agreement provides for increased wage scales and other benefits. Under the agreement the workers have agreed not to raise any demand, which imposes a monetary burden on the Company, save that relating to the annual bonus.

The gross profit of the Company during the year under review after provision of depreciation comes to Rs. 53.18 lakhs against Rs. 31.49 lakhs during the previous year. After provision of taxes etc. there is a balance of Rs. 19.98 lakhs out of which Rs. 10 lakhs have been transferred to general reserve. The Directors have recommended the payment of a dividend of Rs. 1.20 on ordinary shares of Rs. 10 each. A dividend of Rs. 0.60 has been proposed to be paid on new ordinary shares.

DHRANGADHRA CHEMICALS

It is reported that the caustic soda unit of Dhrangadhra Chemical Works Ltd. recorded a lower output as compared to the previous year because of power shut-offs now and then. The directors have reported that net realisation on account of caustic soda was lower because special rebates had to be given to clear off the accumulated stocks which in turn were due to excessive imports and unco-ordinated releases in the market by the State Trading Corporation even when the indigenous product was available. The company could not run its salt works because of unfavourable weather conditions and it had to purchase salt from outside during the year under review. The production of soda ash however went up by nearly 12 per cent as compared to last year's output, which was 8 per cent better than that of the preceding year. The advantages derived from the increase in production were offset to some extent by the rise in costs of packing, higher depreciation and maintenance, and amenities to staff and labour. The company with other producers of soda ash has made representation with the Government of India during December last for an increase in selling prices of soda ash to cover the steadily rising costs of manufactures. The directors have reported that the Government has increased the selling price of soda ash by nearly Rs. 10 per metric ton which is very small. It is expected that the Tariff Commission will make an enquiry shortly to consider the working of soda ash industry.

During the year under review the company made a profit of Rs. 51.82 lakhs. After making provision for depreciation etc., the directors have proposed to transfer Rs. 5.30 lakhs from the general reserve. A dividend at the rate of 7.8 per cent per annum on cumulative redeemable preference shares has been proposed to be paid and a dividend at the rate of 6 per cent per annum on old ordinary shares has been proposed to be paid on the paid-up amount thereon.

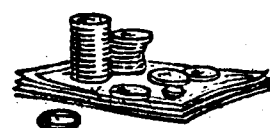


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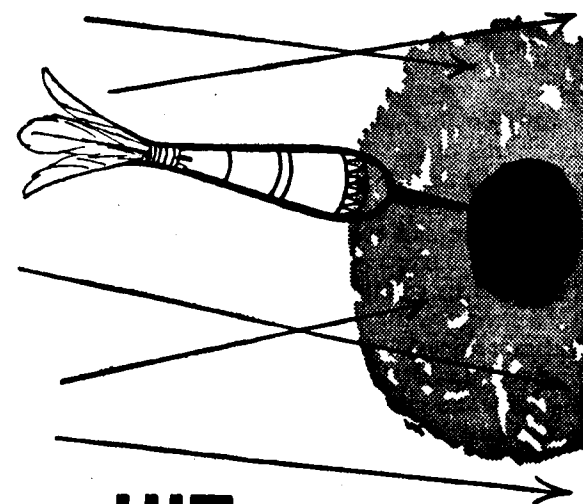


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EEPC-13

Company Meetings

THE SOUTH MADRAS ELECTRIC SUPPLY CORPORATION LIMITED

Tiruchirapalli

Chairman's Speech

Addressing the Twenty-First Annual General Meeting of the Company, on 30th August, 1961, Mr. K. A. P. Visvanatham, Chairman, said:

"The capital expenditure during this year on rural and urban extensions amounted to Rs. 17.46 lakhs as against an expenditure of Rs. 10.35 lakhs incurred in the previous year. You will find the progress is satisfactory in spite of the difficulties of getting materials like posts, hardware and cement for the extensions.

The Government of Madras had sanctioned a loan of Rs. 12 lakhs for rural electrification schemes of which we were able to draw a sum of Rs. 9,97,860 only due to certain procedural difficulties connected with capital issues. The balance of Rs. 2,02,140 is expected to be received this year. We have also applied to the Government of Madras for a loan to cover schemes estimated to cost over Rs. 45 lakhs. We are hoping to get about Rs. 20 lakhs to take up schemes specified by the Government as it is understood that a larger allocation is proposed to be made this year for financial assistance to licensees. The demand for electric power supply is ever increasing and there is therefore no dearth for work. We have drawn up a programme to take up works amounting to Rs. 20 to 25 lakhs a year having regard to availability of materials and power supply from the Electricity Board's Power Generating plants and I believe this will be realistic.

The great flood havoc which seriously affected the agricultural and domestic economy of the Tiruchirapalli and Tanjore Districts fortunately left us with light damages. The villages Ayyampalayam, Amur, Gunaseelam, Peramur, Evur, Kodunthurai and Thinnakkonam in the Tiruchirapalli district were without supply for about a week and the villages of Palamaneri, Tirukkattupalli, Budalur, and Sengipatti in Tanjore district were affected for a day. Supply was promptly restored because of the ceaseless and indefatigable energy of the staff.

Mr. H. K. Ramaswami, Director of the Managing Agency House and Ex-officio Director of this Company who had been abroad between April and July had, among other things, been examining the possibility of securing reputed foreign collaboration for switchgear and electrical domestic equipment manufacture. Though no concrete proposals have been secured, it is likely that in course of time the company may be in a position to suggest to you a diversification of its activities, by entering into manufacture as the Directors believe that as a long-range policy it would be the right thing to do.

I would like to draw your special attention to the reserve of Rs. 1,26,000 created on the basis of the notional difference in income-tax levels prevailing now and previously. The Federation of Electricity Undertakings is striving to get this money available to us either for dividends or for augmenting our capital sources. It may take sometime to have this settled and I hope the Government's decision will be favourable to you. I may also add that the Federation has been actively trying to secure modification to the VI Schedule to the Electricity Supply Act so as to enable undertakings to pay more attractive dividends and thus attract capital to this industry which is necessary if the power development plans envisaged in the Third Plan are to succeed.

Power supply position was satisfactory except for a short-period of restriction due to low water conditions. A 50 per cent cut in consumption of all H.T. and L.T. industrial consumers excepting rice mills and cement factories and essential services was ordered to be enforced by the Government with effect from 16-5-61 and new connections for industrial or agricultural purposes were also ordered to be stopped with effect from that date. But due to improved conditions the cut was reduced from 50 to 25 per cent from 27-5-1961 and it was completely relaxed with effect from 1-6-1961 owing to the onset of the monsoon. Also restrictions on temporary supplies, etc., and on connecting up of new services were lifted from that date. Though this had no effect on our revenue for that month it had caused some inconvenience to our consumers which is beyond our control.

The revenue earnings this year have nearly touched Rs. 1 crore and we have been able to maintain the usual 9 per cent dividend on equity shares subject to tax. As regards dividend on Preference Shares an extra 30 per cent over and above the stipulated dividend will be paid as required under Law. The gross dividend works out to 7.15 per cent in terms of the Preference Shares Regulation Act, 1960.

The staff relations continued to be very cordial.

I am glad to inform you that the Central Government have decided to establish a Regional Engineering College in Tiruchi with a strength of 250 students to start with. The college is expected to function from the next academic year. In view of this, the proposal to start a private college in Tiruchi as indicated in my last year's speech is dropped. However, the Seshasayee Institute of Technology is being carefully nursed to grow in its stature and to keep its pride of place among polytechnics in the State—a distinction it has achieved. The Government have sanctioned a larger intake of students, thus providing for 180 students as against 120 hitherto admitted. A junior polytechnic to train middle school boys as skilled craftsmen is also sanctioned and this is now under implementation.

I have also pleasure in informing you that the Central Government have decided to locate one of the heavy electrical industries in Tiruchirapalli, near Tiruverumbur, and there is also a move to establish a Steel Rolling Mill near Ariamangalam.

It is thus gratifying to note that the industrial development of this district is growing rapidly and we hope to play our part in this achievement.

I now move that the Directors' Report and Audited Balance Sheet as on 31-3-1961 and the Profit & Loss Account for the year ended 31-3-1961 be approved and adopted."

N.B. The above does not purport to be the report of the Proceedings of the 21st Annual General Meeting of the Company held on 30th August, 1961.

RUBY GENERAL INSURANCE CO., LTD., SUMMARY OF CHAIRMAN'S SPEECH

The following is the summary of the Speech of the Chairman, Shri B. M. Birla, delivered at the Twenty-fifth Annual General Meeting of the Company on August 30, 1961.

Gentlemen,

It gives me great pleasure to welcome you to the Twenty-fifth Annual General Meeting of the Company. The occasion is of special significance as it marks the completion of 25 years of the Company's foundation. I convey to you all my warmest greetings on this occasion.

The notable progress which your Company has made during the short span of its existence is due to the excellent support and co-operation it has received from its patrons and is a matter of satisfaction and pride for all of us.

The figures given below depict the remarkable growth of your Company during the past decade:

Net Premium	1950 Rupees	1955 Rupees	1960 Rupees
Fire	21,17,345	36,66,678	70,50,917
Misc. Accident ..	34,79,055	45,41,216	87,38,252
Marine	10,39,455	15,76,162	14,76,333
	66,35,855	97,84,056	1,72,65,502
Capital & Funds	79,50,003	92,21,200	1,46,73,639

FIRE DEPARTMENT:

The Fire Business of the Company has again yielded good results despite the reduction in the Fire rates which came into effect from 1st January, 1960. The net profit in this Department is Rs. 4,99,375/- and Reserves have increased by Rs. 7,68,896/-.

I would like to draw your attention to the huge national loss due to the recurrence of a large number of fires every year in the country. The paramount need today is for nation-wide vigilance for avoiding Fire wastage.

MOTOR AND MISCELLANEOUS DEPARTMENT:

The net premium in this Department has increased from Rs. 57,13,473/- in 1959 to Rs. 87,38,252/- in the year under review and the Reserve increased from Rs. 27,71,034/- to Rs. 43,69,126/-. The large number of road accidents resulting not only to heavy damages to the vehicles but loss of valuable lives is a constant cause of anxiety to the Underwriters not only in India but all over the world.

MARINE DEPARTMENT:

The net premium in this Department amounted to Rs. 14,76,333/- as compared to Rs. 20,03,826/- in the previous year. The fall in the premium has been due to reduction in the Overseas Hull business which had been showing disappointing results. The Department has shown a profit after many years.

The unrestricted competition has brought cargo rates down to an uneconomic level. A comprehensive tariff for internal transit will no doubt help to improve the situation. Careful handling of cargo at the Ports and by the carriers is essential.

The insurance business has a very important role to play in the development of country's economy in keeping with the programme of rapid industrialisation. The Government should lend its support to all the Indian Insurance Companies in an equitable way so that the Insurance Industry as a whole can develop on a sound and healthy basis. The industry is passing through a period of transition and the public are still not insurance-minded. As compared to other countries, premium income in India is very small.

Your Company enjoys a very strong financial position which has been further strengthened during the year under review because of the large increase in Reserves. The Capital and Funds at the end of the year stand at Rs. 1,46,73,639/- as against Rs. 1,27,80,763/- at the end of 1959.

Note: This does not purport to be a record of the proceedings of the above Annual General Meeting.

Due to increased and diversified activities
the name of the Company which was hitherto known as

"KESORAM COTTON MILLS LIMITED"

has been changed to

KESORAM INDUSTRIES & COTTON MILLS LIMITED

with effect from 30th day of August '61 after obtaining
the consent of the Central Government.

Managing Agents:

BIRLA BROTHERS PRIVATE LTD.,

8, India Exchange Place,

CALCUTTA-1.

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Food articles & Tobacco	Liquor and Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures			All Commo- dities
						Inter- mediate Products	Finished Products	Total	
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61	..	120.0	110.0	119.6	145.4	130.5	122.8	123.9	124.8
May	1960	120.3	107.3	119.2	140.1	125.4	119.0	119.9	122.8
June	"	120.3	109.5	118.0	139.7	127.2	118.7	119.9	122.9
July	"	124.0	109.6	119.5	137.2	130.4	119.4	121.0	121.0
May	1961	117.2	104.1	122.8	152.8	136.9	124.5	126.3	125.2
June	"	119.9	100.1	122.2	148.7	135.2	127.4	125.3	125.6
July	"	124.3	98.6	121.5	151.3	141.9	124.6	127.0	128.6
8-7-1961	..	123.3	98.2	121.5	150.4	142.7	124.2	126.8	127.9
15-7-1961	..	125.0	98.2	121.4	153.5	142.5	125.0	127.5	129.5
22-7-1961	..	125.7	99.5	121.6	154.4	141.9	125.2	127.5	130.0
22-7-1961	..	125.7	99.5	121.6	154.4	141.9	125.2	127.5	130.0
5-8-1961	..	124.0	99.9	121.5	150.4	141.8	125.1	127.5	128.5

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS (August 1939 = 100)

Period	Bombay		Delhi		Bengal U.P.		Central Provinces		Madras	E.P.	Bihar
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur† All India†
1939 (Aug.-Dec.)	103	—	—	—	—	105	104	—	106	—	—
1954	342	359	244	138	327	408	373	139	341	148	140
1955	322	338	217	130	321	371	364	133	321	134	135
1956	336	352	244	142	347	424	397	151	358	152	146
1957	352	368	259	150	364	448	422	162	374	157	157
1958	376	394	274	150	384	468	447	165	401	157	169
1959	393	412	308	158	384	469	498	163	429	166	173
1960	401*	420*	296	158*	397	476	512*	165	467	167	166
1960 July	404	423	302	160	406	484	515	165*	467	169	166
August	402	421	304	160	410	484	515	163	470	169	168
September	399	418	302	161	403	484	520	163	472	167	168
October	402	421	304	162	396	488	517	163	477	171	166
November	404	423	300	159	392	498	509	163	484	171	168
December	400	419	297	160	385	480	507	163	488	169	167
1961 January	400	419	296	161	385	480	495	165	470	171	166
February	401	420	296	163	389	488	491*	165	470	171	166
March	404	423	296	163	392	483	488*	—	479	169*	167
April	409	428	296	165	389	471	490	—	482	169*	166
May	412	431	—	166	389	464	490	—	479	—	—
June	414	433	—	167	—	474	498	—	478	—	—
July	418	437	—	172	—	—	498	—	—	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT) WEEK ENDED

	25-8-1961			18-8-1961			11-8-1961			4-8-1961		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	123.10	122.60	122.76	122.90	121.55	122.40	122.50	120.60	121.53	121.20	120.10	120.63
Silver (per kilogram)	204.35	202.55	203.46	202.89	201.65	202.31	202.85	201.85	202.29	202.05	200.10	201.06

SCHEDULED BANK

(Rs. in Lakhs)

Period	LIABILITIES				Balances (5+6) Advances		Bills Dis-		(8+9) Investments	
	Demand	Time	Total	Cash	with	as per-	counted	as per-	in Govern-	ment Secur-
(1)	(2)	(3)	(4)	(5)	Reserve Bank	centage of (4)	(8)	(9)	ment Secu-	ities in India
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)

Average of
Fridays

Feb. 1961	803.25	1,092.13	1,895.38	45.46	71.07	6.15	1,071.18	183.27	66.19	593.27
March 1961	820.31	1,074.28	1,894.59	45.14	70.03	6.07	1,107.98	197.93	68.92	566.54
April 1961	854.21	1,093.17	1,947.38	47.78	74.18	6.27	1,111.89	205.35	67.64	553.13
May 1961	845.27	1,108.21	1,953.48	48.43	73.26	6.23	1,085.24	194.17	65.49	548.23
June 1961	837.02	1,119.91	1,956.93	48.46	79.72	6.55	1,102.90	179.40	65.53	542.17
July 1961	843.35	1,133.99	1,977.34	46.71	88.73	6.85	1,100.57	156.31	63.56	562.78

Week Ending

28-7-1961	832.56	1,142.69	1,975.25	44.17	77.26	6.15	1,089.87	150.94	62.82	577.82
4-8-1961	838.10	1,143.91	1,982.01	45.99	78.88	6.30	1,090.84	153.13	62.76	591.30
11-8-1961	833.72	1,147.48	1,981.20	44.88	75.80	6.09	1,092.41	149.45	62.68	582.52
18-8-1961	839.47	1,146.47	1,985.94	46.77	80.53	6.41	1,088.30	149.91	62.35	585.85

Deposit Money with the Public

MONEY SUPPLY WITH THE PUBLIC

(Rs. in Lakhs)

Last Friday	Deposit Money with the Public				Total variation	
	Money supply with the public	Total currency with the public	Total	Demand liabilities of banks	Other Deposits with Reserve Bank†	in money supply
(1)	(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

PRIVATE SECTOR PROJECTS

EXPANSION OF SELECTED MAJOR INDUSTRIES IN THE THIRD PLAN

Name of Industry	Unit	1950-51 Production	1955-56 Production	1960-61 Estimated Capacity	1960-61 Estimated Production	1965-66 Capacity	1965-66 Production	Fixed Investment during 1961-66 (Rs. crores)	Foreign Exchange Component of Fixed Investment (Rs. crores)
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METALLURGICAL INDUSTRIES

35. Iron and steel

i. Steel ingots	.. Million tons	1.4	1.7	6.0	3.5	10.2	9.2)		
ii. Finished steel	.. "	0.98	1.3	4.5	2.2	7.5	6.8)	640.0	305.0
iii. Pig iron for sale	.. "	0.35	0.38	0.9	0.9	1.5	1.5)		
iv. Alloy, tool and special steel (finished)	.. '000 tons			40	40	200	200)		
v. Grey iron castings	.. Million tons			n.a.	n.a.	1.2	1.2)		
vi. Steel castings	.. "			0.10	0.05	0.20	0.20)	30.0(a)	15.0(a)
vii. Steel forging	.. '000 tons			60	35	200	200)		
36. Ferro-manganese, electro-thermal	.. "	nil	nil	150	100	220	200	2.5	2.0
37. Ferro-silicon	.. "	n.a.	n.a.	5	6	40	40	2.0	1.2
38. Aluminium	.. "	3.7	7.3	18.2	18.5	87.5	80.0	65.0	32.0
39. Copper (fire refined and electrolytic)	.. "	6.6	7.5	9.0	8.9	22.0	20.0	0.6(b)	0.4(b)
40. lead	.. "	0.8	2.1	6.1	3.5	8.5	8.0)	7.3	2.7
41. Zinc	.. "			nil	nil	15	15)		
42. Tungsten carbide	.. Tons			5.0	4.0	69	25	1.0	0.5

ELECTRICAL ENGINEERING INDUSTRIES

43. Electric transformers (below 33kv.)	.. million kva.	0.18	0.63	2.2	1.2	4.0	3.5		
44. Electric motors (200 h.p. & below)	.. million h.p.	0.10	0.27	1.25	0.7	3.0k	2.5k)		
45. Electric cables and wires									
i. A.C.S.R.	.. '000 tons	1.7	8.7	28	22	55	44)		
ii. V.I.R. and plastic coated	.. million yds.	39.4		1000	750	4500	4000)		
iii. Paper insulated	.. miles		525	470(1	1077	2000 to 2500	2000)		
iv. Dry core cables	.. miles			300	200	300	300)		
v. Coaxial cables	.. miles							30.0	18.0
46. Electric fans	.. million nos.	0.19	0.29	1.8	0.98	2.8	2.1)		
47. House service meters	.. "		0.25c	0.6	0.46	2.5	2.1)		
48. Electric lamps									
i. G.L.S. and others	.. "	15.0	25.03	43.13(1	38.05	76.0	68.0)		
ii. Fluorescent tubes	.. "	Nil	0.75	1.20(1	1.46	7.0	6.0)		
49. Radio receivers (organised sector)	.. '000 nos.	49.0	102.0	279.18(1	254.0	900.0	800.0)		
50. Storage batteries	.. '000 nos	200.0	258.08	379.3(1	509.0	900.0	800.0)		
51. Dry batteries	.. million nos	136.3	161.1	224.50(1	200.0	400.0	350.0)		
52. Heavy electrical equipment in the public sector	.. Rs. crores					80.0	80.0	104.0	60.0

[Note: A few proof-reading mistakes appeared on page 429 of "The Eastern Economist" dated September 1, 1961. The same statistics are reprinted with corrections.—Ed.]

ESTIMATE OF INTERNAL CONSUMPTION OF TEA IN INDIA

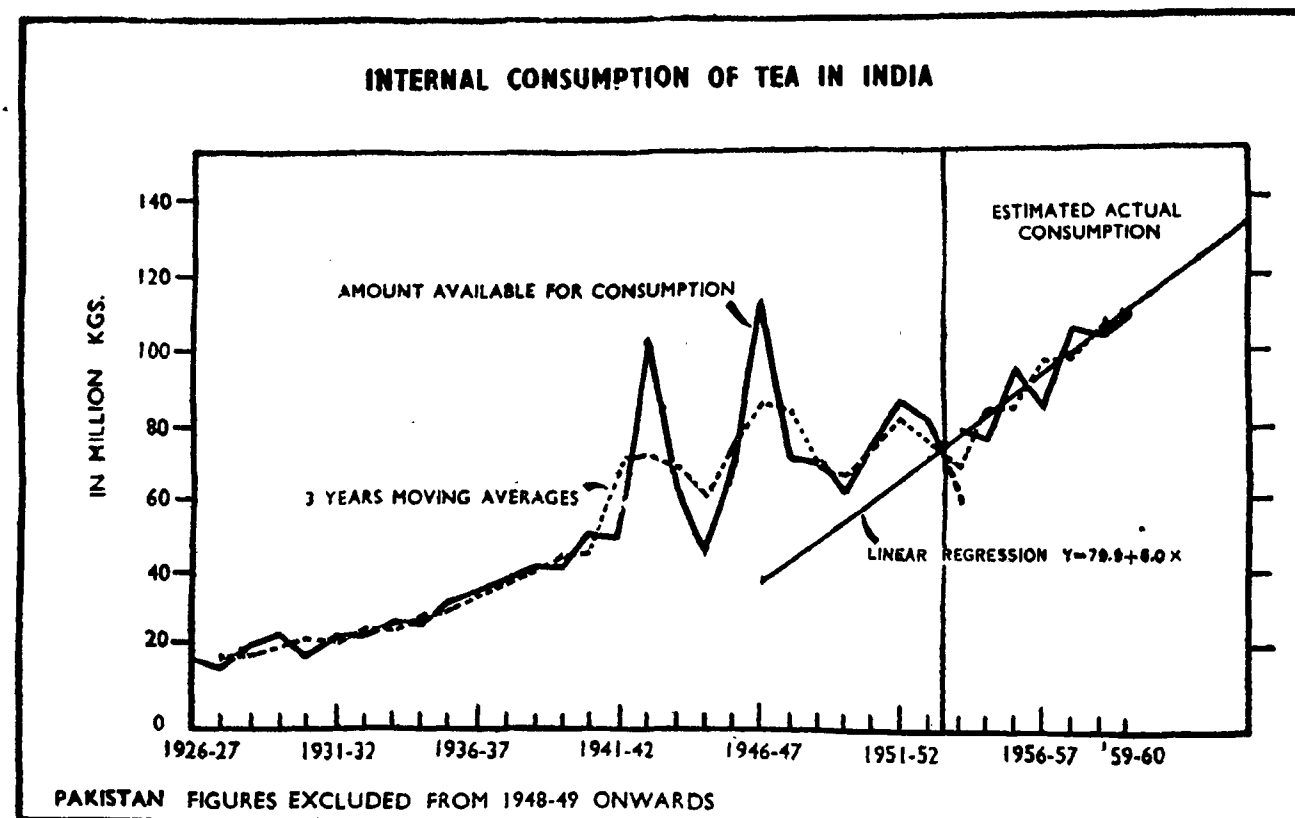
(Figures in thousand kgs.)

Year	Opening stock as on 1st April	Production during the calendar year	Export during the year (April-March)	Closing stock at the end of financial year	Estimated consumption (col. 2+3) — (col. 4+5)	Values Obtained by the method of linear regression	3 years moving average of col. 6	Values obtained by Linear regression applied to moving average
1953-54	49,115	278,777	213,500	31,727	82,665	80,122	..	78,929
1954-55	32,084	295,519	208,462	39,922	79,219	86,025	87,368	85,293
1955-56	39,652	307,704	183,769	63,367	100,220	91,928	88,961	91,656
1956-57	63,367	308,719	233,088	51,554	87,444	97,831	100,054	98,020
1957-58	51,554	310,802	191,755	58,104	112,497	103,733	102,939	104,384
1958-59	58,104	325,225	217,322	57,132	108,875	109,636	112,197*	110,747
1959-60	63,933	327,281†	216,145	59,849	115,220	115,539	..	117,111

* The figures marked with asterisk and all the figures in columns 7 and 9 are provisional.

† The figure relates to the financial year 1959-60.

Source: Tea Board Statistics.



ESTIMATES OF INCREASE IN AGRICULTURAL PRODUCTION DURING THIRD PLAN

State	1955-56	1958-59 (Revised Estimates)	1959-60 (Final Estimates)	1960-61 (Anticipated)	Additional Production in Third Plan	Estimated Production at the end of Third Plan	Percentage increase during Third Plan
1. FOODGRAINS							
(Lakh tons)							
Andhra Pradesh	55.36	63.64	62.96	63.95	24.04	87.69	37.6
Assam	17.06	16.60	16.60	17.69	4.20	21.89	23.7
Bihar	51.84	68.76	59.39	62.62	20.27	82.89	32.4
Gujarat	..	..	..	21.16	8.31	29.47	39.3
Maharashtra	..	72.55	75.07	62.66	17.32	79.98	27.6
Kerala	8.87	9.65	10.55	10.42	4.00	14.42	38.4
Madhya Pradesh	76.17	92.85	90.31	90.74	16.68	107.42	18.4
Madras	45.38	49.25	50.96	51.72	16.54	68.26	32.0
Mysore	37.83	37.17	36.27	38.50	10.04	48.54	26.1
Orissa	24.63	24.52	24.47	40.00	16.15	56.15	46.5
Punjab	47.85	60.78	53.67	60.00	18.50	78.50	30.8
Rajasthan	41.75	50.93	47.26	50.35	16.00	66.35	31.8
Uttar Pradesh	118.86	133.99	131.82	135.39	47.45	182.84	35.1
West Bengal	49.73	45.26	46.15	52.24	14.49	66.73	27.8
Jammu & Kashmir	4.74	5.49	4.87	4.83	1.00	5.83	20.5
Union Territories	5.32	6.86	7.15	7.15	1.05	8.20	14.7
TOTAL	657.94	755.03	717.50	769.42	236.04	1005.16	30.6
2. COTTON							
(Thousand bales)							
Andhra Pradesh	128	116	115	115	60	175	52.2
Assam	9	6	9	9	5	14	55.6
Bihar	2	1	1	6	..	6	..
Gujarat	..	..	..	1106	294	1400	26.6
Maharashtra	..	1921	1533	..	328	1535	27.2
Kerala	10	8	8	5	100	105	..
Madhya Pradesh	403	380	279	567	184	751	32.5
Madras	335	356	401	420	100	520	23.8
Mysore	363	441	465	500	250	750	50.0
Orissa	2	2	2	2	98	100	..
Punjab	605	711	800	900	300	1200	33.3
Rajasthan	124	145	148	200	152	352	76.0
Uttar Pradesh	29	34	67	54	96	150	177.8
Union Territories	7	5	7	7	..	7	..
TOTAL	3998	4686	3835	5098	1967	7065	38.6

ESTIMATES OF INCREASE IN AGRICULTURAL PRODUCTION DURING THIRD PLAN

(Contd.)

State	1955-56	1958-59 (Revised Estimates)	1959-60 (Final Estimates)	1960-61 (Anticipated)	Additional Production in Third Plan	Estimated Production at the end of Third Plan	Percentage Increase during Third Plan
3. SUGARCANE (GUR)							
(Thousand tons)							
Andhra Pradesh	517	661	627	627	123	750	19.6
Assam	66	97	97	100	20	120	20.0
Bihar	292	636	653	685	45	730	6.6
Gujarat	553	800	927	98	31	129	31.6
Maharashtra	..	..	..	880	300	1180	34.1
Kerala	33	35	36	37	30	67	81.0
Madhya Pradesh	115	89	106	163	97	260	59.4
Madras	335	384	409	400	101	501	25.3
Mysore	290	392	384	413	97	510	23.5
Orissa	92	73	73	100	130	230	130.0
Punjab	556	725	857	780	120	900	15.4
Rajasthan	45	42	60	90	90	180	100.0
Uttar Pradesh	2940	3076	3203	3500	700	4200	20.0
West Bengal	131	117	128	128	59	187	46.1
Jammu & Kashmir	1	1	1	1	..	1	..
Union Territories	13	15	18	18	..	18	..
TOTAL	5979	7113	7579	8020	1943	9963	24.2
4. OILSEEDS							
(Thousand tons)							
Andhra Pradesh	1188	1109	1080	1079	558	1637	51.7
Assam	56	66	44	60	20	80	33.3
Bihar	56	78	66	60	66	126	110.0
Gujarat	1202	1925	1588	1050	300	1350	28.6
Maharashtra	..	..	..	718	321	1039	44.7
Kerala	20	22	17	20	31	51	155.0
Madhya Pradesh	454	621	473	561	125	686	22.3
Madras	870	939	945	1050	290	1340	27.6
Mysore	503	574	580	700	175	875	25.0
Orissa	65	54	54	90	110	200	122.2
Punjab	149	186	165	185	115	300	62.2
Rajasthan	252	268	198	276	110	386	40.0
Uttar Pradesh	765	996	1089	1180	495	1675	41.9
West Bengal	49	55	39	40	20	60	52.0
Jammu & Kashmir	19	11	11	11	..	11	..
Union Territories	4	3	3	4	..	4	..
TOTAL	5643	6907	6352	7084	2736	9820	38.6
5. JUTE							
(Thousand bales)							
Assam	1212	989	1114	813	400	1213	49.2
Bihar	589	1243	957	839	441	1280	52.6
Orissa	245	177	212	261	400	661	153.3
Uttar Pradesh	89	95	92	89	30	119	33.7
West Bengal	2013	2596	2170	1987	840	2827	42.3
Tripura	50	58	60	41	40	81	97.6
TOTAL	4198	5158	4605	4030	2151	6181	53.4

Source: Planning Commission.

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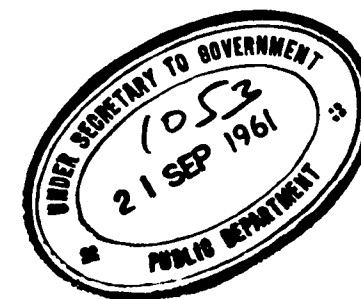
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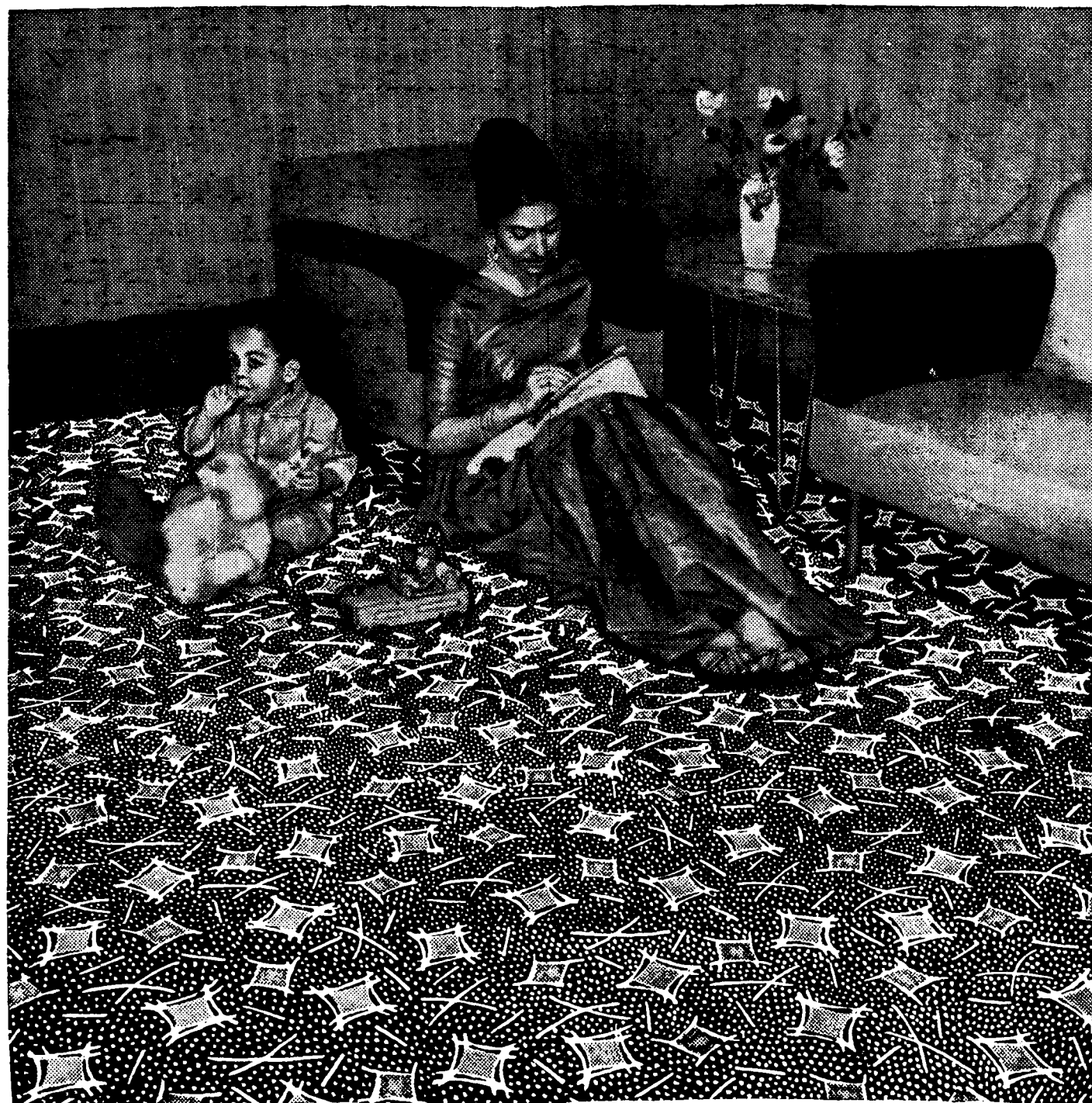
ONE RUPEE



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The Eastern Economist

SEPTEMBER 15, 1961.

The Import-Export Dilemma

THE meetings of the Import and Export Advisory Councils on Monday and Tuesday this week, if they did nothing else, have served to focus attention on the unpleasant horns of the dilemma in which India is fairly and squarely placed at least for the next five years. The first of these is, undoubtedly, the problem of maintaining increased development in the spacious pattern of the Third Plan, whilst providing existing industries with the raw materials they require. This is often called the dilemma of maintenance versus development. The second problem is related to it, but is now considered separately; it is how to expand exports with a highly inelastic bill for raw materials. The two horns of the dilemma might, theoretically, be jumped by a decision to bias imports very heavily in favour of maintenance, subject to the condition that all these additional maintenance imports are used for exports and, when the export earnings increase, there could conceivably be some large margin for development. One thing, however, the meetings made clear was that, with all the passion for exports in the immediate future, the Government of India was firmly set in its current development plans. In other words, no solution to the import-export dilemma can be found in these terms; both politics and dogma are firmly against even a policy of temporary consolidation.

Opinions may well differ as to the extent to which in his eloquent speech, in reply to the criticism that development has been overdone at the expense of the utilisation of the current capacity, Mr. Manubhai Shah argued that the character of the choice did not admit of this over-simplification. Much of the development was currently associated with providing raw materials and spares and was, therefore, true "maintenance". Besides, here was a large political issue involved in that it was quite impossible for leading States of the Indian Union to further advance their lead whilst the backward States were denied a chance of development by reason of diversion of all the available foreign exchange to existing units. There was also the question of allocation of resources not only to units but to men, and the Minister of Industry perhaps made his most valuable point when he said that a part of the process of development was the building of the men who were to carry the development of India not for five

years but for as long as the eye can see. There was also, undoubtedly, great force in his argument that a freezing of new capital investment would only result in "vested" interests, unfortunately already too well entrenched, and the rise of political dissatisfaction with the inequalities thus made more acute.

While there was much cogency as well as sweet reasonableness in the Government's case, the dilemma remains as acute as before. If this policy is pursued it can only result, as the Minister for Commerce and Industry admitted, in a further deterioration in India's balance of payments. Nor can the problem of diversion of capacity to export be any solution, for, as was pointed out at the Import Advisory Council's meeting, any reduction of sales in the internal market will be inflationary, and Government promises of holding the price line will not be any better than the paper on which so many have been written. Again, the only chance of making India competitive — with labour costs in money terms rigid and large rationalisation not possible because of the Trade Union resistance — is by exploiting the principle of increasing returns. In other words, the level of costs can only be reduced by additional production which in turn is based on additional imports in some cases. The fixing of new targets for exports must imply additions to, not subtractions from, the current level of internal consumption.

If this point is realised, it should be possible without too much departure from current policy to make a substantial contribution to exports. It will probably be necessary, as Mr. R. G. Saraiya advocated, to have more specialised export houses and warehouses at the ports to enable quick and inexpensive additional knowledge and "facilities". It may also be necessary, as Mr. Neville Wadia pointed out, to reconsider allocations of raw materials as in cotton, by means of additional rebates on export performance which, as he estimated for cotton, might bring in Rs. 6 crores of foreign exchange. Again, as Mr. K. K. Birla indicated, exports in time might win us additional quotas under the International Sugar Agreement. All these can and should be done. Another proposal that was considered was that some con-

cession on income tax related to exports would add incentives hitherto conspicuous by their absence.

Whether exports are to be made compulsory by legislation or not—*The Eastern Economist* favours compulsion — certain precise lines of policy can be demarcated even before the Ramaswami Mudaliar Committee reports at the end of the year. Firstly, some additional export targets should be fixed with the agencies responsible for their execution. Secondly, there must be a dovetailing of raw material imports with additional export performance in such a manner that efforts are not

frustrated by the absence of raw materials and spares. Thirdly, all the incentives possible should be put in operation on income tax, export houses, warehouses, additional quotas, additional rebates, and not least of all, costs of transport. These are not by any means impossible or even difficult jobs in theory. The question is whether or not the Government's determination is really as great as its declarations purport to be. The real trouble seems to be that the country believes the Government is only half-hearted in its decision. How can conviction be carried to those who have had good reason to doubt the ineffective words they have often heard in the past?

Roads to the Rescue?

NEITHER the parliamentary debate on the Third Plan nor the tireless efforts of the Railway Ministry to defend its performance (the latest example is highlighting the improvement in the supply of wagons for coal movements in the slack season) are helpful for an appraisal of the transport situation. A sense of crisis about the outlook for transport in the coming years is hardly in evidence and a discussion of the issue gets bogged down in concern over transient problems. It is unfortunately one of the serious drawbacks of Indian planning, whether in the context of the short run of five years or in the long-term perspective, that scant attention is paid to the infra-structure of the economy and there is almost exclusive preoccupation with the superstructure. The precious little that is devoted to perspective planning in the Third Plan ignores the basic requirements of the economy in respect of transport and power. Transport is dismissed with a bare mention of the target of freight traffic for the railways in 1970-71 and that too is expressed in terms of the originating traffic of the order of 380-420 million tons which cannot give any indication of the effective demand which will be generated for rail capacity.

This sorry state of affairs would appear to arise from the fact that the Planning Commission has allowed itself to be rendered a prisoner of the high pressure which the Railway Ministry is in a position to exert on questions involving the relative weights to be assigned to rail and road transport in the development programmes of the economy. The railways have not shown, in the Second Plan period, a capacity for flexibility. A slackening of the tempo of economic activity in the wake of the crisis of foreign exchange pushed them to raise the bogey of acute competition from motor transport with the result that the Planning Commission has been unable to make up its mind on several issues of transport development in the Third Plan and it has made no secret of the fact that it would prefer these matters to await the final report of the Neogy Committee on Transport Policy and Co-ordination.

All it has ventured to do is to record its tentative view that "prima facie, it is desirable that financially the Indian railways should not take the downward path followed by the railway system in some other countries." It is not understandable why it should betray diffidence and express a *prima facie* opinion, when it has not been argued by any responsible section of opinion in the country that a halt should be cried to any further expansion of the railways. *The Eastern Economist* has held the view that the railways will retain for the present their dominant rank among the different modes of domestic transport.

In the Third Plan the capital-at-charge of the railways is to be increased from Rs. 1,559 crores in 1960-61 to Rs. 2,313 crores in 1965-66 — an increase of Rs. 754 crores in five years as against an increase of Rs. 725 crores in the first two Plan periods combined. This question is beside the point, which concerns the root of the transport problem.

That point is: Given this order of investment and ancillary outlay, will the railways provide the capacity for which the transport user will make a demand? No answer has been provided by the Planning Commission to this question. The railway freight target for the Third Plan has been expressed in terms of originating tons and put at 245 million tons. The increase in the average lead has not been assessed over the next five years even by a rule of thumb to arrive at a target in ton miles which is the real indicator of demand. The numerous qualifications and guarded reservations noticeable throughout the Planning Commission's analysis of the freight transport problem hardly leave room for doubt that the railways will be unable to cope with the traffic likely to arise. That is the crux of the transport problem.

The Planning Commission is apparently not prepared to admit that the long-delayed age of the roads is arriving. Its arrival does not mean that the relative scales of the importance of rail and road will be reversed overnight. In positive terms it means that roads will emerge progressively and rapidly with a potential to supply the transport capacity which the economy would require and they must be liberated from the shackles placed on them in the context of an altogether different situation when cut-throat competition ran riot for a limited volume of traffic. If due recognition is not given to the fact of the arrival of the roads and transport policy continues to move in the conventional rut, as in the tentative assumptions made by the Planning Commission, nothing can save the economy from a transport crisis of unmanageable proportions. Assuming a freight target for the railways of the order of 400 million originating tons in 1970-71 and the average lead to rise to 425 miles, is there any reasonable ground to suppose that the railways will manage to move 170,000 million ton miles as against their estimated performance of 54,700 million ton miles in 1960-61?

It is roads alone which can come to the rescue of the economy. Neither coastal shipping nor inland waterways possess that potential. During 1950-51 to 1960-61, road transport, hamstrung by legal restrictions, trebled its freight performance from 3,358 million ton miles to 10,600 million ton miles. Freed from the shackles, it can go a long

way to fight the challenge of the mounting demand for transport. But in the Third Plan it is allocated a mere Rs. 300 crores. The economies in investment and the increase in capacity available from the truck-trailer combination have been demonstrated in other countries. Assuming that the payload is raised from a 6-ton vehicle (which is not common at present) to 12-ton truck-trailer, the cost of carriage per ton mile would be nearly

halved. A decision to permit truck-trailer services on some selected routes is imperative now, but the very term truck-trailer has been banished from the text of the Plan. Expansion of road transport has its counterpart in expansion of the automobile manufacturing industry and both require a medium period of gestation. Failure to plan road development now will make transport shortage in the Third and Fourth Plans insoluble.

Guest Editorial

Fear Becomes Lost in Habit

By WILLIAM REES-MOGG

THE paradox of Berlin is that in the West there is a belief in crisis, but hardly any belief in the possibility of war itself. The public reaction in Britain and in most of Europe, though not in Germany itself, is that the crisis will be resolved somehow, and peacefully. If war came, the public would feel surprise, though there might only be a brief time in which to feel it.

This reaction is important, and deserves to be analyzed further. In the first place it assumes the effectiveness of the deterrent—it assumes that the deterrent will in fact deter. This has been shown also by the change of mind in the trade unions and the Labour Party in Britain about nuclear disarmament. The belief that nuclear weapons are a defence of Britain is more widely held than before.

The second point is that the Russian tactics of alternating periods of conciliation with periods of bullying is also having less effect. It has never been easy to be sure whether in fact this hot and cold policy was deliberate, or whether it represented some natural cycle in Russian policy.

Those who argued that it was calculated regard the conditioned reflex of Pavlov's psychological theories as their basis of Russian purpose. Apparently a dog which has been conditioned in a particular way becomes bewildered and hysterical if it is subjected to an alternation of the expected and the unexpected response. Sometimes when a bell rings it gets food—sometimes it gets a jug of water thrown over it—the result is a nervous collapse.

Certainly this psychological technique has been used deliberately to induce hysterical confessions in prisoners. Now there is harsh confinement and now again kind words and the offer of cigarettes. It is plausible to suppose therefore that the apparently irrational alterations of Russian foreign policy are a matter of calculation, and that their purpose is nothing less than to brainwash the world by tightening and relaxing the tension in a preconceived rhythm.

If this is the purpose, it would seem to have failed. The world is becoming less and less preoccupied with the conduct of the Russians: it has begun to assume that there is no difference, or very little difference, between periods of crisis and periods of comparative friendship. Indeed some people have come to think that if war were intended it would be preceded by a period of calm in order to achieve the maximum element of surprise.

However this all rests on the fundamental assumption that Russian policy is consistent and

rational in a way that is true of no other country. A very superficial communist might believe this, out of a sort of hero-worship of the supposedly scientific character of Russian Government. Any serious Marxist would not believe it, because Marxism is a doctrine which stresses the relative importance of underlying historic causes, particularly those of an economic character, and the relative unimportance of the anxious purposes of governments.

Any ordinary observer of human affairs would also suspect any theory which rests upon so high a degree of sophisticated consistency over so long a period. It is simpler to suppose that, for causes which remain unknown, Russian policies veer from hard to soft and back again as other countries switch their political parties in government, or suffer from trade cycles. The inability to explain the causes of the cycle is not of over-riding importance—the causes of the trade cycle remain pretty obscure after two hundred years of study.

If either theory is correct then it can do little good to remove the immediate causes of irritation. If we were not having a crisis over Berlin we would be having a crisis over something else—Laos perhaps, or Formosa, or even Yugoslavia if the Russians felt it had to be in Europe. There can never be a shortage of trouble spots in the world, in any of which a crisis can be created.

It is necessary to remember the simple tool of analysis which Lenin himself used: "Who, Whom?" There is not a single post-war crisis, except possibly those of Suez and Cuba, in which the communist bloc was not the agent and the rest of the world the sufferer. Even Suez and Cuba had little relationship to the immediate interests of the Soviet Union.

In each case therefore it has been open to Russia to lower the tension, because Russia has always in effect been the protagonist, looking for an opening. The same is true of China. The Russians did not need to start the Berlin crisis: they did not need to start nuclear testing: they could stop both at any moment of their choice. It is the Russians who are pressing the West, not the other way round.

Yet this is also a factor of hope. Precisely because Russia is in control of the situation the common public judgment of the deterrent is justified. The situation is not out of control. There can be a settlement over Berlin; there will be a settlement over Berlin; the Kremlin has no wish to be destroyed on this issue, or indeed on any other.

A DELHI DIARY

THE PRIME MINISTER'S RETURN

ACCORDING to schedule, the Prime Minister returned on Monday and equally according to schedule, he returned looking well and fit. I say 'according to schedule' because it always seems that, after an absence from India, the Prime Minister's spirits revive, however arduous the trip. In this particular case—as he explained to journalists—on one night he had no sleep, while the resolutions at the Belgrade Conference were being drafted, or rather hammered out on an anvil, in which I prefer not to describe the nations at the receiving end. Reports in Delhi, now confirmed by Mr. Sulzberger in the "New York Times", suggest that the Prime Minister had some effect in reducing tension, at least to the extent of encouraging Mr. Khrushchev to meet Mr. Kennedy. Now, however,—so contrary is the world!—it seems that Mr. Kennedy does not wish to meet Mr. Khrushchev because the subject of negotiations on Berlin has been left wide open. However, I still consider the Prime Minister has led to a softening in the Kremlin. Does it follow by Newton's Third Law of Motion that he must harden at home? That, however, seems to be the impression since he has now made it quite plain to the Akalis that he is not amenable to any reduction of his somewhat hard conditions for a settlement. In the end, it looks as though there will be less peace at home even if there is more abroad!

THE BATTLE OF THE PUNDITS

Meanwhile, conducted most peacefully, but nevertheless with much excitement, there has been in two meetings—those of the Import and Export Advisory Councils—heated controversy on matters no more important than rupees, annas and pies, or their more important (equivalents?) pounds, shillings and pence, or dollars and cents. The debate started when Dr. P. S. Lokanathan, Director-General, National Council of Applied Economic Research, in the Import Advisory Council, argued for a radical rethinking of Indian import and export policy. Firstly, priorities should now be rigidly defined so that imports would be tied to exports: would it not be a good thing, therefore, if the Import and Export Advisory Councils merged? Mr. K. C. Reddy, Minister for Commerce and Industry—who must also be worried about the time taken by the two Councils separately—was quick to agree that this looked to him an excellent suggestion. Secondly, Dr. Lokanathan thought that internal consumption should be frozen to provide for exports. Thirdly—and here he was on far vaguer ground—he spoke about the substitution of labour for capital implying that capital goods could be largely substituted in some manner by more intensive working of existing capacity at home with additional labour. This was a bone of contention on which Mr. G. L. Bansal, Secretary-General, Federation of Indian Chambers of Commerce and Industry, was quick to reply. According to Mr. Bansal, a great deal of current production was not capable of labour substitution in the facile manner in which Dr. Lokanathan had suggested. Secondly, in regard to development schemes there was a very large number of techniques which could not thus be milled about; it would not be a practicable policy greatly to change current development spasmodically if there were a temporary shortage of foreign exchange. Therefore, the end of export promotion had to be attained by better utilisation where possible, but it would be difficult to argue that there was much room to manoeuvre. Everything seems to be marginal in the best (or worst) of all marginal worlds!

"MAINTENANCE-DEVELOPMENT"

Attempts by other members to provide a bridge between the opposing views proved in the event not very helpful, and it was left to the Minister of Industry, Mr. Mansubhai Shah, in a most eloquent speech, to justify

Government policy which was neither opposed to maintenance nor development, but was beautifully poised on a new point or slogan which he described as 'maintenance development' or 'development maintenance'. At the end of his persuasive address everyone believed what the Minister thought, which was that the Government's judgment was, in fact, a splendid substitution for a doctrine on maintenance or development. It was, in fact, a recognition that maintenance of existing industries involved development of raw material industries; that the development of raw material industries evidently involved more "maintenance"; and, therefore, while Government had sometimes difficult decisions to make, because they made them with a much wider array of facts than are available to the members of the Council, they were generally "right". They recognised the hardships of the moment, but this was what a great nation had to face to struggle through the terrible poverty line. This was the part of the glorious price that was to be paid for this break-through. All in all, all was for the best in the best of all possible worlds!

EXPORTS WITHOUT TEARS

On the next day, when the Export Advisory Council was to meet, a neat little bomb-shell was placed before the Council by Mr. K. C. Reddy, Minister for Commerce and Industry, in the form of a proposal to legislate for compulsory exports. As with all explosives, the reaction was immediate, and most members of the Council, drawn largely from private industry, protested loudly against the defects of legislation for a purpose which could easily be accomplished by other measures, notably by the Government of India's recognising its own weaknesses of administration and rushing through licences, quotas, raw materials and everything else. In the end, whilst the Government's stand was ostensibly maintained, Mr. Reddy agreed that he would initiate these new measures only after consultation with the Federation and other Chambers of Commerce and Industry. Thus it looked as though exports would not be as compulsory as they first appeared, and would take place at least without tears openly shed.

WITH BLINKERS ON?

There are a few who are of the general feeling that we were getting on as best as we could in the very difficult times in which Providence had placed us. There were, however, a few others who seemed to think that India's balance of payments problem was running into a crisis so deep and profound that it would affect the entire planning for the future. This was not—happy thought!—the result of the coming of the European Common Market which curiously on this occasion was viewed without alarm, contrary to the frightened declarations of the Ministry of Finance when Mr. Thorneycroft was here. The real trouble in the minds of the optimists is that somehow or another aid will go along, and, somehow or another we will manage to service it. In the minds of the pessimists this is a counsel of complacency. In view of the current international situation—and the feeling that a "hard" look is to be taken at aid both by West Germany and the United States—one cannot assume the Aid-India Club commitments will run through according to plan or at least without some little elongation of the time that has been mentioned. In the result no one quite knows where we stand, but everyone is as hopeful as before and the Stock Exchanges on Monday and Tuesday registered their belief that all was well, by rising steadily, after fifteen days of depression, and even disaster. Such, it seems, is the mercurial character of the Indian business community. Long may it impart its optimism to the world of dismal prophets!

ARGUS.

THE WEEK'S NOTES

Berlin

AFTER BELGRADE

ONE THING which is becoming clearer beyond doubt is that the three Western allied powers are determined in their firm resolve not to let Russia thrust any psychological defeat on them. While a nuclear war is not feared in the near future, the threat of miscalculation precipitating war always hangs over the world and the Western powers do not underrate its magnitude. But in the immediate wake of the neutral summit, they have made it quite clear to Mr. Khrushchev in their joint note on the use of the air corridors from three sides to West Berlin, that they will not tolerate any blockade. The firm tone in which they trace the history of the legal sanction behind the air corridors and its inviolability except by a four-power modification are clear proofs of this attitude. The right to access cannot be the subject of negotiation, although the procedure of access may be. The joint note does not of course disclose the Western proposals for negotiations, since the Foreign Ministers of the three countries were scheduled to meet for this purpose in Washington on Thursday this week. Reports from Washington on the appeal of the Belgrade powers for an early summit of the Big Two to reimpose the ban on nuclear tests indicate that the U.S. considers this proposal premature. President Soekarno and President Modibo Keita of Mali will, of course, receive a courteous welcome, but prompt acceptance of the Belgrade appeal is too much to expect at this stage.

Meantime, in his speech delivered at the Indo-Soviet rally on the occasion of Mr. Nehru's visit to Moscow, Mr. Khrushchev reiterated the Soviet position, which, in effect, is tantamount to no relaxation of the rigid attitude taken by him. The Soviet Premier has put the responsibility for his decision to resume nuclear tests on the U.S. and has issued a veiled warning that no delays in the negotiations can prolong the conclusion of a treaty between Russia and East Germany. He has also reiterated the status of Berlin as envisaged by Russia, namely, that of a demilitarised free city and, on top, he has affirmed that the question of negotiations on West Berlin would be a matter of settlement with the State of East Germany. There is thus little relaxation in the tempo of the war of nerves. But the door is kept open for negotiations as it should be. That is apparent from Mr. Khrushchev's statement that he would be prepared for business-like talks with the West. But he was cautious not to make any commitment on a summit of the Big Two. It is particularly noteworthy that Mr. Khrushchev's speech followed Mr. Nehru's appeal in terms of the Belgrade resolution.

Prohibition

THE PRECIPITATE DECISION

AS IF the problem of foreign exchange and the challenge of exports at any cost are not sufficient to weigh down the Government during the Third Plan period, Mr. Shriman Narayan and Mr. B. N. Datar have taken up the crusade against liquor and snatched the opportunity of the Central Prohibition Committee's recent decision to translate into action the slogan of total

prohibition throughout the breadth and length of the country by the end of the Third Plan. The Central Prohibition Committee is not the formal authority to lay down any official policies, although the voice of the States is represented on it. But they get the sanction for enforcement only on approval by the State Governments. It surpasses comprehension why an issue, which has so many complicated implications, should not be left by the Centre to the discretion of the State Governments for final determination as it has done hitherto. The Union Home Ministry has snatched the opportunity of the decision of the Central Prohibition Committee and reportedly it has called upon the State Governments to prepare their plans for complete prohibition during the Third Plan period and tender them to it in a matter of only thirty days. Apparently this is to shut out any dissentient views and to adopt a uniform-cum-regimented policy of phasing out total prohibition within five years.

The ostensible cost of enforcing a policy Statewise has not been estimated at all and it is too much to presume that the State Governments would ever be in a position to formulate genuine plans of prohibition without making realistic calculations of the financial pros and cons of this policy. The Centre has gone forward with the offer to meet half the loss resulting to the State Governments from the enforcement of complete prohibition and by a rule of thumb the Centre's proposed liability has been placed somewhere at Rs. 75 crores during the five years. It is in vain to expect that the States can recoup their loss of excise revenue from additional receipts from the sales tax as the Finance Minister is said to have impressed upon them. The outlook for the rupee resources for the Third Plan is no less worrying than the outlook for the foreign exchange resources. To take only one glaring example. The Third Plan in its final version explicitly states that during the Second Plan period only Rs. 300 crores out of Rs. 780 crores of public loans were subscribed by the public and the commercial banks representing the genuine savings of the community. The bulk of the balance was subscribed by the Reserve Bank, which, in plain terms, means extra deficit financing. The Third Plan affirms that the target of deficit financing must be held at Rs. 500 crores and the element of the Reserve Bank's subscription to the market loans must be eliminated or reduced to the minimum. This in itself is a serious problem in the rupee component of the resources. The proposed policy of prohibition will add to the burdens of the problem of rupee finance both for the Centre and the State Governments. Apart from the financial aspect, illicit distillation, boot-legging and other devices including smuggling will assert themselves to defeat the policy of prohibition. On any count, therefore, the wisdom of this sentimental decision is to be seriously questioned.

Afghanistan

THE DIPLOMATIC BREAK-OFF

AFGHANISTAN'S DECLARATION of September 8, on the rupture of diplomatic relations with Pakistan is to be highly regretted. It could be asked whether this extreme step with a neighbour with whom Afghanistan basically requires friendly relations was at all advisable and how far it would advance the cause for which Afghanistan presumably is taking it. Much has hap-

pened particularly in the last half-year to strain the relations between the two neighbours. Time and again, Afghanistan has agitated the question of Pakhtoonistan and in the tribal clashes and the bombardments on the frontiers that followed, the governments of both the countries acted beyond the needs of the situation. The heavy casualties inflicted by Pakistan in the bombing from the air of the Bajaur area were far too excessive and probably the intention was to administer a deterrent against intermittent and endless pinpricks. This view may perhaps appear exaggerated, but it would seem that for the last five or six months the two governments are not in a mood to iron out their differences tactfully. It is rather curious that Afghanistan should fall back every now and then on the technique of rekindling the embers of the Pakhtoonistan issue. The irritating exchange of communications that took place between the two need not be magnified. By the consensus of opinion, Pakistan has succeeded where the British Government failed — in maintaining relatively peaceful and friendly relations with the frontier tribes.

The basic grievance of Afghanistan is the demand of a readjustment of the line of demarcation of the frontier between the two countries. Since 1947 Afghanistan has taken the position that she will not be bound by the Durand Line as the frontier, but this position is at variance with her previous tenor of conduct with the former British Government in India. For more than half a century she acquiesced in the Durand Line. In the last analysis, there must be some finality to the border line between any two countries based on treaty, as far as possible, or on history, tradition and usage. Afghanistan has had age-old friendly relations with India before partition and her geographical position, giving her the peculiar character of a land-locked country, certainly should actuate relations of friendliness with Pakistan, through which she can have a normal and natural access route for her external trade. It is to be sincerely expected that this latest recurrence of strained relations will be overcome and friendly relations will be established by the two neighbouring countries.

M.P.s

TALKING TO CIVIL SERVANTS

IT WAS in the fitness of things that the first year's commemoration series of lectures under the auspices of the Pheroze Smarak Samiti dealt directly with a subject that has a vital bearing on parliamentary democracy to which the late Mr. Pheroze Gandhi made a substantial contribution an individual was capable of making. Sir Paul Gore-Booth, British High Commissioner in India, spoke on "M.P.s. and Civil Servants". Since the British parliamentary democracy is the prototype chosen by us, it is desirable that many of the conventions that have been evolved in the working of British democracy should also be looked upon as useful guides by us without, of course, sacrificing opportunities of drawing upon the experience of other countries under different forms of democracy. The essence of Sir Paul's argument was that there was much to be said for the valuable benefits that could be derived from greater contacts between Members of Parliament and civil servants. A Member of Parliament, who had a keen interest in a specific subject, but suffered under the handicap of full knowledge of that subject, would fruitfully develop personal contacts and acquire light from the expert civil servant, deeply versed in his subject over the years. Any transgression of the limits of such contacts might do greater harm than good, but it was always difficult to define the limit of propriety. It redounds to the maturity that the British

civil service and M.P.s have developed that this limit has normally been observed in practice.

How far should these contacts be encouraged in India? In trying to appraise this problem, the difference in the stages of the growth of parliamentary democracy reached in Britain and India is a vital factor. Mr. Lal Bahadur Shastri, who presided over the occasion, showed a keen but subtle practical sense, when he uttered a warning against haste in M.P.s. developing such contacts. Few would disagree with his counsel that whenever M.P.s. felt the urge to discuss any issue with the members of the civil service for a proper appreciation of its elements, the wise course would be for them to approach the civil servant through the Minister. Such a course would safeguard administrative discipline. It must however be added that it would also safeguard something more than discipline. Sir Paul made a passing reference to the cruder forms of interference with civil servants which were a feature of British politics as far back as the 18th and early 19th centuries. It would be unfair to venture the assertion that such a situation exists in this country today. But its existence in a much lighter form need not necessarily be doubted. It is not a rare thing to hear whispers going round that legislators sometimes contact the civil servants, not essentially for acquiring any expert light, but for other apparent purposes and failure of response creates embarrassments for the civil servants. This is something as important as administrative discipline that needs to be guarded. Development of healthy contacts must be a gradual process.

Capital Punishment

SHOULD IT GO?

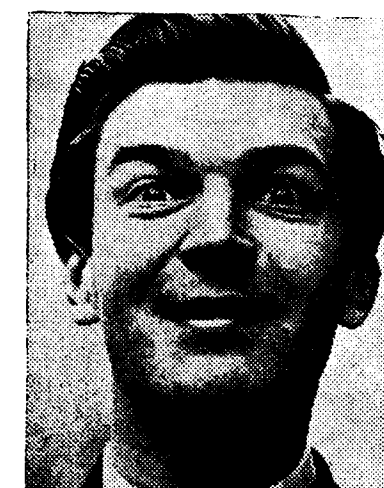
ON THE last day of the monsoon session a private resolution on the abolition of the capital punishment evoked a debate on a subject which has been discussed in many countries, but without leading to any positive conclusion. The discussion in the Rajya Sabha last Friday was no more helpful. Briefly the case for the abolition of capital punishment rests on the ground that infliction of this extreme penalty has little relevance to the incidence of the crime of homicide. There may be low incidence of this crime or its upsurge depending upon different factors governing the social, economic, political or industrial environment. The deterrent effect of the penalty of death is thus not borne out by the experience of society in different countries. There is still another ground urged against the death penalty which merits some attention, but it is less cogent than the earlier one. In not a few cases a wrong person is hanged and confessions have come forth or detection has succeeded in proving that the real culprit was a different person. In a few cases capital punishment turns out to have been inflicted for the murder of a person who is resurrected from the unknown into which he had vanished.

But granting that the first argument carries considerable force and the second one implies horrible victimisation of the innocent, the question remains unanswered what should be done in the generality of cases of genuine convictions for murder. Society certainly deserves protection against the crime of murder and if the death penalty is abolished the likelihood is that cases of murder might increase. The weight of practical wisdom is on the side of retention, though not in the present form. Different degrees of the crime of murder could be classified and it would seem advisable to prescribe the punishment of death, where the crime takes a heinous form.

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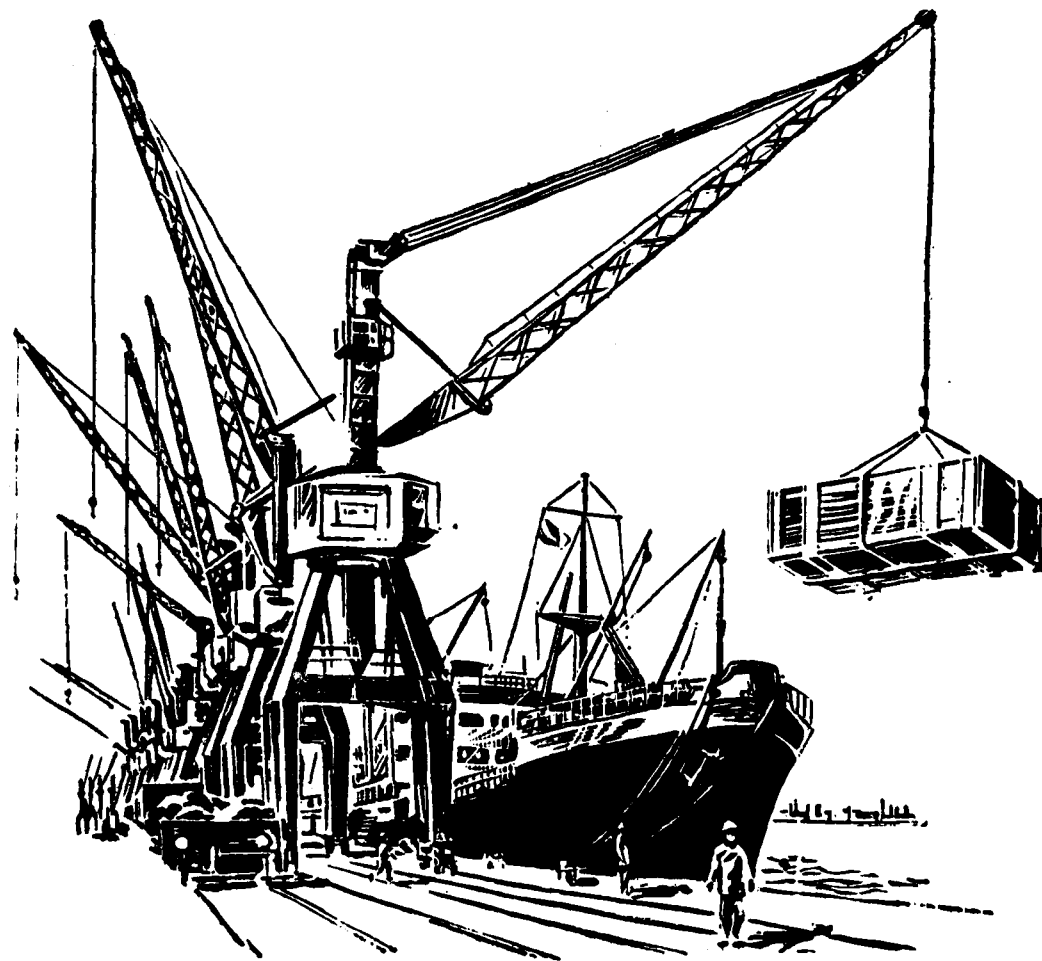
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The World Abroad

EFFICIENCY IN STATE ENTERPRISES

By

ODYSSEUS

THE WORD "NATIONALISATION" arouses such opposite emotions in the upholders of state and private enterprise that a dispassionate discussion of the real difficulties, in securing efficiency, faced by those responsible for managing public corporations has become almost impossible.

Yet, since, with the notable exception of Germany, no state seems likely to return its public enterprises to private control, an attempt to shift the whole argument away from vituperation to constructive discussion is imperative.

The basic question is: Why are public enterprises less efficient than private? What can be done to raise their efficiency?

The policies and day to day decisions of the directors of a private enterprise are primarily conditioned by their estimates of the return on capital market from which the money must be raised. They will promote a young man on his merits over the heads of executives senior to him in age or experience, and they will not hesitate to transfer or dismiss an unsatisfactory executive. In other words, their primary concern is efficiency.

On the other hand, because the directors of a nationalised industry are ultimately subject to Parliamentary control, their decisions are primarily conditioned not by considerations of efficiency but by fear of a political row. Nationalised industries are usually basic to the whole economy, e.g., coal, electricity, or transport, so that their decisions on prices, salaries, investment, the opening of new, or the closing of existing, facilities, directly affect vast cross-sections of the electorate. Any decision taken is bound to disturb what some existing interest regards as its legitimate rights, and will supply the Parliamentary Opposition with ammunition to snipe at the government of the day.

The Socialists, who nationalised leading U.K. industries after the war, were anxious to narrow the field for political interference as far as possible, and to ensure that the nationalised industries were left alone to get on with their jobs in peace. Mr. Herbert Morrison was the protagonist of the solution adopted, namely, that the coal, electricity, and other industries should be managed by independent public corporations, whose Boards were to be subject to broad directives on policy from the appropriate Minister. But neither he nor Parliament were to interfere with matters of day to day administration.

In his admirable study, "Nationalised Industry and Public Ownership" (Allen & Unwin. London. 1960), discussed here on May 26, June 2, and June 9 last, Mr. W. A. Robson claimed that the U.K.'s public corporations "constitute a creative achievement of high value on the part of our democracy." On the other hand, Mr. A. H. Hanson of Leeds University, demonstrates factually in his "Parliament and Public Ownership" (just published for the Hansard Society by Cassel & Co., London) that the concept of an autonomous public corporation, left free for most of the time to "pursue the public interest in all respects", and having only occasional contact, of a rather formal kind, with a remote ministerial master, while Parliament periodically debates the general pro-

gress of the nationalised industries at infrequent intervals, and from time to time holds the Minister to account for the exercise of his statutory powers of policy directives, bears no relation to the facts. It has proved impossible to separate day to day administrative matters from issues of policy.

If, e.g., the National Coal Board was, in fact, employing excessive numbers of non-industrial staff, or failing to discharge its responsibilities on subsidence in mines, or using its publicity department to spread political propaganda, or refusing to make up shortage of British miners by taking on Italians, or if the Electricity Board was, in fact, refusing to electrify certain rural areas, or if the nationalised air lines were failing to get first class pilots because of bad pay conditions, or the Coal Board, or the Railways, were piling up deficits because they were not charging commercial prices, or if they were failing to invest enough capital, or investing it wastefully, or closing (or failing to close) mines or railway stations in the interests of economy — were these questions of day to day administration, which the Minister could legitimately refuse to answer in the House, or were they matters of policy?

MONOPOLIES ACCOUNTABLE TO NOBODY

Nobody likes being questioned in public by a political opponent and, as a duck takes to water, Ministers adopted the habit of replying that the question raised was not within their jurisdiction but within that of the public corporation concerned. The existence of a public corporation was theoretically justified by the fact that it was accountable to the nation, whereas private enterprise was not, but as time went on even Labour M.P.'s felt that the nationalised industries were "not more accountable to the general public, but less accountable." Private enterprise, after all, was held in check by inquisitive shareholders, stockbrokers, banks, insurance companies, by Company Law and, not least, by competition. But coal, electricity, etc. seemed safe from any inquisition and, above all, were monopolies, whose consumers had no choice but to take what was offered at the price demanded. The impression grew that the public corporations sheltered themselves from criticism or enquiry behind the Minister, while the Minister sheltered himself behind the corporations by blandly disclaiming his power to intervene in their day to day affairs.

In fact, of course, the Minister's intervention in the "day to day" affairs of the nationalised industries in the U.K. is all pervading. It must be, because virtually every decision taken — from the closing of a few miles of railway, to the dismissal or recruiting of one man or of ten thousand, to the price charged for coal or electricity or freight — must have political repercussions if carried out by a state, as opposed to a private, enterprise. As Mr. Hanson observes, no power on earth can prevent a Minister from consulting the Board members, whom he has appointed, and whom he can dismiss. They do not want such severance, and he can't afford it politically. It is through such consultations that the policies of the U.K.'s nationalised industries are, in fact, made and their operation is continuously watched and checked by the man who, in the last resort, can't avoid taking responsibility for them.

in Parliament. The distinction between (a) consulting with a Minister and (b) receiving a Ministerial policy directive is imperceptible. For, although the Minister may never use his statutory powers of directive, he has the whip hand. Admittedly, he may, on occasion, be restrained from using it as he would like by threats of resignation or of a politically damaging public exposure of the differences that have arisen. But the friendly, day to day, "old boy" personal relationship that is cultivated by any wise Minister with his appointees makes this unlikely, and to the extent that the Board members become "career" men recruited from within the industry, the probability of revolt is even less likely.

THE GOVERNMENT'S RESPONSIBILITY

As I said earlier, nationalised industries in any country are normally basic to the national economy for the direction of which the government of the day cannot escape responsibility. If they are performing well, it is the Government which gets the credit; if badly, it is the Government which gets the blame. Hence the Ministers directly in contact with nationalised industries cannot confine themselves to sporadic interventions. They cannot afford to make nice distinctions between broad policy and day to day administration.

That it has taken so long for all this to be clearly admitted in the U.K. has been because the practical issue — Who is to be accountable for management? — has been confused partly by party warfare on the

totally different question — Should nationalisation be extended, or not, to other industries? — and partly by the Morrisonian theory of non-interference in day to day management.

Mr. Hanson shows that in Australia and New Zealand, where Ministerial responsibilities for nationalised industries are as fully acknowledged as those for the post office in most countries, parliamentarians do not single out the nationalised industries for special attack any more than they do other government departments, and the efficiency of the industries has not suffered from undue interference. Part of the trouble in the U.K. has been that Ministerial evasiveness has served to prevent the work of nationalised industries from being adequately publicised, and has spread the suspicion that they all have multitudes of skeletons in their cupboards to conceal.

As Ministerial admission of responsibility has increased in the U.K., the nationalised industries have begun to benefit from a better public understanding of their problems, and the questions successfully asked and answered in Parliament have constructively added to their efficiency, and have not demoralised their executives.

The most hopeful development in promoting (a) public accountability of the U.K. public corporations and (b) increasing their efficiency has been the inauguration of the Select Committee on Nationalised Industries. Next week, I propose to outline how this works and what it has achieved.

The European Scene

WIDER STILL AND WIDER

From Our Special West European Correspondent

PARIS, September 10.

WHEN Mr. K. B. Lal, I.C.S., comes to take over his new office as India's Commissioner-General for Economic Affairs in Brussels, he will have the charge of watching India's interests over a vast area whose boundaries are at present unknown but which seem sure to expand in various directions in the years ahead. At the moment, the economic unit to which he will be accredited more or less coincides with the Empire over which Charlemagne ruled in the eighth century, which was bounded by the Atlantic, the North Sea, the Elbe, Bohemia, the Garigliano (between Rome and Naples), and the Pyrenees. The Rashtrakuta dynasty, which built an empire in India at that time, would never have dreamed of sending Mr. Lal to Charlemagne's court, supposing they heard of it, because the Western Empire was, and has remained substantially to our day, a land-power whereas, among Europeans, India has had to deal solely with sea-powers. (That they were land-powers, the English express by calling Rome, Prussia and modern France "militarist", taking care not to invent the word "navalist" to describe English policy.) Mr. Lal is being sent to the temporary economic headquarters of this new Carolingian empire only because a number of sea-powers are seeking to join it: Britain, Norway, Denmark and Portugal.

If and when its boundaries swell to include those nations, it will no longer be possible to describe the Common Market as a group of continental land-powers nor (as Lord Attlee did lately, with a rare arrogance) as a club of states that Britain defeated or saved in the last war. As its boundaries change, so must its nature, inevitably; no association can swallow Britain and remain what it was, and nor for that matter could it incorporate Switzerland or Spain or Turkey without revising its character. So the first question is where the limits of the Greater Europe are to be set, and this will perhaps not be decided before one or two years; Britain's entry, alone, may take 12 months to negotiate. By running briefly through the list of possible candidates, we may form an idea of the territory that one day could fall into Mr. Lal's province.

Greece was the first to seek association and, ultimately, full membership of the six-nation group and her application was accepted this year in a treaty that foresees her gradual accession to equal rank, over a period of at least 20 years. Neglecting for the moment Turkey's more ticklish application and Israel's overtures (which will be ignored), Britain was the next serious applicant; her case is so important as to have given rise to ample discussion already. Denmark's followed inevitably, because she is an exporter of agricultural produce whose two principal clients are Britain and the Six, mainly West Germany. The existence of the Common Market has been a cause of serious anxiety for her, for she was torn between her two main export markets; as long as Holland was inside the Common Market, the Danes agreed reluctantly to leave the Dutch take the Continental market, while they hung on to Britain. With Britain inside the Common Market too, all their anxieties dissolve, for they will find themselves back again on a footing of equality with the Dutch and with equal access to both their traditional markets. Once the commercial problem is solved, this small nation will no doubt become as ardent an apostle of European unification as the Benelux trio, since her recent history

taught her, as well as them, the impossibility of isolation and the inadequacy of mere treaty protection. Within a few months of Britain entering the Common Market, Denmark will be in too, and will be a member of Euratom and the Coal and Steel Pool, as well as of any other political or military organisms the Europeans form.

The admission of Norway, also a member of NATO, is almost as certain, granted that Britain's application is successful. There would have been a formal Norwegian application by now, in all probability, were it not for the accident that general elections are being held in the country this month, and so momentous a decision is better left to a government with a fresh mandate. The Commerce Minister and the Foreign Under-Secretary have already left Oslo on a mission that will take them to all the capitals of the Six and the Seven, in order to prepare a decision that will be taken within a few weeks. Unlike Britain, who feels the need of the stimulation of the more expansive Continental atmosphere to revivify her stagnant economy, Norway is enjoying a healthy boom: industrial production rose 7 per cent last year and is running 6.5 per cent ahead of that so far this year. But the trade deficit has grown, and the country must follow the mainstream of European commerce. Her fishing, aluminium and ferro-alloy industries, and above all her merchant fleet (the world's third largest) would find excellent opportunities inside the Common Market.

Leaving the two other members of the Nordic Union, Sweden and Finland, to be considered with the neutrals, there is the minor case of Britain's two Catholic camp-followers, Eire and Portugal. Both have announced their intention to seek admission to the Common Market, but this cannot be taken literally. To subscribe to the conditions of the Rome Treaty would mean the undoing of their slothful economies. Their announcement means simply that, reconciled to spending eternity as half-parasites, half-colonies of the British economy, they cannot conceive the future without her, and are determined to trail along at her skirts, by hook or by crook. How the problem of their relations with Europe will be solved, one cannot imagine at this stage, and it is a matter of considerable indifference to the Six. It is just conceivable that these two relics might be shocked into economic independence and resolve to undertake economic expansion and to trade with the rest of the world. To be fair, there have been signs of such revolutionary thinking in Eire in the last 12 months, but none that I know in Portugal.

Spain was toying with the idea of seeking entry into either the Common Market or EFTA a year ago, but now that the latter is being wound up Madrid says she is not interested in joining the former. This is a typical example of what Generalissimo Franco thinks is brilliant diplomacy: wherever there is division, seek to set Spain up for auction between the two parties, but when division ceases (as when the Axis collapsed), then retreat into isolation. When the Six and the Seven seemed to be at loggerheads, Madrid could hope to get favourable terms for an entry into one or the other by egging on rival bidders; now that there is only one bidder, the Common Market, offers are too low, so Spain withdraws. To be sure, in the meantime Spanish economy has been revived, with the aid of American and European loans, and there is the hope of further gradual progress without opening up the country to competition,

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provided foreign capital continues to back the renovation. A free Spain would no doubt seek admission to the Common Market, thereby setting the "Europeans" (as Spaniards call folk north of the Pyrenees) a problem they are anxious not to meet: it is harder to arrange the integration of a backward country into a free-trade area than to accommodate another industrial power.

This is confirmed at the other end of the Mediterranean, where Turkey's candidature is still pending. Put off until after the Greek negotiations and now in danger of being postponed until the British case is settled, Turkey's application raises the question of considerable loans from Brussels, even in order to bring her to associate status, with full membership somewhere in the remote future. There is no doubt that when more pressing affairs are settled, Turkey will receive from the "rest of Europe" (as Turks call folk west of the Bosphorus) sufficient support to keep her trade in the free world. Yet this will perhaps be secured by a simple treaty between the Common Market and Turkey, rather than by integration of the Turkish economy.

There remain the neutrals, who cannot consider joining an association whose political objectives are inconsistent with their neutrality. The two shot-gun neutrals, Finland and Austria, would not in any event be allowed by Russia to adhere to the Common Market; the mere discussion of the possibility in Vienna has already brought a Russian demand for explanations. The two voluntary neutrals, Sweden and Switzerland, must be left for some time to settle the conflict between their conscience and their cashbox. The view in Brussels

is that the rest of Europe is under no special obligation to do anything for these two well-fed and prosperous nations, and certainly no such obligation has been created by the ill-advised British escapade of forming a "free-trade zone" whose corpse she does not know how to dispose of. Commercial isolation is, of course, extremely embarrassing for the Swiss, as a glance at a map will show, but the very substantial advantages of neutrality (and the immense profits this has brought the Swiss in our time) must presumably be paid for somehow.

The view that there is nothing to be done for the neutrals is not yet admitted in London, where it is regarded as callous; to be sure, for Britain to leave them in the lurch would entail breaking promises too lightly given. However, this is also the view of Washington, consistent with the Americans' unwavering policy on the Common Market. European economic unification will cost the USA dollars, so it must bring political dividends in the shape of increased West European ability to resist Communist encroachment. To accommodate neutrals would mean further damaging US trade without any political gain. At the most, an arrangement might be made to ensure favourable access for Swiss and Swedish exports (and perhaps Austrian and Finnish too) into the Common Market, but any such arrangement would have to be made in the OECD, to which the USA belongs, rather than inside the Common Market to which she does not belong. The Swiss, Swedes and Austrians will no doubt form a sort of defence association soon, to negotiate some such symbolic connection when they are left out in the cold.

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Our West German Letter

THE FEDERAL DEVELOPMENT ASSISTANCE

By DR. GABRIELE WUELKER

IT was only after her economic and social recovery in the early fifties that the Federal Republic started to contribute to development assistance. To begin with, she granted smaller amounts here and there and participated in certain projects. Although during the last three years the Federal Republic has assumed great responsibility for development policies over the world, there is no central board so far, which solely decides on the policy. No less than six Ministries are dealing with development assistance: The Ministry of Economy, the Foreign Office, the Ministry of Finances, of the Interior, Food and Agriculture and the Ministry of the Federal Property. In order to co-ordinate their decision all the six Ministries, the Federal Chancellery and the Federal Bank (Deutsche Bundesbank) are represented in the so-called "Interministerial Committee for Development Assistance". If need be, representatives of the Development Assistance Bank and of other Federal Ministries attend the conferences as observers. This main board has two sub-committees to prepare the preliminaries and to procure the necessary information: The "Committee for Capital Assistance" and the "Committee for Technical Assistance". The Committee for Capital Assistance is under the Ministry of Economy. It deals with the granting of long-term credits for development projects and programmes. The Technical Assistance Committee is administered by the Foreign Office.

The chair of the conferences of the main Interministerial Committee is held alternately by the Foreign Office and the Ministry of Economy. This main board discusses each development project in which the Federal Government is concerned. Here the key-projects and the expenses of the Federal Budget for development assistance are decided. The principles of financial and technical assistance and trade terms with developing countries are elaborated. The Western German development assistance is here as far as possible brought in line with the principles of international assistance. Special questions such as training and preparation of German experts and teachers going to developing countries as well as the co-operation with economic research are furthermore dealt with by this board. Lately decisions are being prepared to have the two Christian churches participate in development assistance, since they have gained profound experience in the co-operation between Afro-Asian and Western countries.

Needless to say that if so many Ministries are sharing the responsibility there will be double work, overlapping competition and even red-tape. However, the Federal Government deems this structure necessary in order to guarantee the considerations of all angles and aspects of development assistance.

The Federal Budget is subject to control of the Bundestag and of the Audit-office. The latter Federal Office checks on each public expenditure, even down to stationeries of the Ministries and any funds granted from the Budget to private or semi-official organisations. This office is a somewhat paternalistic financial control, with a long historical tradition. It strictly watches, that public money is spent in an economic way and under rational administration. The board functions independently from the legislative and executive boards, in order to fight against any manipulations or incorrect use of public funds. Such a bureaucratic set-up has, of course, its pros and cons. The tax-payer is entitled to know that his money is not abused. A rigid financial control, on the other hand, does not promote initiative and evolution. This is particularly felt in the case of

development aid. It has to come under public control to avoid abuse of public funds; and yet it will hardly be in line with regulations once laid down for national expenses. These problems have been recognised and attempts are made to find practical solutions.

On principle the Federal Government advocates a development policy which is as liberal as possible. The prerequisite for any assistance are the following: the country itself has to apply for the assistance and to contribute by its own efforts. The project has to fit in an overall programme and to promote the economic and social development of the respective country, which has to guarantee that the project initiated by means of development aid can be continued without foreign help.

Any application for a credit is carefully controlled by the Interministerial Committee, according to political and economic viewpoints. Therefore, both the Foreign Office and the Ministry of Economy hold the chair in rotation. Recently a special department for the co-ordination of development policies was created within the Foreign Office. This department is headed by an expert for international trade and commerce.

Various committees convened by deputies of the Bundestag concern themselves with development aid. A special board of the Governmental Party (CDU) recently elaborated directives and methods for the development assistance granted by the Federal Republic. Their expert opinion is a concise of the Federal principles practised so far:

In Western Germany private development assistance receives priority before public assistance. As far as the developing countries are concerned they have to decide on the extent of public or private initiative within their economy. Although the Federal Government by no means interferes with this decision she recommends — according to her own experience — to introduce as soon as possible the principles of a free market and free economy.

With respect to bilateral or multilateral assistance no one-sided decision can be made. Each individual case has to be checked. Bilateral assistance, however, fosters international contacts and offers larger possibilities of close co-operation. On the whole the concentration on certain key-projects is not recommended, although priorities within the various countries have to be earmarked to avoid too great a dispersion of money and efforts. Any assistance should be adjusted to the stage of development to prevent failures, frustration and financial losses. An international co-ordination of development assistance is necessary to avoid political and economic competition and overlapping of the aids. By all means development aid has to be granted apart from any military aid.

A concentration on technical assistance is planned because it has been realised that a certain level of education and knowledge is the pre-condition of any economic development. Financial and economic assistance alone will never suffice. Western Germany certainly has special experience in training experts in handicraft, industry and administration.

Apart from the Federal Government and the Bundestag, industry and commerce and the two Christian churches, some hundreds of German private organisations concern themselves with the theory and practice of development assistance. There is a lot of good will and initiative. The co-ordination of all the measures of these institutions is still a serious problem, although on the Governmental level this co-ordination is being promoted.

Economic Report from the U.S.**SPACE SATELLITES**

By GUY SIMS FITCH

WASHINGTON, Sept. 6.

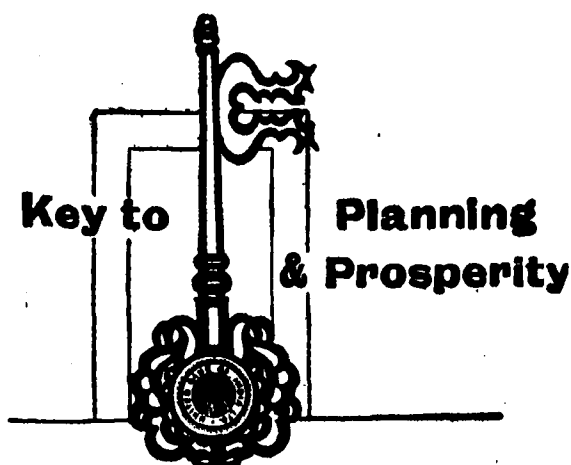
THE space satellites placed in orbit by the United States now number more than 50 — an unmatched milestone that was passed within the last few weeks. They include scientific, weather, communications and navigation satellites, and both lunar and solar probes. Yet it is not this fact alone that prompts the present line of thought. Nor is it the fact that these U.S. successes have been achieved in so short a time — in something less than four years. It is, rather, the prospect of future challenge and future progress opened up by this dawning of what is rapidly taking shape as a new age of space.

The United States stands committed to a truly gigantic space programme, one that may well be changing the face of the U.S. economy. Over the next 10 years it will cost about \$50,000 million — and this is a conservative estimate. Within this time, the United States in all probability will be landing a man on the moon. One of the significant aspects of this developing programme is its increasingly civilian orientation. True, military missiles helped give space work an early impetus. It is also true that one cannot overlook the military potential of U.S. space achievements. Nevertheless, the spotlight focuses ever more brightly on the peaceful applications and benefits of the U.S. programme. Already, the activities of the essentially civilian national aeronautics and space agency outweigh in men, money and effort the space programme of the Defence Department. And this is a trend which is growing constantly.

Such are the vast demands of space research, that the government obviously has played a prominent role in it. But a number of private companies now have begun their own programmes. Satellites already practicable promise to revolutionize world wide communications, and U.S. industry has signified its readiness to invest millions of dollars on their development. In addition, air and sea navigation will be made safer and surer as a result of U.S. space research, and long-range weather forecasting more accurate. Underlying these practical applications, of course, will be the continued gain in basic scientific knowledge of the universe — and perhaps man's place in it. It is safe to predict that new companies and enterprises will become important on the U.S. economic scene. Many of them will be making the delicate and intricate instruments and components of a growing space industry. New materials not only will help to make space exploration a reality, but will help transform the technology and products of U.S. industry, and with them, perhaps, the lives of the American people. According to the estimates, these advances will open up at least one million new jobs directly related to the space programme. These jobs will require higher levels of education, new skills and new training. Thus, they may well hasten the disappearance of the unskilled worker, already a dwindling factor in U.S. industry. This prospect of a new world of new knowledge and new achievements may seem overdrawn to some — and perhaps it is. But let it not be forgotten that within the memory of living men there were no electric lights, no automobiles, no airplanes — in the United States or anywhere else.

As recently as 20 years ago, when this writer still retained much of the arrogance of youth, he knew an economist whose avocation was the study of science and the writing of science fiction. It was this man's

unshaken belief — one, alas, that was greeted with too much scorn — that within our life times man would be exploring the reaches of space. Can anyone say with certainty at this juncture that our sons, or our sons' sons, will not be flying space ships to the distant planets one day? One other thought comes to mind. The United States undoubtedly will continue to be in the forefront of this new age of space exploration, just as it historically has been in the forefront of two centuries of economic, social, political and scientific advances — advances which have broadened man's knowledge and have pointed his way to new horizons of hope, freedom, personal dignity and material betterment. In this sense, the United States remains, as it always has been, a developing nation, albeit one that has reached a stage of advancement to which others — particularly those newer to the family of nations — still aspire. But the yearning for progress is an experience Americans share with other peoples. So those who would call the United States old because it may be further advanced, economically, should remember that the vision of the future burns as brightly for Americans as for others. It was the poet Robert Browning who said, "Grow old along with me, the best is yet to be."



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Special Article**THE THIRD PLAN UNDER STRESS**

THE pressures of the Cold War may or may not have affected the thinking of friendly nations in regard to the economic aid to the developing countries, whether committed or uncommitted. Newspaper reports about a possible change in the attitude of Kennedy Administration need to be studied with care in this country in so far as they are likely to influence the programmes laid down in India's Third Five-Year Plan. While signing the Bill authorising \$4.25 billion for foreign aid during the current year, Mr. Kennedy is reported to have said: "It is my belief that in the administration of these funds we should give great attention and consideration to those nations who have our views of the world crisis". If under the stress of the changed international political climate, the United States opted more for its allies than for the non-aligned nations in the matter of foreign aid, the other Western nations, particularly West Germany, are also likely to follow suit.

In case of a total war, the Third Plan would be reduced to nothing but an academic exercise with very little prospect of fulfilment. Even in the case of a localised war, say over Berlin, the attention of the Western world would be diverted from the development plans of the developing countries and it is just possible that most of the Western countries would fail on their foreign assistance commitments. If that should happen, the Third Plan which was presented to Parliament only six weeks ago is likely to be seriously hurt in its foreign aid calculations. The total external assistance expected from abroad during the Third Plan period is

of the order of Rs. 2,600 crores, or Rs. 520 crores per year, on the average. Table I below sets out the estimates of the Planning Commission in regard to foreign exchange earnings, external assistance and imports. Assuming that 1100 crores of rupees already promised for the first two years of the Third Plan are made available, there is every chance of a default on part of the balance of Rs. 1,500 crores. What would be the implications of a reduction of the balance from Rs. 1500 crores to Rs. 750 crores? It goes without saying that the sector to be most vitally affected would be industry. Steel plants in particular would have a hesitant expansion while the Bokaro plant will have to be put in the cold storage for another five years. Thus industries' output would suffer and would be reflected in lower income generation both in the secondary and tertiary sectors. The likely fall in the targeted production of the major industries is shown in Table II below.

The agricultural sector is likely to be affected the least. Power and transport will also need to be cut in spite of greater awareness about the necessity of their expansion. The employment market particularly is likely to be very rudely shaken. Even with the present size of the Plan, the backlog of the unemployed is likely to increase at the end of the Plan as compared to the backlog at the beginning. In case of a reduction in the size of the Plan, the situation will be much worse.

Under these circumstances, it is inevitable that the price level should also come under pressure and the

TABLE I
FINANCING OF FOREIGN EXCHANGE REQUIREMENTS FOR THE THIRD PLAN

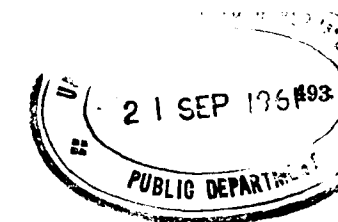
Item	Rs. crores)			
	Total Second Plan	Total Third Plan	1961-62	Annual Average Third Plan
A. Receipt				
1. Exports	3,053	3,700	667	740
2. Invisibles (net) (excluding official donations)	420*	nil	22	nil
3. Capital Transactions (net) (excluding receipts of official loans and private foreign investment)	-172	-550	-133	-110
4. External assistance	927@	2,600	575**	520
5. Draft on Foreign Exchange Reserves	598	nil	nil	nil
Total (1 to 5)***	4,826	5,750	1,131	1,150
B. Payment				
1. Imports of machinery and equipment for Plan Projects		1,900	325	380
2. Components, Intermediate Products etc. for raising production of capital goods	4,826	200	60	40
3. Maintenance Imports		3,650	746	730
Total (1 to 3)***	4,826	5,750	1,131	1,150

* Includes reimbursements from the U.S.A. for freight expenses on P.L. 480 imports initially incurred by India.

** Represents external assistance required for financing imports.

*** P.L. 480 imports are excluded from both sides — about Rs. 534 crores for the Second Plan and Rs. 600 crores for the Third Plan.

@ Including net drawing on the I.M.F.



story of the Second Plan may be repeated in this particular regard. The only hope in saving the Plan seems to be in making better use of the available capacity in industry. It was demonstrated in the Blue Supplement in "The Eastern Economist" dated April 11, 1961 that even with the present capacity of the plant and machinery, India's industrial production can be raised by 30 per cent. To that extent the pressure on the Plan may be reduced. Also, stimulating exports by legislative compulsion is another way of meeting the essential demands both for maintenance and development. But shortage of foreign exchange coupled with compulsory exports cannot fail to

disturb the internal price situation. The contingency of war may be an unlikely one. Indeed, currently opinion in Delhi, as elsewhere, is that a nuclear war is impossible. If the clouds on the international horizon get lifted, the prospects of the successful implementation of the Third Plan would become as bright as ever. Perhaps with an assured neutrality the terms of trade may also be favourable to us as after the Korean War. All in all, the chances of added orders on Indian idle capacity are currently not small. To present an extreme contingency is not to argue that it will necessarily arrive; it is merely to show the worst that may befall.

TABLE II
REVISED INDUSTRIAL PLAN

Item/Unit	1960-61	1965-66 Targets	Percentage in-Reduced crease in 1965- 66 Targets	Percentage increase in 1965-66 (Reduced Targets) over 1960-61
Index Number of Industrial Production (1950-51 = 100)	194	329	70	275
Nitrogenous Fertilisers Consumed ('000 tons of N)	230	1,000	335	700
Steel Ingots (million tons)	3.5	9.2	163	7.0
Aluminium ('000 tons)	18.5	80.0	332	60.0
Machine Tools (Value in Rs. crores)	5.5	30.0	445	20.0
Sulphuric Acid ('000 tons)	363	1,500	313	1,200
Petroleum Products (million tons)	5.7	9.9	70	9.0
Cloth (mill-made) (million yds.)	5,127	5,800	13	5,700
Power: Installed Capacity (million Kw.)	5.7	12.7	123	11.5

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THE BUSINESS WORLD

Role of Private Enterprise in Developing Economies

By G. L. MEHTA*

"TAKE-OFF", no doubt, is common to speakers, to spacemen and to economies. And all these require a strong base. When one looks at the Indian economy, one does become aware of a subtle change in the atmosphere, no less real because it has few external manifestations. We have not seen during the last two years any change in the broad frame-work within which the economy has to work: the industrial policy, enunciated in 1956, has not in any way been modified; the concrete measures for advance which we call the Five-Year Plans remains the same—our Government have just brought out the economic horoscope for the next five years under the title of the Third Five-Year Plan; no broad legislative measures affecting the private sector have been brought forward—the Companies Amendment Act, enacted in 1960, was in gestation for quite long; the Income-tax Act, now in the throes of birth, is basically a tidying-up measure: its major impact may be on lawyers' income rather than on the private sector's growth.

As I said earlier, therefore, in the broad fields of industrial and economic policy, of planning, of legislation—in these fields, there has been little change. At the same time, there have been changes, almost innumerable, in the details which affect private enterprise—many of such changes have been for the better, changes which account for the improvement in the atmosphere within which private enterprise works. I should like to enumerate here some of these changes, leaving it to you to evaluate their importance.

Firstly, I would like to refer to the change in the foreign exchange situation in the country. When I spoke in 1959, we were trying to work our way out of the foreign exchange crisis by appraising and re-appraising the Second Plan. Today, the situation is different. I do not say we have got over our foreign exchange difficulties or that our Third Plan is less voracious of foreign exchange. But, thanks to the initiative of the World Bank and the imaginative approach of friendly Western countries—and, among these, I would particularly like to single out the U.S.A.—, as I said, thanks to these, we are better equipped to face the problems of the next five years.

Much of the proposed aid is, of course, on Government-to-Government level and, you will naturally ask me: how does this help the private sector? I should straight-away say, in many ways. Firstly, it has enabled us to get rid of deferred payment terms. Deferred payment terms which private enterprise had to arrange, when foreign exchange shortage was acute, had many disadvantages, in the short run as well as in the long run. In the short run, it tended to shift the responsibility of obtaining foreign exchange from the Government to the Indian entrepreneur and through him, to the plant supplier. This necessarily restricted the freedom of action of the Indian entrepreneur—his choice of equipment was limited and his bargaining power weakened. Often, he had to pay more for a piece of equipment which he did not consider the best. This, in its turn, reduced, in the long run, his ability to produce at a low cost and, therefore, his capacity to

compete. And while he may hope to be protected in the home market from external competition, it acted unfairly on the Indian consumer and reduced the export capacity of an enterprise—which, we are now beginning to realise, is vital for the success of our development effort.

One of the consequences of the easing of the foreign exchange situation is the greater willingness on the part of the Government to give cash import licences. This, of course, does not solve the problems of an Indian entrepreneur; he still has to find rupees to pay for the import licence—but, as I shall mention later, this is not very difficult these days; he has still to negotiate at New Delhi for the import licence—but this is a fact of life to which we have all become accustomed in the last ten years; and, because Government aid in "tied", his choice for purchase may still be restricted—but to a country rather than to a company as before. The Indian entrepreneur's path to setting up an enterprise is not all roses still, but it is not as frustrating as it used to be only three or four years back.

A second development is what I might call the unclogging of the capital market in the country, as reflected in the response to new issues offered to the public. This phenomenon has to be understood more clearly—both in India and abroad. To any economic observer, it is apparent that this does not represent a sudden increase in the propensity to save. Nor is India unaware of sudden frenzies of speculation or transient fancy for industrial investment—we have known all this before: in the sixties and seventies of the last century when there was speculation in cotton and real estate and in the first decade of this century when Indians, believing in the enterprise and management of Tatas, came forward to invest in capital which could not be raised in London. What distinguishes the present boom is its strength—it has now lasted almost two years and while the earlier excesses have tended to disappear, its innate momentum still continues to lead to over-subscription, at earthlier levels, of worthwhile issues.

This trend, as I mentioned earlier, needs a closer look. Since it is not based on a wider base of saving, it reflects a shift in people's investment preference. This is a transformation through which all advanced economies have passed at one stage or another and one which we have possibly just reached. Such a shift, making people conversant with modes of investment in industry, has a more enduring value, whatever the temporary set-backs caused by market forces.

This increasing public interest in industrial investment has eased the task of entrepreneurs in raising capital. Provided complementary resources are available—and, as I mentioned earlier, the foreign exchange situation has improved to some extent—there appears to be enough scope for rapid industrial advance in the economy.

You will, no doubt, remind me that industrialisation also requires entrepreneurship—do we have enough of it? This is one of those intangibles where economic 'pundits' differ. I personally feel that, given the atmosphere, there is no lack of entrepreneurship in India.

* Address before the International Industrial Conference, San Francisco, on September 14, 1961.

Industry on factory lines is more than a hundred years old in India. Indian entrepreneurs ventured into such advanced lines as iron and steel manufacture and shipping in the first two decades of this century. Before the Second War began, India was self-sufficient—no doubt at the relatively low levels of consumption then prevailing—in cloth, sugar, cement and jute. What was lacking was not entrepreneurship but conditions requisite for its exercise. A national government and planning have provided these.

In India, setting up an industrial enterprise is subject to licensing, and this, you may fear, may dampen entrepreneurial ardour. In fact, in the last two years, this has not been so. Since, consequent upon the foreign exchange shortage, scarcities began to appear on the Indian market, entrepreneurs have come forward to put up capacity in a large variety of industries. The Government itself has given a relatively free rein to enterprise by giving licences freely to projects which appeared satisfactory to it after scrutiny.

Foreign enterprise, as much as Indian enterprise, is subject to the influence of the climate for investment—a climate which has turned for the better. Owing to the foreign exchange crisis, foreign enterprise is coming to be increasingly recognised as supplementing the foreign exchange resources available to the economy. The investing public has also come to associate foreign enterprise with advanced management techniques; consequently, over-subscription, to which I referred a little while ago, has been particularly heavy in cases where there is financial and technical collaboration with a good foreign company. Finally, as new and difficult lines are being taken up, foreign enterprise is seen as an important adjunct to indigenous entrepreneurship.

These advantages are recognised not only by our entrepreneurs but also by our Government, which has recently taken various measures to encourage the flow of foreign capital and know-how. In the last budget of the Union Government, the effective rate on royalties was reduced from 63 per cent to 50 per cent. The Government always insists on royalty agreements being entered on taxable terms, and foreign collaborators have generally sought to obtain a certain carry-home return for the supply of know-how. The revised tax-rate should help to remove one of the main obstacles to the development of the trade in technique between advanced countries and India.

A second change introduced by the recent Budget is the equalisation of tax burden on companies which are subsidiaries or have minority participation of foreign companies. This equalisation has been brought about mainly by a reduction in the rate of taxation. I would like you to note that the opportunity to rationalise the tax structure was not used to raise the tax rates—as so often happens these days.

A third matter of interest to foreign investors is the establishment of the Indian Investment Centre. Its primary function is to encourage the flow of foreign capital into India by helping prospective foreign investors in various ways—in their dealings with the Government, in finding suitable Indian parties to collaborate with, in putting Indian industrialists in touch with their foreign counterparts, by providing information on the Indian economic situation. I am almost tempted to say that the Investment Centre will provide to foreign investors technical know-how—the know-how relating to problems of operating in India.

Both the receptivity of the Government and the Indian entrepreneurs in relation to foreign capital and the conditions under which it can come in and operate have considerably improved in recent times. Many

foreign firms—small as well as large, U.S. as well as non-U.S.—have come in during the last couple of years. In the first quarter of 1961 alone, the Government of India approved 101 technical collaboration agreements. The Investment Centre is also handling a large number of inquiries for foreign participation and collaboration.

In this connection, I should like to mention, that capital flows need not necessarily be associated with the flow of technical "know-how". In the past, particularly before the first World War, capital used to flow across national frontiers according to profitability. While today individuals may not be expected to undertake investment in companies in under-developed economies both because the political and economic risks are too great and they may not have the necessary expertise in judging investment, I suggest that investment institutions—insurance companies, investment trusts, and so on—should examine the possibility of investing in such companies. Such institutions have the necessary expertise to judge the long-term prospects of stocks and the necessary resources to absorb any shocks that may arise out of political and exchange risks. Such stocks have, besides higher profitability, very favourable growth prospects; such investment will also help to diversify the portfolio of the investment institutions. I feel that a small beginning can be made in such investment; if this is fruitful, I believe it can be an important source of a free supply—free in the sense of not being attached to technical or other control—of foreign exchange to under-developed countries.

Summing up, I would say that while the broad structure of economic policy has remained unchanged, its implementation has become more flexible and in many ways more favourable to the exercise of the private sector, both indigenous and foreign.

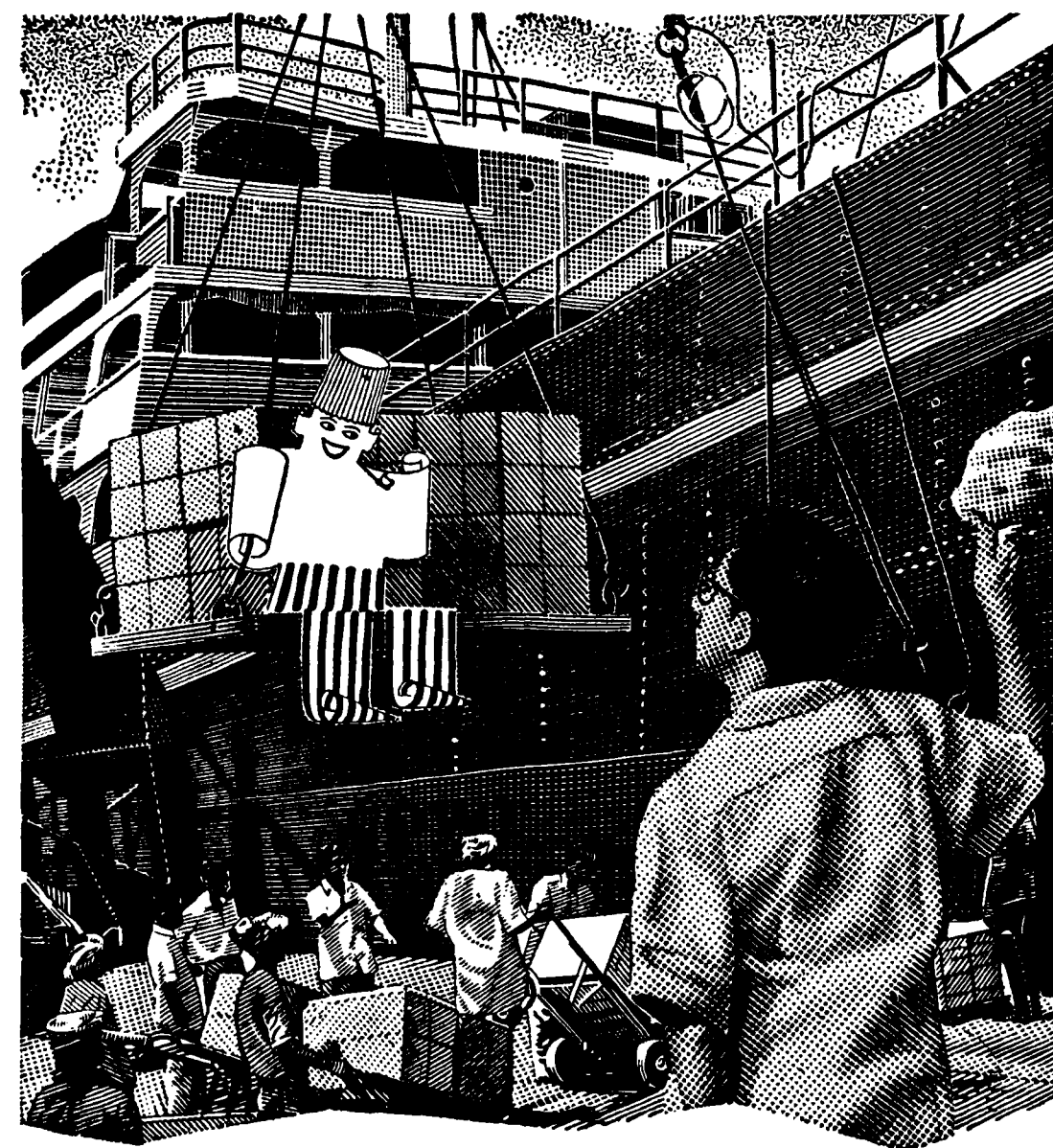
I would not, of course, deny that the Government still has considerable power over economic policy decisions. The very scale of Government operations has increased considerably under the Plans: the Government invested in industry about Rs. 60 crores during the First Plan period and is scheduled to invest Rs. 1,500 crores during the Third Plan period. In many lines—to name a few, iron and steel, machine tools, antibiotics, fertilisers, coal, cement—the Government and the private sector operate side by side as competitors; in some of these, the relationship is that of buyer-and-seller.

Many fields of enterprise—a recent addition to this is oil—still remain closed to private enterprise. On the other hand, Government has shown greater flexibility in its attitude towards participation and expansion of private enterprise in some others, for example, fertilisers and basic chemicals. If licensing has ceased to be an obstacle, it still remains an irritant to a prospective investor.

I should like to emphasize that in most under-developed economies private enterprise is on probation. In many ex-colonial countries, private enterprise has been under suspicion mainly because it was identified with the imperial power. The newly developing economies are like people in a hurry—they are keen to reach the destination as quickly as possible irrespective of the means adopted to achieve the end.

In India much water has flowed under the bridge during the last ten years. As events have shown, Government's attitude towards private enterprise has been more understanding. However, the Government still retains in its armoury a wide range of powers which, if circumstances or attitudes change, may be sought to be used.

The milieu within which private enterprise functions today is far different from that prevailing in the



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eighteenth and the nineteenth centuries. Private enterprise is no longer taken for granted, and its justification is no longer sought to be measured only by the profit-rate it is able to earn. Private enterprise will be judged by—and its survival depend upon—its social utility to the economy. This casts a heavy responsibility upon those who sponsor, organise, finance and operate private enterprise.

Private enterprise has, indeed, to play a role which has to be in consonance with the social philosophy of the times. In the nineteenth century, private enterprise was able to bring about, consistent with its own objective of individual profit, rapid development of the economies, considerable improvement in the living standards of the common people, and tremendous growth in the social and cultural development of the community. These were often by-products of the growth of private enterprise in the advanced economies. These goals will need to be kept more consciously in view in the future. Private enterprise in India has not always been unconscious of these requirements. Many educational institutions in India owe their existence to the munificence of private industrialists. Even today, a consider-

able portion of the dividend income from the largest steel company in India goes to finance charitable purposes.

Responsibility always goes with power. The advantage of private enterprise has been to share this power and this responsibility—to bring about its wider distribution. To every individual's power—whether it be the power of ownership of means of production or of employment of individuals—there exists under private enterprise the countervailing power of another who is a competitor or a customer, and, ultimately, of the State which acts as arbiter in case of conflict of interests.

Private enterprise, in brief, cannot expect to be a vested interest in itself. Like any social institution, it must stand ready to be judged by the results it produces. By its nature, it is dynamic and resilient as phenomenal developments in your country, in the U.K., in West Germany and other countries show. I am sure that it will not be found wanting in the challenge it faces in the emergent economies.

Stepping up Rayon Output

SOME interesting details have been made available recently in respect of rayon industry which indicate that the industry is making earnest efforts to achieve the Third Plan targets. Originally the capacity for rayon filament yarn was agreed at 68.3 million lbs for the Second Plan period, which in view of the rising demand was subsequently raised to 100 million lbs. Every effort is now being made to assist the companies engaged in the production of rayon fibre of various types. The targets proposed in the Third Plan period are 140 million lbs. for viscose rayon and 75 million lbs. for staple fibre inclusive of synthetic fibres. The present installed capacity — 108.3 million lbs. — it is evident from Table I below, is far below this target. A detailed breakdown in respect of the companies producing various types are also given in the table.

TABLE I

PRESENT INSTALLED CAPACITY

(million lbs.)

I. (a) Viscose Rayon

1. National Rayon, Bombay	19.5
2. Century Rayons, Bombay	9.6
3. Travancore Rayons, Rayonpuram	7.2
4. J. K. Rayons	4.0
5. Keshoram Rayons	8.0
Total	48.3

(b) Acetate Rayon Yarn

Sirsilk Limited, Andhra Pradesh	4.0
Grand Total	52.3

II. Viscose Staple Fibre

1. Gwalior Rayon Silk Mfg. Co. Birlagram, Nagda	48.0
2. South India Viscose, Coimbatore	8.0
Total	56.0

Several units have been licensed for additional capacity to the extent of 82.3 million lbs. under various types of rayon yarn and another 35 million lbs. of high tenacity rayon yarn. As is clear from Table II below, there are new entrants in the field like India Rayon Corporation, Baroda Rayons, Modi Rayons, Modern Mills, Swadeshi Cotton, Nanubhai Industries, Prabhulal Bhikhubhai, Arthur Imports, I.C.I., Delhi

Cloth Mills, who have planned to produce rayons of various types.

TABLE II
NEW LICENSED CAPACITY

(Million lbs.)

(a) Viscose Rayon

1. South India Viscose, Coimbatore	8.0
2. Indian Rayon Corporation, Bombay	8.0
3. Baroda Rayons, Bombay	6.0
4. Century Rayons, Bombay	5.3
5. J. K. Rayons, Kanpur	4.0
6. Travancore Rayons, Kerala	4.0
Total	35.3

(b) Acetate Rayon

1. Sirsilk, Andhra Pradesh	4.0
2. Modi Rayons, Modinagar	8.0
3. Modern Mills, Bombay (Factory in Mysore State)	3.0
Total	15.0

(c) Sundatta Foods and Fibres, Bombay (Modern Mills)

1. Sundatta Foods and Fibres, Bombay (Modern Mills)	5.0
2. Swadeshi Cotton Mills, Bangalore	8.0
Total	13.0

(d) Synthetic Yarn

1. J. K. Investment Trust, Kanpur	0.5
2. Nanubhai Industries, Bombay	3.0
3. Prabhulal Bhikubhai, Bombay	4.0
4. Arthur Imports & Exports Co., Bombay	2.4
5. Century Rayons, Bombay	1.6
Total	14.5

(e) Terylene Staple Fibre

I.C.I., Calcutta (Factory in Bombay)	4.5
Total (a to e)	82.3

High Tenacity Yarn

(f) Tyre Cord: (Rayon and Nylon)

1. National Rayon Corporation, Bombay	15.0
2. Century Rayons, Bombay	10.0
3. Delhi Cloth Mills, Delhi	8.0
4. Nanubhai, Bombay	2.0
Total	35.0

At present the total quantity of yarn both imported and indigenous for mill and the handloom weaving sectors is not enough. In fact during 1957-58 and 1958-59 the quantity available was far short as compared that in 1956-57. The present licensing of additional units is, therefore, quite timely. Table III alongside indicates the year to year availability of yarn, both by way of imports and indigenous sources.

TABLE III
AVAILABILITY OF RAYON YARN
(In million lbs.)

Year	Production			Imports		
	Rayon		Total	Rayon		Total
	Filament	Staple		Filament	Staple	
1956-57	21.3	18.2	39.5	61.8	41.8	103.6
1957-58	26.6	19.3	45.9	40.9	15.5	56.4
1958-59	35.0	35.3	70.3	44.5	0.1	44.6
1959-60	42.2	47.9	90.1	43.3	4.9	48.2

Business Notes

Textiles

DISAPPOINTING TREND IN EXPORTS

IT IS extremely disheartening to note that last year India could not keep pace with the tempo of expansion in cotton textiles exports in international trade, nor even maintain her own performance in the previous year. During the first half of this year also, whereas our total exports have gone up, our cotton textiles have registered a further decline, and, in fact, it is apprehended that India's total exports of cotton textiles in 1961 may be lower than in 1960!

The overall expansion of cotton textiles exports stood at 11 per cent over the previous year in international trade, but India's cotton textile exports actually declined by 14.7 per cent. Thus, our exports of cotton textiles in 1960 amounted to 694.83 million yards, as against 814.60 million yards in 1959. This steep decline was attributable, in the main, to the crisis in raw cotton supply last year which, in turn, brought about an unprecedented shortage in the volume of manufacture of the normal export varieties. True, the industry was hit hard by this and various other factors, but, as Mr. Neville N. Wadia, Chairman, of the Cotton Textiles Export Promotion Council remarked in his speech, at the seventh annual meeting held in Bombay, a few days ago, besides shortages, "the domestic price spiral and distribution controls which, in turn, put the price line out of gear, also hit the export performance of many mills". The cotton crisis has since passed, but, panicked by the first sign of a declining trend in cotton prices, the Government has resorted to pressure on the industry to continue cotton purchases at much higher levels than the average intake of previous normal years. This is certainly not the way of making Indian cotton textiles competitive in world markets. Conditions in the world markets have changed greatly. For one thing, there are more countries producing—and also exporting—cotton textiles today. Secondly, some of these countries have not only the natural advantage of better varieties of cotton, but also the adventitious advantage of coming late into textile manufacturing field which carries with it the benefit of more up-to-date and specialised machinery. Thirdly, there is a tendency for closer grouping of different regions on an economic basis, as, for example, the EFTA and the ECM, and the latest threat, particularly to India's exports, is the early prospect of the U.K. joining the European Common Market.

Be that as it may, commenting on the action of the Government of India referred to above—namely insisting on higher prices to be paid for cotton—the Texprocil Chief declared: "No one wishes the farmer to

suffer, but when one considers that the floor prices fixed by the Government were in no way in danger of being reached, it is surprising that action was taken so quickly". The result has been, as Mr. Wadia put it appropriately, "the expected assistance, which a fall could have given to exports, is nullified, a consideration which seems to have been of secondary importance to Government!"

While the situation at home has remained distressing thus, on the international front, the prospects have been, more or less, gloomy. Major importing countries, such as Sudan, East Africa, Ethiopia, Iran, and Somaliland, have slashed a major part of their usual offtake from this country through import controls and changes in tariff structure, etc. Elsewhere also, due to the higher price disadvantage, our exports have suffered, as for example, in some of the Asian and African markets. The only redeeming feature has been that our exports to Europe, America and Oceania have improved slightly. Even so, the net result, as Mr. Wadia noted, has been that our exports have been in the neighbourhood of only Rs. 54.70 crores in 1960, as against to 54.72 crores in 1959.

In order to meet the stiff competition abroad and increase our production at home on an economic basis, much depends, as Mr. Wadia noted, on how sound a footing our textile industry is placed. Whatever incentives are given to the industry, as the Chairman of Texprocil observed, they serve only as a palliative to stave off a difficult situation; they could never be a permanent and effective cure, so long as the industry continues to be "tied hand and foot with curbs on production and expansion, resistance to rationalization and modern machinery, and numerous other impositions of excise duties on finished products, as well as on large number of the items used in the course of manufacture." With so many fetters restraining the industry, neither can it make any further progress nor earn enough money with which to renovate its equipment or expand production to keep in tune with the ever increasing demand. If a country with an abundant supply of its own raw cotton such as ours were surpassed by any other country in textiles production, it would not only be unfortunate but also a sad reflection on the (unhelpful) nature of the economic policies of the powers-that-be, on the one hand, and also the absence of sufficient imagination and enterprise on the part of our cotton mill industry, on the other. Save for some severely few redeeming exceptions, it is regrettable that the Indian cotton mill industry generally cannot as yet claim for itself either a commendable export-consciousness or an earnest export effort.

Tinplate

WANTED: CHANGE IN IMPORT POLICY

A PARADOXICAL situation appears to have developed in the supply market of tinplates. While tinplate sheets of the specifications required for the manufacture of 4-gallon tins, consumed by oil companies and bulk packers of hydrogenated oil, are selling at a discount over the controlled prices, some of the other major users of tinplate are experiencing great difficulty in obtaining supplies required for their purpose. With the Tata's billet mill due to be closed for overhaul and the Rourkela Steel Plant not expected to commence tinplate production till the end of this year, many industries requiring small sized tin packages are obviously in for difficult times.

Tinplate sheets, which are suitable for making 4-gallon tins and whose supplies have been augmented in the recent past through permitting of imports under the Development Loan Fund Scheme and utilisation by the exporters of manganese ore of their import entitlement for tinplate, are not suited for the manufacture of small consumer packages which are made use of by a number of growing industries such as food processing, cooking media, paints, pharmaceuticals, toiletries, etc. Their use in the production of small packages involves a good deal of wastage for which the consumer has to pay unnecessarily. Moreover, it leads to considerable loss of printing capacity and photographic materials.

Petroleum packs—principally the kerosene 4-gallon—account for only about 36 per cent of the present annual demand of tinplate. The rest of the demand requires import of tinplate sheets of certain other standard sizes and gauges. If unnecessary wastage in the use of tinplate is to be avoided, it is obvious that the import policy regarding this commodity has to undergo a change.

Ferro-Alloys

THE PROPOSED SYMPOSIUM

WITH A view to focus attention on the latest research conducted in India and abroad in respect of ferro-alloy industry, a symposium is being organised by the National Metallurgical Laboratory wherein various people associated with the industry—engineers, metallurgists, industrialists, consumers—are likely to participate. Modern steel production technology has made significant advances, which, it appears, have been exceedingly slow in travelling to India. As an instance, it may be pointed out that till very recently the attempts to produce high-grade ferro-alloys at industrial scale were only sporadic. The significance of this industry could not be minimised because the ratio of alloy, tool and special steels to those of carbon steels was usually 5 to 15 per cent of the latter. On this basis the target for the Third Plan would necessitate an output figure of $\frac{1}{2}$ to $1\frac{1}{2}$ million tons of alloy, tool and special steels, which in turn would demand indigenous availability and production of ferro-alloys in sufficiently large quantities.

The National Metallurgical Laboratory has already embarked upon some research and major development projects to study the amenability of Indian raw materials for the production of diverse range of ferro-alloys. After exhaustive investigations, a pilot smelting furnace with a capacity of one ton of ferro-alloy per day is being installed for the first time in India. The Laboratory would accept raw materials on contract basis for investigation of their amenability. The technical data obtained from this project would be useful for the plants that would be set up later on industrial scale.

The scope of the symposium, to be held early in February 1962 would cover a survey of raw materials in terms of their metallurgical quality and availability in India, evaluation of electro-thermal techniques in the development of different types of ferro-alloys, study of basic physico-chemical and thermo-dynamic principles involved in the production of ferro-alloys, study of latest advances in the production technology of ferro-alloys, utilisation of by-products obtained in ferro-alloys industry, standard specifications for different grades of indigenous ferro-alloys and the present status of ferro-alloy industry in India with special reference to its future expansion programme. The proceedings of this symposium would certainly be beneficial to the industry.

Engineering

NEW STANDARD ENGINEERING COMPANY LTD

MR. R. G. SARAIYA in a speech delivered at the annual general meeting of New Standard Engineering Company Ltd., stated that the year 1960-61 had been a year of solid accomplishment for the company. Total sales of the company, for example, had increased by Rs. 26,26,220 to Rs. 1,19,09,106, resulting in a gross profit of Rs. 18,04,704—an increase of 54.68 per cent over the last year. The dividend recommended by the Board of Directors for the year is 9 per cent on equity shares subject to deduction of tax as against 12 per cent subject to taxation declared last year. On the 6.3 per cent tax-free preference shares, the company's Directors have recommended a dividend of 9 per cent subject to deduction of tax, as in the last year.

In the field of development and expansion, there had been an intense activity. The first phase of the expansion project, viz. structural steel plant has been completed and is in full operation now. Besides, there has been a successful commissioning of the first Trutzschler-NSE Blow Room line to be manufactured in the country. The successful conclusion of the collaboration agreement with Forni Electrici A. Togliaberi of Milan, Italy, for the manufacture of low frequency induction furnaces has been another notable achievement. This is an item of vital importance to the Metallurgical and Engineering industries and is one of the pioneering activities undertaken by NSE. The design of a modern foundry has also been completed by NSE engineers and designs of the structural shed are now under progress. The expectation is that the foundry will be commissioned in the first quarter of the calendar year 1962.

While these have been the achievements of the year under review, future prospects are considered to be no less bright. Higher targets have been set for the year 1962 in tune with the increased production during last year and the previous years. Method and motion studies in all important production departments will be carried out and more and more of company's manufacturing activities will be transferred to Goregaon, where under a centralised command, NSE will be able to forge ahead at a rapid rate of growth. So far as additional finances for the execution of various projects are involved, Mr. Saraiya revealed, they are being constantly reviewed by the Directors. The picture, therefore, is one of bright prospects.

Paper

TITAGHUR PAPER MILLS LIMITED

IN THE statement made recently by Mr. Walter Michelmore, Chairman of the Titaghur Paper Mills Company Ltd., it was revealed that results of the company for the year ended March 31, 1961, were somewhat disappointing. This has occurred because of the fact that there has been a lowering of selling prices, increase in

the cost of chemicals and coal, and the loss sustained at No. 3 mill. It may, for instance, be noted that since the last statement was made, the company had to suffer an excise duty on caustic soda of Rs. 40 per tonne, an increase in the cost of coal of 78.7 nP. per tonne, and an increase in the cost of power supplied by the Calcutta Electricity Supply Corporation arising out of the higher coal price. Now it has been declared that the company's contribution to the employees provident fund will be increased from 6½ per cent to 8½ per cent. The result of all this is that net profit after providing for depreciation and taxation, has shown a sharp fall to Rs. 23.19 lakhs from Rs. 55.42 lakhs. The dividend recommended by the Directors is only Rs. 2 per share less tax, both on the A and B ordinary shares against Rs. 2.50 paid previously.

Sir Michelmore took the opportunity to lash out against the excise duty and the higher price that they have to pay for coal. His contention was that basic raw material like caustic soda was not a suitable material for excise duty and if it was to be, the levy should be kept at a reasonable rate and within the capacity of the consumer to pay. In regard to coal, Sir Michelmore pointed out that the company was paying as much as Rs. 1 lakh per month extra as transport charges for coal brought to the mills by road and now the company was paying sometimes Rs. 16,000 per month extra cess on all coal receipts.

The target of paper production for the Third Plan is 7 lakh tons, i.e. double the present output. This is to be achieved by the creation of additional mills or expansion of existing units to bring the total capacity to 9 lakh tons. Against this, the total capacity licensed or approved by the Government is just over 1,200,000 tons. This very high figure, Sir Michelmore remarked, seems to indicate the expectation that not more than half the new schemes will reach completion.

UPASI

PROBLEMS OF THE PLANTATION INDUSTRY

AT THE 68th Annual Conference of the United Planters Association of Southern India, Mr. H. C. Kothari, in his presidential address, dwelt at length on the various problems facing the plantation industry. This industry has been assigned an important role in the Third Five-Year Plan and it is, therefore, imperative that its problems be tackled in a realistic manner. The points raised by Mr. Kothari are important and mostly relate to production, exports and taxation. In regard to taxation, UPASI's President has reiterated that the Government should appoint a Committee whose terms of reference should include the examination of the effect of taxation at the current level on the plantation industry. A committee of this type has been appointed in Ceylon. The matter is of great urgency here because of the fact that there are more Governments involved in our country, each demanding its share of taxation, without a proper consideration of the total effect of taxation on the industry as a whole. The current level of taxation in India has been crippling the industry. A committee of investigation, it is considered, would be able to study all the aspects both in the light of the industry's own developing economy and with a view to promoting Government's efforts to increase foreign exchange earnings for the financing of the Plan. Since the development of this industry is very essential, it is important that some such probe be carried out.

On production and exports, Mr. Kothari takes the view that both these targets are a little on the high side in the Third Plan. And he tries to prove his point by facts and figures. While the all-India tea production has increased since 1959 at an average rate

of only 12 million lbs. a year, to reach the target of 900 million lbs., an average increase of about 40 million lbs. a year over the next five years will be necessary. Considering the small increase in planted acreage that has occurred in recent years, it is quite simple that new planting will not be able to add greatly to production.

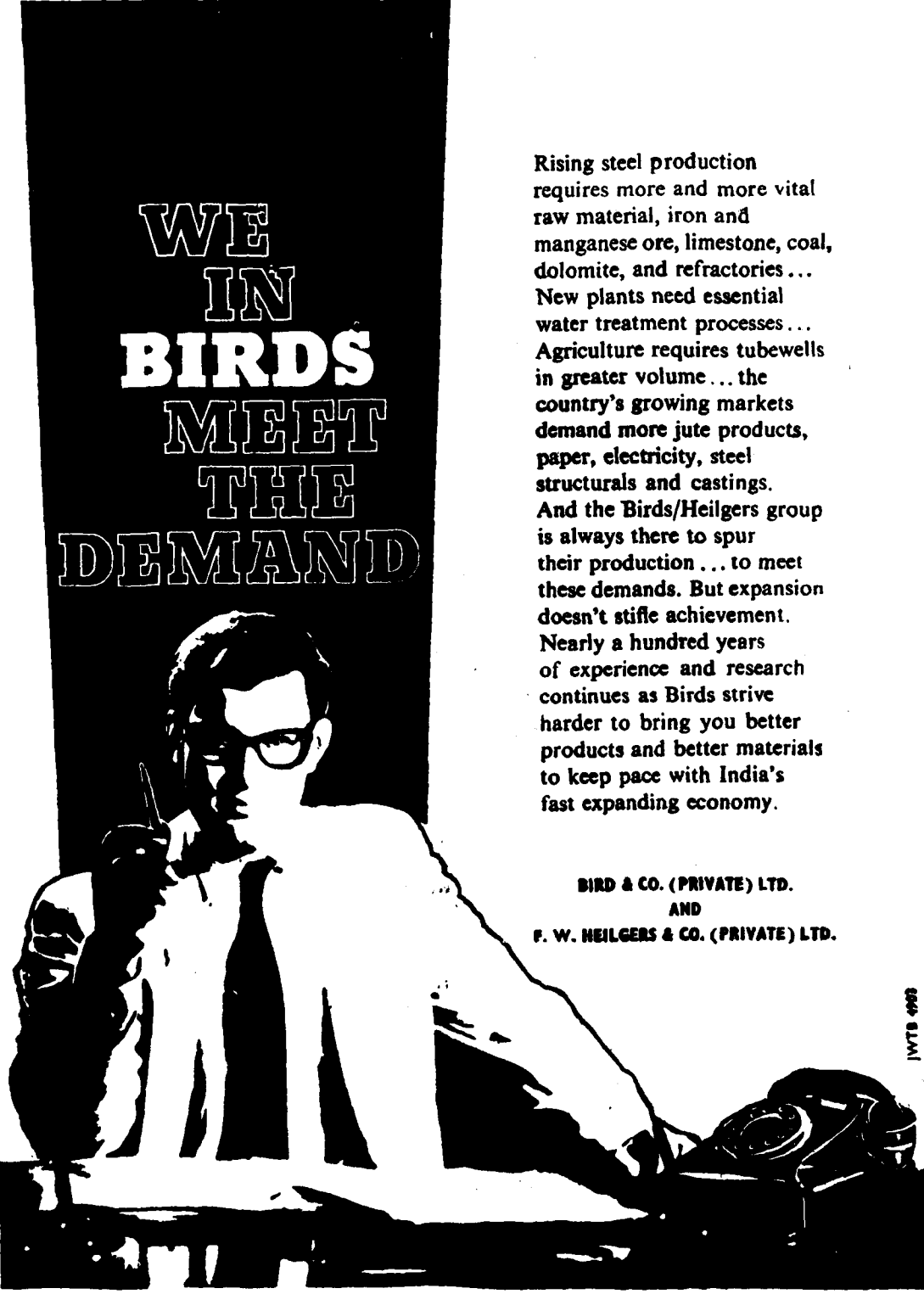
The need to export more tea no doubt is great but the question is: will we be able to achieve the target set forth in the Third Plan with all the incentives provided for export promotion? Mr. Kothari is convinced that these steps will not be sufficient to absorb the whole of the proposed increase in production. Therefore, he urges that efforts should be made to increase domestic consumption alongside with exports. If this was not done, the fear is that a crisis of over-production may occur. This, however, goes without saying that for increasing exports of tea, there should be close consultation between the Government and industry. The scope for increasing exports in the Common Market countries is certainly considerable where only 40 million lbs. of tea are consumed by a population of 170 million. In the U.K., as compared to this, the consumption is 500 million lbs. by a population of 50 million. But can any progress be envisaged in the Common Market region in the face of high tariffs? The increase in exports can, of course, be possible in the ECM region only if tea is admitted duty-free or is subject to only a nominal duty after Britain's entry into it. Without this, it would be just a pious hope.

Maharashtra

THE STATE'S ECONOMY

COMMENTING ON Maharashtra's economy, Mr. D. C. Sutaria made two important points in his presidential address on the occasion of the second quarterly general meeting of the Nag-Vidharbha Chambers of Commerce, Nagpur. The first was in connection with the bill to establish Maharashtra Industrial Development Corporation and the other in respect of the manganese industry in the State. He welcomed the State Government's decision to introduce the bill to establish the Maharashtra Industrial Development Corporation as a statutory body to look after an orderly growth of industries in the State. The Corporation was aimed at providing assistance in the rapid and orderly establishment and growth of industries by setting up and managing industrial estates and by assisting entrepreneurs financially to move their factories to the best locations. The Corporation would be authorised to acquire land for industrial purposes and to provide other amenities to the producers. In a way the Corporation would help to hasten the pace of industrial development in the under-developed areas of Konkan, Marathwada and Vidharbha.

The manganese industry in Maharashtra, Mr. D. C. Sutaria pointed out, was getting deeper in its difficulties and both production and exports had been falling. The Indian exports which rose to 17.15 lakh tons in 1957, had declined to 11.62 lakh tons in 1960 and the foreign exchange earned from the manganese exports had deteriorated in comparison to 1957, when it stood at about Rs. 31.93 crores, to about Rs. 14 crores in 1960. Thus it was not only the export which had gone down, but also the foreign exchange earned per ton which had been reduced to a great extent. This, he pointed out, was on account of a rise in world production of manganese ore, the development of new mining areas in the proximity of the consuming countries and increasing competition from Russia. To face this challenge the Government would do well to follow the suggestion put forward by Mr. Sutaria that a substantial reduction in railway freight, royalty and port charges be effected.



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FROM THE CAPITAL'S CORRIDORS

ROURKELA STEEL PLANT

SOME details are now available of the Rourkela steel plant's expansion programme which will raise its capacity from one million tons ingots to 1.8 million tons ingots per annum. The total cost on the expansion plan is estimated around Rs. 77.6 crores. Of this, approximately Rs. 46.5 crores will be the expenditure in foreign exchange.

After the completion of the expansion programme and on the basis of the anticipated demand for the plant's products, the following product-mix has been suggested:

	(Tons)
(1) Wide and Heavy Plates	280,000
(2) Hot rolled sheets, narrow light plates and strips	300,000
(3) Cold rolled sheets and strips	300,000
(4) Hot dipped tin plates	50,000
(5) Electrolytic tin plates	100,000
(6) Galvanized sheets	180,000
(7) Electrical steel sheets	50,000
TOTAL	1,240,000

The present product-mix of the plant is as follows:

	(Tons)
(1) Wide and heavy plates	200,000
(2) Hot rolled sheets, narrow light plates and strips	300,000
(3) Cold rolled sheets and strips	170,000
(4) Hot dipped tin plates	50,000
TOTAL	720,000

The expansion programme, it is understood, will not involve any duplication of the primary mills of the plant; after minor extensions, they are capable of meeting the increased demands of its various sections.

RAW MATERIALS

The annual requirements of different raw materials after the expansion of the plant are estimated as follows:

	(Tons)
(1) Coal	
(a) Coking quality	2,380,000
(b) Steam quality	112,000
(2) Iron Ore	
(a) Lumps (—80 mm. to +12mm.)	1,411,000
(b) Fines (Below 12 mm.)	1,008,000
(3) Manganese Ore	136,000
(4) Limestone	
(a) Blast Furnace quality	842,000
(b) O.H. quality	315,000
(5) Dolomite	
(a) Blast Furnace Quality	266,000
(b) Fettling and Converter lining quality	66,000
(6) Quartzite	63,000
(7) Flourspar/Bauxite	10,000

The plant at present is being run with coal supplies of which 75 per cent are washed at Kargali and 25 per cent unwashed. Due to shortage of good metallurgical coal deposits, a certain amount of weakly coking coals, such as those available at Argada and Sirkha, may have to be used. Steam coal will be supplied from Korba, in Madhya Pradesh, and Hingri-Rampur mines of the Hingri-Talcher coal belt.

Iron ore will continue to be supplied by the company's own mines at Barsua, which have a capacity to produce 3 million tons per annum on two shift basis and 4 to 4.5 million tons on three shift basis. No additional mining capacity will be required to be created in this regard since it is proposed to utilise the fines also after proper beneficiation. Additional handling and storage facilities will, however, have to be provided.

Some additional facilities are proposed to be provided at Purnapani from where the plant gets its supplies of blast furnace quality limestone. This quarry is owned by Hindustan Steel. At present, it has equipment and facilities for the production of 7,50,000 tons of limestone per annum. Limestone with lower acid insolubles will continue to be obtained from Satna-Maihar until a suitable deposit is found out at a nearer place.

Raw dolomite and sub-quality dolomite with lower silicon and alumina contents will also continue to be obtained from Birmitrapur and Hiri, as at present. Manganese ore will continue to be purchased from outside sources. Bauxite will be obtained from Lohardaga. Flourspar will have to be imported till the time indigenous deposits, recently discovered in Madhya Pradesh and Rajasthan, are exploited.

COAL STORAGE

To regularise coal supplies, it is proposed to build an intermediate coal storage bunker having a capacity of 22,500 tons—sufficient for about 3 days' normal coal requirements of the plant—and expand the capacity of the coal yard at the steelworks to approximately 70,000 tons—about 10 days' requirements. The building up of the intermediate coal storage bunker is necessitated by the fact that coal has to be brought to the steel plant over a distance of about 450 kilometers from washeries and it has to pass through some very heavily loaded sections of the railway system. To expedite unloading of coal at the works and at the intermediate storage bunker, two wagon tipplers will be installed. The coke oven section is to be expanded by an addition of 100 ovens—divided into two batteries of 50 ovens each, each battery being further sub-divided into sub-batteries of 25 ovens. After the completion of the expansion programme the coke ovens will have to produce approximately 14,76,000 tons of plus 40 mm. size coke per year. After setting up of the new coke ovens, the maximum gas-make would be approximately 1,08,000 Ncbm per hour. Since the existing two streams of the by-product plant have a capacity to handle a gas volume of only 70,000 Ncbm per hour plus an over-load of 10 per cent, a new gas stream will be built.

The by-product ammonia, which will be available from the by-product plant, will be utilised for the manufacture of ammonium sulphate. It is not proposed to set up as ammonia purification plant for it involves a cost of about Rs. 1.2 crores which is considered to be uneconomical. Similarly, ammonia is not to be utilised for the manufacture of calcium cyanamide gas. For this also ammonia has to be purified to remove all the organic impurities involving a high cost. An ammonium sulphate plant is, therefore, envisaged to be set up having a capacity of 80 tons per day. Sulphuric acid to be used for the manufacture of ammonium sulphate will also be produced locally. For this a sulphuric acid plant with a capacity of 60 tons of 60°Be acid per day will be set up. The total cost of setting up the ammonium sulphate plant and the sulphuric acid plant is estimated at Rs. 70 lakhs, compared to Rs. 1.2 crores required for setting up an ammonia purification plant.

Similarly, instead of recovering benzol at a pressure of 15 atmospheres, it is proposed to have a low pressure benzol recovery plant which will cost less, both in capital investment and operating costs. The existing distillation plants for tar and benzol have ample capacities to deal with the additional crude tar and crude benzol which will be available from the two new batteries of coke ovens. No expansion of these units is, therefore, envisaged.

The additions and modifications of the other units of the Rourkela Steelworks consequent upon its expan-

sion to a capacity of 1.8 million tons ingots per annum would be as follows:

(1) **Blast Furnaces:** After the expansion, the plant's annual requirements of pig iron will be 1,600,000 tons. To allow for the furnace relining and down time from other causes, this production will have to be achieved in 340 days, i.e. at a rate of 4,700 tons per day. At present there are 3 furnaces, normally rated at 1,000 tons. The additional production will be obtained, partly from increased production of the existing furnaces by the use of improved operating technique, and partly from a new furnace to be installed. The new furnace will be rated for a daily production of 1,500 tons, but will be capable of producing upto 1,800 tons per day by the use of sinter and under favourable operating conditions. Each of the present three blast furnaces will be required to produce about 1200 tons per day through use of improved techniques.

(2) **Blast Furnace Blowers:** For the existing three blast furnaces, four blowers are provided, three normally operating and one as a standby. Each of these blowers is rated for a normal blast supply of 120,000 Ncbm per hour and maximum continuous supply of 160,000 Ncbm per hour. They are designed for a maximum discharge pressure of 2.3 atmospheres absolute. The normal blast requirements of the new 1,500 ton per day furnace will be 160,000 Ncbm per hour. It is proposed to provide a new blower of the same capacity as the existing ones and install it in the space already provided in the power station. Thus, the blowers will be interchangeable and with a total of five blowers installed one will be standby.

(3) **Gas Cleaning Plant:** The present gas clearing plant consists of six identical units designed for cleaning a total gas volume of 500,000 Ncbm per hour. With the installation of the new 1,500-ton per day capacity furnace, the maximum crude gas-make in the four furnaces will be approximately 660,000 Ncbm per hour. To take care of the additional 160,000 Ncbm per hour of gas, it is proposed to install two additional units of the same capacity as the existing ones. The gas-make of 660,000 Ncbm per hour is the maximum rate from the four furnaces together. In practice, the four furnaces will seldom be working to their maximum capacities simultaneously. It is found that the average gas-make is 15 to 20 per cent lower than the theoretical maximum rate. Thus, it would be possible to clean the total gas from all the four furnaces in seven cleaning units, when one of the units is down for maintenance.

(4) **Steel Melting Shop:** The steel melting shop consists of four 80-ton open hearth furnaces and three 40-ton L.D. converters. Though laid out for a production of 1,000,000 tons of ingot steel per year, its inherent capacity is such that up to 1,300,000 tons of steel per annum can be produced without additional equipment. Extensions will have to be done to get the remaining 500,000 tons of steel to make a total production of 1,800,000 tons per year. On the open hearth side, it is possible to increase the capacity by another 100,000 tons per year by the addition of a fifth open hearth furnace, for which space is left, and by operating all the furnaces with basic roof and oxygen lancing. The balance of 400,000 tons per year to make a total additional production of 500,000 tons, will have to be obtained by increasing the capacity of the L.D. plant by providing two more converters of about the same capacity as at present. Alternatively it is also possible to get the entire additional production of 500,000 tons by extension to the L.D. side alone by the installation of two more converters of slightly higher capacity. Since the latter alternative will be cheaper both in capital outlay and operating costs, it is proposed to extend the L.D. side only to achieve the proposed production of 1.8 million tons per annum.

(5) **Converters:** The expansion programme will require two additional 50-ton converters. However, it is proposed to provide the additional converters of 60-ton capacity. The extra cost involved for the 60-ton converters as compared to 50-ton converters is small, whereas the higher capacity converters will provide greater flexibility and the plant will be able to produce more steel as and when the mills can take it. Further, installation of higher capacity converters will enable increase in capacity of the steel plant to beyond 1.8 million tons, if required.

(6) **Dust Cleaning Arrangement:** The existing L.D. converters are not provided with any dust cleaning arrangement. As the L.D. fumes pollute the plant atmosphere, it is essential to clean the fumes. Out of the five converters, only three will be in operation. It is proposed to install one precipitator type central gas cleaning plant to clean the gas produced from any three converters in operation. The piping system between the converters and the central gas cleaning system will be so arranged that the fumes will be taken to the gas cleaning plant through a common duct with shut-off valves at suitable places to disconnect any converter not in operation.

(7) **Hot Metal Handling:** In the existing plant, there are two 1,100-ton mixers and space has been left for the installation of a third mixer, by the side of the existing mixers, situated in between the L.D. and open hearth plants. Two hot metal tracks enter the mixer building at an angle of 45° and on these tracks the hot metal ladles can be brought under the two mixer cranes. With four blast furnaces in operation, the steel melting shop will receive upto about 4,800 tons of hot metal per day at the rate of 3 to 4 ladles an hour. This number of ladles cannot be handled with the existing two mixer cranes and the layout does not permit in tallation of a third crane. It is, therefore, proposed to install the third mixer at the south-west end of the converter plant with a new mixer crane and with facility to bring the hot metal ladles on two tracks entering at 45° within the reach of the mixer crane. This arrangement permits handling of the hot metal at two independent points and also allows feeding of the mixer metal to the converters from either end, thus giving maximum flexibility in operation. Further, this arrangement permits expansion of the steel plant capacity to beyond 2 million tons in future by the installation of a sixth converter and a fourth mixer.

(8) **Lime and Dolomite Calcining Plant:** The existing plant consists of three vertical shaft kilns for calcining lime and two vertical shaft kilns for calcining dolomite. The vertical shaft kilns for dolomite have not yet operated satisfactorily. It cannot be said, with any degree of certainty, if the dolomite available will lend itself to satisfactory calcining in vertical gas fired kilns. To meet the increased requirements of lime under the expansion programme, it is necessary to install two additional lime kilns. Therefore, instead of adding two more lime kilns, it is proposed to convert the two dolomite kilns into lime kilns and install a new rotary kiln, of 100 ton per day capacity, for producing the entire requirement of dead burnt dolomite after the expansion.

(9) **Oxygen Plant:** To meet the additional requirement of oxygen for the new L.D. converters and additional scarfing to be done in the rolling mill, it is necessary to install two more oxygen producing units, one unit being of the same capacity as the existing units and the other of a higher capacity. One of the two additional units shall be able to produce 99.5 per cent pure gaseous oxygen and 99.99 per cent pure nitrogen, as at present. The second additional unit is not required to produce nitrogen for the fertilizer plant. This unit, however, will be designed for producing oxygen partly as gaseous oxygen and partly as liquid oxygen.

(10) **Rolling Mills:** The main units of the hot rolling mills have adequate capacity to process the 1.8 million tons of ingots to be produced after the expansion. Soaking pits and the slab reheating furnace capacities will have to be increased. Facilities for hot scarfing of slabs will be provided and one more coiler will be added after the strip mill. Major expansion will be on the cold rolling mills. In addition to increasing the cold rolling capacity by the installation of a 5-stand tandem cold rolling mills, facilities will be provided for electrolytic tinning and continuous galvanizing. A new plant for the production of hot rolled electrical sheets will be installed.

(11) **Plate Mill:** 280,000 tons of finished plates are planned to be produced in the existing 3.1 million ton plate mill. The mill and the finishing equipment are adequate for this production. The production from the plate mill depends on the width and thickness of the plates to be rolled. Based on an average mixed product the plate mill can roll 300,000/350,000 tons per annum. In future, when the demand for plates has increased, and the 2 million wide strip mill planned at Bokaro has come into operation, all plates below 1,850 mm. width and 10 mm. thickness can be planned on that strip mill. This will leave only wide plates and plates above 10 mm. thickness to be rolled in this plate mill. Under these conditions, it will be possible to produce upto half a million tons of plates per year from this mill. The finishing equipment already provided is adequate to deal with this increased production.

(12) **Strip Mill:** The 1,700 mm. wide strip mill has a roughing train and a finishing train. The roughing train consists of one reversing and one non-reversing 4-high stands. The finishing train consists of six 4-high stands in tandem. After the expansion, approximately 1,140,000 tons of slabs will have to be rolled to strips. There is ample capacity in the mill for this. With favourable product-mix and under good operation and maintenance, the strip mill is capable of rolling appreciably more than is required under the expansion to 1.8 million ton. In America and Russia, mills of this size are now rolling over 2 million tons of slabs per year. After the expansion, the strip mill will be operating three shifts and in order to maintain the mill production, it is essential to have three coilers. A third coiler will, therefore, be provided in the space already left in the existing layout.

(13) **Finishing Lines—Slitting Knives:** There are two finishing lines in the existing plant, one for finishing coiled strips and the other for finishing divided strips into finished plates and sheets. The coiled strip finishing line is designed for slitting wide strips into narrower widths and also for finishing both wide and slit strips into finished sheets and plates as required. In this line strips upto 5 mm. thickness can be recoiled after trimming and slitting. Strips above 5 mm. thickness can be finished into sheets and plates. The rotary knives and spacer rings, already provided with this line, are capable of slitting strips to minimum 33 mm. width. It is proposed to provide additional rotary knives and spacer rings to enable this line to slit strips down to minimum 80 mm. width of which this line is capable. Based on average product-mix, this finishing line is capable of an output of 190,000 tons of finished products per year. The divided strip finishing line is designed for finishing dividad strips into finished sheets and plates. This line is also provided with one pair of slitting knives for slitting plates when required. With average product-mix, this line is capable of giving a finished output of 210,000 tons per year. The finished hot rolled products from the strip mill after the expansion will be about 250,000 to 300,000 tons per year. The combined capacity of the above two finishing lines is 390,000 tons per year. Therefore, no additional facilities are required.

(14) **Cold Sheet Finishing Lines:** In the present installation, there are two cold rolled sheet finishing lines, each capable of an output of 120,000 tons per year. After the expansion, the total production of cold rolled finished sheets will be 300,000 tons per year. To deal with the additional production, it is proposed to install one more finishing line of the same capacity as the existing ones. In the existing cold rolling mill, there is facility to slit cold rolled strip to minimum 250 mm. width. As there is demand for cold rolled strips in widths down to 12.5 mm., it is proposed to install two slitting lines designed to slit strips of a maximum width of 300 mm. down to 12.5 mm., with provision for recoiling. Each of these lines will be capable of giving an output of approximately 10,000 tons per year.

(15) **Electrolytic Tinning Lines:** For the planned production of 100,000 tons of electrolytic tinplates, it is proposed to install an acid ferrostan line. This line will be designed for a maximum operating speed of 1,200 ft. per minute. The line will be located in the new bay adjacent to the present cold rolling mills building. A trimming shear has been incorporated in the tinning line itself to side trim the strips. As there is no demand for tinplates in coils, no coilers have been planned in this tinning line. However, space will be left in the layout for installation of two coilers in the future. The line will be initially designed with four plating tanks, and will have a capacity to produce 100,000 tons per year of electrolytic tinplates when operated 6,000 hours a year and 130,000 tons per year when operated 8,000 hours a year. It should be possible to operate upto 8,000 hours after the operating and maintenance personnel have acquired the requisite skill. Space has been left in the layout to add four more plating tanks in future. With additional plating tanks, the capacity of this line can be increased upto about 130,000 tons per year based on 6,000 operating hours a year and upto 175,000 tons per year by operating 8,000 hours a year.

The patent for Ferrostan lines is held by United States Steel Corporation and a licence agreement will have to be signed between Hindustan Steel Limited and the United States Steel Corporation before the ferrostan line can be installed.

The patent for the Armco-Sendizimir continuous strip galvanising line is held by Messrs. Armco-International Corporation of the U.S.A. Therefore, to install these galvanising lines, it will be necessary to enter into a licence agreement with Messrs. Armco-International Corporation.

(16) **Foundry:** The existing foundry has got a capacity of 30,000 tons per year of iron castings consisting of ingot moulds, bottom plates and miscellaneous casting. Three cold blast cupolas, each having a capacity of 9 tons per hour are provided. Provision exists for converting the existing cupolas into hot blast ones thereby raising the capacity of each cupola to 12 tons per hour. Under the expansion programme, it is proposed to increase the grey iron foundry capacity to 64,000 tons per year and to add a steel foundry and non-ferrous foundry. The steel and non-ferrous foundry will be located in a separate building and will include a 5-ton electric furnace for steel and a 0.5 ton gas fired crucible furnace for non-ferrous metal.

INVESTMENT COST

The total estimated cost for the expansion is Rs. 776,000,000. This cost includes the investment required for such additional processing plants as electrolytic tinning plant, continuous galvanising plant and electrical sheet mill. Inclusion of these units has increased the capital investment of the expansion without increasing the total output, but it has considerably increased the sale value of the final products.

Out of the above estimated cost of Rs. 776,000,000, approximately Rs. 465,000,000 will be the expenditure in foreign exchange.

The total cost of the present 1 million ton plant as per the latest revised estimate is Rs. 1,700,000,000 which works out to an investment cost of Rs. 1,700 per ton of ingot steel capacity. For increasing the capacity by 800,000 tons of ingot steel per year, the additional investment is Rs. 776,000,000 which works out to Rs. 970 per ton. Taking the entire installation after the expansion, the overall investment cost will be Rs. 1,375 per ton of ingot steel capacity. This figure is attractive and compares favourably with the corresponding cost for similar installations abroad.

THE CABINET COMMITTEE ON EXPORT PROMOTION

The Cabinet Committee on Export Promotion has approved a comprehensive export incentive scheme which includes increased rebate on articles of export for which it has approved a provision of nearly Rs. 10 crores. The Committee has also endorsed the export plan for 1961-62 worked out by the Committee of Economic Secretaries. This plan provides for larger export quotas than was envisaged in the Third Plan particularly in regard to engineering products. It has approved various measures for different commodities which would contribute to higher exports.

The Committee is also understood to have discussed proposals for legislation to vest the Government with powers to take steps for promotion of exports. Some of the steps suggested are—(i) steady increase in agricultural and industrial production; (ii) restraint on consumption of certain commodities; (iii) rebate or remission of income tax; (iv) reduction costs; (v) increasing productivity by the industries and improving relative profitability of export sales; (vi) provision of foreign exchange facilities for trade promotion work; (vii) conducting of market surveys for exploring foreign markets; (viii) establishing of servicing organisations for exports of engineering goods; (ix) reduction of railway freight; (x) increased draw-back of excise duties; (xi) provision of liberal credit facilities; (xii) imposition of suitable quality control and pre-shipment inspection measures; (xiii) supply of fertilizers for increasing the cash crops linked with export performance; and (xiv) supply of indigenous raw materials on concessional rates for manufacture of goods intended to be exported.

The Committee has also approved various measures in respect of several commodities which could contribute to larger exports. In the case of manganese ore, for instance, the Indian prices were higher than the international prices by \$4 to \$6 per ton. The Committee has suggested that one way to increase its capacity to compete in the foreign market was to reduce railway freights, may be by 50 per cent for a period of six months to begin with. This would, however, apply to ore transported from distances of over 200 miles to the nearest ports. The position is to be reviewed after six months.

In case of tea, it was suggested that regular supply of fertilizer to the tea industry was essential in order to step up the production and consequently the exports. At present fertilizers were being distributed to the tea planters through the State Governments. It was suggested some time back that fertilizers should be distributed to the planters through the Tea Board and special allocation of fertilizers be made to this industry.

As far as vegetable oils were concerned, it was realised that a scheme of subsidy would act as an incentive to exports. Internal high prices have been largely responsible for the decline in exports of vegetable oils. At present there was a disparity of Rs. 600 per ton in groundnut oil and Rs. 400 per ton in the linseed oil over the international prices. The Ministry

of Commerce and Industry has suggested, therefore, a subsidy to equalise prices in order to promote export of these two oils.

About cotton textiles, the Committee has agreed that sufficient foreign exchange be allocated to enable the mills to undertake a programme of rationalisation and modernisation. This indeed was very necessary in view of the fact that exports of Indian cotton textiles have been declining and the industry has to be prepared to compete in the foreign markets.

The Committee has reported that for improving the exports of hides and skins, liberal imports of raw skins were necessary. Further large-scale programme for better collection of fallen hides and for introduction of improved methods for flaying were necessary. Moreover, a large number of abattoirs run on hygienic lines by local bodies could be of great use.

As far as new manufactures like light engineering goods, chemical industries, plastic industries, etc. were concerned, their exports could be stepped up considerably provided raw materials for their manufacture were made available to the producers at the rate at which they could produce their goods at competitive international prices.

DURGAPUR COKE OVEN PLANT

The present capacity of the Durgapur coke oven plant—13,000 tons of coal and coke breeze plus recovery of such by-products as ammonia, coal tar, crude benzol, etc.—is to be doubled during the Third Plan period, according to a scheme prepared by the Durgapur Industries Board. The expansion programme will also require setting up of a new coal washery.

The annual requirements of raw coal for doubling the plant's capacity has already been taken into account while fixing the coal production target under the Third Plan. The transport requirements both for the movement of raw coal into the plant and despatch of hard coke from it have similarly been taken note of in the Plan and communicated to the railways for inclusion in their expansion programme.

The expansion programme of the Durgapur coke oven plant has been prepared in the light of the recommendations of the Committee set-up in 1958 under the Chairmanship of Mr. P. M. Nayak, the then Coal Controller, to assess the demand for hard coke in the Third Plan period. This Committee, it may be recalled, had recommended that "the coke oven plant set up by the Durgapur Industries Board at Durgapur should be doubled. Doubling of this plant may create more capacity, but having regard to the rate of increase in demand, excess capacity may not last for more than a year." The Committee had also laid great stress on recovery of by-products such as crude benzol for which demand during the Third Plan period was expected to grow at a phenomenal rate.



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COMPANY AFFAIRS

THE BIRLA COTTON

The Directors of the Birla Cotton Spinning and Weaving Mills Limited in their report for the year to March 31, 1961, have pointed out that the textile section of the Company carried out significant expansion. The latest types of winding and warping machines namely the Barber Colman type have been added to the textile mills. Several other machines also have been ordered for replacement of old machinery for improving the various processes. An application has also been made to the Government of India for permission to instal additional spindles for balancing the existing ratio of looms to spindles. This new installation is likely to result in larger out-put and naturally will affect favourably the cost of production of the Company.

The cost of production in the textile industry, it is reported, has further increased as a result of steep rise in the prices of cotton, a substantial increase in the wages of workers under the recommendation of the Wage Board and several other factors. In addition to this, the Company, in line with the policy accepted by the textile industry, made voluntary reductions in prices of cloth. For the convenience of consumers, a system of stamping of prices on each piece of cloth was also introduced.

The Company, however, made a steady progress. Profits during the year were recorded at Rs. 42.15 lakhs against Rs. 21.31 lakhs during the previous year. A sum of Rs. 18.50 lakhs was provided for taxation against Rs. 6 lakhs provided during the previous year. A sum of Rs. 7 lakhs was transferred to General Reserve. The Directors have recommended the payment of a dividend subject to deduction of income tax on ordinary shares of Rs. 10 each at the rate of Rs. 2 per share which will absorb Rs. 7.99 lakhs.

PARRYS CONFECTIONERY

Parrys Confectionery Limited during the year to March 31, 1961, recorded a profit of Rs. 10.16 lakhs before providing for taxation. While the total sales of the Company were higher at Rs. 1.17 crores against Rs. 1.14 crores during the previous year, it was essentially due to higher costs that the profits were lower than the previous year though by a small margin. The Directors have recommended the transfer of Rs. 50,000 to Capital Reserves and Rs. 1 lakh to General Reserve. An interim dividend at the rate of 10 per cent was paid and now a final dividend at the rate of 20 per cent subject to deduction of tax on Company's ordinary share capital as increased by the Right Issue made on May 4, 1961, has been proposed to be paid.

NEW CAPITAL ISSUES

Five cotton mills engaged in the manufacture of cotton cloth, spinning and ginning have been granted consent by the Controller of Capital Issues to the issue of a total capital of Rs. 3.35 crores. The consent is valid for 12 months in each case.

The following are the details:

The Swadeshi Cotton Mills Company Limited, Kanpur, has been accorded consent to issue capital of Rs. 87.50 lakhs viz Rs. 17.50 lakhs in bonus shares on capitalisation of the Company's reserves to a like extent and Rs. 70 lakhs at par on right basis. The proceeds of the cash issue will be utilised for repayment of the Company's borrowings in part and for improving its liquid position. The Company is engaged in the manufacture of textiles, and has a paid-up capital of Rs. 210.00 lakhs.

The Vishnu Cotton Mills Limited, Bombay, has been granted consent to the issue of further capital of Rs. 73,60,000 divided into 57,600 equity shares of Rs. 100 each and 6,400 first cumulative preference shares of Rs. 250 each, carrying a dividend of 5½ per cent (subject to deduction of taxes at the prescribed rates. The shares will be issued for consideration other than cash in terms

of the scheme of amalgamation of the Lakshmi Cotton Manufacturing Company Limited, with the Vishnu Cotton Mills Limited. The present paid-up capital of the Company is Rs. 47,66,500 divided into 32,000 ordinary shares of Rs. 100 each and 3,313 seven per cent cumulative preference shares of Rs. 500 each.

The Delhi Cloth and General Mills Limited, Delhi, has been granted consent to the issue of further capital of Rs. 150 lakhs, divided into 4 lakh ordinary shares of Rs. 25 each at a premium of Rs. 5 per share, 2 lakh preference shares of Rs. 25 each at par with dividend not exceeding 9 per cent per annum free of Company's tax but subject to deduction of taxes at source at prescribed rates, and debenture stock of the value of Rs. 250 lakhs carrying interest at 6½ per cent per annum. The proceeds of the issue will be utilised for financing the manufacture of P.V.C. and tyre cord rayon at Kotah in Rajasthan. The Company's present paid-up capital is Rs. 410.75 lakhs.

The Mysore Spinning and Manufacturing Company Limited, Bombay, has been granted consent to the issue of capital of Rs. 19,86,150 in equity shares of Rs. 50 each for cash at par. The proceeds will be utilised for renovation and expansion of the mills. The present paid-up capital is Rs. 47,13,300 divided into 79,365 equity shares of Rs. 50 each and 1,490, 4½ per cent preference shares of Rs. 50 each.

The Aryodaya Ginning and Manufacturing Company Limited, Ahmedabad, has been granted consent to issue 3,465 bonus shares of Rs. 200 each on capitalisation of Rs. 693,000 from the share premium account, to be allotted to the equity shareholders of the Company in the proportion of one bonus share for every 4 equity shares held.

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Company Meetings

THE TITAGHUR PAPER MILLS CO., LTD.

'Statement by the Chairman, Sir Walter Michemore.

It gives me pleasure once more to review the Company's affairs and to comment on the state of the Paper Industry.

The results for the year ended 31st March, 1961 have been somewhat disappointing and the fall in profit has resulted from a combination of lower selling prices, increases in the cost of chemicals and coal and a loss sustained at No. 3 Mill. Your Directors have, therefore, decided to declare a final dividend of one rupee on the ordinary shares, making a total of two rupees for the year. To do so it has been necessary to transfer to the credit of the profit and loss account the sum of Rs. 7 lakhs from Dividend Equalisation Reserve.

Your Company has this year felt the full force of the cuts in selling prices recommended by the Tariff Commission which has resulted in a drop of 3.8 per cent in the value of sales. The prices of our raw materials, chemicals and coal, however, show no signs of going down and since my last statement your Company has had to suffer an excise duty on caustic soda of Rs. 40 per tonne, an increase in the cost of coal of 78.7 nP. per tonne, an increase in the cost of power supplied by the Calcutta Electric Supply Corporation arising out of the higher coal price and, as I write, there is a probability that the Company's contribution to the Employees' Provident Fund will be increased from 6½ per cent to 8-1/3 per cent. Your Directors are alive to the necessity of making economies to offset the slow but steady rise in costs, and some success has been achieved. I trust, nevertheless, that Government will show some sympathy with the predicament in which the Industry at present finds itself and give due consideration to the modification of paper selling prices where it is clear that they are too low.

The results at No. 3 Mill during the year have been disappointing, as the teething troubles inescapable in a project of this size and complexity have not been overcome as quickly as had been hoped, and a loss has again been incurred. The Mill was started up with a single machine and it was considered advisable not to hurry the transfer of the second machine from No. 2 Mill until the workers at No. 3 Mill, most of whom were recruited locally and were, therefore, unskilled in the operation of a Paper Mill, had become reasonably proficient. Since the Mill was designed to produce 1,000 tonnes per month, one-machine operation could not be economic. Your Managing Agents felt, however, that this disability should be accepted in the initial stages and the second machine used to the best possible advantage at No. 2 Mill during the intervening period. This was done, and therefore part of the profit at No. 2 Mill can be considered in a manner of speaking to be attributable to No. 3 Mill. Trade Unionism is well developed in Orissa, even in its infant industries; and it was not long before inter-union rivalry developed at No. 3 Mill. This has unsettled the workers and has greatly affected the efficiency of the Mill. Despite this disability, however, it was considered that the

transfer of the second machine could no longer be delayed; this is, therefore, now well in hand and the machine should be in operation shortly, after which we anticipate that before long the Mill will be on a profit-making basis.

The Mills in West Bengal ran satisfactorily in the year under review and continue to do so in the current year. At one stage stocks of both bamboo and coal were dangerously low and it was necessary to supplement bamboo by using paddy straw and bagasse and to bring in coal by lorry which is extremely expensive. The Railways, still contending with major transport difficulties, have done their best to help us and have staved off any serious closure due to lack of supplies.

A special reference is necessary to the problem of the supply of coal to the Mills. We have not, during the period under review, experienced any major shut-down in the Mills in West Bengal owing to shortage of coal. But it must be realised that this has been achieved solely by the extremely costly expedient of moving to the Mills by road coal which it is the duty of the Railway to have been able to move by rail. A new and remarkable feature of this failure by the Railways to implement their obligations is the imposition by the Central Government of a cess of 80 nP. per ton on all despatches of coal to all consumers wherever situated. The purpose of this cess is that for coal consumers in Southern and Western India to whom the Railways cannot convey their coal by rail the "difference between the actual freight by the rail-coast-sea route and the freight by the all-rail route will be made good to the consumer in the form of a subsidy." (My quotation is from a recent answer by a Union Minister to a question in the Lok Sabha). So we have the position in our Company that on the one hand we are paying as much as Rs. 1,00,000 per month extra in transport charges for coal brought to the Mills by road and at the same time we are now paying something like Rs. 16,000 per month extra cess on all our coal receipts, the benefit of which goes entirely to other companies — including no doubt some of our own competitors — located in South and West India. This gross discrimination seems to require much more attention than it has yet received from the Industrialists, and indeed the Governments concerned, in North East India.

Another point I should like to make is on the subject of the excise duties. The correct purpose of these duties is to spread the taxation net more widely among the teeming millions of the country and to bring into it some of those who escape the very limited numerical scope of corporate and personal taxation. I therefore do not quarrel with the excise duty on paper, provided it is kept at a reasonable rate and within the capacity of the consumer to pay. Excise should not, however, be used to increase the already high cost of manufacturing industries. A case in point is the excise duty on caustic soda to which I have already referred

and which is a heavy burden on your Company. Basic materials such as caustic soda, whose sole use is as a raw material in other industries, are not, I suggest, a suitable subject for excise duty as their imposition serves only to increase manufacturing costs which are already high.

In view of the vital importance of economies and operational efficiency, Messrs. Urwick Orr & Partners, as I mentioned in my last statement, made a survey of the organisation of the Company and of the costing system, and their recommendations are in process of being implemented.

The Paper Industry is now at the commencement of the Third Plan period, having virtually achieved the targets set for the First and Second Plans. The target for the Third Plan is a production of 700,000 tons, double the present output, and this is supposed to be achieved by the creation of additional Mills or expansion of existing units to bring the total capacity to 900,000 tons. Against this the total capacity licensed or approved by Government is just over 1,200,000 tons. This very high figure seems to indicate the expectation that not much more than half the new schemes will reach completion.

With the output of paper having doubled during the Second Five-Year Plan, there are indications that the supply position has eased considerably. It seems to me doubtful that demand will continue to double each five years and, as I said last year, there may well be an excess of supply over demand by 1965. While in general the supply position has eased beyond anything thought possible two years ago, our Mills remain heavily

committed. A consistent policy of quality and service in good times and bad, is undoubtedly responsible for our full order books. The severe shortage of railway wagons has seriously hampered despatches, but all possible steps have been taken to deliver supplies in time for various seasonal requirements. I have no doubt that in the light of recent experience, our Mills will be able to improve their performance still further. Our Sales force is being strengthened and expanded solely with a view to improving liaison between the Mills and our customers.

Although a reference to the efforts of the staff generally closes a Chairman's statement, this does not mean they are last in importance and I am sure you will wish me to thank them for the very hard and constructive work they continue to do on your behalf, often under circumstances of considerable difficulty. I should like to mention in particular the staff of the bamboo forest organisation who are responsible for the cutting and extraction of bamboo from an area covering large tracts of jungle in Orissa, Bihar and Assam. This is a lonely and exacting task carried out in conditions never easy and often of extreme discomfort, if not danger, and you will agree with me that their efforts on your behalf are highly valued.

Note: The above statement is not a report of the proceedings for the Annual General Meeting, which will be held on the 29th September, 1961.

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THE INDIA CEMENTS LIMITED MADRAS-2

Speech delivered by Sri P. Suryanarayana at the 15th Annual General Meeting of the Company held on Monday, the 4th September, 1961.

Gentlemen,

On behalf of the Management and on my own behalf, I extend to you all a cordial welcome to the Fifteenth Annual General Meeting of your Company and place before you the Annual Accounts of the Company and the Report of the Board of Directors for the year ended 31st March, 1961. Printed copies of these have been circulated to all the Members, and with your kind permission, I will take them as read.

You are aware that the Third Five-Year Plan which marks a vital phase in India's progress towards a self generating economy, was presented to the nation on the 7th July, 1961 with a call for an overall investment of Rs. 10,400 crores. The final report of the Plan says that the range and magnitude of the task will strain the country's resources to the utmost. One of the principal objectives of the Third Plan is to expand basic industries like Steel, Fuel and Chemicals to accelerate industrialisation. To attain the objectives, this Plan Report has prescribed a total investment of Rs. 10,400 crores in the next five years, which represents a 54 per cent increase over the Second Plan investment of Rs. 6,750 crores. Of the proposed investment, Rs. 6,300 crores is to be in the Public Sector; and Rs. 4,100 crores in the Private Sector. The roles of the Public and Private Sectors are conceived of as complementary to each other. The Planners look forward to the stepping up of the industrial output by 70 per cent. In 1965-66 the general index of industrial production is expected to reach the level of 329 (1950-51 base) against 194 provisionally estimated for 1960-61, and 139 for the last year of the First Plan.

In this new set up, the Cement Industry has an assigned place. It has made considerable progress. The installed capacity of cement industry at present is 8.93 million tonnes per annum. This is to be raised to 15 million tonnes in the Third Five-Year Plan. Its production was 7.89 million tonnes in 1960-61 and is expected to go up by 1 million tonnes this year. All these show that the Industry has a bright future before it. Recent trends in the demand for cement indicate that the estimated requirements for 1960-61 might have been somewhat on the low side. This matter is expected to be reviewed in the subsequent year. The possibility of having to revise the cement target upwards cannot be ruled out, if the construction activities—besides the need to repair the damages caused by the recent floods all over the land—are allowed to have their way.

As regards the working of your Company during the year under review, you would have noted that the Gross Profit (without deducting depreciation and Managing Agents' Commission) has increased only by 3.52 lakhs as compared to the previous year.

Production of Clinker, Cement and Sales were higher at 4,51,540 metric tonnes, 4,64,295 metric tonnes and 4,62,083 metric tonnes respectively. This was due to the fact that the benefit of higher production arising out of the operation of our 3rd Unit was available to the Company throughout the year as against a partial period during the previous year. There has thus been a 27 per cent increase in the production of clinker during the year under review though, however, there has been no proportionate increase in the profits earned.

This is particularly due to the fact that the cost of production had gone up during the current year, for instance, coal was not only not available in required

quantities, but a much higher quantity had to be moved by sea-cum-rail route which in effect, had increased the cost of coal delivered at the Factory. Due to the extremely difficult position in regard to coal supplies, we had to switch on to the use of furnace oil for one of the kilns. The use of furnace oil was quite prohibitive from the point of view of cost and was not covered in the existing retention price available for our factory. In order to maintain production to the extent possible, we have had to resort to this mode of usage of fuel.

Wages and salaries for various categories of staff were also revised during the year in conformity with the recommendations of the Central Wage Board for Cement Industry, but the increase on this account was, however, reimbursed to the Company by way of enhancement of retention price. The cost of spare parts and stores have registered substantial increases.

The cost of gunnies required for packing cement had spurted considerably in the latter half of 1960 and in spite of this abnormal increase in rates, the Government of India did not choose to effect an upward revision in the quarterly packing charges till the 20th January, 1961. The Government of India, by this time, had reversed their previous decision and permitted the use of old gunnies so as to offset the increase in the price of new bags. However, this sudden decision of the Government was of no immediate benefit inasmuch as the revival of the organisation set up for the collection of gunnies had necessarily to take some time to yield results.

Subsequently, from the third week of February 1961, the Government also enhanced the packing charges though by this time, the Company had already sustained losses on this account.

In effect, therefore, it may be noted that for a very small increase in the gross profit, an increase of production of 27 per cent as compared to the previous year was necessary to offset the increases in cost under various items.

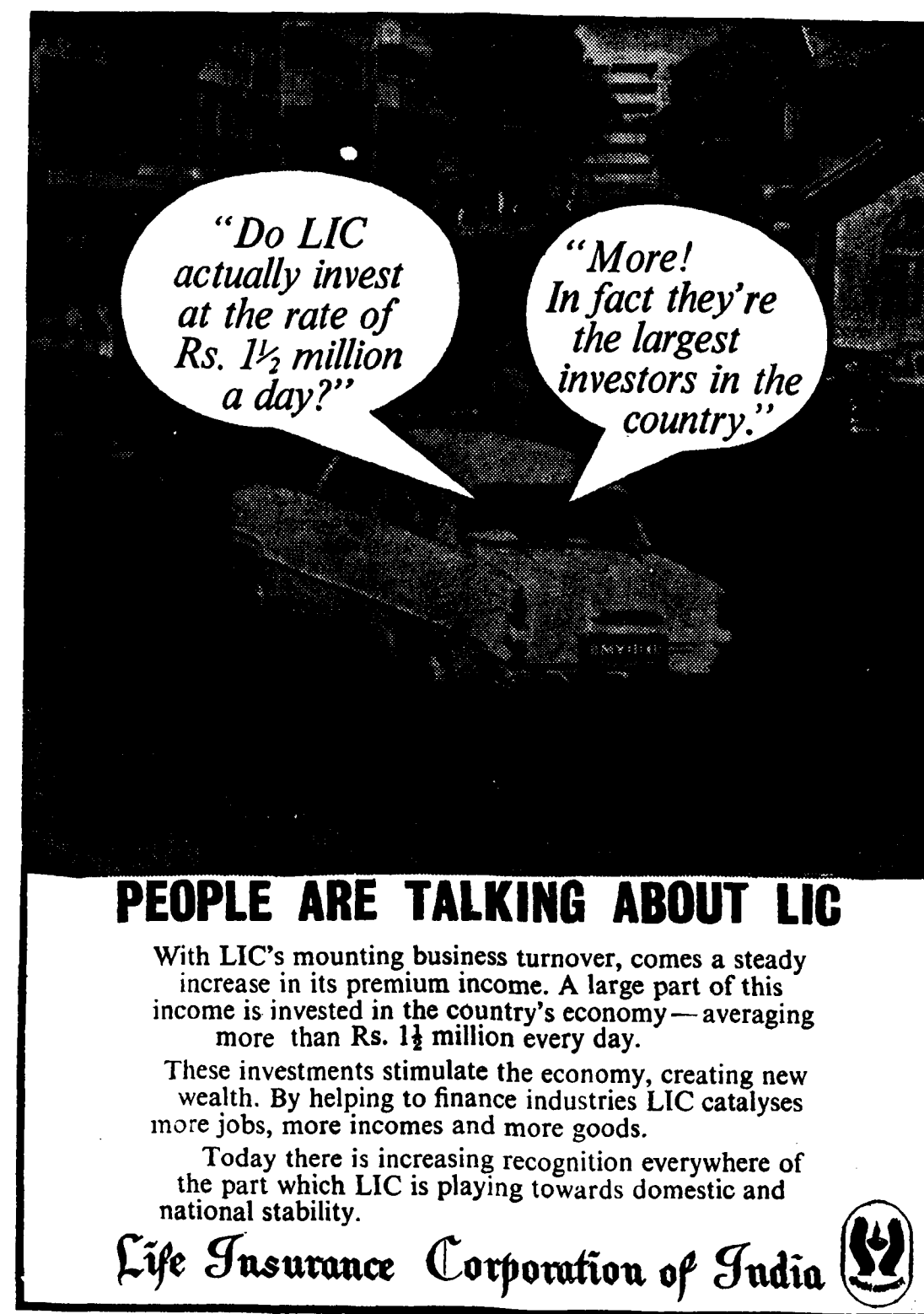
The Tariff Commission have now taken up the question of revision of cement prices and your Company have made necessary representation to the Commission in this regard. It is hoped that the Commission would take into account all matters pertaining to the cost of production in the case of your factory and fix a reasonable price for cement produced.

I am pleased to inform you that the Government of Andhra Pradesh have issued orders sanctioning mining rights over the area applied for by us. Your Company has also submitted an application to the Central Government for the issue of a licence to start a cement factory in Salem District.

The State Government have been pleased to accord sanction to construct 450 tenements under the Subsidised Industrial Housing Scheme and work in this connection is in progress.

I am indeed happy to report that our relation with labour continues to be very cordial as usual. Before I conclude, I should, both on your behalf and on my own, like to tender our sincere thanks for their co-operation and hard work. The Company looks forward to their devoted service in the years to come.

NOTE: This does not purport to be the full proceedings of the Annual General Body Meeting.



"Do LIC actually invest at the rate of Rs. 1½ million a day?"

"More! In fact they're the largest investors in the country."

PEOPLE ARE TALKING ABOUT LIC

With LIC's mounting business turnover, comes a steady increase in its premium income. A large part of this income is invested in the country's economy—averaging more than Rs. 1½ million every day.

These investments stimulate the economy, creating new wealth. By helping to finance industries LIC catalyses more jobs, more incomes and more goods.

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earth is

Mogadiscio?

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Quality Control:

Modern machines process yarn and cloth so fast that often defects, invisible to the naked eye, creep into the cloth. Quality Control is laboratory testing to eliminate defects at every stage of production. That's why BINNY'S fabrics stay smart so long.

*Testing cloth for defects
Every yard of cloth from the looms is examined thoroughly for defects before it is passed for dyeing or bleaching and finishing.



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Shirtings . Khaki Drills . Bleached & Dyed Drills . Towels . Anticrease Suitings . Tussores Union Fabrics . Silk Sarees etc. etc.

BINNY—a great name in textiles

The Buckingham & Carnatic Company Limited
The Bangalore Woollen, Cotton & Silk Mills Company Limited
Subsidiaries of Binny & Co. (Madras) Ltd.



Buy your requirements of BINNY'S fabrics at controlled rates from authorised BINNY Stockists who display this sign board.

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Food articles & Tobacco	Liquor and Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures			All Commo- dities
						Inter- mediate Products	Finished Products	Total	
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61	..	120.0	110.0	119.6	145.4	130.5	122.8	123.9	124.8
May	1960	120.3	107.3	119.2	140.1	125.4	119.0	119.9	122.2
June	"	120.3	109.5	118.0	139.7	127.2	118.7	119.9	122.9
July	"	124.0	109.6	119.5	137.2	130.4	119.4	121.0	121.0
May	1961	117.2	104.1	122.8	152.8	136.9	124.5	126.3	125.2
June	"	119.9	100.1	122.2	148.7	135.2	127.4	125.3	125.6
July	"	124.3	98.6	121.5	151.3	141.9	124.6	127.0	128.6
22-7-1961	..	125.7	99.5	121.6	154.3	141.9	125.2	127.5	130.0
29-7-1961	..	124.5	99.5	121.6	149.9	141.4	125.3	127.6	128.7
5-8-1961	..	124.1	100.1	121.5	150.5	141.8	125.2	127.5	128.6
12-8-1961	..	124.8	100.1	121.5	146.1	140.5	123.7	126.1	127.9
19-8-1961	..	124.1	99.4	121.5	142.8	140.3	122.7	125.2	126.7

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS (August 1939 = 100)

Period	Bombay		Delhi Bengal U.P.		Central Provinces		Madras E.P. Bihar		All India†	
	Bombay	Bombay June 1934=100	Delhi	Calcutta	Kanpur	Nagpur	Jubbulpur	Madras June 1936=100	Ludhiana†	Jamshedpur†
1939 (Aug.-Dec.)	103	—	—	—	105	104	—	106	—	—
1954	342	359	244	138	327	408	373	139	341	148
1955	322	338	217	130	321	371	364	133	321	134
1956	336	352	244	142	347	424	397	151	358	152
1957	352	368	259	150	364	448	422	162	374	157
1958	376	394	274	150	384	468	447	165	401	157
1959	393	412	308	158*	384	469	498	163	429	166
1960	401*	420*	296	158*	397	476	512*	165	467	167
August	402	421	304	160	410	484	515	163	470	169
September	399	418	302	161	403	484	520	163	472	167
October	402	421	304	162	396	488	517	163	477	171
November	404	423	300	159	392	498	509	163	484	171
December	400	419	297	160	385	480	507	163	488	169
1961	400	419	296	161	385	480	495	165	470	171
January	401	420	296	163	389	488	491*	165	470	171
February	404	423	296	163	392	483	488*	—	479	169*
March	409	428	296	165	389	471	490	—	482	169*
April	412	431	—	166	389	464	490	—	479	—
May	414	433	—	167	—	474	498	—	478	—
June	418	437	—	172	—	—	498	—	480	—
July	—	—	—	—	—	—	—	—	—	—
August	—	—	—	—	—	—	—	181	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT) WEEK ENDED

	1-9-1961			25-8-1961			18-8-1961			11-8-1961		
	High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age
Gold (per 10 grams)	124.80	123.80	124.23	123.10	122.60	122.76	122.90	121.55	122.40	122.50	120.60	121.53
Silver (per kilogram)	204.70	202.85	204.00	204.35	202.55	203.46	202.89	201.65	202.31	202.85	201.85	202.29

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Bank- ing Dept.	Total Notes Issued (a)	Gold Coin & Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percent- age of (a)	Rupee Coin	Rupee Securities	Total Assets
1956-57	1,475.77	18.75	1,494.52	40.02 (117.76)	545.61	585.63 (663.37)	39.95 (44.37)	115.93	755.22	1,494.52
1957-58*	1,529.36	23.18	1,552.53	117.76	329.65	447.41	28.79	1,30.06	975.06	1,552.53
1958-59*	1,593.88	19.34	1,613.21	117.76	182.04	299.80	18.58	133.99	1,179.42	1,613.21
1959-60*	1,730.90	19.86	1,750.77	117.76	167.62	285.38	16.30	131.50	1,333.83	1,750.77
1960-61*	1,863.13	18.94	1,882.07	117.76	134.99	255.75	13.4	126.84	1,502.48	1,882.07
Average of Fridays										
June 1960	1,860.95	26.56	1,887.51	117.76	149.26	267.02	14.14	125.34	1,495.15	1,887.51
July "	1,827.14	25.64	1,852.77	117.70	140.01	257.77	13.91	128.59	1,466.47	1,852.77
August "	1,799.36	19.85	1,819.21	117.76	124.26	242.02	13.30	130.58	1,446.61	1,819.21
June 1961	1,958.79	30.43	1,989.22	117.76	108.01	225.77	11.35	118.54	1,644.92	1,989.22
July "	1,922.49	24.13	1,946.62	117.76	93.01	210.77	10.83	121.31	1,614.55	1,946.62
August "	1,902.77	13.31	1,911.93	117.76	116.86	234.62	12.27	123.85	1,553.46	1,911.93
Week-Ending										
28-7-1961	1,890.76	31.15	1,921.92	117.76	93.01	210.77	10.96	123.93	1,587.22	1,921.92
4-8-1961	1,903.98	16.88	1,920.86	117.76	116.86	234.62	12.21	122.87	1,563.37	1,920.86
11-8-1961	1,913.27	7.53	1,920.80	117.76	116.86	234.62	12.21	122.76	1,563.42	1,920.80
18-8-1961	1,899.86	12.24	1,912.10	117.76	116.86	234.62	12.27	123.99	1,553.49	1,912.10
25-8-1961	1,893.76	16.57	1,893.96	117.76	116.86	234.62	12.39	125.79	1,533.55	1,893.96

BANKING DEPARTMENT

Period	Deposits					Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad§	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Gov- ernment	Other Gov- ernments	Banks	Others	Total									
1954-55*	80.13	20.66	55.20	36.29	201.28	23.62	234.90	23.24	6.10	87.53	1.14	26.55	80.52	9.82
1955-56*	60.11	19.85	53.77	18.31	152.04	35.59	197.64	17.21	9.78	66.96	1.73	36.99	49.36	15.61
1956-57*	57.52	14.10	52.46	19.73	143.81	91.21	245.02	18.91	5.69	64.77	4.89	85.34	51.82	13.60
1957-58*	54.61	11.28	81.00	111.38	258.27	84.36	407.63	23.30	4.81	40.47	32.90	77.91	213.92	14.32
1958-59*	57.62	20.80	87.53	118.73	284.67	71.71	441.44	19.41	6.18	25.57	28.23	65.83	284.49	11.73
1959-60*	55.50	23.24	79.61	123.48	281.83	83.18	450.01	19.94	15.54	28.97	25.53	88.92	258.90	12.22
Avr. of Fridays														
June 1960	73.15	13.28	107.89	90.72	285.05	111.02	481.07	26.63	28.14	13.57	45.94	122.56	228.02	16.21
July "	63.54	20.25	120.31	132.35	336.44	73.49	494.94	25.70	13.66	21.03	32.82	125.06	260.19	16.48
August "	60.44	23.00	118.40	120.40	322.25	76.19	483.43	19.92	23.55	21.64	37.69	117.00	251.73	11.89
May 1961	61.61	16.21	78.38	116.50	272.69	145.08	501.78	16.73	41.65	21.40	83.99	125.26	191.55	21.22
June "	64.96	13.54	84.67	123.86	287.04	134.21	506.25	30.47	39.78	14.49	68.97	121.34	208.22	22.97
July "	58.61	18.56	93.24	111.63	282.04	94.38	461.41	24.17	26.26	9.98	40.10	117.43	221.75	21.72
August "	65.40	16.46	88.09	180.22	350.16	89.86	525.02	13.36	15.21	30.98	47.71	116.37	284.51	16.89
Week-Ending														
28-7-1961	77.09	20.56	81.71	111.61	290.96	88.37	464.33	31.20	13.18	5.03	40.87	114.80	241.11	18.14
4-8-1961	53.26	18.83	81.44	200.75	354.28	87.34	526.62	16.94	9.72	35.81	42.09	115.53	289.50	17.03
11-8-1961	60.69	13.89	80.04	202.33	356.95	88.81	530.75	7.57	19.63	31.96	47.59	117.38	289.47	17.15
18-8-1961	83.03	13.17	87.93	159.61	343.74	92.05	520.79	12.29	18.45	29.52	52.40	116.87	274.57	16.69
25-8-1961	64.60	19.93	102.96	158.19	345.67	91.25	521.92	16.62	13.03	26.61	48.75	115.71	284.51	16.69

* Average of Fridays. **Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. †Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1958, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. §Includes cash and short-term securities.

SCHEDULED BANK

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Note+Coins)	Balances with Reserve Bank	(5+6) as per- centage of (4)	Advances	Bills Dis- counted	(8+9) as per- centage of (4)	Investments in Govern- ment Secur- ities in India	
	Demand	Time	Total (2+3)								
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
1953-54	..	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	59.56	321,29
1954-55	..	559,62	351,86	911,55	32,66	53,91	9.50	468,39	84,66	60.68	339,74
1955-56	..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	63.02	370,71
1956-57	..	653,34	453,92	1,107,26	36,94	50,23	7.96	626,08	155,56†	71.39	359,35
1957-58	..	723,89	619,19	1,343,08	39,34	77,55	8.72	723,79	167,32†	66.77	385,54
1958-59	..	735,93	860,33	1,596,26	40,30	83,99	7.74	766,56	133,27†	56.37	565,14
1959-60	..	745,83	1,086,79	1,832,62	44,84	75,81	6.58	842,75	144,49†	53.87	725,20
1960-61*	..	794,49	1,155,87	1,950,36	47,04	93,09	7.17	995,75	162,94	59.48	688,52
Average of Fridays											
March	1961	820,31	1,074,28	1,894,59	45,14	70,03	6.07	1,107,98	197,93	68.92	566,54
April	1961	854,21	1,093,17	1,947,38	47,78	74,18	6.27	1,111,89	205,35	67.64	553,13
May	1961	845,27	1,108,21	1,953,48	48,43	73,26	6.23	1,085,24	194,17	65.49	548,23
June	1961	837,02	1,119,91	1,956,93	48,46	79,72	6.55	1,102,90	179,40	65.53	542,17
July	1961	843,35	1,133,99	1,977,34	46,71	88,73	6.85	1,100,57	156,31	63.56	562,78
August	1961	837,73	1,148,50	1,986,23	45,86	83,13	6.49	1,087,85	1,151,04	62.38	589,50
Week Ending											
4-8-1961	..	838,10	1,143,91	1,982,01	45,99	78,88	6.30	1,090,84	153,13	62.76	591,30
11-8-1961	..	833,72	1,147,48	1,981,20	44,88	75,80	6.09	1,092,41	149,45	62.68	582,52
18-8-1961	..	839,47	1,146,47	1,985,94	46,77	80,53	6.41	1,088,30	149,91	62.35	585,85
25-8-1961	..	839,64	1,156,13	1,995,77	45,81	97,29	7.17	1,079,83	151,67	61.71	598,31

Deposit Money with the Public

MONEY SUPPLY WITH THE PUBLIC

(Rs. in Lakhs)

Last Friday	Deposit Money with the Public			Total	Demand liabi- lities of banks	Other Depo- sits with Reserve Bank†	Total variation in money supply
	Money supply with the public	Total currency with the public					
(1)	(2) = (3)+(4)	(3)	(4)	(5)	(6)	(7)	
1954-55	1,920.63	1,311.77	608.86	599.16	9.71	+126.65	
1955-56	2,184.32	1,505.09	679.23	667.22	12.01	+263.69	
1956-57	2,312.89	1,556.50	756.39	744.74	11.65	+128.57	
1957-58	2,388.83	1,606.60	782.22	762.36	19.87	+75.94	
1958-59	2,498.76	1,724.53	774.23	754.98	19.25	+109.92	
1959-60	2,703.13	1,862.72	840.41	818.62	21.79	+204.38	
1960-61	2,901.72*	2,026.89*	847.83	855.87	18.96	+198.59*	
November 1960	2,668.68	1,843.44	825.24	804.15	21.09	+7.99	
December "	2,737.29	1,898.73	838.56	813.05	25.50	+68.60	
January 1961	2,792.66*	1,944.99	847.67	821.72	25.94	+55.38*	
February "	2,815.17*	1,966.28	850.28	829.74	20.54	+23.91*	
March "	2,908.07*	2,026.89*	874.83	855.87	18.96	+85.15	
April "	2,940.58*	2,025.68*	887.95	868.73*	19.22	+11.91	
May "	2,870.53	2,010.63*	959.90*	839.65*	20.24	-43.10*	

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

ANTICIPATED BENEFITS FROM MAJOR AND MEDIUM IRRIGATION PROJECTS

('000 acres) Gross area.

State	First and Second Plan Schemes			New Schemes of Third Plan		
	Potential created to end of Second Plan	Utilisation to end of Second Plan	Potential to end of Third Plan	Utilisation to end of Third Plan	Potential to end of Third Plan	Utilisation to end of Third Plan
	(1)	(2)	(3)	(4)	(5)	(6)
Andhra Pradesh ..	830	736	3,361	2,159	134	134
Assam ..	—	—	—	—	88	79
Bihar ..	915	720	3,192	2,402	482	318
Gujarat ..	640	227	1,716	1,091	—	—
Jammu & Kashmir ..	5	5	55	32	11	11
Kerala ..	358	358	527	527	86	86
Madhya Pradesh ..	95	75	1,365	905	40	20
Madras ..	611	581	791	789	33	33
Maharashtra ..	233	105	999	713	353	100
Mysore ..	707	324	1,348	1,173	52	27
Orissa ..	1,000	720	2,287	1,666	—	—
Punjab ..	3,307	2,957	4,157	4,058	200	200
Rajasthan ..	734	618	2,357	1,754	25	9
Uttar Pradesh ..	2,118	1,479	2,800	2,423	912	98
West Bengal ..	1,690	1,084	2,071	1,936	32	32
TOTAL ..	13,243	9,989	27,026	21,628	2,448	1,147

ANTICIPATED BENEFITS FROM MAJOR AND MEDIUM IRRIGATION PRODUCTS (Contd.)
('000 acres) Gross Area

State	Total from continuing schemes and new schemes of Third Plan to end of Third Plan		Additional benefits in Third Plan		Irrigation on full development from First and Second Plan schemes
	Potential (Col. 3+5)	Utilisation (Col. 4+6)	Potential (Col. 7-1)	Utilisation (Col. 8-2)	
	(7)	(8)	(9)	(10)	(11)
Andhra Pradesh ..	3495	2293	2665	1557	3720
Assam ..	88	79	88	79	..
Bihar ..	3674	2720	2759	2000	5569
Gujarat ..	1716	1091	1076	864	3809
Jammu & Kashmir ..	66	43	61	38	163
Kerala ..	613	613	255	255	555
Madhya Pradesh ..	1405	925	1310	850	2242
Madras ..	824	822	213	241	890
Maharashtra ..	1352	813	1119	708	1248
Mysore ..	1400	1200	693	876	1480
Orissa ..	2287	1666	1287	946	2615
Punjab ..	4357	4258	1050	1301	4351
Rajasthan ..	2382	1763	1648	1145	3666
Uttar Pradesh ..	3712	2521	1594	1042	4262
West Bengal ..	2103	1968	413	884	2990
TOTAL ..	29474	22775	16231	12786	37560

ESTIMATED COST OF MAJOR AND MEDIUM IRRIGATION PROJECTS AND OUTLAYS ON THEM IN THE THIRD PLAN

(Rs. Lakhs)

State	Estimated cost of First and Second Plan Schemes	Schemes continuing from First and Second Plans into Third Plan			New schemes of Third Plan		Total Provision in Third Plan for continuing and new schemes (Col. 4+6)
		Estimated cost	Carry-over from Second Plan	Outlay for Third Plan	Estimated cost	Outlay in Third Plan	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Andhra Pradesh	16536	13941	6745	6548	1842	832	7380
Assam	170	..	..	..	277	228	228
Bihar	10743	9094	7118	4712	3144	1445	6157
Gujarat	17411	17267	12098	5014	110	110	5124
Jammu & Kashmir	1529	1285	1141	556	130	44	600
Kerala	2635	2262	378	378	2150	764	1142
Madhya Pradesh	8860	8402	5097	3600	2364	560	4160
Madras	6086	4602	2150	2150	689	592	2742
Maharashtra	10438	10360	6637	5034	3174	1570	6604
Mysore	10853	10328	3897	3341	3757	725	4066
Orissa	10226*	10184*	2657	1911	807	230	2141
Punjab	11424	10193	1348	904	4882	1300	2204
Rajasthan	14074	13987	8069	5770	6450	2740	8510
Uttar Pradesh	8966	6938	4109	2422	4024	2749	5171
West Bengal	8407	8104	2646	1206	749	686	1892
Union Territories	10	10	10	10	..	..	10
Central schemes	..	..	..	..	1803†	1803†	1803†
TOTAL	138368	126957	64100	43556	36352	16378	59934

*Includes cost of Hirakud Stage 1 (Power Portion).

†Includes Rs. 1000 lakhs for supplying water to Bakaro Steel Plant and other industries.

ESTIMATED COST AND OUTLAYS ON FLOOD-CONTROL, DRAINAGE, ANTI-WATER LOGGING AND ANTI-SEA-EROSION SCHEMES

(Rs. lakhs)

State	Schemes continuing from first and Second Plan into Third Plan			New Schemes of Third Plan		Total Provision in Third Plan for continuing and new Schemes (Col. 3+5)
	Estimated Cost	Carry-over from Second Plan	Outlay for Third Plan	Estimated Cost	Outlay in Third Plan	
	(1)	(2)	(3)	(4)	(5)	(6)
Andhra Pradesh ..	195	35	35	210	208	243
Assam ..	436	115	115	507	385	500
Bihar ..	2,532	700	700	291	200	900
Gujarat ..	60	50	50	—	—	50
Jammu & Kashmir ..	1,060	855	855	45	45	900
Kerala ..	302	71	71	431	350	421
Madhya Pradesh ..	235	9	9	11	11	20
Madras ..	—	—	—	—	—	—
Maharashtra ..	—	—	—	30	30	30
Mysore ..	—	—	—	—	—	—
Orissa ..	74	48	48	300	202	250
Punjab ..	770	432	432	2,216	1,069	1,501
Rajasthan ..	110	90	90	—	—	90
Uttar Pradesh ..	568	56	56	602	519	575
West Bengal ..	2,305	84	84	847	431	515
Union Territories	79	69	69	164	68	137
TOTAL ..	8,726	2,614	2,614	5,654	3,518	6,132

INDIA'S BALANCE OF PAYMENTS: SECOND PLAN

(Rs. crores)

Item	1956-57	1957-58	1958-59	1959-60	1960-61 (Preliminary)	Total Second Plan 1956-61
Exports	635	594	576	623	625	3,053
Imports	1,099	1,233	1,030	923	1,075	5,360
Trade balance	-464	-639	-454	-300	-450	-2,307
Invisible (net) (excluding official donations)	111	102	81	71	55	420
Current Account (net)	-353	-537	-373	-229	-395	-1,887
Capital transactions (net) (excluding official loans)	-36	23	-10	-58	-45	-172
Overall balance	-389	-560	-383	-287	-440	-2,059
Financed by						
A. External assistance (including PL480 and 665 assistance)	113	265	341	295	392	1,406
B. IMF drawings (net)	55	35	..	-24	-11	55
C. Use of foreign exchange reserves	221	260	42	16	59	598
Total	389	560	383	287	440	2,059

PATTERN OF ELECTRICITY CONSUMPTION — ALL INDIA

(Including Generation in Self-Generating Industrial Establishment)

	1951		1956		1957-58		1958-59		1959-60		1960-61	
Class of Utilisation	Million KWH	% of Total	Million KWH	% of Total	Million KWH	% of Total	Million KWH	% of Total	Million KWH	% of Total	Million KWH	% of Total
Domestic or Residential light and small power	595.005	7.9	934.122	7.9	1,034.564	8.0	1,238.044	8.0	1,368.884	7.7	1,492.0	7.5
Commercial light and small power	331.533	4.4	545.853	4.6	611.512	4.5	682.818	4.5	758.988	4.3	870.0	4.4
Industrial power*	4,609.754	61.4	7,403.858	62.5	8,365.737	61.3	9,488.486	61.5	11,015.074	62.0	12,313.5	62.0
Traction	329.594	4.4	404.925	3.4	421.894	3.1	441.549	2.9	440.594	2.5	449.0	2.3
Public lighting	67.917	0.9	117.767	1.0	141.402	1.0	156.066	1.0	175.420	1.0	192.0	1.0
Irrigation	203.048	2.7	316.178	2.7	565.817	4.1	583.482	3.3	727.026	4.1	836.0	4.2
Public Water Works and Sewage Pumping	211.583	2.8	317.076	2.7	365.649	2.7	392.617	2.6	430.845	2.4	455.0	2.3
Consumption of auxiliaries, transmission losses etc. (including 5% of generation in self-generating industrial establishments)	1,165.537	15.5	1,831.863	15.2	2,093.857	15.3	2,431.507	15.7	2,835.547	16.0	3,242.5	16.3
Total Generation**	7,513.971	100.0	11,871.642	100.0	13,657.432	100.0	15,414.569	100.0	17,752.378	100.0	19,850.0	100.0

* In the absence of precise data, 5 per cent of generation in self-generating industrial establishment is assumed as losses.

** Includes generation from self-generating industrial establishments.

Source: Planning Commission.

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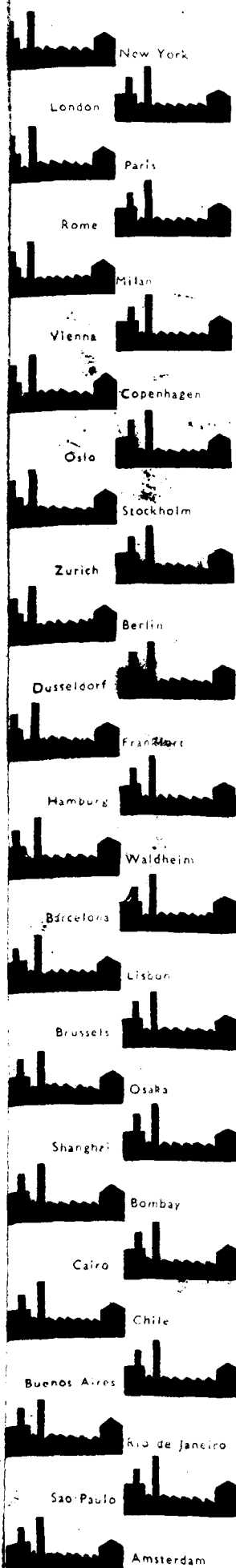
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THE EASTERN ECONOMIST

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The Eastern Economist

SEPTEMBER 22, 1961.

Dag Hammarskjöld: Journey's End

THE death on Sunday in a fateful flight over Katanga of Dag Hammarskjöld has shocked the conscience of the world in a manner which provides a great, if belated, tribute to one of the current world's most remarkable men. At the hour of his passing, indeed, it seems that the man has risen superior to his institution which, over the last seven years he had appeared to dominate with a seemingly relentless will and an incredible dedication to work. Anyone who hazarded the opinion in 1953 that Dag Hammarskjöld would have invested the office of the Secretary-General of the United Nations with the amazing capacity and power that he came to exercise in the councils of the world would have been accused of fantasy. But, by a process, which is far more personal than historic, the Secretary-General gave life and deep meaning to the functions of his office and today at the hour of his death it has become one of the great seats of the international balance of power. Less fortunately, since it is certain that no one can occupy the seat with the same tremendous capacity, the office has at one full blow lost almost all the power of his creation. Today, the United Nations is an orphan by the fact that the physical embodiment of its new vigour, which was Dag Hammarskjöld, has ceased to live and have a being in any other form. It is a small tribute to a man such as this that he should be judged fit to receive in his own country a State funeral, accorded only to kings, and that the world as a whole should be hushed in silence by the tremendous sacrifice which its own terrible tensions had forced upon a great international civil servant and a magnificent servant of peace.

ruary which gave authority to the United Nations to take action for the unity of the Congo and the avoidance of civil war. Whether, in point of fact, his every move was justified in terms of the United Nations Charter on this resolution or not is a point on which agreement is impossible. What is also relevant is the expediency of the matter which has currently left the recalcitrant authorities in Katanga in military possession of practically all the heights which the United Nations wished to wring from them by the launching of the ill-fated attack last week. The surrender of the Irish garrison at Elizabethville and the retreat of Indian relief reinforcement are sad blows to the United Nations' prestige. One wonders whether military intelligence—a condition of successful military operations—has been as good as the grand strategy which the Secretary-General himself seems to have initiated. All Indian opinion is united on the point that the unity of the Congo must be maintained and President Tshombe brought to heel. But there is hardly any one in India who wishes this undertaken at the expense of Indian lives without adequate military preparation and full assurance of success. It is not the time for expression of anger and hate. It is the time for firm cold-blooded calculation to forge the instruments of military success, if necessary to preserve the unity of the Congo and prevent the secession of Katanga which would be a fatal blow to the Congo's unity.

At the same time, as the situation in Katanga is thus in jeopardy as a result of inadequate military preparedness to meet the major objectives of the United Nations policy, there is even more disturbing issue as to the manner in which the office of the Secretary-General will change under the pressures of the Cold War operating at its full intensity in the corridors of the United Nations' New York office. The Troika has again been advanced as a Soviet solution. It is being strongly op-

To pay this ungrudging tribute to Dag Hammarskjöld is not necessarily to approve of any future course of action which his single mind deemed essential for the performance of his duty. A great debate has arisen in regard to the context of the Security Council Resolution of Feb-

posed by other nations. And a deep chasm divides the United Nations today without the semblance of unity which the great figure of Dag Hammarskjöld, from time to time, gave to the institution bedevilled for over a decade by all the rivalries of the Cold War.

To us in India the events of the last week have even exacting long-term consequences. Hasty and intemperate statements have been made on both sides so that Indo-British relations have entered into one of their most difficult periods since the Suez crisis. It is in the interest of the Indian Union to restore these good relations and, on both sides, there should be recognition that those who have helped to widen the gulf by unnecessarily harsh judgments of one another have done no service to either country. It is a pity that the Prime Minister is thought to have joined in this unfortunate episode at a level somewhat below that of statemanship and expectations thereof. The British Press has erred greatly in magnifying these small aberrations. It is time that one recognised that, in the difficulties that the United Nations faces in Katanga, there is

no room for petty skirmishes on details of conditions under which the Indian troops have had to operate in Katanga. Their responsibility is to the United Nations and not to us, but they are entitled to fair judgment of the world no less than that of the officers under whom they are currently serving. We cannot in the foolish controversies which have been raised bring back Dag Hammarskjöld to life. But we would be paying him no tribute if his absence were made further reason for a course of acrimonious recriminations which would ill serve the cause of peace in general and of the United Nations in particular. This is the time when, if we cannot find unity in principles, we might find it in a person. It would be no small triumph of Dag Hammarskjöld in death if his memory kept some of the leading nations of the world from exploiting his absence to exacerbate the differences which he spent the last seven years in trying helplessly, as it seems, to bridge. His last journey will also be his proudest if Dag Hammarskjöld in death could provide a beaconlight for smaller men to pursue the path of bigness of mind on which alone greatness can endure.

The New Fertilizer Policy

OF late — as though with a blinding light — some new pragmatism has been discernible in the Union Government's industrial policy. The first indication of this came when the Government signed an agreement in May last with the Burmah Oil Company for oil exploration in an 1600-mile area in the vicinity of Nahorkatiya and Moran oilfields. A second concrete instance was available when the private sector was allowed to participate in the manufacture of heavy electrical goods, a field hitherto reserved for the public sector. Close on the heels of this decision has come the Government's resolve, disclosed by Mr. K. C. Reddy, the Union Commerce and Industry Minister, in his address to the sixth annual general meeting of the Fertilizer Association of India, held in New Delhi last week, to increase the share of private sector in fertilizer manufacture not only from 2,00,000 tons nitrogen to 3,00,000 tons nitrogen, as contained in the Third Plan documents, but to "something more". This trend is obviously to be warmly welcomed.

The decision of the Government to allow greater scope for the private sector in the fertilizer manufacturing industry is, perhaps, an offshoot of another decision of the Government, also announced by Mr. Reddy at the Fertilizer Association's meeting, under which fertilizer manufacturing capacity is to be allowed to be installed in excess of the target of one million tons nitrogen fixed under the Third Plan. It does not imply that demand for nitrogenous fertilizers, in the counsels of the Government, is expected to go up beyond the estimates given in the Third Plan documents. The primary objective with which the Government has taken this decision is to provide a cushion against possible shortfall in output resulting from the teething troubles of new units. That inordinate delay is effected in planning, erection and commissioning into production of a fertilizer factory in India is evident from the U.N. Fertilizer Mission's report which has assessed this delay at anything from 17 to 24 months. While every effort is to be made to cut short unnecessary delays in the planning and execution of new ferti-

lizer projects, to go in for higher installed capacity with a view to warding off shortfalls in production is only prudent, especially when, consequent upon the agonising disclosure in the preliminary estimates of 1961 census about the rate of growth of our population and the growing shortage of foreign exchange, a new urgency has been imparted to the fulfilment of the various agricultural output targets fixed for 1965-66.

Apart from the above consideration, there is case for licensing fertilizer manufacturing capacity in excess of one million tons nitrogen during the Third Plan period. In the opinion of this journal, demand estimates of nitrogenous fertilizers contained in the Third Plan documents are on the low side by two to three lakh tons. The progressive farmers of the country, according to a survey conducted by the *Indian Institute of Public Opinion* at the agricultural exhibition held here last year, have displayed remarkable consciousness about the utility of chemical fertilizers. Moreover, the package programme of agriculture is now envisaged to be extended to a larger area than was taken into account while framing the targets for the Plan. The demand for chemical fertilizers, therefore, can be expected to increase during the current decade in a geometrical progression. That has been the experience of the countries whose agricultural economies have passed through the "Fertilizer Revolution". India today is just on the threshold of this Revolution.

To foster the "Fertilizer Revolution" in Indian agriculture and to achieve the targets of agricultural production fixed in the Third Plan, it is not only necessary to provide inorganic manures in adequate quantities but also at reasonable prices. Simultaneously with stepping up of fertilizers production, therefore, it is imperative to improve and strengthen the distribution machinery. As long as there is acute imbalance in the supply and demand of fertilizers — as has been the case for the past two years — their distribution through agricultural co-operatives is justified. But efforts need to be made to enlist progressively the assistance of normal trade channels for this task. The explo-

sion in demand for fertilizers in the next few years is bound to put tremendous strain on the existing distribution channels.

In view of the heavy investment involved in making the country self-sufficient in chemical manures, there is also need to reduce capital investment for setting up new fertilizer manufacturing plants. This can be done through standardisation of the fertilizer manufacturing units to be set up in future and by going in for

liquid fertilizers instead of granular varieties as is being done in some of the Western countries. Standardisation in setting up of new fertilizer plants, so forcefully advocated by the U.N. Fertilizer Mission, will expedite indigenous manufacture of equipment as well as spares, besides resulting in considerable saving in construction time and training of technical personnel. Going in for liquid fertilizers, of course, will entail difficulties of storage and transport in the initial stages. But they are not insurmountable.

Guest Editorial

Strength Through Gloom

By WILLIAM REES-MOGG

THE economic situation in Britain varies much less than the view that is taken of it. In 1960 there was a very serious balance of payments deficit, but money was flowing into London and sterling had a higher international standing than the dollar. As a result most people assumed that the British economy was sound, and even the professional economists expressed only moderate anxiety.

This year the situation has changed. The balance of payments has improved and in the second half of the year it could well prove to be in balance. The improvement has been gradual and disappointingly flabby, but the trend had undeniably been favourable.

Yet this has been accompanied by a flight of money from London, by a general panic about the state of the economy, and by sharp disinflationary measures for which the economic arguments were at least as strong in July 1960 as in July 1961. Yet the main cause of this turn-round in confidence has nothing to do with Britain at all — it was simply President Kennedy's success in persuading the world that the dollar was a sound currency to hold.

Britain and the United States have indeed found themselves sitting on opposite ends of a see-saw. When the dollar is weak sterling is strong and when the dollar is strong sterling is weak. To use another metaphor they are like people sharing too small a blanket in a double-bed: one or the other is always catching cold and yanking the blanket back across to his own side.

For this reason alone one should always tend to lean against the wind of public opinion in making any judgment of the economy. At present there are all the signs that the economy is in fact going through the least cheerful, but not the least hopeful, part of the business cycle. A mild recession is developing in the domestic economy of Britain, and as a result the external balance is beginning to improve.

The mechanism by which these two trends are related is fairly simple. In periods of boom there is a strong tendency for British industry to build up stocks, and for marginal purchases to be made from abroad of goods which would normally be bought from home suppliers. In periods of recession there is a tendency to run down stocks, including, of course, stocks of imported goods. There is also bound to be spare capacity in British industry, and a strong commercial counter-attack is mounted on foreign sales in the British market.

In 1958, the last recession year, the British balance of payments surplus was £400 million. This is most unlikely to be repeated, if only because invisible earnings have declined so seriously, but the present mild improvement in the balance of payments is likely to be accelerated.

At the same time there is plenty of evidence that Britain is moving into a recession probably very similar to that of 1958. The recession will to some extent be the result of the Government's policy, but it is also partly cyclical. The British economy, like that of the United States, seems now to be moving in a four-year cycle; the similarities between the pattern of boom — surfeit — crisis in 1955-56-57 and 1959-60-61 is quite remarkable. The stock exchange boom was in retrospect quite extraordinarily similar to that of July 1957, and the 7 per cent Bank Rate of 1961 was of course very similar to that of 1957.

The Bank Rate and the credit measures may have been superimposed on a natural cyclical recession. Whether they were or not they are certainly proving very effective. There is now a serious stringency of credit throughout the British economy. Speculative operations have practically been brought to a halt, and there are many city houses which are finding themselves unable to borrow.

At the same time there are signs of recession throughout industry. The latest figures for the steel industry make very depressing reading, and most of the consumer durable industries are still depressed. The extreme labour shortage has already begun to ease, and one can expect the unemployment figures to rise in the coming months. If the recession follows previous form the low point is likely to be reached quite quickly, perhaps by the Spring of 1962, with a recovery developing into a boom in 1962-63.

All this time-table may be upset, or changed one way or the other, by British entry into Europe, if Britain does in fact go into Europe. The combination of increased opportunity and increased competition is exactly what the British economy now most requires but no one can be sure in advance how it will respond to the initial impact.

It can also be argued that the British economy should not run in this way — that it ought to pursue a course of steady expansion. Certainly it pays a heavy price for failing to do so. The trouble is that the British have not yet found a way of combining rapid expansion with a strong balance of payments. Nor for that matter has the United States.

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THE WEEK'S NOTES

West Germany

COALITION: ON WHICH BASIS?

LAST SUNDAY's election results were in no sense a spectacular defeat for Dr. Adenauer's Christian Democratic Union. His party lost its absolute majority in the Bundestag, but this could be explained in the light of certain apparent circumstances. It suffered from the handicap of the apathy which the electorate develops for a party long in the saddle. It retained a total of 191 seats after losing 24. The Christian Social Union which is in alliance with the Christian Democrats lost 5 seats but retained 50. The Social Democrats have emerged as a balancing force against Dr. Adenauer's Christian Democrats, raising their strength by 21 to 190. But it was the Free Democrats who made the largest gains of 25 seats, raising their strength to 66. The existing alliance between the Christian Democrats and the Christian Social Union cannot obviously hold against the combined strength of the Social Democrats and the Free Democrats.

A coalition is absolutely inescapable and it is too obvious that the Free Democrats hold the key to the solution of the problem. But certain differences would need to be ironed out. Dr. Mende, Chairman of the Free Democratic Party, has made it clear that he would participate in a coalition if it is led by Dr. Ludwig Erhard. This involves considerable delicacy. Age commands veneration in Germany and the public would like to see Dr. Adenauer's exit with grace. There is again the vital consideration of the most crucial period ahead, demanding momentous decisions on Berlin and East Germany. Dr. Adenauer would be preferred to head the government at this juncture and Dr. Erhard, too, would hardly like to get off to a start with imponderable risks to his entire political future. The likelihood, therefore, is that Dr. Mende may be persuaded to accept Dr. Adenauer with an understanding that Dr. Erhard will be the eventual Chancellor. But there is yet another serious consideration to be taken carefully into account. The Social Democrats are a powerful force to reckon with and the future of Germany will need to be decided with their full consent. Another likelihood, therefore, is that there may be an all-party coalition. But this depends on the magnitude of the emergency which the Berlin crisis may create.

Accra

ACCORD ON APPREHENSIONS

AT THE ACCRA SESSION of the Commonwealth Economic Council, the Finance Ministers showed considerable preoccupation with Britain's decision to negotiate for the membership of the European Common Market. Perhaps this was inevitable in view of the burning importance of this issue to the export trade of each of the twelve members of the Commonwealth with Britain and also in view of the fact that the negotiations are scheduled to start in October. Commonwealth consultations normally seek the largest possible area of accord and eschew conflicts as well as controversies. The Accra session marked a departure from this convention. If at all, there was accord on apprehensions about the consequences of Britain's participation in the Common Market and also about the political repercussions on the Commonwealth link in view of Britain's identification with the political institutions of the European Economic Community. The apprehensions on the latter score were apparently exaggerated and Mr. Donald Fleming expressed Canada's misgivings in this behalf in strong words. What must have come as a complete surprise to Mr. Selwyn Lloyd was the hard-

hitting opposition of some members to the very proposal of Britain joining the Common Market. The duty-free or preferential tariff pattern of the intra-Commonwealth trade cannot be disrupted all of a sudden, nor is there any ground for such a fear. It is implicit in the process of negotiations that Britain will make every effort to see that some of these preferences, on which the export economy of certain member-countries hinges, will be retained substantially in not in toto.

Elimination of the system of preferences will be spread over a period of transition. The Accra communique demands a transition of 12 to 15 years. Other negotiating points which were urged upon Mr. Lloyd included acceptance of preferential rates ruling in Britain (including duty-free entry) as a major factor in revising the Common Market's tariffs after her admission and abolition of the quotas imposed on specific goods entering the Common Market from the Commonwealth countries. Whether this is a tall order of demands depends obviously on the angle from which they are viewed. The strength of feeling and vehemence of expression displayed at Accra will not have gone in vain if they strengthen Mr. Selwyn Lloyd's hands.

This preoccupation is understandable to the extent it shows concern about the effects of the change in the short-term context. But basically the Common Market must be viewed in the longer perspective as a bold experiment in economic integration between sovereign States and total demolition of barriers to intra-regional trade, as a preliminary step to multilateral world trade on a liberal basis. It will be a severe obligation cast on Britain to keep vigilance to ensure that the Market adopts outward-looking policies. A dynamic market which will accelerate economic growth by stepping up substantially the levels of production, employment, trade and investment will need to share these benefits with outside countries. There can be no one-way traffic in economic prosperity.

U.P. Congress

THE BATTLE FOR CANDIDATES

UNITY IN the Uttar Pradesh Congress Party is as remote as it was when Mr. C. B. Gupta was installed in power in strange circumstances. The State Congress Chief Mr. A. P. Jain's repeated protestations of reassuring success in the progressive elimination of groupism raised suspicions by the very fact of repetition. It now transpires that his denial of the need to prepare two lists of candidates for the next general elections for final determination by the Central Congress Election Committee was an unsuccessful attempt to mark time. The State Election Committee is having a hard time with the arduous task of selection of candidates inasmuch as there is a battle being waged for every single candidate by the Gupta group and the dissident group of the former Ministers. So far candidates have been "approved" by the State Election Committee for five districts and there too about 15 names only are reported to have been agreed upon unanimously, while parallel lists are stated to have been prepared for the remaining majority of names.

Mr. Kamalapati Tripathi, spokesman of the ministerialist group, is putting up a stiff fight for every single candidate. His hands are strengthened, significantly enough, by a principle which Mr. C. B. Gupta advocated successfully when Dr. Sampurnanand's Ministry was in power, namely, that the members of the Congress Legislature Party must be allowed freedom of vote (conscience would be a misnomer where groupism reigns supreme) in issues concerning the Party's

organizational wing. This advocacy (not objectionable, strictly speaking) is coming as a boomerang. Some of Mr. Gupta's Cabinet colleagues are exercising this freedom and voting against his candidates. Still some other members of the State Election Committee, who are not inside the Cabinet, are exhibiting independence of judgment and refusing to oblige Mr. Gupta. It would appear that the selection affair has been stalemated, but respite has been provided by the forthcoming session of the AICC next month. With a fight for every inch of ground, the prospect seems to be that two lists may be submitted for the decision of the Central Election Committee. Responsibility would then shift to it. If the Central Committee discharges it judiciously, the composition of candidates, as it may emerge groupwise, may persuade Mr. Gupta to take to the path of a generous compromise in the interest of party solidarity. But if he receives the boost he has enjoyed so far, the Congress election campaign may get lukewarm support in the constituencies where his voice is weak and the interest of the Party may suffer.

Turkey

THE EXECUTIONS

THE WILD enthusiasm with which the Turkish public rejoiced in the overthrow of the Menderes Government and hailed the seizure of power by the army in May 1960 was justified for two reasons. Mr. Menderes and his colleagues not only overstrained the patience of the public with the sickening corruption in the administration at every level but threw to the winds the elementary rules and practices of democratic government. Secondly, the army group which staged the coup prevailed upon General Gursel, due to retire in a matter of only a few days, to stay on and accept the heavy mantle of responsibility. His was an influence for moderation which prevented the extreme elements from jumping into power. No government, military or of other variety, could have remained in the saddle without bringing the political offenders, howsoever high placed in public life before, to book.

Among the major counts on which the former President Celal Bayar, Prime Minister Adnan Menderes, his colleagues and others adding up to an imposing total of 592 stood the trial, were violations of the constitution (an offence punishable with death under the Turkish criminal law even before the military coup) and misappropriation of public funds. The trial which was held under the auspices of the Special Court can be described neither as unfair nor as farcical. By and large it was fair and conducted under the normal law. The presiding judge refused to accommodate army pressure brought to bear on the Special Court from time to time. Nevertheless, the trial could not be free from the element of vengeance.

So far, there was not much to which serious exception could be taken, although mention must be made of the fact that the retrospective effect which was given to the law of treason as amended in July 1960 was totally indefensible. But the convictions were awarded also on other counts under the normal penal law. Having proved the guilt of the political leaders at all levels, General Gursel ought to have tempered justice with humanity. The ends of this historic trial would have been served with abiding effect if clemency had been shown. The sentence of death on President Bayar alone was commuted. But Mr. Menderes and two other ministers were sent to the gallows swiftly—the former after a little delay caused by his unsuccessful attempt to commit suicide. General Gursel was in a position to feel the pulse of the people. Already there were sharp, if uncomfortable, pointers. In the referendum held on the new constitution in July this year nearly 40 per cent voted against it. They are

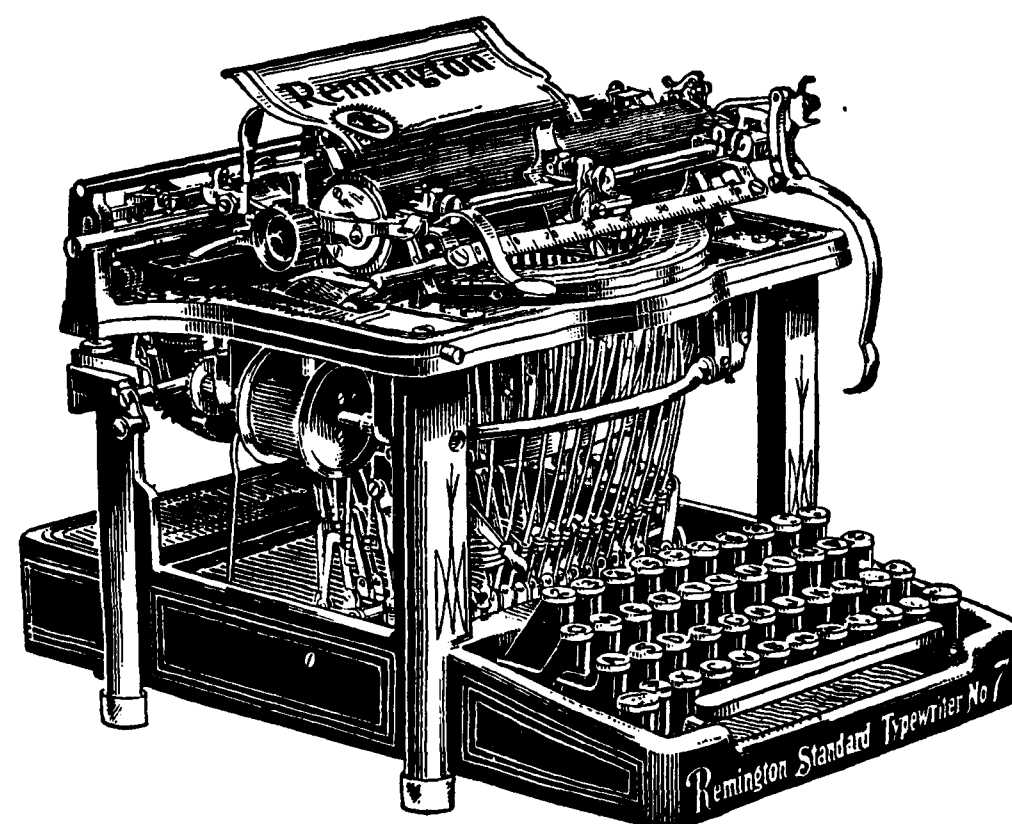
believed to be sympathisers of Mr. Menderes' Democratic Party. Then there is a section of neutrals. Mr. Ismet Inonu's Republican People's Party is weakened by internal divisions. The Justice Party, a post-revolution product, is known for its leanings towards the Democratic Party, now outlawed. Whether the elections will be held on October 15, as scheduled, for the restoration of civil rule, seems problematic. The supporters of the Democratic Party can make capital out of the executions while not a few may shudder at them. The prospect of a stable civil government cannot be taken for granted and if, perchance, the army intervenes again, the extreme elements may get the upper hand. The consequences of the executions and other drastic sentences are imponderable at the moment.

Jan Sangh

PROMISES IN PROFUSION

A POLITICAL party usually contests the general elections to capture office. The Jan Sangh election manifesto, however, is modest. Its spokesman highlights the fact that the Party expects to emerge as the second biggest, meaning the biggest in Opposition. Those who wish to vote Jan Sangh need not feel downhearted, since this is the correct strategy to qualify for an absolute majority in the general elections after the next, entitling it to assume office. But there is some good hope here and now. In States "like" Uttar Pradesh and Madhya Pradesh it will gain maximum strength and may form governments. "Like" connotes flexibility and a similar victory in the Punjab, for instance, may not be ruled out. Cherishing the aspiration to rise as the largest in Opposition, it is in the privileged position to present a manifesto replete with profuse promises, which it will not be called upon to translate into performance.

Every inch of the Indian soil now under foreign occupation—that of China and Pakistan—will be liberated. Since there was no war when China forcibly occupied our territory, there is no apprehension of war when China's aggression is pushed out. By implication (if inferential interpretation is allowed), Pakistan-occupied part of Kashmir may need a war of emancipation. Goa seems to be a relatively low priority, perhaps deserving the pride of place in the election manifesto of 1967. The Constitution is to be amended to convert India into a unitary State (the division of powers between the Union and the federal units is a menace to unity) and once this transformation is achieved the administration will be decentralised widely. In the unitary State, the Preventive Detention Act and the Public Safety Acts will be expunged from the statute book. The Penal Code and the Criminal Procedure Code will be amended suitably to make them inoffensive against civil liberties. The doctrinaire distinction between the public sector and the private sector will be abolished. A new blend will be produced—the national sector. Defence industries and basic industries will then be nationalised (as if the former are not already), but urgent preference will be given to outlay on defence without disturbing price stability. The Planning Commission will be reconstituted as a truly expert body free from political influence. But the National Development Council will be reorganized and considerably enlarged to accommodate many more ministers (Central and State—in a unitary constitution) and a wide cross-section of M.P.s. and State legislators (also in a unitary set-up). Foreign exchange will be no headache in the Jan Sangh's image of economic development. Much less of it will be needed than now. Foreign capital will be welcome without strings. If it is not forthcoming adequately, the programmes of industrial expansion will be so re-aligned that they will not suffer. Under the umbrella of the Jan Sangh, there will be a guarantee of a minimum standard of living and a minimum monthly income of Rs. 125.



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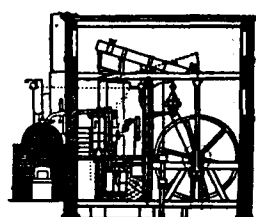
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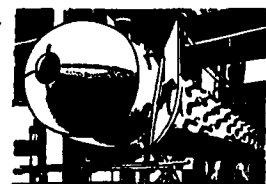
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The World Abroad

SELECT COMMITTEE ON NATIONALISED INDUSTRIES

By
ODYSSEUS

THE BRITISH ATTEMPT to keep the administration of the nationalised industries "out of politics" by entrusting their management to public corporations, whose boards were to be subject to broad policy directives from a Minister, who could be questioned in Parliament about them but not about matters of "day-to-day executive decision", has never worked in practice.

That Ministers evaded questions in Parliament by asserting that they concerned day-to-day matters, which were the responsibility of the public corporation and not of the Minister, meant first that the nationalised industries were free to enjoy their monopolistic power without being accountable to anyone and, secondly, that the public, unable to extract information or to secure remedial action, became more and more convinced that the public corporations were riddled with abuses which the government were trying to conceal. This led to much wholly unjustified criticism of the nationalised industries, and struck at the morale of executives and workers who felt that they would be unfairly blamed no matter what they did.

The dissatisfaction of both Conservative and Socialists with this frustrating situation led the government to agree in 1956 to set up a Select Committee of the House of Commons to examine the reports and accounts of the nationalised industries. This is in accord with the increasing tendency to use Select Committees.

As Mr. A. H. Hanson says in his closely documented "Parliament and Public Ownership" (Cassel, London, 1961. Price 30sh.), Select Committees to investigate the behaviour of government departments are not exactly popular with Ministers or civil servants, but they have acquired some of the prestige already won by the formidable Public Accounts Committee, and have achieved something of that body's "non-political" atmosphere. The process of hearing and sifting evidence by a small number of Members in a private committee room, to which the press are not admitted, makes for "responsibility", and the need to produce a Report which if it is to carry weight must be unanimous, means that party arguments are not pushed to a division. These factors (1) encourage the Committee to stick to considering practical ways and means of increasing efficiency and prevent them from undermining Ministerial responsibility by getting too deeply involved in matters of principle and policy; (2) encourage M.P.'s, the press, and the public, to treat Select Committee Reports as weighty documents, whose criticisms and proposals merit serious consideration. Many therefore regard Select Committees as a way out of the deadlock caused by the growing size and complexity of the administrative apparatus; they believe that the House ought to set up many specialised committees, each attached as advisers and critics to a Ministry or group of Ministries.

A CHANCE TO STATE THEIR CASE

The Old Guard of Socialists, headed by Herbert Morrison, whose perfectly responsible aim was to keep the administration of the nationalised industries "out of politics", resisted the proposal for a Select Committee; they argued that if at all a nationalised industry's files were thrown open to inspection and question, executives would be fearful of taking decisions. Against

this, Lord Hurcombe, then Chairman of the Transport Commission, said that one of the greatest handicaps from which the public corporations suffered was the lack of opportunities to state their cases, or explain their difficulties, to M.P.'s and public opinion. Mr. Ernest Davies, a Labour M.P., dismissed Mr. Morrison's fear of interference with day-to-day matters as a bogey. He urged, on the contrary, that if Parliament were better informed, it would be far less anxious to interfere. "It would not harbour suspicions and doubts, but would realise that it would be more helpful to assist the nationalised industries...."

The new Select Committee's first report, issued in 1957, justified the government's decision to set it up. Wisely, it confined itself to two subjects of manageable size: (1) Ministerial control over nationalised industries, with special reference to the extent to which the Treasury is able to make its influence felt, and (2) the Report and Accounts of the North of Scotland Hydro-Electric Board. The Committee's recommendations revealed that it had judiciously weighed the evidence submitted to it, and it did not hesitate to say where it felt that the evidence had been insufficient or ambiguous. Thus it felt unable to decide whether the Treasury had unduly hampered the initiative of the Boards. It also carefully avoided a carping critical tone in its recommendations and showed itself commendably ready to praise where praise was due. The Committee recognised, in fact, that to be complemented by an all-party Select Committee is one of the best defences that a public corporation can have against unjustified, or politically inspired, attack. Thus it recorded that the achievements of the North of Scotland Board "themselves rebut the criticism of the Board's present personnel made by one witness."

On the Board's policy and administration, the Committee recorded the following opinions and recommendations: (a) that there was some uncertainty whether the Board was concentrating too much on hydro-electric as distinct from thermal-electric stations; (b) that, as a matter of general practice, it should submit contracts to competitive tender; (c) that its accounts should specify the basis adopted for the calculation of depreciation costs; (d) that it should take steps to rectify considerable inaccuracies in its estimates of the costs of its schemes; (e) that it ought to use more fully the services of its Consultative Council, which were insufficiently publicised; and (f) that its policy of subsidising rural electrification was justified.

In the ensuing Commons debate, the Committee was congratulated by all parties. The informed content of the debate suggested that M.P.'s had digested the Report. That their general tone was moderate and constructive was doubtless in part because the North of Scotland Board had not been the subject of bitter controversy. So, encouraged by its first experiment, the Select Committee next tackled the National Coal Board, which had.

Recognising the vast scope of the subject the Committee wisely decided that it could best serve the House by concentrating on a number of major topics — investment, manpower, prices, and the problem of the balance

between the amounts of large and small coal produced. One of the Committee's more important recommendations was that the Ministry of Power should check more carefully the Board's investment schemes, particularly the marginal ones. On the whole, the debate was sensible and constructive, rambled less widely and aimlessly than most previous debates on coal, and kept fairly close to the issues raised by the Select Committee. This suggests that the copious and carefully sifted information provided by the Committee had compelled M.P.'s to be more careful in their statements than they would otherwise have been, and that the quality of the debate had been improved because the House had before it what the Socialist, Mr. Robens, justly described as the best evidence that he had ever seen about the coal industry.

B.O.A.C. PULLS ITS SOCKS UP

The next Select Committee Report, on the U.K.'s nationalised Air Corporations, broke new ground in that (1) it offered a comprehensive survey of the industry, and (2) in assessing performance, it used comparative statistics extensively. The 59 page Report contains a mass of succinct information, never before gathered together, about the conditions under which B.E.A. and B.O.A.C. had been operating. It enabled M.P.'s to compare their preconceived ideas with sifted facts. It seems "obvious", for instance, that B.E.A. and B.O.A.C. could effect substantial economies by increased co-operation in providing common coach services, joint advertising, a joint medical service, a joint organisation to sell surplus aircraft, and a common organisation to repair aircraft. Perhaps some of these points were "obvious" to M.P.'s before they started their enquiry. If so, neither they, nor public opinion, would have accepted a Ministerial assurance in the House that these ideas are impractical. The Select Committee's enquiry revealed, however, that most of them are, in fact, impractical. As a result, any M.P. or interested member of the public, who reads the Report, can get a clear idea, supported by factual evidence and expert opinion, as

to which paths are still worth exploring. Critics need no longer rely on hearsay and they have had their attention directed away from useless points to questions on which there is still room for reasonable differences of opinion.

The figures comparing the performances of B.E.A. and B.O.A.C. with their foreign competitors were striking. The Select Committee found, for example, that whereas the capacity per ton mile per employee of two foreign air lines was 37,700 and 44,100, B.O.A.C.'s was only 16,400. Even allowing that B.O.A.C.'s ratio was less because it did more things directly for itself and less by outside contract than its competitors, the Committee found that B.O.A.C. was over-staffed, particularly in its workshops. Until this was remedied, the Select Committee said "B.O.A.C. cannot expect to compete on even terms with the other airlines of the world."

Such an adverse verdict on B.O.A.C. could have emerged with difficulty from an ordinary Commons debate, because either opponents of nationalisation would have caused the Socialists to muddy the issues in order to defend the principle of nationalisation at all costs, or opponents of the government would have induced the utmost possible evasiveness on the part of the Minister to avoid a most damaging admission. Whatever remedial action might have followed would have been carried out in the midst of a political storm. But the government can accept the findings of an all-party Committee with a good grace, and the ensuing remedial action can be carried out calmly, as giving effect to an all-party decision.

And the Select Committee's bluntness with B.O.A.C. caused that great Corporation to get cracking. In 1956-57, B.O.A.C. employed 8,000 engineers at a cost per capacity ton mile of 10.3 pence; today there are only 6,702 engineers and their cost per c.t.m. is 6.05 pence. By 1962, B.O.A.C. aim to reduce this to 5.25 pence, which, they believe, will compare favourably with the best that their competitors achieve.

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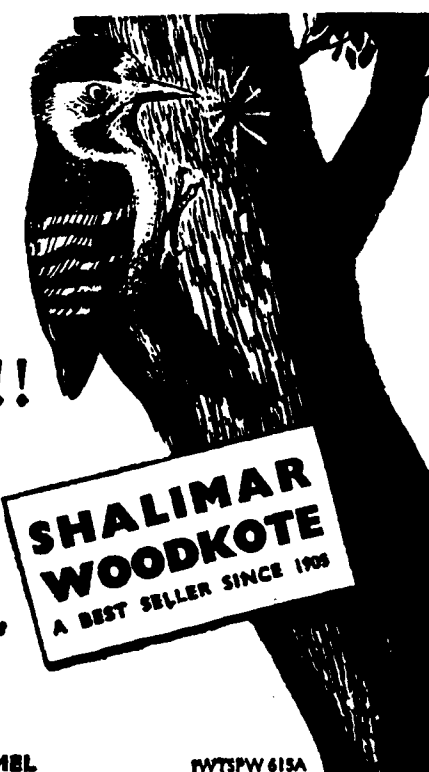


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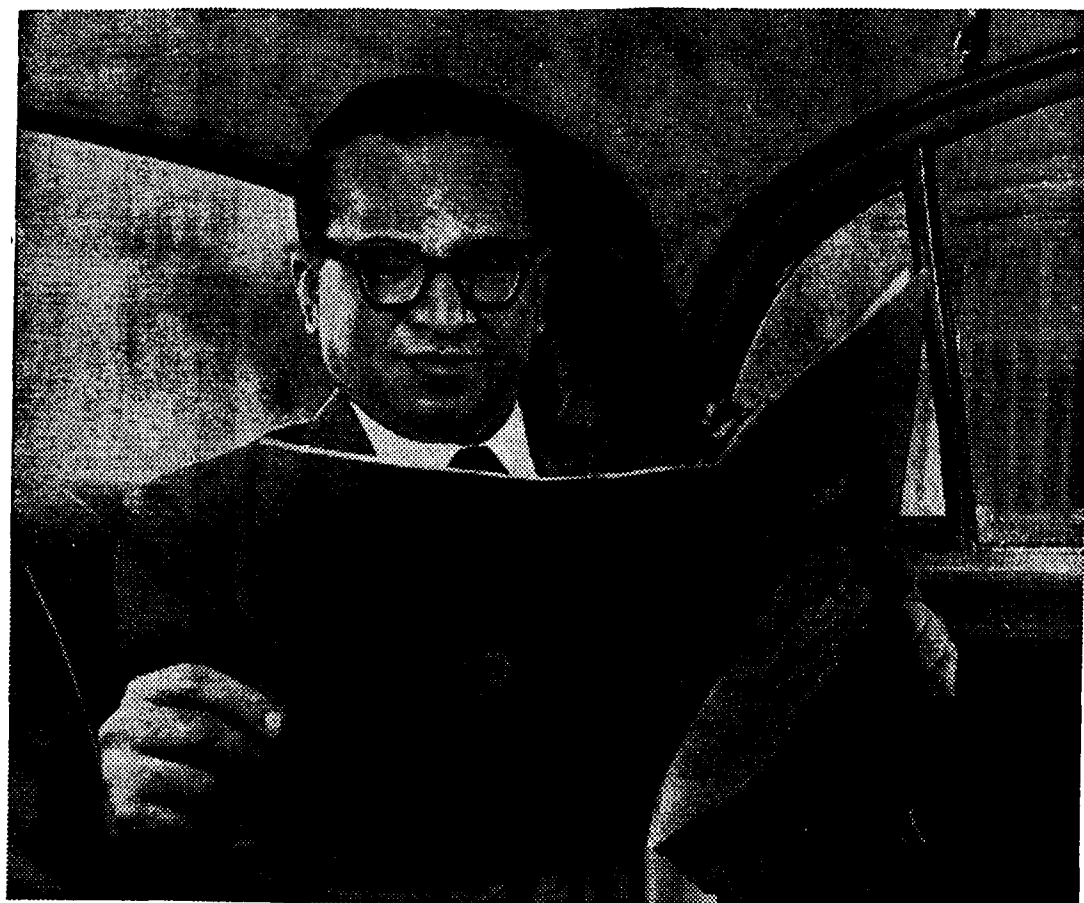
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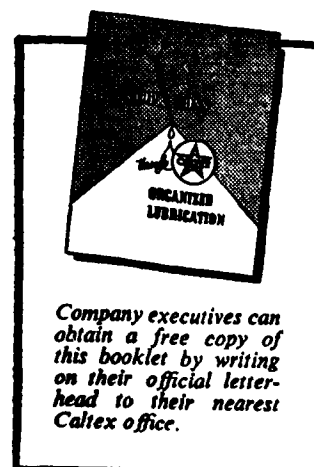
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The European Scene

THE DECLINE OF IMPERIAL TRADE—I

From Our Special West European Correspondent

PARIS, September 18.

IMPERIAL trade—essentially commerce between Britain and France, on the one hand, and the countries formerly belonging to their empires, on the other—is gradually but inexorably declining in importance. In some cases it is diminishing in absolute terms, and in others it is being maintained or even growing slowly while, however, accounting for a diminishing percentage of the trade both of the European power and of the ex-colonies. Apparently unaware that this is going on, some sentimental imperialists imagine that they are threatening us with something in the future when they say that it "will be the result" of European trade groupings, e.g. of Britain's entry into the Common Market. Far from being a possible future result, it is a real present cause of such trade groupings: trade treaties in Europe simply consecrate the fact that imperial trade is declining, that imperial "preserves" are becoming less useful for European exports. By abandoning imperial preferences abroad while creating regional preferences in West Europe, former imperial governments are simply following the drift that trade has taken, by itself, and would take whether or not there were such things as the Common Market.

Naturally, by so acting they might also hasten the decline of imperial trade for a time: British exports to the Commonwealth, already on the downgrade, might fall more quickly for a while if Britain officially drew the conclusions from this and joined the Common Market, surrendering Commonwealth preference. Similarly, French exports to French-speaking Africa have dipped fairly sharply since France admitted her Common Market partners' goods to the once-protected franc zone and since French industry began concentrating on the more promising European market. But two observations must be made about this accelerated decline of a secular downward trend. Firstly, nothing proves that it is more extensive than would have occurred in any event, even if the imperial nations had not agreed to surrender their colonial preferences. One cannot help pointing out that several of the Commonwealth capitals and trade associations that have just lately become ardent defenders of Commonwealth preference are precisely those that have been whittling down Commonwealth preference for years past. They were bound, for perfectly good reasons, to go on doing so in the future, and they would surely do so more enthusiastically if the isolated British economy stagnated while the Common Market became more attractive each year both as a market for their exports and as a source of capital equipment. Similarly, the losses French trade has suffered in Africa as an apparent consequence of the Common Market would have been suffered in any case as independent Negro States turned to Germany, Britain and (to a smaller extent) Russia and America. French unwillingness to accept this situation could only have proceeded from a fear that French goods could not compete with those countries' exports—but if they could not compete, i.e. if they were dearer or inferior, the clamour for an end to franc-zone preference would have become intense.

That brings up the second observation: the accelerated decline of imperial trade that follows the breaking up of old trade empires need not be permanent or irreversible. It is not that the former imperialist power decides to concentrate on Europe and loses interest in

trade with its former possessions, once and for all. Rather, by paying the price of losing imperial preference, it gains access to a unified European market, and that enables it (indeed obliges it) to re-organise its industry in ways that soon make it a more efficient exporter to its former colonial possessions. There is one reservation here, however. The ex-colony which, at this later stage, becomes a good market again for British or French exports must be demanding the goods that those nations are then equipped to produce thanks to the modernisation of their industry. This means, briefly, that the ex-colony should have begun its own industrialisation, so that it is seeking capital equipment, and not the simple consumer goods that used to be the staple of the "colonial trade" of European powers. Both the principal assertion of this paragraph and the reservation can be illustrated in the case of French trade with territories south of the Sahara. The surrender of preferential access to those markets (when they were opened to Germany and the other Common Market exporters) was accompanied by the vast revitalisation of French industry, required to stand up to German competition in Europe itself. This was carried out so successfully that French industry is now competitive with German in such departments as machinery and machine tools, and is thus a better purveyor of capital equipment than in the days of the protected franc zone—yet French industry does not yet reap the benefits of this because the Africans have not set on foot their industrialisation programmes.

The decline of imperial trade that we are witnessing does not imply any reduction in world trade, nor even any reduction in the trade of Britain and France with the under-developed world in general. The figures that will be given below show that Britain's trade with her own ex-colonies and the dominions is falling, and that French trade with former French possessions is falling. Yet, obviously, this is compatible with Britain exporting more to former French possessions and France exporting more to former British possessions as each gives up its vestigial imperial advantages. It is not as simple as that; third parties are often the gainers, notably West Germany, Italy and the USA. But we shall see something of this exchange of imperial commerce between France and Britain if the latter joins the Common Market and if the harmonisation of Commonwealth preference and "associate status" in the Common Market is achieved. Nevertheless, this exchange will not compensate for present losses in imperial trade, if only because there is another and more general factor at work: the tendency of trade between industrialised nations to increase much more rapidly than trade between them and developing countries. The reasons for this are primarily technological: economies in the use of, or substitutes for, traditional raw materials; plus the fact that as Western living standards rise less is spent on food and clothing, which require imported materials, in relation to the amount spent on durable consumer goods made of steel, aluminium and plastics.

This tendency has often been referred to in articles on this page, and invoked as one of the causes of the involution of European trade, expressed in the trade groupings such as the Common Market. It might explain some part of the decline in imperial trade shown in the figures. That is to say, the fall in British and French

trade with their former empires is, to some extent, an aspect of the general decline in Western reliance on imported raw materials and of the consequent inability of developing nations to import more from the West. Yet this factor does not seem to be very important, because we can show that in many cases while British exports to an ex-colony are falling, other industrialised nations are increasing their exports to that country. Thus the decline of imperial trade is a separate question. In so far as the general decline in trade between the West and the developing world is involved, it suffices to notice that no arrangements such as Commonwealth preference would serve to arrest it and no surrender of imperial preferences is going to hasten it, for its causes, as has been said, are primarily technological.

The following table reveals the fall in British shares of the main markets of the sterling area:

	Percentage of U.K. goods in total imports of manufactures	
	1954	1960
Rhodesia	87.2	70.2
New Zealand	84.9	71.7
Australia	71.7	50.7
Ghana	63.3	54.4
Nigeria	60.5	54.1
Malaya	54.7	39.4
South Africa	52.8	41.2
India	46.3	38.6
Pakistan	45.2	30.3

(To be concluded)

Between 1954-55 and 1959-60 Britain's exports of manufactures to the sterling area rose by only 5.2 per cent (from \$3,116 million to \$3,278 million), whereas eight other Western nations and Japan increased their exports to those same markets by 61.3 per cent (from \$2,160 million to \$3,485 million). The result was that Britain's share of this total market fell by 14.4 per cent, while the Common Market's share rose by 5.4 per cent, Japan's by 5 per cent and the USA's by 4 per cent.

These figures show the trend, which is plainly general throughout all the region of British influence, but they probably exaggerate its speed. British trade with the sterling area was at a peak after the war, and in 1954 Britain held a more dominant position in the Indian, Pakistani and Australasian markets than she did in 1937. At that time (in 1954) dollars were scarce, sterling area discipline was high, West Europe's recovery had not gone far enough to compete with Britain, and the overseas Commonwealth had not properly launched the ambitious development programmes that have since increased and varied its import requirements. This excessive British domination was temporary and these positions were bound to be lost as the overseas sterling area countries reduced the extent of imperial tariff preference and liberalised their quota system. Still, comparing the 1937 figures with those of 1960, one sees the same general decline, which may thus be taken for a long-term process, the decay of imperial trade.

FALL-OUT FROM BELGRADE

By ANDREW BOYD

RADIO-ACTIVE "fall-out" from Russia's new series of nuclear weapon tests hit London two weeks after the blasts in Central Asia and the Arctic began. Political fall-out from the Belgrade "summit" conference of non-aligned countries had spread through the world's atmosphere faster and farther. The long-term effects of the Soviet explosions on the human organism may be the more harmful; but it was the atmospheric after-effects of Belgrade that made me, soon after returning from the conference there, begin to rub my eyes and feel somewhat dizzy.

Belgrade, it seems, had one unlooked-for result. It united the great powers in at least one respect. The American, Russian and Chinese press appeared virtually unanimous in judging the conference to have been a triumph for the communist cause. ("Communist", in this context, firmly excludes the Yugoslav brand—of which more later) "Time" magazine's judgment on the uncommitted leaders assembled at Belgrade was that "big, bad Russia had in fact cowed them into appeasement". The Peking "People's Daily" warmly congratulated them on the fact that "the keynote of the principal speeches was directed against the West".

After ploughing through a whole lot more of this kind of stuff, culled from the newspapers of New York and Washington, Moscow and Peking, I almost began to wonder if I had been attending the wrong conference. Could there have been two simultaneous and separate meetings, both at places called Belgrade? I very nearly began to think so when I found that both the West German and the East German governments had expressed their satisfaction with the results of the conference. Again, surely there must be two quite different Marshal Titos (or Marshals Tito) abroad in the world? One Tito was in bad with the Americans for his Belgrade performance, for being beastly to the West Germans and soapy to the Russians. The other, according to the Chinese press, had played the part of "spokesman for US imperialism" at the Belgrade conference, "peddling his so-called non-bloc positive co-existence... The Tito clique's activities were painstakingly made to oppose the socialist camp, to undermine the Afro-Asian peoples' struggles for liberation... The Tito clique passes itself off as anti-colonialist; but in fact it serves imperialism".

To all of that I can only say that, equipped with the only pair of eyes I possess, I had sat close enough to Tito to watch him twiddling his thumbs throughout most of the five days that my Belgrade conference lasted. I had daily observed President Sukarno casting down his field-marshal's baton on the conference table—surely there could not be two such splendidly bemedalled uniforms in the world?—and I had thought I detected Mr. Nehru gently wincing each time this military symbol thudded on to the round table almost at his elbow.

Two conferences, and two different Nehrus? (Two Pandijis, I mean; of course, R.K. was there too.) It seems hard to credit. Yet, at my Belgrade, I had met an affable correspondent from Peking, Mr. Peng Ti. When asked what kind of reports he was sending home, Mr. Peng replied, with a singularly sweet smile: "Objective reports". I have just read one of these objective reports. It says that India was completely defeated at the Belgrade conference. According to Mr. Peng and his colleagues of the Peking press, India found itself completely "isolated" at Belgrade when it tried to bring

up "the so-called questions of war and peace". The conference, says Peking, would have none of this; instead, the delegates all gave enthusiastic backing to Dr. Sukarno, who told them that there was no other source of conflict except colonialism, and that they need not worry about conflict between the great powers in Europe.

Well, Mr. Peng and I were at the same conference. But the Belgrade meeting which I, and therefore presumably he, attended concluded by unanimously adopting a peace appeal to the great powers drafted by Mr. Nehru and the Indian delegation; and this appeal was solemnly carried to Washington by two heads of State, one of whom, unless I have been grossly deceived by the world's press, was President Sukarno of Indonesia.

In fairness to Mr. Peng, it seems possible that he and his colleagues from Peking found it difficult to concentrate properly on what was actually happening at the Belgrade conference. Ringed round as they must have been by sinister Yugoslav agents of American imperialism, they may have found it hard to keep their minds on the story. That could account for the leading article in the Peking "People's Daily" of September 9th, which complained bitterly that "Somebody at the conference advanced the argument that the era of classical colonialism is gone and dead".

Now, I saw and heard Mr. Nehru utter these words—qualified immediately by another phrase, "though it survives and gives a lot of trouble yet". I checked these words in the transcript of Mr. Nehru's speech, which I have before me now as I write, and a copy of which was certainly available to Mr. Peng and his colleagues. Yet here is the poor "People's Daily" so badly informed that it can only attribute these words to "somebody at the conference". With a strong Chinese press team at Belgrade, you would think they could have done better than that. But one must never forget how things can slip up in the course of the transmission of news across the world. Perhaps that is all that is needed to explain the curious transformation of the record of the Belgrade conference by the time it saw the light in the newspapers of China, Russia, and, it would also seem, America.

Personally I did not observe, as "Time" observed, the Belgrade governments "running for cover" in terror at the sound of Soviet nuclear blasts. What I saw was a series of delegates reading out the texts of long prepared speeches—and very dull this reading was, broken only by Mr. Nehru's lively, extempore speech, made virtually without notes; he was almost alone in addressing himself to his fellow heads of Government in a direct, parliamentary manner. For the rest, U Nu, Archbishop Makarios, and Mr. Ben Khedda of Algeria were admirably brief and to the point; Mrs. Bandaranaike was moving as well as sensible; and of course we all hung upon the words of the Congolese spokesmen, Mr. Adoula and Mr. Gizenga, with fascinated expectation. But much of the rest was so dull that I could not blame a distinguished but slightly eccentric editor who, sitting beside me in the press gallery, burst out in a loud voice at the end of the first hour of the speech of a president who had better be nameless: "Oh my dear man, do please sit down!" (Simultaneous translation through headphones has its blessings; a few delegates looked up, puzzled, but nobody seemed to have heard the cry clearly or to be sure from whose heart it had come, and scandal was averted).

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Russia's test explosions seemed to me to have little impact on the conference. Uncowed and, for the most part, unangered, the statesmen taking part made the same speeches as they had prepared before the Soviet bangs were announced. Most of what they said could have been predicted well in advance. The positions of these governments on Algeria, Angola and other colonial questions have long been familiar to anybody who takes notice of United Nations debates. So have their positions on, say, the Chinese UN seat; on disarmament; on the needs of under-developed countries for aid without strings and for stable commodity markets; on foreign military bases; on racialism. If the repetition of these policies at Belgrade really gave the communist powers a pleasant surprise and the American press a nasty surprise, well, it simply means that the rather charming capacity of human beings for being surprised is even more extensive than one had supposed.

Apart from India's success in getting the peace appeal to the super-powers adopted, I should not have thought that anybody in particular "won" at Belgrade. Dr. Nkrumah's formula for Germany, evolved during his long ramble through China and Russia, was turned down by President Nasser as well as by Mr. Nehru and others. The Arabs failed to get a condemnation of Israel into the conference declaration. The Cubans were tossed a couple of anti-American bones, but had to give way, grudgingly, on the wording of the peace appeal, which they had criticised because it equated Russia with America. Marshal Tito's strictures on Western Germany found no echo in the declaration; nor did President Makarios's plea for self-determination

and unity for Germans. Mr. Adoula's dramatic appearance with Mr. Gizenga in tow (and with a public benediction from Moscow) left the "Casablanca" group and other countries that had tied themselves to Mr. Gizenga's chariot scrabbling back into line. As for President Sukarno, who by Peking's account was victorious all along, he was prevented by Dr. Nkrumah from getting a mention of West Irian into the declaration; he lost his points on Israel, on Germany, on the peace appeal; he failed to carry his project for a second Bandung conference.

By the time these words are in print, the Belgrade countries' representatives will be once again in session—together with those of other countries, in the United Nations Assembly at New York. Whatever else they may do there as a group, I hope they will follow through with the resolve, generally expressed at Belgrade, to work for the strengthening of the machinery of the United Nations itself. Despite some half-hearted dissent from Cuba, Mali and Guinea, the Belgrade conference speeches clearly indicated opposition to Mr. Khrushchev's demand that the UN should be completely shackled by the multiple vetoes involved in his "troika" system. An increasingly effective UN peace-keeping capacity is vital to the non-aligned countries' hopes of restraining the jarring conflicts of the great powers, and of achieving the speedy end of colonialism without opening the door to still more conflicts. Here is a worthy task for these countries. Are they prepared to take it on? Belgrade did not seem to me to give a very definite answer to the question.

Economic Report from the U.S.

REPORT OF THE N.I.C.B.

By GUY SIMS FITCH

WASHINGTON, Sept. 12.

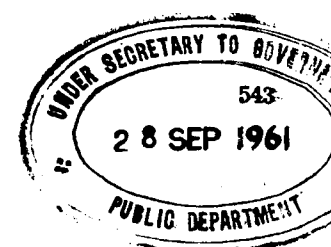
THE ability of American manufactured products to compete in world markets is reaffirmed in a new report prepared by the National Industrial Conference Board (N.I.C.B.), a leading private business research organization in the United States. In general, the N.I.C.B. has found, its higher productivity enables the U.S. economy to offset advantages other countries may have in the form of lower wages and lower labour costs. Contributing to this productivity are the size and nature of the U.S. economy — its high volume of operations and its generally advanced technology.

The report thus indicates that the United States retains the capacity to sell large quantities of its goods on world markets. This is a matter of some importance, since the United States is counting on a continued large trade surplus — an excess of exports over imports — to help counteract its capital outflows abroad and sustain this year's substantial improvement in its international balance of payments. Will U.S. imports now show signs of rising sharply in response to the strong upsurge in domestic economic activity? A serious lag in U.S. exports could cut markedly into the desired trade surplus. One of the principal forms of U.S. capital outflow, along with Government economic assistance, is direct investment abroad by private American companies. According to the latest survey by the McGraw-Hill Company, a leading publisher of business journals, these investments are expected to rise some 22 per cent this year to a record-breaking \$3,400 million, and to run nearly that high next year. The effect on the U.S. balance of payments may not be that large, however. The survey discloses that more than 40 per cent of the money scheduled for investment in facilities abroad is likely to be spent in the United States on buying equipment for installation in foreign plants. The survey also indicates that the U.S.

balance of payments will continue to be aided by high level of direct exports from the United States. Exports of U.S. manufactured goods are expected to rise 3 per cent next year — about the same rise the survey sees taking place this year. These trends tend to support the N.I.C.B. finding that American products can compete successfully in world markets.

The vast U.S. export potential, combined with the substantial improvement in the U.S. balance of payments, seems to have contributed to the further reinforcement of international confidence in the U.S. dollar. As one result, the outflow of U.S. gold has subsided to a trickle, as foreign holders of dollars have shown little tendency to change them for gold. As a matter of fact, any loss of U.S. gold in recent weeks seems to have stemmed largely from the advance of \$1,500 million to the United Kingdom by the International Monetary Fund (IMF). This advance enabled the Bank of England to repay some of the credit it had received from European Central Banks, which use the repayments to buy gold from the United States. This timely action, coupled with the U.K. Government's measures to correct its balance of payments, has helped shore up the position of the British pound and has helped stabilize the price of gold on the London market.

Nevertheless, these latest U.K. developments, coming on the heels of last year's flow of speculative funds out of the United States, have helped bring to the fore proposals to strengthen the international monetary mechanism and moderate short-term currency strains. Per Jacobsson, head of the IMF, has supported the idea of increasing the lending power of the IMF. The thought is that if the IMF is strengthened, and countries running deficits in their balance of payments are able to get the credits to tide them over in their dealings with surplus countries, the cause of international financial stability can be advanced.



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Special Article**CONCENTRATION OF WEALTH ?**

By

S. K. GUHA

DOUBTS have often been expressed in public discussions and in private conversation, whether despite Independence and completion of the two Five-Year Plans and the commencement of the Third Plan, the rich are becoming richer and the poor poorer and whether there is now a greater concentration of wealth in fewer hands.

The outlays during the two Plans both in the public and the private sectors have no doubt generated an increasing volume of production and consequently of national income, which in turn has been distributed over the different sectors: agricultural, industrial, commerce, transport and communications and other services. The distribution of national income by various sectors and the percentage shares of the different sectors may be seen from Table I below:

While the volume of agricultural output has increased between 1950-51 and 1959-60 by about 33 per cent, the value of the output has increased by only 26.4 per cent. The percentage increase in the value of the output in the agricultural sector vis-a-vis the

mining and manufacturing sector at current and constant prices has, further, been as follows:

Percentage increase in 1959-60 over 1950-51

	Constant Prices	Current Prices
Agricultural	24.2	26.4
Mining, manufacturing and small enterprises	33.1	50.3

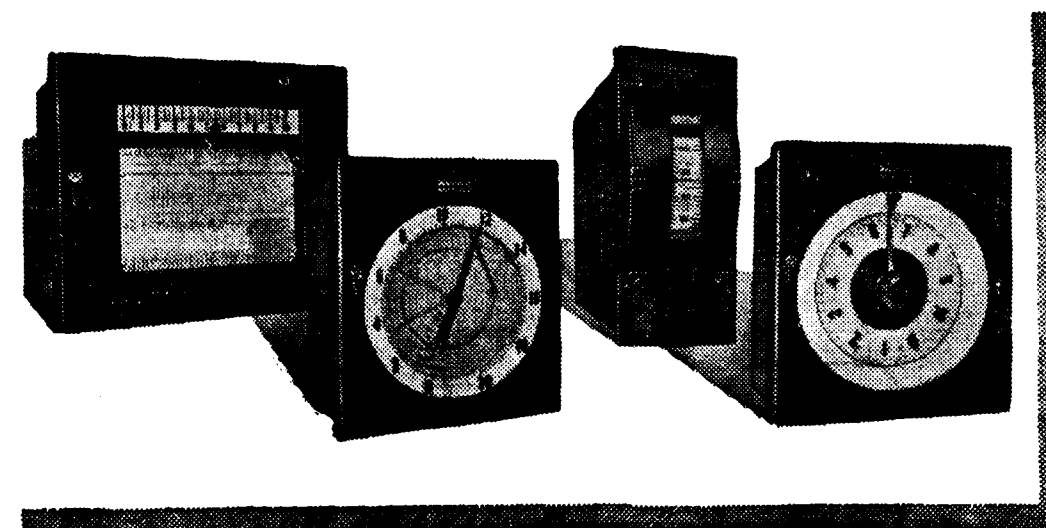
In other words, the agricultural sector has not benefited by the increase in prices to the same extent as the mining and manufacturing sector.

So far as the relative share as between the different sectors is concerned, the share of agriculture in the total national income declined from 51.3 per cent in 1950-51 to 48.1 per cent in 1959-60 at current prices.

TABLE I

DISTRIBUTION OF NATIONAL INCOME BY DIFFERENT SECTORS

	National income at current prices (crores of Rs.)		Percentage increase	Percentage distribution of national income at current prices	
	1950-51	1959-60		1950-51	1959-60
Agriculture, animal husbandry and ancillary activities	4,780	6,030	26.2	50.2	48.9
Forestry	70	100	42.9	0.7	0.8
Fishery	40	50	25.0	0.4	0.4
Total of agriculture	4,890	6,180	26.4	51.3	48.1
Mining	70	140	100.0	0.7	1.1
Factory establishments	550	1,120	103.6	5.8	8.7
Small enterprises	910	1,040	14.3	9.6	8.1
Total of mining, manufacturing and small enterprises	1,530	2,300	50.3	16.1	17.9
Communication (Posts, telegraphs & telephone)	40	60	50.0	0.4	0.5
Railways	180	330	83.3	1.9	2.6
Organised banking and insurance	70	140	100.0	0.7	1.1
Other commerce and transport	1,400	1,650	17.9	14.7	12.8
Total of Commerce, transport and communication	1,690	2,180	29.0	17.7	17.0
Professions and liberal arts	470	690	46.8	4.9	5.4
Government services (administration)	430	810	88.4	4.5	6.3
Domestic service	130	180	38.5	1.4	1.4
House property	410	520	26.8	4.3	4.1
Total of other services	1,440	2,200	52.8	15.1	17.1
TOTAL NATIONAL OUTPUT (after taking into account net income from abroad)	9,530	12,840	34.7	100.0	100.0



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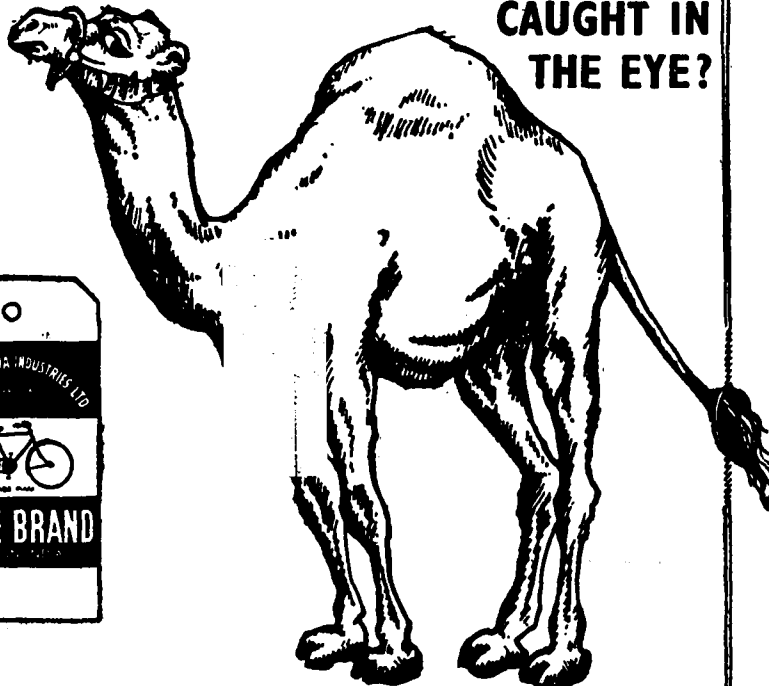
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The share of the 'mining, manufacturing and small enterprises' group registered a small increase from 18.1 per cent to 17.9 per cent. The share of 'commerce, transport and communications' recorded marginal decrease from 17.7 per cent to 17.0 per cent. The share of the group 'other services' increased from 15.1 per cent in 1950-51 to 17.2 per cent in 1959-60.

The decline in the share of the 'agricultural' sector in the total national output is but natural in view of the greater emphasis on industrialisation and the development of the heavy and basic industries in the country in the Second Plan period, which process would continue in the Third Plan as well.

PER CAPITA NATIONAL INCOME

The provisional census figures for 1961 show an increase of 21.5 per cent over the previous census. This rate of increase works out to approximately 2 per cent per annum compounded. The national output by the different sectors for the years 1950-51 and 1959-60 may be divided by the relevant population to arrive at the per capita output for the various groups. The per capita income thus worked out for the various sectors are as follows:

TABLE II
PER CAPITA OUTPUT BY SECTORS
(Rs. per annum)

	At current prices		Percentage increase
	1950-51	1959-60	
Agriculture	196.3	208.5	6.2
Mining, manufacturing etc.	406.1	513.1	26.3
Commerce, transport etc.	627.5	680.2	8.4
Other services	306.7	393.8	28.4
TOTAL	264.3	299.2	13.2

Source: Worked out on the basis of National Income Estimates prepared by CSO and population estimated as explained above.

It will be seen that the per capita income in the 'agricultural sector' is the lowest and so is the rate of growth. This would support the inference drawn earlier that the 'agricultural' classes have not benefited much in the increase in the national income. On the other hand, those engaged in 'mining, manufacturing and small enterprises' and 'other services' would seem to have enjoyed a larger share of the benefit.

Table III below gives the available information extracted from the relevant portion of the two Reports on agricultural labour in India, viz., (i) Agricultural Labour Enquiry, Report on Intensive Survey of Agricultural Labour conducted during the year 1950-51; and (ii) Agricultural Labour in India, Report on the Second Enquiry, 1956-57:

TABLE III
DISTRIBUTION OF INCOME FROM AGRICULTURE BETWEEN LABOUR AND OTHER PARTICIPANTS

	1950-51 1956-57		Percentage variation
	(Rs. crores)	(Rs. crores)	
1. Output from agriculture, animal husbandry and ancillary activities as given in the National Income Estimates prepared by CSO	4,780	5,380	+12.6

1950-51 1956-57 Percentage variation

2. Total income of agricultural labour households as given in the Agricultural Labour Enquiry Reports (Rs. crores)	790	712	- 9.9
3. Share of participants other than labour (item 1 minus item 2)	3,990	4,668	+17
4. Total income of agricultural labour households as percentage of National Income	8.3	6.7	
5. Number of agricultural labour households—million	17.9	16.3	- 3.94
6. Number of wage-earners per agricultural labour household	2.0	2.2	+10.0
7. Average annual income per agricultural labour household — Rs.	447	437	- 2.2
8. Per capita income of agricultural labour — Rs.	104	99.4	- 4.42

It will be seen that the income of agricultural labour households has come down both in monetary and real terms and that other participants have benefited (Items 2 and 3 of the Table). It will also be seen that although the number of wage-earners per agricultural labour households has increased, the average annual income per agricultural households as also the per capita income of agricultural labour class have declined (see items 6, 7 and 8).

The position in regard to the second group, viz., 'mining, manufacturing and small enterprises', is that the total output has increased from Rs. 1,530 crores in 1950-51 to Rs. 2,300 crores in 1959-60 or by 50.3 per cent (see Table I). The per capita output has increased by 26.3 per cent from Rs. 406.1 in 1950-51 to Rs. 513.1 in 1959-60 (see Table II). Of this group, the value of output under 'mining' has increased two-fold, from Rs. 70 crores to Rs. 140 crores (see Table I).

A similar analysis in respect of the mining industries as done for the agricultural sector as between labour and other participants indicates that coal mine workers have shared equally with other participants in the increase in the value of output although in the case of the labour in other than coal mining, the indications are to the contrary.

SMALL ENTERPRISES

Hardly any data are available in respect of 'small enterprises'. As regards factory establishments, the total output increased from Rs. 550 crores in 1950-51 to Rs. 1,120 crores in 1959-60 (See Table I). The shares of workers and other participants in the net contribution of factory establishments for 28 selected industries covered by the Fifth and Twelfth census of Indian Manufactures during 1950 and 1957 have been as follows:

	1950 1957		Percentage increase
	(Crores of Rs.)	(Crores of Rs.)	
Value added by manufacture	283.93	467.92	64.8
Wages of workers	136.47	199.34	46.1
Salaries of other employees	32.05	54.87	71.2
Total wages and salaries, including other benefits	172.17	269.80	56.7
Residual share of profits, dividends, taxation, etc	111.76	198.12	77.3

It is apparent that the managing agents, the receivers of interest on equity capital and the ordinary shareholders have all derived a greater share in the increase in the factory output vis-a-vis the working classes. The extent to which the share-holders have participated in the profits may also be seen from the index of industrial profits which has increased from 100 in 1950 to 133.7 in 1957 and further to 151.7 in 1958*. The particulars of the eleven selected industries where the value added by manufacture is over Rs. 4 crores in 1950, detailed in the two censuses referred to, point to clear indications of some concentration of profits etc. in factory establishments. Participants other than workers in general and electrical engineering, iron and steel, chemicals, paper and paper board, vegetable oils and aluminium, copper and brass industries have derived greater advantage.

PLURALITY OF DIRECTORS

The Department of Company Law Administration have recently made a sample survey of the pattern of company directorships in the Western Region. Some evidence about the concentration of control may be obtained from the number of directorships held by a single individual on the basis of this survey. The study conducted by two officers of the Company Law Department covering some 117 big-sized companies in the Western Region revealed that the total number of directorships held by 546 persons belonging to these 117 companies having registered offices in the Western Region amounted to 4,174 on the boards of 1,905 companies on an all-India basis. The average number of directorships held by a person thus came to 7.6 or in rounded terms to eight. The frequency distribution of the directorships held by the 546 persons was as under:

No. of directorships	No. of persons holding directorships	Total No. of directorships held
1	113	113
2-10	294	1,541
11-20	95	1,421
21 and more	44	1,099
TOTAL	546	4,174

This table throws some light on the extent of plurality of directorships in the country in as much as about 80 per cent of the persons holding directorships are doing so on more than one company.

A recent study conducted under the auspices of the Research Committee confined to five selected industrial houses in the country appears interesting. The working of 496 companies for which balance sheets, etc., were available for 1958 were studied. These 496 companies had a net worth, i.e. paid up capital plus free reserves, of Rs. 314 crores during 1958 and the total assets amounted to Rs. 821 crores. The Fourth Annual Report on the Working and Administration of the Companies Act, 1956 gives the total number of joint stock companies at work as on 31st March, 1958, at 28,280 representing a total paid-up capital of Rs. 1,306.3 crores. Of this, 91 Government companies accounted for a paid-up capital of Rs. 256.8 crores. Thus, the number of companies managed by these five selected industrial houses referred to in Mr. Hazari's studies represented only about 1.8 per cent of the total number of non-government companies but the share capital of these companies represented about 19.4 per cent of the total paid-up capital of the non-government companies.

No data exist for the corporate sector as a whole giving the number of share holders and the average value of shares held by them in 1950-51 and now, from which one could judge whether there has been any broadening of investment in shares. The Reserve Bank conducted a limited survey in 1960 from the income tax returns of assesseees receiving dividend income. The analysis carried out by the Reserve Bank reveals that between 1955-56 and 1958-59 there has been a

noticeable expansion in the number of shareholders, which points to the fact that the habit of investing in shares is spreading.

In spite of this broadening, some concentration of control is inevitable in a developing economy. In fact, there is widespread feeling that the contractor class, the exporter/importer class and the very big capitalists have gained disproportionately from the increase in the national income. In view of the large scale construction work all over the country, the contractor class will, no doubt, have gained. Bitter complaints are often heard also from smaller capitalists operating on a capital of, say, Rs. 50 lakhs to Rs. 3 crores or so that the big capitalists have been deriving all the benefits in the corporate sector, reaping unduly large profits "vis-a-vis" the former class. Comparable data on the earnings of these classes as such in 1950 and in 1960 do not exist and it is possible that the Mahalanobis Committee on 'Income distribution and levels of living' will consider the question of suggesting specific sample surveys. The carrying out of such surveys will take time and involve considerable amount of labour and expenditure; and yet the chances of being able to go back to 1950 are slender. Be that as it may, it has to be remembered that in the process of development it is only natural that the larger and more organised units already in the field will grow further and faster in view of their experience and entrepreneur ability and derive the advantages of economies of large-scale and group management. This tendency is, however, checked by the development of the public sector and the growth of credit institutions and such developments are already taking place in the country. The number of Government companies which was only 61 in 1955-56 accounting for a paid-up capital of Rs. 66 crores has increased to 125 companies on 31st March, 1960, representing a paid-up capital of Rs. 468.4 crores. Thus, although the number has increased only two-fold, the capital has gone up more than seven times. The percentage share of the capital of Government companies to that of the total capital of joint stock companies has risen from 6.45 in 1955-56 to 29.4 in 1959-60. These figures do not take into account the capital-at-charge of the Railways and the Posts and Telegraphs.

PUBLIC SECTOR'S CONTRIBUTION

The increasing expansion of the public sector and its larger contribution to the national income is a noteworthy development. This would be evident from the figures quoted in Table 3 of the "Estimates of National Income, 1948-49 to 1959-60" issued by C.S.O., of the new output of 'Government enterprises, such as, the Railways, the Posts and Telegraphs, State Road Transport concerns, Electricity Undertakings and Government Services (Administration)'. While the net output of 'government enterprises' has increased from Rs. 290 crores in 1950-51 to Rs. 530 crores in 1959-60, the contribution of 'Government Services (Administration)' has gone up from Rs. 430 crores in 1950-51 to Rs. 810 crores in 1959-60. On the Railways, for which some detailed statistics are available, the pattern of pay distribution indicates a trend towards lesser inequality during the last decade or so. In the 'other services' sector also, although there is inequality in the pattern of distribution of earnings of Central Government employees, there has been some reduction in disparity between 1951 and 1959.

In short, the examination of the National Income Estimates throws some light only on one aspect of the question, namely, on the rate of growth of national income as between the different sectors and the variation in the per capita income as between the participants, such as the labour class and others, in the same sector. So far as the other aspect, namely, concentration of control and power in a few hands is concerned, there is little authentic information available at present.



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* Reserve Bank of India Bulletin, October 1960, p. 1484.

THE BUSINESS WORLD

Sir Homi Mody is Eighty

By CROESUS

SIR HOMI MODY will be eighty on Saturday. I feel it is only proper for me on this occasion to recall to the readers of "The Eastern Economist" the signal services of this eminent and extra-ordinarily cheerful individual not only to the business world in various capacities but to the country generally. So many and so varied have been the spheres of his activity that I know I shall not be able to do full justice to Sir Homi's contribution to the social, economic, and political life of this country, but I daresay, there will be many others, both individuals and institutions, that would be writing about or honouring this 80-year young man to make up for what I may fail or forget to record.

Born on September 23, 1881, and educated in the St. Xavier's College, as he was, in Bombay, this 'urbs prima' has naturally claimed a lion's share of Sir Homi's services. It was the Bombay Municipal Corporation, which provided him his first and perhaps the longest (he was a Corporator for over 30 years) platform for public service, that revealed to the people of Bombay and outside his great talents as an impressive speaker. Thanks to his ever present wit and ability for ready repartee, he found no difficulty in throwing his opponents off their feet and overwhelm them. It was not surprising, therefore, that the people of Bombay wanted him to represent them in the Central Legislature. Entering in 1929 what was then the Indian Legislative Assembly, he continued there till 1943. During this long period, he also served, among others, as a member of the First Round Table Conference (1929), the Reserve Bank Committee (1934), Employers' Delegate to the International Labour Conference, Geneva (1937), and Member for Supply, Viceroy's Executive Council (1941-43). The year of his entry as well as the year of his exit from the Legislature represent important stages in the political evolution of this country. At the time he entered the legislature, far-reaching changes were impending in the constitutional structure of India, and when he resigned his membership of the Viceroy's Executive Council, it was as a protest against the refusal of the Viceroy to release Mahatma Gandhi who had gone on a fast in the jail. As a member of the Central Legislature, Sir Homi had to hold his own—which he did admirably—against such stalwart Parliamentarians as Satyamurthi, Bhulabhai Desai, and others.

The Indian Cotton Mill Industry has particular reasons to be grateful for what Sir Homi did to it as a legislator, and it is common knowledge that no other industry with which he has been connected has benefited to the same extent. The explanation probably is to be found in his close association with this industry for several years. Indeed, he first became the Chairman of the Millowners' Association in 1927 and, but for an interruption of one year in the following year, he continued in this capacity right up to 1934, a record broken by only three other chairmen in the annals of this Association.

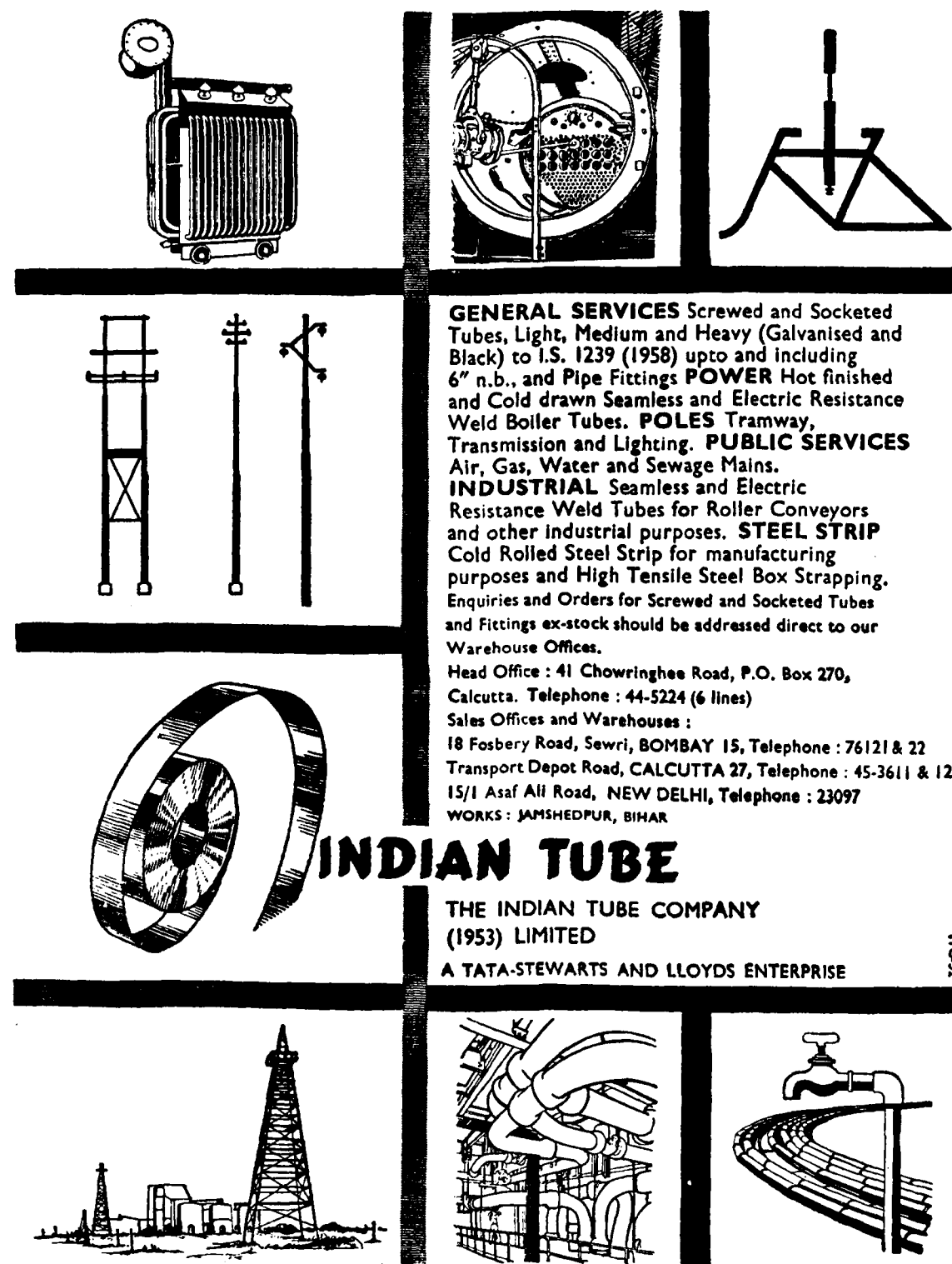
But this should not mislead one into assuming that Sir Homi's contribution to the other industries or industry generally was any the less significant. Not only

was he closely associated with a number of other industries as a Director of Messrs. Tata Sons Ltd. but he was the prime mover and the President of the Employers' Federation of India for well over a generation. It may not be known to many that the Millowners' Association, Bombay, was responsible for sponsoring the idea of the formation of a Federation of Employers in India and that, like Addison, it conceived the idea thrice but brought forth nothing. It was only the fourth attempt, that in 1933—and then too not without some stiff opposition—that succeeded, and it is not without significance that the appeal on this occasion was signed by Sir Homi jointly with Sir Edward Bennell of Calcutta. It was in the fitness of things that Sir Homi, Chairman of the Millowners' Association, Bombay, which had so closely identified itself with the initiation of the proposal for the Federation, as well as the developments leading to its formation, should have been voted as the first President of the Federation.

Almost twenty seven years ago, Sir Homi joined the Tatas and his connection with that leading industrial house was interrupted only on two occasions, once between 1941 and 1943, when he joined the Viceroy's Executive Council as Supply Member, and a second time from 1949 to 1953 when he was called upon to fill the high office of the Governor of Uttar Pradesh. Incidentally, to Sir Homi also fell the unique distinction of being the Governor of Bombay in his own Home State for a time in 1947. As senior Director and Chairman of the several Tata Trusts, he rendered yeoman service to the House of Tatas, and when he retired in May, 1959, Mr. J. R. D. Tata, Chairman of the Board of Directors of Messrs. Tata Sons Ltd., is stated to have praised him in these words, which are indicative of the very high esteem in which he was—and continues to be—held by the Tatas: "For as long as he likes or thinks us worthy of his advice, Sir Homi is the Chief Adviser to Tatas on any and every subject under the sun." No one can wish for a more handsome tribute from one's chief.

Even half a century or more of his hard and intelligent work has not affected Sir Homi's scintillating wit or his amiable disposition. His relations with those who work with him or for him have been most cordial. There is something uniquely remarkable about the good sense and easy cheerfulness that he brings to bear in his relations with other people. The House of Tatas could not have had a better ambassador than Sir Homi for its relations with the public at large and the Government.

Besides his association with Tatas, Sir Homi was also closely connected with a number of other business concerns, such as the Central Bank of India, the New India Insurance Co., the Associated Cement Companies, and was the President or Chairman, at different times, of the Indian Merchants' Chamber, the Indian Bankers' Association, and the Indian Institute of Art-in-Industry, among others.



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INDIAN TUBE

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Sir Homi had a way of his own of conducting company meetings. The leavening effect of his witty remarks left no scope for acrimonious controversies. At one of the annual general meetings of the A.C.C. over which he presided—I think it was the first year after the company had moved into its own commodious office on the Queen's Road — he found that the meeting was dragging on for too long, thanks to the tenacity of some shareholders who seem to be so fond of hearing their own voices, whether they have something worthwhile to say or not. No sooner than one of such marathon speakers sat down, Sir Homi stood up and told the shareholders half seriously and half jocularly: "I promise you some good tea and refreshments on the beautiful terrace of our new building, if you gentlemen cut short your speeches and help me close the meeting early". This remark had the desired effect. When many resolutions, most of them of a routine nature, have to be passed at a company meeting, I have no doubt that many companies would love to have a chairman of Sir Homi's type. For, after such a resolution was once proposed and seconded, I have known him say: "Those for, those against, motion passed unanimously". For the sheer fun of it, perhaps, an indulgent body of shareholders would submit to it. I wonder if, at the meetings of shareholders these days, such strategy would prove equally effective.

M. P. Goes All Out to Industrialise

By CROESUS

IT was not long ago that the Kerala Government held in Bombay a largely attended conference of leading industrialists, business men and financiers with a view to persuading them to interest themselves in the industrialisation of that State. The Governor of Kerala, Mr. V. V. Giri, came all the way from Trivandrum to Bombay to inaugurate the Conference and the concerned Ministers of the State Government, as also the Director of Industries of Kerala, were present to provide whatever information was needed by entrepreneurs with proposals for starting new industries in Kerala. A well-documented souvenir specially prepared was freely distributed on the occasion. What results followed the Conference is still not clear, but, from reports in the daily press, there would appear to be considerable public dissatisfaction in that Southern State at the slow rate of industrial progress not only since the Conference but ever since the First Plan period. Indeed, according to the recent assessment by an ex-Chief Minister of Kerala, Kerala's is an unfortunate case of "almost a barren record" during the first two Plan periods, especially from the point of view of location of Central sector, that is the Government of India, enterprises, as contrasted to the benefits of several crores of rupees derived by other States on this account over the same period. The percentage of Central share to the State's total outlay in the Second Plan period was only 0.45. (It must be added, so as not to mislead the reader, that in the case of no State was this percentage more than 0.90).

These thoughts forced themselves on me when I received from Mr. N. Swami, the energetic Director of Industries, Madhya Pradesh, the other day, a detailed note on what the M.P. Government proposes to do to bring about rapid industrialisation of that State. It is just like Mr. Swami not to make any fuss or fanfare about his State Government's plans, policies and procedures in this behalf, although I know this has been suggested to him more than once and by more than one party. But I have no doubt that most people who ought to know already know almost everything about them. M.P.'s Director of Industries evidently believes

Outside the business world too, Sir Homi's activities have been quite varied. He has thus been associated with several institutions, such as the Indo-American Society and the Indian Council of World Affairs, not to speak of his connection with important social organisations such as the Royal Western India Turf Club, the Cricket Club of India, the Rotary Club and the Wellingdon Sports Club, to mention only the more important of them.

After so brilliant a scoring spread over a half-century of exciting and eventful innings, any one could regard himself as entitled to rest and retirement, but not so the ever ebullient Sir Homi. Like Pheroze Sethna, he apparently believes in the saying "to rest is to rust". No wonder then that, responding readily to the call of Rajaji, he has been taking an active part in the working of the Swatantra Party. For its part, the Swatantra Party has not been slow to draw liberally as much on his political acumen as on his ability to collect funds for the Party in his capacity as the Hon. Treasurer of the Central Party.

A delightful conversationalist, a connoisseur of the liberal arts and, above all, a perfect gentleman, Sir Homi has to his credit a record of service to his country and countrymen who, I am sure, will unreservedly join me in wishing him many happy returns of the day.

in bearding the lion in its own den, as it were. And so he misses no opportunity of meeting enterprising entrepreneurs who may be expected to start industries in M.P., wherever they may be, in Bombay or elsewhere. This doubtless explains his frequent trips to Bombay on such missions. Ere long, we should be hearing about the successful results stemming from this personal approach.

I do not know whether there is any connection between the press note as above and the Businessmen's Conference that was held towards the close of last year. On that occasion, I note Mr. D. P. Mandelia made the following observation in the course of his presidential address:

"I am happy to note that Dr. Katju Sahib has assured us to give all encouragement to industrial progress and to provide an impetus to them, for which we are all very grateful to him indeed. We can attend to a number of things ourselves, but there are certain matters like means of communications and availability of power which are necessarily to be managed by the Government. Don't you remember when Nagda factory was put into commission in the year 1954, there was great hue and cry from political leaders? We were greeted with black flags and many approached the Prime Minister even, putting a plea that the gas of the factory would make the atmosphere unhealthy. But I would like to tell you that, at the time of the purchasing of land, it was a place inhabited hardly by 200 people; it has now a population of 16000 and it consists of 600 radio sets. When we are faced with these man-made difficulties, we are naturally compelled to lag behind. What to say of meeting our demands and giving us proper encouragement, when, sometimes, talks are in the air to impose tax on Chambal water as well! We have incurred heavy expenditure in the construction of the dam to make use of Chambal water, but, instead of giving us felicitations for this act, we are delat with otherwise. This type of feeling is ingenuine."

Connection or no connection, the M.P. Press Note of last month seems to have not only taken note of the misgivings of leaders of business like Mr. Mandelia, but also allays these misgivings by means of appropriate assurances. In fact, according to my understanding of this Press Note, it goes a very long way, so much so that it has anticipated practically every need or difficulty of those wanting to start new industries and has tried to meet it. Thus, the M.P. Government has undertaken to acquire and allot whatever land is required by a prospective industrialist, after developing it for industrial purposes, once his scheme is approved, on a long lease at nominal rates of premium and ground rent. The relevant lease deeds need not await the long laborious routine of acquisition by the Revenue Department; this responsibility now rests with the Director of Industries himself. It has promised suitable all-weather road connection from a suitable central point to the nearest pucca road. Similarly, power transmission lines and water mains are to be provided at suitable central points. Power is to be supplied to small-scale industries at nine naye paise per unit for five years from the starting of production and at concessional rates varying from six naye paise to nine naye paise per unit to other industries, also for five years from the starting of production. If, in certain places, industrialists have to set up their own generating sets, the M.P. Government has undertaken to subsidise the generation cost at 10 naye paise per unit for three years from the starting of production or until the M.P. Electricity Board supplies power. What is perhaps even more important, in the case of those industries where the cost of power may constitute a substantial part of the overall cost of production, the State Government proposes to offer partial or even total exemption from Electricity Duty for a specified period. In the case of industries generating their own power, this period is specified as five years from the date of the plant going into production. Yet other inducements relate to sales tax and octroi. For example, only one per cent ad valorem sales tax is to be charged on all new items

of machinery, equipment and raw materials required by industries; attractive and uniform rates of octroi are to be levied on these items, and, in certain cases as, for instance, basic raw materials, such as coal, cement, and furnace oils, the M.P. Government even contemplates to fix a ceiling beyond which octroi cannot be levied by local bodies.

In addition to all these inducements, it is noteworthy, the M.P. Government offers to use its good offices to facilitate and expedite supplies of controlled raw materials by the Union Government. Presumably it is for this purpose that the State Government wants to station a Liaison Officer in New Delhi. The M.P. Government is also prepared to participate in the share capital of certain new industrial undertakings or to grant loans where capital participation may not be feasible. And, above all, to implement all these and to deal promptly with applications for new ventures, a separate agency, which can give undivided attention to all industrial development matters, has been created.

It should be clear from what has preceded that the M.P. Government has gone as far as any State Government can go in order to attract new industries. The State has vast industrial potentialities. There are impressive deposits of some basic minerals, plenty of power generation resources (this is what very few States in India can claim), large forests and a network of river systems. From the point of view of marketing, M.P. is ideally located, thanks to its central situation. Following a techno-economic survey of the State a couple of years ago, the M.P. Government set up a State Board of Industries and Mineral Resources which has made valuable recommendations for the industrial development of the State, and it is on the basis of these recommendations that the Government of M.P. has since offered the inducements I have indicated above. It is for enterprising entrepreneurs to avail themselves of these really attractive inducements and make their contribution to the economic development of the State, nay of India.

Business Notes

Third Plan Projects

DISPERSAL ON REGIONAL BASIS

THE UNION GOVERNMENT has announced the location of seven major heavy industrial projects to be taken up in the public sector during the Third Plan period. Among these are included two precision instruments projects, two heavy electrical equipment plants, one machine tools project, one heavy plate and vessels project and one high-pressure boilers plant. The announcement contains no surprise except in one case i.e. the establishment of a precision instruments project in Kerala.

Both the precision instruments projects will be set up with Soviet Union's assistance. One plant is to be located at Kotah, in Rajasthan, and the other in Kerala State; the exact site for the Kerala plant is yet to be decided upon. The Kotah plant will manufacture electro-magnetic instruments, while the Kerala unit will turn out hydraulic, pneumatic and mechanical instruments. The total cost of setting up either of these two plants is estimated at Rs. 8 crores. When in full production, each of them will be turning out precision instruments valued at Rs. 10 to 15 crores per annum. The two projects will be amongst the biggest of their kind in the world and would produce precision instruments for a wide range of industrial needs under one roof, contrary to the present practice elsewhere of these instruments being produced in several factories.

Of the two heavy electrical equipment projects, one will be located at Ramachandrapuram, a village about 6 miles from Hyderabad, in Andhra Pradesh, and the other at Ranipur, in Saharanpur District of Uttar Pradesh. The Ramachandrapuram plant will be set up with technical collaboration from Czechoslovakia and the Ranipur project with assistance from the Soviet Union. The total cost of setting up of either of these projects is estimated at about Rs. 30 crores. The Ramachandrapuram plant will undertake the manufacture of steam turbines, alternators and other heavy electrical equipment. The Ranipur plant will be manufacturing turbines, AC/DC motors, alternators, generators and a wide range of other heavy electrical equipment. Both these projects will be under the control of the Heavy Electricals Ltd., which is also managing the first heavy electricals manufacturing plant set up under the Second Plan at Bhopal with British collaboration. Since the gestation period in the case of an electrical equipment manufacturing unit is seven to eight years, the two new plants, along with the Bhopal unit, will be meeting about 70 to 75 per cent of India's requirements of heavy electrical equipment only by the end of the Fourth Plan period. The total output of these three units by 1970-71 is estimated at Rs. 80-100 crores. The programme of manufacture of the two new units has been so framed as to have a completely integrated pattern of production at all the three units, avoiding overlapping.

The high-pressure boilers plant is to be established in the Tiruchi area of Madras State with technical collaboration and financial assistance from Czechoslovakia. It will be one of the biggest of its kind in the world, manufacturing high-pressure boilers, boiler equipment and high-pressure vessels. The total investment on this project will be about Rs. 15 to 20 crores. Its annual production will be of a similar order. This plant will be turning out boilers to suit the major requirements of the thermal power plants to be established in the country during the successive Plan periods. High-pressure chemical and other equipment will also be manufactured at this unit.

The heavy plate and vessel works and heavy structural works, to be set up with British collaboration, will be established in the Wardha area of Maharashtra State. The plate and vessel shops of this works are expected to have an annual output of 12,500 tons of high quality plates and vessels required for chemical, fertiliser, petro-chemical and other allied industries. The annual production of the heavy structural shops will be approximately 25,000 tons. This project is expected to cost Rs. 15 crores.

The machine tools project is to be located at Pinjore, near Kalka, in Punjab. It will have capacity to produce 2,000 machines per annum, valued at Rs. 6 crores. Capital cost of this project is estimated at Rs. 8 crores. This will be the third machine tools project to be undertaken in the public sector. It will be financed by the Hindustan Machine Tools Ltd., Bangalore, in collaboration with the German Democratic Republic.

The foreign exchange expenditure on all these seven projects is estimated at between Rs. 50 crores and Rs. 60 crores. All this has already been underwritten by the collaborating countries. Preliminary project reports for all of them are at an advanced stage of preparation.

The final decisions on the locations of these projects have been taken in conformity with the recommendations of the Technical Committees which had been specifically directed to keep in mind, while suggesting positive sites for these projects, the objective of regional dispersion of heavy industrial projects. As such, no significant economic consideration has been sacrificed in locating these projects at the proposed sites.

The two heavy electrical equipment plants and the high-pressure boilers plant will take about five years for completion. The other four projects will be ready in about three years' time. All the heavy industrial projects, including the heavy machine building project of Ranchi, will have designing units attached to them. This will facilitate the training and emergence of Indian designers of heavy machinery.

State Loans

BETTER RESPONSE

THE OVERALL response to the State Governments loans this year has been very much better than that to the Central Government loans issued earlier this year. The total subscriptions for the 13 State Loans amounted to Rs. 91.84 crores, as against the aggregate loan amount of Rs. 80 crores. As expected, a major portion of the total subscriptions, it would appear, was subscribed by the Life Insurance Corporation and a few big banks and, at least in the case of the latter, it is believed, mild pressure was employed by more than one State Government to ensure full subscription. As compared to the response to the State loans in 1959, however, even this year's response cannot be said to be quite satisfactory. Thus, as against a total loan amount of Rs. 63.50 crores called for in 1959, the total subscription amounted to as much as Rs. 102.38 crores, the percentage of oversubscription working out to a little over 61, as against only about 15 per cent this year. In 1960 also, the percentage of oversubscription was more or less around this year's level.

A feature of the current year's State loans is that the total cash subscription of Rs. 86 crores was the highest for the last four years; so also was the total loan amount invited the highest for any year over the same period. Among individual State loans, there was rather overwhelming support to the Uttar Pradesh loan, which was oversubscribed by more than 1½ times on the first day itself. This explains why the percentage allotment in the case of this loan has been the lowest at 63, compared with the cent per cent allotment in respect of the loans of Gujarat, Kerala, Madhya Pradesh, Madras, Maharashtra, Mysore, the Punjab and West Bengal. Further, the loans this year were oversubscribed in the case of five States (Bihar, Orissa, Andhra, U.P., and Rajasthan) while, in respect of the remaining eight States, they were just "fully subscribed."

Of the 13 Loans, subscription lists for five State Loans were oversubscribed. Of this, the lists of Bihar, Orissa and U.P. loans were oversubscribed and closed on the first day itself, while the Andhra and the Rajasthan Loans, which were also oversubscribed, had to be kept open till the third day. Of the other loans, the Maharashtra and the West Bengal Loans were closed on the first day, the Gujarat Loan on the second day, and the other State loans, namely Kerala, M.P., Madras, Mysore, and the Punjab, on the third day.

The following is a comparative table of the loan operations of State Governments in 1961 and 1960:

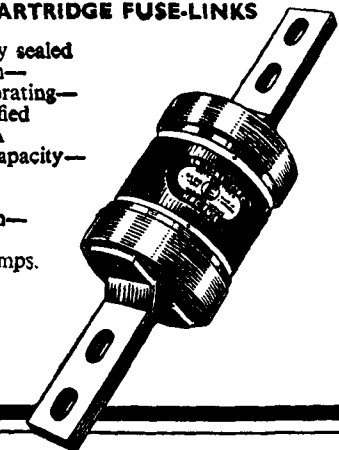
1961			1960			(Rs. in crores)
Amount of loan	Amount subscribed	Remarks	Name of the State	Amount of loan	Amount subscribed	Remarks
10.00	12.13	Over subscribed	Andhra Pradesh	9.00	13.23	Over subscribed
3.00	4.09	"	Bihar	3.00	3.21	Fully subscribed
6.00	6.07	Fully subscribed	Gujarat	5.00	5.77	Over subscribed
4.00	4.04	"	Kerala	4.00	4.08	Fully subscribed
5.00	5.04	"	Madhya Pradesh	5.00	5.16	"
10.00	10.36	"	Madras	12.00	12.18	"
10.00	10.77	"	Maharashtra	10.00	10.98	Over subscribed
7.00	7.48	"	Mysore	4.00	4.91	"
5.00	7.80	Over subscribed	Orissa	4.00	4.90	"
4.00	4.45	"	Rajasthan	5.00	5.05	Fully subscribed
6.00	9.18	"	Uttar Pradesh	7.00	8.84	Over subscribed
7.00	7.31	Fully subscribed	West Bengal	7.00	7.02	Fully subscribed
3.00	3.13	"	Punjab	—	—	—
80.00	91.84			75.00	85.33	
Break-up of amount subscribed			Break-up of amount subscribed			
Cash	Rs. 86.89 crores		Cash	Rs. 78.89 crores		
Conversion	" 4.95 "		Conversion	" 6.44 "		

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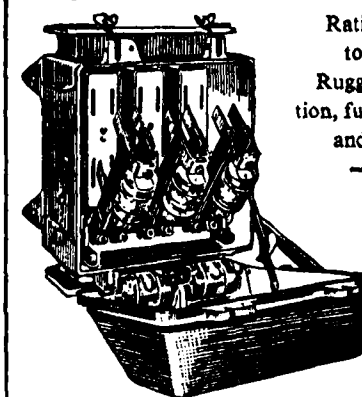
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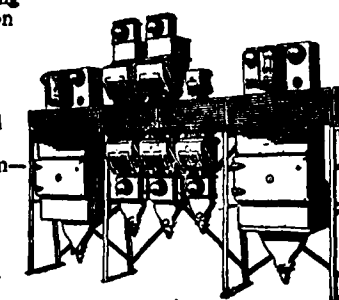
COMBINATION FUSE-SWITCHES

Ratings from 30 to 750 amps—Rugged construction, fully shrouded and interlocked—Type tested for 35 MVA rupturing capacity.



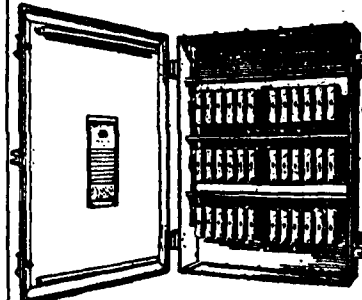
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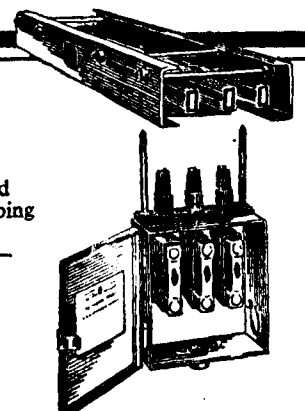


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G. D. BIRLA
CHAIRMAN

S. T. SADASIVAN
GENERAL MANAGER

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LTD.

[Incorporated in England]

NOTICE is hereby given that the Board of Directors of this Company have decided to recommend to stockholders at the forthcoming Annual General Meeting that a Final Dividend for the year ended 31st March, 1961 on the Company's Ordinary Stock at the rate of £4 per cent net (Tax applicable at 7s. 9d. in the £) be paid on the 11th November, 1961 to those stockholders whose names are registered in the Company's Stock Register on the 24th October, 1961.

Applications for transfers received in this office before 12 O'clock noon on Tuesday, the 24th October, 1961, will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above Dividend.

BY ORDER OF THE BOARD
H. C. BOWKER
AGENT

VICTORIA HOUSE

Calcutta, 19th September, 1961.

ANNOUNCEMENT

The following Annual Numbers of THE EASTERN ECONOMIST are available for sale. Special concession may be given to educational institutions, libraries and students, if a single order exceeds Re. 50/-.

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Gram: "Research"

It is seen from the foregoing table that Orissa, Uttar Pradesh and Andhra Pradesh loans were over-subscribed both last year and this year, while Maharashtra and Mysore loans which had been oversubscribed last year were only just fully subscribed this time. On the other hand, the Bihar loan which was just fully subscribed last year has been oversubscribed this year.

I.D.A.

FIRST YEAR'S PERFORMANCE

INTERNATIONAL DEVELOPMENT ASSOCIATION, designed to aid economic development with credits bearing less heavily than conventional loans on the balance of payments of under-developed countries, came into existence on September 24, 1960. During its first year's performance it has carried out transactions to the extent of \$101 million in the form of 50 interest-free development credits to four countries. By the end of the fiscal year IDA had 51 Member Governments whose subscriptions total the equivalent of nearly 906 million dollars.

Mr. Eugene R. Black, President of IDA, commenting on the necessity of loans pointed out that "the problem is compounded by the circumstances of many newly independent countries: they are not able to rely to the same extent as before on the financial support of the metropolitan powers, including guarantees on loans floated abroad; but they have not yet developed a credit standing of their own sufficient to enable them to borrow on the scale they require". The first year's report reveals the significance of IDA's formation at a very crucial moment. It has a large list of proposals under investigation all over the world. They include projects for the development of electric power, transportation, agriculture and other activities of the type traditionally financed by the World Bank. They also include projects of a type not hitherto financed by the Bank — Municipal Water-Supply and Technical Training.

India got a credit of 60 million dollars signed on June 21, 1961. It is to cover half the cost of improvements to the National Highways of India during the first 3½ years of the Third Five-Year Plan. The funds are to be utilised for the construction of nearly 660 miles of highways including 19 major bridges, which are likely to open up some of the less developed parts of the country, improving connections between important agricultural and industrial centres and relieving traffic congestion in the vicinities of two principal cities and ports — Bombay and Calcutta. This credit is likely to go a long way to eliminate some of the major deficiencies in the national highways system and relieve to a considerable extent pressure on the railways. More recently, on September 6, 1961, IDA extended a development credit to the extent of 6 million dollars for the expansion of tube-well irrigation in Uttar Pradesh, one of the most important agricultural regions in the country. A four member delegation recently visited the U.S. to negotiate another loan for 3 power and drainage projects from IDA. The role of IDA in the Indian economy is, it seems, on the increase.

I.F.C.

PROBLEMS OF DEVELOPMENT

MR. R. L. GARNER, President of the International Finance Corporation has, in his annual report, outlined some important problems posed by industrial operations in developing countries. For instance, as far as the market is concerned, he believes that a careful assessment has to be made. "In our experience", he says, "it has been the rule rather than the exception

that both local and foreign business men tend to over-estimate potential markets, or at least to under-estimate the time required for the markets to materialize". In respect of financial set-up, he believes that an ample margin of error has to be provided to enable the enterprise to survive a slow build up of demand before the volume develops to a profitable level. Another factor that has to be kept in mind is "the uncertainty and error in calculating costs and especially the provision for working capital". Advising against the dependence on the commercial banks for working capital, he warns that a tightening in the general economic and financial situation may well force the banks to restrict rather than extend credits. "Inflation and the consequent decrease of purchasing power make the problem of maintaining adequate working capital even more acute." This problem is a "constant one and demands careful attention in establishing and maintaining a sound financial structure."

While outlining the significance of joint ventures in the underdeveloped regions, Mr. Garner pointed out that if industrialisation is to proceed to any substantial extent, there must be a considerable adjustment between the use of the machines and the habits of the people. Towards this end, joint enterprises involving national and foreign business men by sharing capital and management can prove of considerable help.

The working of the Corporation for the year from July 1, 1960, to June 30, 1961, reveals that the year's new investment commitments total 6.2 million dollars and brought the cumulative total of IFC investments net of cancellations of expirations to 44 million dollars. During this year a company in India, KSB Pumps Ltd., got a loan to the extent of \$210,000. This new enterprise is building a plant near Poona to manufacture pumps designed for a variety of local needs. Principal shareholder in the Company is KSB of Germany, leading manufacturers of pumps and compressors etc. The loan was at the rate of 7 per cent interest. Another loan received last year was for Assam Sillimanite Ltd., a company manufacturing refractory bricks, at the rate of 6½ per cent.

Textiles

EXPORTS TO AFRICA

DESPITE THE all-out effort that is being made supposedly, our foreign exchange position has continued to remain the same, which only establishes that all is not too well on our export front as yet. What is distressing to find is that exports of even some of our traditional items have not made headway; in fact, they have either remained stagnant or declined to a considerable extent. For instance, the average exports of cotton textiles during the past five years are only 750 million yards, as against the target of 1,000 million yards set at the Buxton Conference in 1952. The export figure for 1960 stood more or less at only 600 million yards. It is known that higher cost of production, poor quality, and the ever-growing competition in world markets are instrumental for the decline in our cotton textile exports. These are factors which apply as much to other items of our exports. However, according to the Report of the Cotton Textile Delegation to West Africa, sponsored by the Cotton Textile Export Promotion Council, there are other factors, besides, that have been primarily responsible for the decline in our exports to North and West African countries, viz. Tunisia, Libya, Nigeria, Ghana, Ivory Coast, Senegal and Morocco — a region covering a total population of as many as 60 million. These countries, which have won independence only in recent years, are primarily agricultural and nearly all of them are

endeavouring their utmost rapidly to industrialise themselves. Evidently the fruition of these efforts will take some more time, but the unfortunate fact, as the Report observes, is that, even before this has come to happen, a traditional exporter like India is slowly being pushed out from those countries by comparatively new entrants like East Germany, Poland, China, Bulgaria and Czechoslovakia. The reasons are stated to be the stiff competition India has been facing in these markets, especially from the U.K. and Japan. Besides these, the Report has noted that India is not manufacturing prints which have been very popular in African continent. In countries like Nigeria, Ghana, Ivory Coast and Senegal, the consumption of African Prints is of the order of 80 to 90 per cent, while, in Tunisia and Libya, prints on spun rayon, viscose rayon and cotton satin fabrics dominate. These African prints are classified into (a) wax prints, (b) imitation prints and (c) over prints with "large and loud" designs. At present, it is estimated that more than half the share of the total exports is being supplied by Japan, while the U.K. and Holland have followed in that order.

An important development is that new textile mills are coming up in some of these markets, and to protect them, while the usual tariff barriers are being raised by the concerned governments, in some countries, the Governments are banning all imports of greys. Notwithstanding all these limitations, it is noteworthy that the Report has observed that "this is an area which offers excellent opportunities to develop a market for our processed textiles," but, then, Indian industry must make "a definite effort to specialise in the production of quality required in North and West Africa" to exploit it to our advantage.

Coal

BREAKING THE TRANSPORT BOTTLENECK

AT MOST of the conferences it generally happens that there is a stating of each other's viewpoints and hardly a meeting of minds. The two-day coal conference of consumers and producers held recently to discuss the change in the pattern of coal movement in this way was no exception. While the Minister for Steel, Mines and Fuel was vociferous in stating that the railways would not be able to move all the coal needed by industry and that the coal dumps was a must, the representatives of all important chambers of commerce and associations of coal merchants were against moving the coal by road from the dumps.

The Government's scheme implies that those consumers who can receive and unload full wagon loads will get their coal directly; others will have to go to the coal dumps which the Government is establishing at selected sites in every State and where all coal will be unloaded. From the dumps to the point of consumption, the transportation of coal will be by road. The advantages of the coal dumps scheme put forward are that the railways will be able to move coal even in the slack season when the industries normally do not indent for coal supplies and that the bulk movement of selected dumps will make for efficient use of haulage capacity.

Whatever may be the advantages of the coal dumps scheme, it is apparent that the price of coal would go up. The scheme would shift the burden of transport to small industries and they would have to bear an enormous capital cost to arrange transport by road. Although railways have made available quite a large number of wagons in recent months and the turn round of wagons has also improved, it is still felt that the improvement has been only marginal. The increase on the whole has lagged behind the industry's growing wagon requirements. No doubt resort to road transport might improve matters to some extent, but the road

system has also its limitations. Since it is admitted that the coal dumps scheme will push up the handling charges of coal and thus the price the consumer has to pay, it is obvious that the game is not worth the candle. As it involves a costly waste to the economy, would it not be better to modify the provisions of the scheme? The transport bottleneck has been a great hindrance in the development of the economy. No time should be lost to set the house in order.

Cement

THE PROBLEM OF COSTS

THE INSTALLED capacity of cement industry in India is at present around 8.93 million tons and this has to be raised to 15 million tons by the end of Third Five-Year Plan. It is true that there is going to be a ready market for this output by 1965-66, but it cannot be forgotten that costs of production form a major element in the marketing of such commodities. This fact was highlighted by Mr. P. Suryanarayana, Chairman of the India Cements Ltd., in his address at the Annual General Meeting of the Company held recently, (report published in "The Eastern Economist" dated September 15, 1961). The Company recorded a 27 per cent increase in the production of clinker while there was practically no proportionate increase in the profits earned. This was because the cost of production has been going up rapidly. The Company could not procure coal in required quantities and it had to arrange coal supplies by sea-cum-rail route which increased the cost of coal delivered at the factory. It had to switch on to the use of furnace oil for one of the kilns due to coal shortage; the costs of furnace oil though were fairly prohibitive.

Wages and salaries for the staff of the Company too were revised in conformity with the recommendations of the Central Wage Board for Cement Industry. The cost of gunnies required for packing cement increased in the later half of 1960 and the Government did not choose to effect an upward revision in the quarterly packing charges till very late, when it permitted the use of old gunnies so as to off-set the increase in the prices of new bags. It is quite likely that the Tariff Commission, which has now taken up the question of revision of cement prices, will take all these factors into consideration so that the output of the cement companies does not suffer on account of rising costs.

THE INDIAN TOOL MANUFACTURERS LIMITED

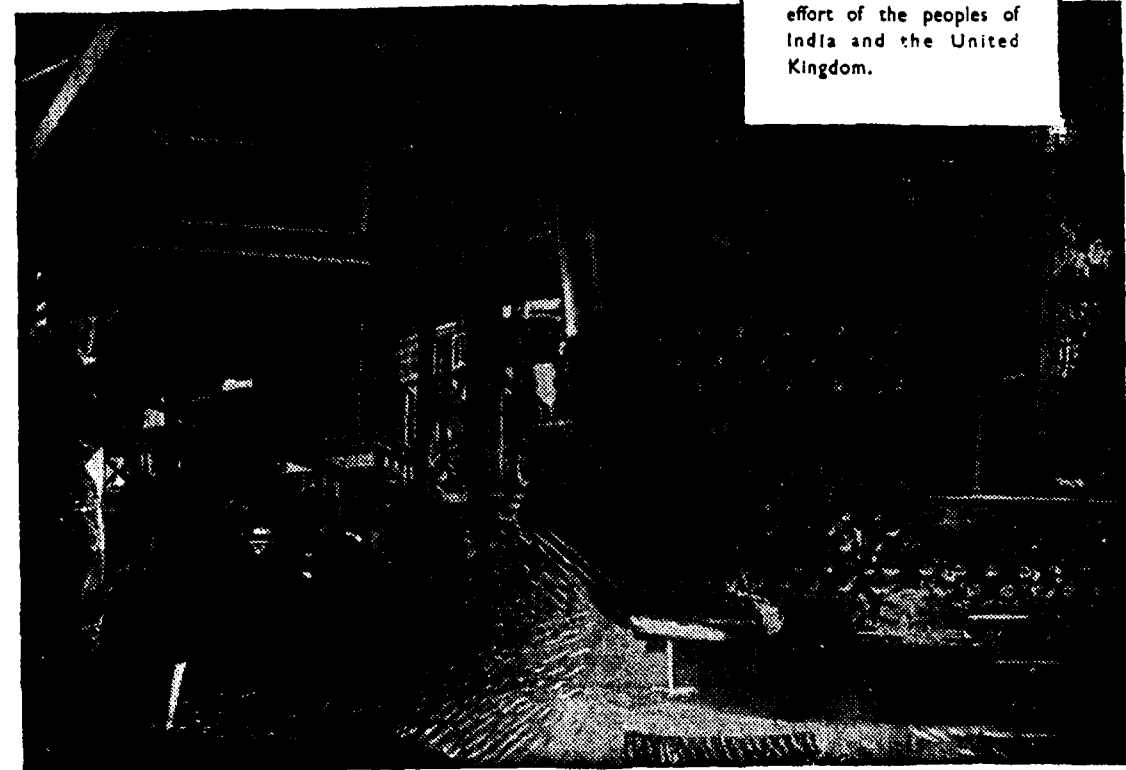
Notice under Sec. 154 of the Companies Act, 1956.

NOTICE IS HEREBY GIVEN that the SHARE TRANSFER BOOKS of the Company shall remain CLOSED from Monday, the 9th October, 1961 to Monday, the 16th October, 1961 (both days inclusive) in connection with the issue of Bonus Shares.

By Order of The Board,
R. H. TOPRANI
Secretary.

Bombay,
15th September, 1961.

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FULL PRODUCTION
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ISCON

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- will help to feed those subsidiary industries which will raise India's per capita consumption of steel, considered today as the index to prosperity.
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- will raise the standard of living.
- and it will remain as a monument of the united effort of the peoples of India and the United Kingdom.

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FROM THE CAPITAL'S CORRIDORS

BHILAI STEEL PLANT'S EXPANSION

LAST week we published some details of the expansion programme of the Rourkela Steel Plant. Some details are now available of the expansion programme of the Bhilai Steelworks from one million tons ingots output to 2.5 million tons. The equipment for the expansion programme of this Steelworks would be supplied by the Soviet Union which has already made available the necessary foreign exchange for the purpose.

The general plan of the expansion programme provides for the development of the existing plants and shops of the Steelworks and construction of new plants and structures. The Steelworks at present has 3 coke oven batteries of 65 chambers each, capable of producing 11,45,000 tons of plus 25 mm metallurgical coke, two 50 sq. m. sintering machines, capable of producing 10,00,000 tons of fluxed sinter, 3 blast furnaces with a useful volume of 1,033 cu. m. each, capable of turning out 11,10,000 tons of pig iron (8,00,000 tons of open-

neath pig iron and 3,10,000 tons of foundry iron), 6 stationary 250-ton open hearth furnaces with Dinas roofs having a capacity of 10,00,000 tons of steel ingots, and a rolling mill plant comprising 4 sections — a blooming mill, a continuous billet mill, one rail-structural mill and one merchant mill, having capacities to roll 8,59,000 tons, 4,27,000 tons, 3,65,000 tons and 2,55,000 tons respectively. The expansion programme envisages addition of 3 coke oven batteries of 65 chambers each, one 50 sq. m. sintering machine, 2 blast furnaces, four 500-ton open hearth furnaces, certain new facilities for the rolling mill plant, one 250 mm wire mill and a new unit to process slag. This will raise the capacities of the various sections of the Works to 22,90,000 tons plus 25 mm metallurgical coke, 18,70,000 tons fluxed sinter, 23,61,000 tons pig iron (20,90,000 tons open-hearth iron and 2,71,000 tons foundry iron), 25,00,000 tons steel ingots, 21,42,000 tons blooms, 12,63,000 tons billets, 7,50,000 tons rail structurals, 5,00,000 tons merchant structurals, 4,00,000 tons steel wire and 7,00,000 tons by-products from slag.

STRUCTURE AND OUTPUT OF THE PRINCIPAL PLANTS OF BHILAI STEELWORKS AS AT PRESENT AND AFTER THE COMPLETION OF THE EXPANSION PROGRAMME

Plant	Product	Expansion project	Annual Output (Thousand tons)	
			Project of First stage of the works total	Works expan- sion project total
Coke	Metallurgical coke + 25 mm	Six 65-oven 21.7 cu.m. coke batteries ..	1,145	2,290
Sintering	Fluxed sinter	Three 50 sq. m. sintering machines ..	1,000	1,870
Blast furnace	Iron (natural) including open-hearth foundry iron	Three 1,033 cu. m. and two 1,719 cu. m. blast furnaces ..	1,110	2,361
Open-hearth	Ingots	10 stationery open hearth furnaces, including five 250 tons and five 500 tons furnaces ..	1,000	2,500
Rolling mill	Blooms	1,150 mm blooming mill with 5 groups of soaking pits ..	859	2,142
	Billets	850/700/500 mm. 12 stand continuous billet mill ..	427	1,243
	Finished rolled stock	950/800 mm rail-structural mill ..	365	750
Slag processing	-do-	350 mm merchant mill ..	255	500
	-do-	250 mm wire mill ..	—	400
	granulated slag	Hydro chute granulation unit ..	—	250
	Slag wool	Department for production of mineral wool and products ..	—	38
	Cast slag gravel	Crushing-screening unit for production of cast slag gravel ..	—	412

As at present, the Works after the completion of the expansion programme, will continue to be connected with the Calcutta-Bombay railway trunk-line via Bhilai station. All freight (except ore and limestone) incoming to the Works from the external railway network will be received and all saleable products of the Works out-going to the external network will be shipped via the existing works station. Coal trains

arriving at the Works will be unloaded with the aid of car-tippers; a third car-tippler is to be installed to handle the increased requirements of coal. Iron ore trains arriving by the ore transportation branch line from the Rajara-Pahar mines would be received at Maroda station, which is scheduled to be built in the State railway network. From the Maroda station, ore trains will be driven to the Works by a newly built

track. Limestone will be delivered from the railway branch line running from the Nandini quarry to the raw materials stations by a new connecting line. Ore and limestone will be transported to the Works by cars of Hopper type. All products of the slag processing plant, to be set up under the expansion programme, are to be shipped by motor vehicles. Internal transportation will continue to be serviced by the existing open-hearth steel and blast furnace stations where additional tracks will be laid to handle the increasing freight flows. 37.3 km of new railway tracks and 5.6 km of new motor roads are to be built additionally. The rolling stock of the Works after the completion of the expansion programme, will consist of 36 diesel locomotives and 314 cars. The existing diesel locomotives and car depot is to be expanded to handle the maintenance of the additional diesel locomotives and cars. The motor fleet of the Works is to be increased to 80 cars. After the completion of the expansion plan, the more vital railway tracks will be provided with centralisation, automatic blocking and signalling systems. Architectural and constructional design of buildings and structures of the Works is to be maintained.

COMPLETION IN FOUR YEARS

The expansion programme is scheduled for completion within 4 years. In the course of the first two years, it is planned to build blast furnace No. 4 with a capacity of 1,719 cu. m., coke oven batteries Nos. 4 and 5, open hearth furnaces Nos. 7 and 8 with a capacity of 500 tons each, the slag processing plant, 4 additional groups of blooming soaking pits and instal additional equipment for the rail-structural and merchant mills. In the third year, it is planned to put into operation blast furnace No. 5, coke oven battery No. 6, open hearth furnace No. 9 and two more groups of blooming soaking pits. During this year there are also plans to complete the reconstruction of the continuous oillet mill. In the course of the fourth year, there will be put into operation the third sintering machine, the open hearth furnace No. 10, the last two groups of soaking pits and the new wire mill. The present open hearth furnace No. 6 is to be reconstructed for a double charge. The commissioning of the basic components will be accompanied by putting in operation the respective auxiliary and service facilities.

The total amount of equipment to be installed at the Works in the course of its expansion is estimated in round figures at 71,545 tons. Of this, 56,722 tons of equipment will be installed in the principal plants. The construction site will be supplied with power from the functioning plants of the Works. The maximum number of workers engaged in the construction work is estimated at 32,000 men.

TECHNICAL STANDARDS

The expansion programme envisages a further rise in the technical standard and economic indices of the Works' operation. It provides for the introduction of advanced technological processes, equipment and construction methods verified by the operational experience of the Soviet Union during recent years. The rise in technical standard of the Works ensures the following:

(a) Construction of larger (as compared with the project of the first stage of the Works) metallurgical units, i.e. blast furnaces with a useful volume of 1,719 cu.m. and open hearth furnaces with a capacity of 500 tons.

(b) Improvement of technological processes and units design such as oxygen utilisation in open hearth furnaces not only for enrichment of combustion air, but also for blowing through the furnace bath; the applica-

tion of magnesite-chromite crowns in open hearth furnaces, mould casting directly from molten iron coming from the blast furnace plant; the increase in the weight of ingots for heavy rail rolling and the increase in the size of blooms for the continuous billet mill, etc.

(c) Better utilisation of equipment and floor spaces, in particular, increased utilisation of rolling mills, repair shops, power and transport facilities.

(d) Fuller utilisation of industrial waste (for instance, the arrangements for the conversion of blast furnace slag into building materials) as also of excess coke oven and blast furnace gases, etc.

(e) Wider mechanisation and automation of production processes and transport operations; for instance, in the dispatcher's control of the Works gas facilities more extensive use will be made of telemechanical aids for control and signalling purposes, the transportation network is to employ electric centralisation of switches and signals, semi-automatic blocking and automatic signalling at crossings, etc.

(f) More efficient and cheaper construction methods — wider application of reinforced concrete structures, including fabricated members, etc.

The improvement envisaged in the technical standard of the Works will find its reflection in increased labour efficiency. The total number of men employed at the Works at the completion of the expansion programme will be nearly 12,000, as against 7,300 employed at present—an increase of 65 per cent for 2½-fold increase in production. Under the expansion plan, the annual steel output per man is estimated at 208 tons, as compared with 137 tons at present—an increase of 52 per cent.

COAL CONSUMPTION AND BY-PRODUCTS

According to the composition of coals which are to be delivered to the Works for coking, metallurgical coke will contain 23 per cent ash, 0.6 per cent sulphur and 0.8 per cent volatiles. The programme envisages a corresponding expansion of the by-products output. The yield of the principal coking by-products under the expansion plan is rated as follows:

	Per cent of dry blend
Tar, anhydrous	2.70
Ammonium sulphate (the ammonium yield is adopted at 0.25 per cent) ..	0.99
Crude benzol distilling at 180° ..	0.60
Coke oven gas with a caloric value of 4,300 Cal./cu.m. per ton of dry blend ..	305 cu.m.

The total amount of chemical products from the by-product plants will run into 138,000 tons annually, including: 32,600 tons of ammonium sulphate; 2,980 tons of toluene; 12,480 tons of pure benzol; 3,000 tons of various oils; 3,400 tons of naphthalene; 1,900 tons of crude phenols; 42,850 tons of road tar; 32,500 tons of combustible mixture for gas carburation in open-hearth furnaces, etc. The amount of chemical products for sale, less internal utilisation at the Works, will be about 105,000 tons per year.

The plan provides for the expansion of plants for the recovery and processing of coking products, which will require the installation of additional equipment and apparatus. The gas cooling, benzol recovery and distillation systems in the chemical product recovery plant remain unchanged.

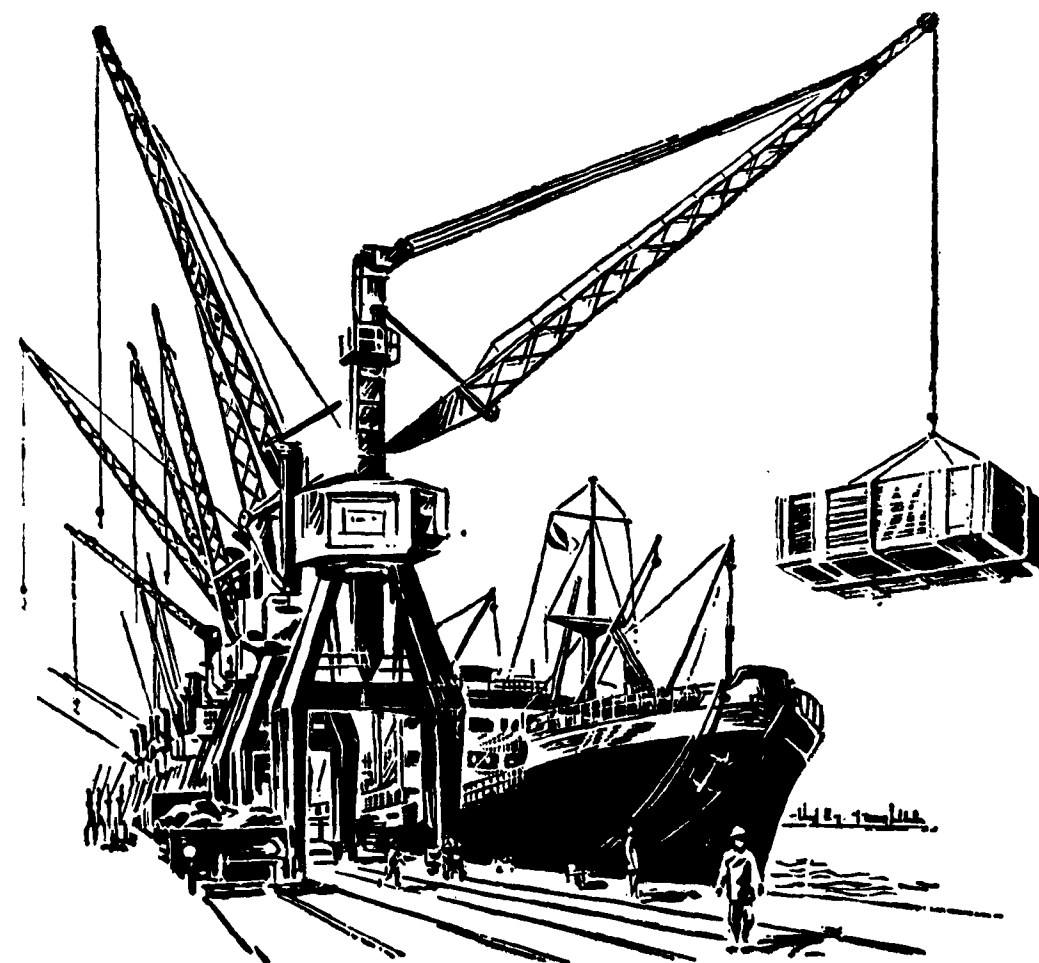
Owing to the small ammonia content in the tar supernate, no lime is to be used when processing it in

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the sulphate department. In connection with the increase in the amount of processed crude benzol in the benzol rectification plant, continuous removal of toluene is envisaged, and a new process of evaporation of the washed fraction-benzol-toluene-xylene is to be introduced and the functions of rectification units redistributed. The tar distillation and fraction processing systems in the tar distillation plant remain as they are. A second tubular apparatus will be installed in connection with the increase in the plant output. The sulphuric acid plant is to be expanded. The projected additional units are a new oven, a heat exchange for the catalyst chamber and a new sprinkling cooler for the monohydrate absorber. The output of the sulphuric acid plant will amount to 27,000 tons annually in terms of monohydrate, which will fully meet the requirements of the chemical plants.

The details of the expansion of the major sections of the Works are as follows:

(1) **Blast Furnace Iron Production:** The open-hearth plant requirements for pig iron have been estimated at 1,962,000 tons. The total Works requirements including the foundry (72,000 tons) will amount to 2,034,000 tons per year. The blast furnace plant is to be expanded by the erection of two blast furnaces with a useful capacity of 1,719 cu.m. each. These blast furnaces exhibit a higher output and technical and economic efficiency in construction and operation than the 1,033 cu.m. furnaces which have been set up up till now. (In the U.S.S.R., large blast furnaces are mostly built with a capacity of 1,719 cu.m. and over, which show high performance). 1,719 cu.m. blast furnaces are to have an increased gas pressure of about 1 atm. gauge at the furnace top. The coke combustion intensity in these furnaces is to be 0.90 ton per cu.m. of furnace volume per day. Their output is rated at 1,738 tons per day or 608,000 tons per year.

The project envisages that two 1,033 cu.m. furnaces and two 1,719 cu.m. furnaces will produce only open-hearth iron, while one 1,033 cu.m. furnace will produce foundry and open-hearth iron. With 350 blast furnace operating days per annum in the average furnace campaign, the annual output of pig iron in the plant will be 2,090,000 tons of open-hearth iron and 271,000 tons of foundry iron, making a total of 2,361,000 tons. Liquid open-hearth iron will be delivered to the open-hearth plant (1,962,000 tons) and to the foundry for mould casting (69,000 tons). The remaining open-hearth pig iron (59,000 tons) and foundry iron (271,000 tons) will proceed to the casting machines. Of the 330,000 tons of solid pig iron, 3,000 tons will be used in the foundry, while 327,000 tons will go for sale, including 268,000 tons of foundry iron and 59,000 tons of open-hearth pig iron which can be utilised by other works for the production of ingots or steel castings.

(2) **Blast Furnace Slag Processing:** A plant has been designed for processing about 780,000 tons of molten slags per annum, which corresponds to the slag output by three 1,033 cu.m. blast furnaces. The annual output of the slag processing plant amounts to 700,000 tons of slag products. The output of slag building materials and their assortment have been determined with a view to utilising these materials, essentially, in the Bhilai area.

The following materials are scheduled for production by agreement with the Indian Government: granulated slag, mineral wool, mineral wool mats and cast slag gravel. Granulated slag produced in the amount of 250,000 tons per year is to be utilised in the cement industry of the Works area as an admixture in the production of slag portland cement and as a partial substitute for sand in the preparation of concrete and reinforced concrete at the construction sites of the

Works and the town. Mineral wool and products of the same are intended to be used as insulation material (ceiling and wall panels, etc.) in industrial and housing construction in the Bhilai area and partly in other areas. 32,400 cu.m. of mineral wool and 183,600 cu.m. of mats are to be produced, including 112,000 cu.m. of synthetic tar bound mats and 71,600 cu.m. of stitched mats with paper lining. It is planned to produce about 4,00,000 tons of cast slag gravel and to use it in the production of concrete and reinforced concrete in the construction of the Works and the town in place of crushed stone. The slag processing plant is to include: a hydro-cyclone granulation unit, a section for the production of mineral wool and products by horizontal glowing with subsequent processing of slag fibres, and a crushing-screening unit for the preparation of cast slag gravel.

The project provides for a possible expansion of the plant to handle all the slag produced by the five blast furnaces (1,662,000 tons).

(3) **Steel Production and Open Hearth Furnaces:** The total amount of steel to be produced is rated at 2.5 million tons of ingots annually. The production of carbon rail and merchant steel has been provided; a possibility of producing low-alloy metal is also envisaged. The increase of steel production is to be achieved by the expansion of the functioning open-hearth plant, involving the installation of 500 tons open hearth furnaces with steel tapping into two 270-ton ladles, and the reconstruction of one of the existing furnaces to handle 500 tons. This will provide for the expansion of the plant foreseen when building its first stage, and for the necessary increase of steel production with relatively low capital outlays.

The new open hearth furnaces are to have magnesite-chromite crowns. The existing 250 ton furnaces are to be reconstructed to operate with magnesite-chromite crowns. The advantages of basic crowns are particularly pronounced when oxygen is used, as implied in the expansion project. In this case, the temperature of the crown is raised above 1,700°C at which the strength of Dinas crown is insufficient. Basic crown ensure a considerable rise in the furnace output.

In contrast to the project of the first stage of the plant, whereby oxygen was to be used only for the enrichment of the combustion air, the expansion of the plant involves combined utilisation of oxygen, both for enrichment of combustion air and for blowing through the furnace bath. Oxygen consumption in the open-hearth furnaces is rated at 35 cu.m. per ton of ingots. Along with the application of oxygen, it is planned to intensify the melting process by delivering of atmospheric air injected by compressor air to the end of the gas span.

The output of the open hearth furnaces is rated at: 250 tons furnaces — 200,000 tons of ingots per year; 500 tons furnaces — 300,000 tons of ingots per year. Based on the output estimates of the furnaces, the open-hearth plant is to comprise five 250-ton and five 500-ton furnaces. Four 500-ton furnaces are to be built anew; besides, the existing furnace No. 6 with a capacity of 250 tons is to be reconstructed during its overhaul, to bring its capacity to 500 tons. The construction of the new furnaces will involve the extension of the main building of the plant. Added to the existing equipment will be three floor-type charging machines, two overhead travelling casting cranes with a lifting capacity of 125-130 tons each and four ladle cranes with a capacity of 350-75/15 tons each. A second mixer department with a 1,300-ton mixer is to be added. Buildings connected with the open hearth furnaces are to be extended suitably.

The open hearth furnaces are to operate on burden consisting of molten pig iron and reprocessing Works scrap. The content of molten pig iron in the burden is determined by the balance of the Works scrap and will amount to 0.785 ton per ton of usable ingots. The rolling mill and open-hearth plants as well as the repair shops are the principal sources of scrap at the Works. Besides, the project takes into account the wear scrap accumulating in all plants and shops (worn parts of equipment, production stock, metal structures, etc.) and metal recovered from the open-hearth slag. The total ingress of steel scrap at the Works is estimated at 522,000 tons per annum. A small part of the steel scrap is used in the foundry. Most of the pig iron scrap is due to the breakage of moulds and bottom plates. Besides, pig iron scrap is supplied by the blast furnace plant and the foundry. The total resources of pig iron scrap are estimated at 105,000 tons per year. The pig iron scrap is consumed by the blast furnace and open-hearth plants and the foundry.

(4) **Rolled Stock Production:** The following programme of rolled stock production has been adopted in connection with the expansion of the Works:

Rolled Product	Annual Output (Thousand Tons)
Heavy railway rails, 60-90 lbs/yd.	500
including 90 lbs./yd.	370
Light rails	20
Railway sleeper bars	82.5
Structural shapes (ordinary beams 3 to 24 in. high, broad-flange beams, girders, T-beams, angles)	386.5
Merchant rolled stock (rounds, 7/8-8 in. dia; squares, 7/8-3 in; flats, 2-5 in.)	261
Rolled wire, 5.3-10 mm dia.	400
Total finished rolled products	1,650
Blanks for re-rolling at other works, cross section 2 x 2 to 3 x 3 in.	315
Grand Total:	1,965

The total rolled products output provided by the project is based on the reduction of 2.5 million tons of ingots. Steel consumption per ton of finished products will average 1.27 ton. Compared with the project of the first stage of the Works, the output of wide-gauge rails will increase five-fold, that of structural shapes by about 35 per cent and that of merchant rolled products almost two-fold.

To ensure the required assortment of rolled products, supplementary equipment is to be added to the existing mills. Besides, a new 250-mm wire mill is to be installed.

The project has determined the possible annual output of the 250 mm wire mill at 400,000 tons of rolled wire. To ensure full utilisation of the wire mill putting out finished products, the billet output by the continuous billet mill for re-rolling at other Works has been planned at 315,000 tons.

The assortment of the rolled wire produced by the wire mill has been altered as against the contract which provided only for 6.5-10 mm dia. rolled wire. Since the Indian party subsequently stated they wished to obtain rolled wire of a small diameter, an annual output of 200,000 tons of 5.3 mm wire is provided, which makes fifty per cent of the total rolled wire output.

(5) **Blooming Mill:** In order to increase the output of the blooming mill, it is planned to roll part of the blooms for the rail-structural mill from heavier ingots (9.5 tons as against 7.45 tons provided by the project for the first stage) and to increase the cross section of blooms for the rail-structural mill and for the continuous billet mill (300 x 300 mm instead of 200 x 200 mm envisaged by the project of the first stage). The average hourly output of the blooming mill will be 350 tons.

In connection with the increase in the blooming mill output, it is planned to build eight groups of soaking pits in addition to the five existing ones. The existing one-piece ingots car is replaced by a two-piece car; an additional section of the receiving table is installed to receive two ingots. Simultaneously additional crane equipment is installed.

(6) **Billets Mill:** Two additional working stands with 850 mm rolls and a 1,200 kW drive for each are to be installed on the continuous billet mill, for rolling 300 x 300 mm blooms, before the first group of working stands with 700 mm rolls. Two additional coolers will be installed and the bloom storage expanded. The billet mill will roll billets for the merchant mill with cross-sections from 100 x 100 mm to 150 x 150 mm (532,000 tons), billets for the wire mill with a cross section of 80 x 80 mm (416,000 tons), as well as billets for sale (315,000 tons). The hourly output of the continuous billet mill is determined by the output of the blooming mill and will amount to about 300 tons of billets.

(7) **Rail-Structural Mill:** To increase the output of the rail-structural mill, it is planned to extend the length of strip rolling and hence to lengthen the roll pockets on the front and rear sides of the mill. As has been stated above, the weight of the blooms to be rolled will be increased. 20 pits for delayed rail cooling, four continuous lines for rail finishing and six shelves for their inspection are to be added in order to ensure the necessary throughput of the thermal treatment and finishing equipment considering the increasing hourly output of the mill. It is also planned to add an open storage for finished products. The annual programme of the rail-structural mill output includes: 500,000 tons of rails; 82,500 tons of sleeper bars; 161,500 tons of large structural shapes and 6,000 tons of 3 1/4 to 8 in. rounds. The average hourly output of the rail-structural mill will vary widely depending on the shape to be rolled: from 50 tons for 4 x 4 in. angles to 180 tons for 90 lbs. rails and 200 tons for 8 in. rounds. The annual output of the mill, including the rolling of a great number of heavy shapes, will amount to 750,000 tons. To meet the annual production goal the mill should operate 5,500 hours per year, on a three-shift basis, with holidays.

(8) **Merchant Mill:** A third continuous furnace is to be added to the 350 mm merchant mill and the finished product storage expanded. The annual output programme of the mill includes 185,000 tons of 7/8-3 in. rounds, 40,000 tons of 7/8-3 in. squares, 30,000 tons of 2-5 in. flats, 225,000 tons of small structural shapes and 20,000 tons of light rails. The average hourly output of this mill will vary from 50 to 170 tons, depending on the kind and size of the shape to be rolled. To meet the annual goal of 500,000 tons of merchant stock, the mill should operate 5,500 hours per year, on a three-shift basis, with holidays.

(9) **Wire Mill:** The 250 mm wire mill is designed to comprise 37 working stands including 29 stands with horizontal rolls and 8 with vertical rolls, the total driving power being 22,000 kW. Strip rolling in the roughing and the first middle groups of stands will be done simultaneously in four threads, in two second middle groups—in two threads in each group, in four finishing groups—in one thread in each group. The maximum rated speed of the strip emerging from the final stands will be 30 m/sec. The whole output of the mill will be produced in coils. The average hourly output of the wire mill will vary from 55 to 105 tons depending on the rolled wire diameter. To meet the annual production goal, the mill should operate 5,800 hours per year on a three-shift basis, with holidays.

The project for the expansion of the Works provides for the production of railway rails and part of the merchant rolled stock from killed steel big-end-up ingots with feeder heads, totalling 950,000 tons. The practice of rail production in the Soviet Union shows that killed steel ingots yield better quality rails which meet the high requirements of consumers.

Taking into consideration the Indian practice of producing railway rails from semi-killed steel big-end-down ingots without feeder heads, it seems expedient to carry out at the Works some experimental meltings of killed and semi-killed steel and thorough investigations of finished rails made from them, as regards their quality and production cost, with the aim of comparing the quality of rails rolled from killed and semi-killed steel ingots. If these experiments point to the expediency of producing rails from semi-killed steel at the Bhilai Works, the production of such rails can be ensured without any changes in the range and characteristics of the rolling mill plant equipment. It would also be advisable to stage an experimental check-up of the technical and economic efficiency of production of different types of merchant steel from semi-killed metal as compared with killed metal.

If rails and the merchant rolled stock which is to be produced from killed metal, are rolled from semi-killed steel ingots, the yield of usable blooms will increase, and this will bring about a corresponding decrease in the amount of trimmings by approximately 75,000 tons per annum.

The additional blooms can be used for rolling annually another 70,000 tons of billets on the continuous billet mill to be sold to other works. The open-hearth plant will be able to melt semi-killed steel in place of killed metal. In connection with the decreased amount of normal size trimmings in the rolling mill plant, the Works will have to bring in annually 75,000 tons of scrap from other sources.

The storage of a monthly reserve of scrap brought in from outside and its processing will require the expansion of the projected department of scrap flame cutting and the installation of a fagoting press for the preparation of light scrap.

NEGOTIATIONS WITH I.D.A.

A 4-member delegation, headed by Mr. M. R. Sachdev, Secretary, Union Ministry of Irrigation and Power, has left for the United States for negotiating assistance from the International Development Association for three irrigation and drainage schemes—(1) the Shetrunji Irrigation Project of Gujarat, (2) the Salandi Irrigation Project of Orissa and (3) the Drainage Project of Punjab.

The Shetrunji Irrigation Project envisages construction of a dam across the river Shetrunji in Gujarat State, to provide irrigation facilities for an area of 86,000 acres. A provision of Rs. 7.3 crores has been suggested for this scheme in the Third Plan. On completion, this project will be yielding nearly 27,000 tons of foodgrains

and cash crops every year. The construction of the dam will also help in the flood control work in the area.

The Salandi Project envisages construction of an earthen dam across the Salandi river, in Orissa State. On completion, this project will irrigate an area of 3,27,000 acres from which 40,000 tons of foodgrains and other cash crops would be raised every year. The Third Plan contains a provision to the tune of Rs. 3.46 crores for this scheme.

The Drainage Project of Punjab is aimed at improving surface as well as sub-surface drainage in an area of 39 lakh acres which was heavily inundated during the 1958 floods. The total cost on this project is estimated at Rs. 68.81 crores. It is a long-term project and the Third Plan envisages only an expenditure to the tune of Rs. 10.12 crores on it.

The International Development Association is an affiliate of the World Bank. Early this month it extended a development credit equivalent to \$6 million for the expansion of tube-well irrigation in Uttar Pradesh. This was the second credit granted by this Association to this country.

WEST GERMAN AID

An agreement has been signed between the Government of India and the Government of the Federal Republic of Germany under which the latter would be providing a credit of DM 170 million (Rs. 20.24 crores) for the development programmes included in India's Third Plan. The entire credit is untied. The bulk of the amount will be paid into Government of India's account in the next few days. The credit carries interest at the rate of 3 per cent per annum and is repayable in 20 years, including a period of seven years during which no payments are required to be made.

This credit is a part of the German assistance totalling DM 1700 million (Rs. 202.38 crores) indicated by West Germany at the last meeting of the Consortium of Governments and Institutions interested in providing development assistance to India. Together with a sum of DM 330 million for which credit agreements were signed in April last, the total assistance received from West Germany this year comes to DM 500 million (Rs. 59.52 crores).

DEFENCE PRODUCTION

The need for further stepping up indigenous production in the Defence Sector in view of the tight foreign exchange position of the country has been emphasised by Mr. V. K. Krishna Menon, the Union Defence Minister. Addressing the third Defence Production Conference held here last week, Mr. Menon said that production should be doubled in the course of three years and expenditure on foreign exchange reduced to the barest minimum, being limited only to such items of equipment as it was absolutely essential to import. He added that all impediments that caused delay in the completion of the projects must be removed as they only involved additional expenditure. Mr. Menon appealed to scientists in the Research and Development Organisation and officers in the Production Organisation of his Ministry to put their heads together in a spirit of close co-operation and co-ordination to ensure that the maximum production was achieved. He was emphatic that there should be no let-up in defence production and that the tempo should be maintained; no foreign exchange would be available for anything that could be done in India.

According to present indications, the manufacture in the ordnance factories and other defence industries in the country is estimated to increase by 27 per cent during the current financial year, as compared to 1960-61.

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ROHTAS INDUSTRIES

Mr. S. P. Jain, Chairman of the Rohtas Industries Ltd., in the annual report of the company for 1960-61 has made a pointed reference to the fact that inadequate and interrupted supply of power affected considerably the output of the company. He said that the power supplied from D.V.C. was interrupted 64 times on account of tripping of their equipment. In continuous process industries like paper and cement, each such interruption caused great dislocation and loss of production. The company's own power generation was also lower due to lack of adequate supply of suitable quality of coal, stocks of which were marginal and sufficient for consumption for two to three days only over a long period of time. The position in regard to transport material also remained acute and the chairman pointed out that there were no signs of any improvement at present; particular hardship was experienced in respect of movement of coal for power and steam generation and dispatches of paper and paper board. As can be observed from the table below, the company's output increased in respect of cement, clinker, asbestos cement, and vanaspati while it declined in the case of paper and paper board, sugar and caustic soda as compared to the previous year.

OUTPUT IN 1959-60 AND 1960-61

		(Tons)
	1959-60	1960-61
Paper & Boards	52,021	50,936
Cement	3,05,456	3,14,945
Clinker	2,68,658	2,86,981
Asbestos Cement	9,937	15,510
Sugar (Season)	16,166	14,898
Vanaspati	10,424	10,655
Caustic Soda	5,671	5,984

This accounting period was the first full year in which the impact of Tariff Commission's recommendations was felt on realisation from paper and boards. Besides glass, on account of the general price reduction, the company suffered particularly reduction in the differentials in respect of special variety of paper and boards manufactured by it. The Chairman pointed out that there has been a substantial increase in the cost of production on account of increase in the cost of chemicals, stores and spares, power and coal and enhanced railway freight. Production cost further increased by the imposition of excise duty of Rs. 40 per ton of caustic soda manufactured even for the consumption in the company's paper factory. Representations have been made to the Government by the industry for adequate increase in the price of paper and boards to compensate increase in cost and to provide a reasonable margin of profit.

One adverse aspect of the company's working was that the capacity of paper machines could not be utilised for want of pulp because the import licences were not received by the company for requisite quantities of pulp. The company has taken steps to expand its pulp production capacity and bleaching capacity in the pulp plant.

The profit of the company for the year was recorded at Rs. 66 lakhs. After providing Rs. 5.05 lakhs for development rebate reserves, the Directors have recommended the payment of a dividend on Ordinary shares subject to tax at the rate of Re. 1 per share of Rs. 10 each, which will absorb nearly Rs. 50 lakhs.

DEVANGIRI COTTON

The Directors of the Devangiri Cotton Mills Ltd. have pointed out that in response to the Government's plea and their own desire for holding the price line, the industry agreed to bring down the prices for its products to the August 1959 level making only such additions as were wanted by the increase in the cost

of production. The Directors of the company have reported that no material change in the cloth prices have been made because the company had taken care to maintain the rates at fair levels. All the same the sales of the company increased and reached a new record figure of Rs. 1.68 crores, being 19 per cent higher as compared to the previous year.

The company executed expansion and rehabilitation programme and one step was the purchase in court auction of the erstwhile Narayandas Chunilal Mills Gadag, costing in all Rs. 7 lakhs. It comprises 12,000 spindles and 218 looms. The company has applied and is awaiting the licence from the Central Government. The waste spinning plant which was received during the year was commissioned from July 1961. The company has placed orders to convert all the ring frames of the 1938 type to the modern types.

The Directors have said that scarcity conditions in cotton continued, though to a lesser degree, during the year under review. The Government retained the distribution control. Thus the cotton prices were ruling high. There was a general increase in cost of manufacture particularly in salaries and wages as a result of the implementation of the award of Textile Wage Board.

During the year to March 31, 1961, the company made a profit of Rs. 23.38 lakhs, after separating Rs. 10.78 lakhs for depreciation. The Directors have recommended a provision of Rs. 12.50 lakhs for taxation and Rs. 2.50 lakhs as reserve for payment of Mortgage loans and Rs. 2.15 lakhs as general reserve. They have recommended the payment of a dividend for the year at the rate of 12 per cent per annum, which will absorb Rs. 3.58 lakhs. The company is also paying Silver Jubilee Cash Bonus to the shareholders at 5 per cent, which will absorb Rs. 1.50 lakhs.

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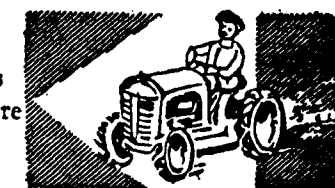
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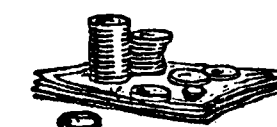
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Dr. B. N. Ghose, M.B., F.R.F.P.S. (Glas), Chairman, Board of Directors, Bengal Chemical & Pharmaceutical Works Ltd., at the Annual General Meeting of the Company held on August 10, 1961, said:

I may assure you that the results of the year under review are quite encouraging, and your Directors hope to report better results next year provided other conditions remain as before. The increase in sales by nearly Rs. 12 lakhs over the previous year's figure could not bring in proportionate profits as compared to last year for various reasons. The rate of dividend on all classes of Ordinary Shares has been maintained, but the dividends on Tax-free Cumulative Preference Shares have been grossed up in accordance with the provisions of Preference Shares (Regulation of Dividends) Act, 1960, which have resulted in the payment of dividends on Income Tax-free Preference Shares at rates less than those stipulated in the Company's Articles of Association. Your Directors are, however, considering to give the Preference Shareholders the additional dividends to make up the deficiency for deduction of tax at source as aforesaid after all necessary formalities in this connexion are duly complied with and after getting the approval of the shareholders in an Extraordinary General Meeting at a later date.

Gentlemen, as you all know this year is the centennial birth anniversary of Acharya P. C. Ray, the founder of your Company. To perpetuate the memory of our revered Acharya Prafulla Chandra Ray it has been decided at the initiative of Indian Chemical Manufacturers Association of which Acharya P. C. Ray was the Founder President to establish Sir P. C. Ray Memorial Research-cum-Testing Laboratory in Calcutta at a capital cost of Rs. 20 lakhs. Your Directors propose to contribute a sum of Rs. 50,000 to this institution. I hope you would gladly accord your sanction to it. Besides this, your Board of Directors has also recommended payment of half month's basic salary as bonus to all the permanent employees of the Company who have served the Company for at least one year and are still on the rolls of this Company. This bonus is being given as a gesture of good-will on this happy occasion. Of course, this is in addition to any other Bonus that the Directors of your Company may be pleased to sanction after the Annual General Meeting.

The acute shortage of wagons for moving coal in our area is known to all and so far the problem has baffled us. In the matter of Import Licences, we have not yet succeeded in getting licences for the import of some replacement items of machinery which is impeding production in some plants including the Plant for the manufacture of Surgical Dressings and the one for the manufacture of Printing, Rotary and Offset Inks. Despite a good export potentiality and consequential Foreign Exchange earnings thereby, the manufacture of Surgical Cotton has been considerably suffering in the competitive market for the non-availability of Import Licence for certain items for replacement and other component parts. The Licensing authorities are further unwilling to grant us licences in sufficient quantities for the import of Carbon Black, an essential ingredient for the manufacture of Printing Inks.

We can at this point strike a more cheerful note regarding the future of some of our productive units.

After long and sustained efforts we have been able to secure import licences covering the requirements of plants and equipment to be obtained from abroad in connexion with our projects for doubling the existing capacity of our Alum Plant and the installation of an additional Sulphuric Acid Plant producing 50 tons per day.

There has been a setback in our business in Singapore in the year (1960-61) as the Chinese products, specially Absorbent Cotton Wool, are being sold there at competitive rates. Our exports to Kuala Lumpur have however improved to a certain extent. Business in Burma is not up to our expectation. Since 1959 we have been experiencing difficulties in shipping our products to Colombo and there has not been any improvement in this regard as yet.

N.B.: These are only extracts from the speech. This does not purport to be a record of the proceedings of the Annual General Meeting.

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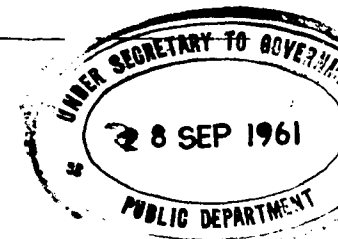
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BOOK REVIEWS

THE TWO SECTORS

The Public Sector in India: By Dr. Nabagopal Das:
Published by Asia Publishing House, Ballard
Estate, Bombay: Pp. 180: Price Rs. 11.25.

Industrial Enterprise in India: By Dr. Nabagopal Das:
Published by Orient Longmans, Ltd., 17, Chittaran-
jan Avenue, Calcutta: Pp. 225: Price Rs. 10.

DURING the last decade, the public sector in the industrial field has grown at a very fast rate in India. Of the total investment envisaged in industries and minerals in the Third Five-Year Plan, nearly two-thirds are expected to be in this sector. As a matter of fact, there is no longer any controversy about the comparative merits and defects of the public and private sectors. Even in countries with so-called free enterprise economies, the public sector forms an important section thereof. It is, therefore, but proper that this sector should engage the increasing attention of economists and administrators.

"The Public Sector in India" by Dr. N. Das is a welcome addition to the rather inadequate literature on the subject. Coming as it does from a former member of the Indian Civil Service who is now associated with the private sector, it bears the stamp of experience and authority. Yet, the author has not permitted his loyalties, whether old or new, to cloud his objectivity as an economist: he has been pragmatic in his approach through the entire length of the book.

Dr. Das fills in the background to the development of the public sector by describing the historical processes which led to its emergence on the Indian economic scene. In three subsequent chapters, he traces the evolution, successes and failures of the public sector, not merely in developed countries like the U.K., France, Scandinavia, U.S.A. and U.S.S.R., but also in the developing areas of Asia. He then outlines and classifies the specific projects and enterprises that have been initiated in this sector in India since 1947. After having presented the framework, as it were, he deals with the problems it faces and will continue to face in the years to come. These are the problems of organisation and management, of financing and accountability to Parliament and of industrial relations. In analysing these problems, the author sorts out the various issues involved with great skill and pleads for a balanced approach in a most effective manner. His final words are worth quoting: "It is time that people realised that there is no magic in the words 'public enterprise' and that mere extension of the public sector does not provide an answer to the problems of entrepreneurship, production and a fair deal for consumers".

It would, however, be wrong to conclude that Dr. Das has argued against the public ownership of industries. He says that, with the need for accelerated economic development and the equally important need to secure rising living standards, the expansion of the public sector in certain fields and directions is not only justified, but inescapable. He, however, points out that this does not preclude further discussion: as a matter of fact, it makes such discussion all the more necessary. "The extent to which the public sector should expand and the manner in which it should function are matters on which honest differences of opinion are still possible". One may not share his apprehension that a kind of "managerial empire" is likely to grow in India's public sector under the protecting umbrella of the State, but one can hardly find fault with his thesis, that "in the

ultimate analysis, the same economic laws apply to the private as well as the public sector, and the same mental, and almost the same physical, instruments have to be used in both the cases".

The second book by Dr. Das, "Industrial Enterprise in India", needs no introduction to the reading public, as it has already run into several editions. In a sense, it presents the other side of the picture, viz., the framework within which the private sector operates. In the revised edition just issued, the author has not merely brought all his facts and data up-to-date (he has carried the story forward to the beginning of the Third Five-Year Plan), but completely re-written some of the chapters in the context of changed conditions. It is virtually a new book.

Most interesting are the three new chapters which have been added to the present edition, viz., those relating to concentration of Economic Power, Problems of Management and Company Finances and Profits. He makes a dispassionate analysis of the factors which both militate against, and help, concentration of economic power and concludes that the State having stepped in as the "countervailing power", there is not much scope for such concentration in a few groups or individuals. On the other hand, while discussing the problems of management, he sounds a note of warning that there is a tendency to treat the management profession as something like the sacred preserve of an elite. "An aura of mystery seems to surround some of the top business executives. They speak pedantically of the intricacies of the problems of management, giving the outsider the impression that it is a difficult art which can be acquired only by a select few". As regards the future of profits in the private sector, while not denying that, for industry as a whole, profits are falling, he notes with characteristic candour that profits are constant or even rising in certain specified industries, and total profits are still substantial, mainly because sales have risen and continue to rise. Most pertinent are his remarks that, despite restrictions and regulations, both entrepreneurs and managements still manage to secure for themselves various kinds of "fringe benefits" of which the ordinary shareholder is blissfully unaware and that entrepreneurs and managements do not always think in terms of the money they earn: more than money, they value the prestige and power that go with the direction and management of industry.

In the concluding chapter, Dr. Das exhorts the private sector to think in terms of the interest of the consumers and the common people and not in terms of themselves only, and urges them to make genuine efforts to diffuse economic power. This, he says, can be done in two ways, viz., by securing a very wide dispersal of the ownership of equity capital and by managements being imbued with a social purpose — "the countervailing power from within". Some die-hard private entrepreneurs may not like Dr. Das' exhortations, but they would find it difficult to refute his arguments which have been presented with scholarly objectivity and scientific detachment.

These two companion volumes cover almost the entire industrial canvas in the India of today (the only omission is the field of small and cottage industries) and should find a place in the library of every person interested in the economic development of our country.

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Food articles & Tobacco	Liquor	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures			All Commo- dities
						Inter- mediate Products	Finished Products	Total	
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61	..	120.0	110.0	119.6	145.4	130.5	122.8	123.9	124.8
May 1960	..	120.3	107.3	119.2	140.1	125.4	119.0	119.9	122.8
June	..	120.3	109.5	118.0	139.7	127.2	118.7	119.9	122.9
July	..	124.0	109.6	119.5	137.2	130.4	119.4	121.0	121.0
May 1961	..	117.2	104.1	122.8	152.8	136.9	124.5	126.3	125.2
June	..	119.9	100.1	122.2	148.7	135.2	127.4	125.3	125.6
July	..	124.3	98.6	121.5	151.3	141.9	124.6	127.0	128.6
22-7-1961	..	125.7	99.5	121.6	154.3	141.9	125.2	127.5	130.0
29-7-1961	..	124.5	99.5	121.6	149.9	141.4	125.3	127.6	128.7
5-8-1961	..	124.1	100.1	121.5	150.5	141.8	125.2	127.5	128.6
12-8-1961	..	124.8	100.1	121.5	146.1	140.5	123.7	126.1	127.9
19-8-1961	..	124.1	99.4	121.5	142.8	140.3	122.7	125.2	126.7

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS (August 1939 = 100)

Period	Bombay		Delhi		Bengal U.P.		Central Provinces		Madras	E.P.	Bihar
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur† All India†
1939 (Aug.-Dec.)	..	103	—	—	—	105	104	—	108	—	—
1954	..	342	359	244	138	327	408	373	139	341	148
1955	..	322	338	217	130	321	371	364	133	321	134
1956	..	336	352	244	142	347	424	397	151	358	152
1957	..	352	368	259	150	364	448	422	162	374	157
1958	..	376	394	274	150	384	468	447	165	401	157
1959	..	393	412	308	158	384	469	498	163	429	166
1960	..	401*	420*	296	158*	397	476	512*	165	467	167
1960 August	..	402	421	304	160	410	484	515	163	470	169
September	..	399	418	302	161	403	484	520	163	472	167
October	..	402	421	304	162	396	488	517	163	477	171
November	..	404	423	300	159	392	498	509	163	484	171
December	..	400	419	297	160	385	480	507	163	488	169
1961 January	..	400	419	296	161	385	480	495	165	470	171
February	..	401	420	296	163	389	488	491*	165	470	171
March	..	404	423	296	163	392	483	488*	—	479	169
April	..	409	428	296	165	389	471	490	—	482	169
May	..	412	431	296	166	389	464	490	—	479	171*
June	..	414	433	302	167	389	474	498	—	478	171*
July	..	418	437	—	172	—	482	498	—	480	—
August	..	—	—	—	—	—	491	—	—	181	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT) WEEK ENDED

	1-9-1961			25-8-1961			12-8-1961			11-8-1961		
	High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age
Gold (per 10 grams)	124.80	123.80	124.23	123.10	122.60	122.76	122.90	121.55	122.40	122.50	120.60	121.53
Silver (per kilogram)	204.70	202.85	204.00	204.35	202.55	203.46	202.89	201.65	202.31	202.85	201.85	202.29

CERTAIN MONETARY RATIOS@ IN FIVE DIFFERENT COUNTRIES OF THE WORLD

(Average for the period 1951-60)

	India*	United States	United Kingdom	West Germany	Japan†
Currency to Money Supply (Per cent)	68.41	20.83	31.93	46.71	27.20
Bank Money to Money Supply (Per cent)	31.59	79.17	68.07	53.29	72.80
Bank Reserves to Government Money (Per cent)	6.29	43.43	24.54	32.28	10.29
Bank Money to Bank Reserves	6.652	4.952	6.557	2.393	23.328
Money Supply to Government Money	1.335	2.716	2.364	1.450	3.298

@The ratios relate to the Averages of year-end figures.

*For the period 1951-52 to 1960-61 (April to March).

†For the period 1953-60.

Source: (1) Reserve Bank of India—Report on Currency & Finance.
(2) International Monetary Fund—International Financial Statistics.

INDIAN UNION

INVESTMENT-INCOME RATIO, CAPITAL OUTPUT RATIO AND THE TRENDS IN INVESTMENT

(Rs. crores)

	Investment (Annual Average)	Investment/Income Ratio		Capital/ Output Ratio
		Average (Per cent)	Marginal (Per cent)	
Period I (1950-51 to 1952-53)	576	6.3	—	2.70 : 1
Period II (1953-54 to 1955-56)	774	7.5	17.6	2.28 : 1
Period III (1956-57 to 1958-59)	1,258	11.3	52.8†	3.23 : 1
First Plan Period (1951-52 to 1955-56)	697	7.1	—	2.14 : 1
Three Years of the Second Plan Period (1956-57 to 1958-59)	1,258	11.3	42.8**	3.23 : 1
1950-51 to 1958-59	869	8.5	—	2.76 : 1
1951-52 to 1958-59	908	8.8	22.8@	2.59 : 1

* At 1948-49 prices.

† Marginal with reference to 1953-54 to 1955-56.

** Marginal with reference to 1951-52 to 1955-56.

@ Marginal with reference to 1950-51.

INDIAN UNION

VOLUME AND PATTERN OF SAVING

(Rs. Crores)*

	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59
1. Government Sector	93.84	192.30	88.39	70.99	82.22	69.92	128.92	114.42	103.00
2. Domestic Corporate Sector ..	32.16	56.49	4.29	22.87	38.88	54.33	53.69	17.20	34.27
3. Household Sector	509.88	254.76	492.61	504.88	561.64	785.98	810.36	686.55	837.57
Of which									
(a) Rural Household Sector ..	189.93	194.98	186.82	206.24	168.95	175.56	214.40	205.08	242.36
(b) Urban Household Sector ..	319.95	59.78	305.79	298.64	392.69	610.42	595.96	481.47	595.21
4. Total Saving (1+2+3)	635.88	503.55	585.29	598.74	682.74	910.23	992.97	818.17	974.84

* At Current Prices.

VOLUME AND PATTERN OF SAVING OF THE HOUSEHOLD SECTOR

(Rs. Crores)*

	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59
1. Currency —	80.94	—116.85	—21.33	26.60	63.67	206.55	50.04	47.43	112.87
2. Net Bank Deposits	4.41	—54.65	9.00	—3.06	11.71	54.76	—31.52	—25.15	86.18
3. Gold	20.24	34.93	18.31	13.17	11.64	12.62	23.03	32.35	23.38
4. Insurance Policies	7.61	23.73	17.46	20.97	23.03	14.63	35.34	14.68	33.79
5. Provident Fund	23.85	28.74	34.00	62.82	68.76	70.58	74.50	82.96	88.46
6. Net claim on the Government Sector	17.75	24.22	25.91	30.68	32.13	50.15	55.82	44.35	56.75
7. Corporate and Co-operative Shares and Securities	12.22	10.43	10.34	6.03	12.85	33.42	61.15	59.40	35.98
8. Physical Assets	342.86	304.21	398.92	347.67	337.85	343.27	542.00	430.53	400.16
9. Saving of the Household Sector (1 to 8)	509.88	254.76	492.61	504.88	561.64	785.98	810.36	686.55	837.57

* At Current Prices.

INDIAN UNION

AVERAGE SAVING-INCOME RATIOS : AGGREGATE AND SECTOR-WISE

(PERCENTAGES)

	Period I (1950-51 to 1952-53)	Period II (1953-54 to 1955-56)	Period III (1956-57 to 1958-59)	First Plan Period (1951-52 to 1955-56)	Three years of the second Plan Period (1956-57 to 1958-59)	1950-51 to 1958-59
1. Government Sector	13.5	7.4	8.2	10.3	8.2	9.7
2. Domestic Corporate Sector ..	34.2	41.0	32.4	37.0	32.4	35.8
3. Household Sector	4.3	6.3	6.7	5.3	6.7	5.8
(i) Rural Household Sector ..	2.6	2.6	2.7	2.5	2.7	2.6
(ii) Urban Household Sector ..	9.5	16.0	16.9	12.6	16.9	14.1
4. Aggregate Saving	5.9	7.3	7.9	6.6	7.9	7.1
5. Aggregate Marginal Saving Income Ratio	—	19.1	14.2	—	17.3*	—

* Calculated with reference to the First Plan Period (1951-52 to 1955-56).

CERTAIN MONETARY RATIOS* — INDIA

	Currency to Money Supply (Per cent)	Bank Money (a) to Money Supply (Per cent)	Bank Reserves to Govern- ment Money (Per cent)	Bank Mo- ney (b) to Bank Reserves	Money Supply to Govern- ment Money
1951-52	67.40	32.60	6.53	6.585	1.365
1952-53	67.86	32.14	6.50	6.520	1.359
1953-54	68.42	31.58	6.04	6.908	1.357
1954-55	68.31	31.69	6.01	7.082	1.366
1955-56	68.90	31.10	5.87	7.045	1.355
First Plan Average (1951-52 to 1955-56)	68.21	31.79	6.18	6.832	1.360
1956-57	67.30	32.70	5.85	7.638	1.389
1957-58	67.26	32.74	6.30	6.969	1.376
1958-59	69.03	30.97	6.20	6.542	1.344
1959-60	68.91	31.09	7.83	5.110	1.322
1960-61	69.87	30.13	5.57	7.083	1.339
Second Plan Average (1956-57 to 1960-61)	68.55	31.45	6.37	6.525	1.352
Average for 1951-52 to 1960-61 ..	68.41	31.59	6.29	6.652	1.355
Marginal during the Second Plan with reference to the First Plan ..	69.51	30.49	6.90	5.766	1.329

* Ratios relate to the year-end figures.

(a) Including 'other' deposits with the Reserve Bank.

(b) Excluding 'other' deposits with the Reserve Bank.

INDIAN UNION

COMPARISON OF EARLIER AVERAGE SAVING-
INCOME RATIO ESTIMATES WITH
THE REVISED ESTIMATES

Year	Rs. (Crores)*			
	Earlier Estimates	Revised Estimates	(1) As Proportion (Per cent) of National Income	(2) As Proportion (Per cent) of National Income
	(1)	(2)	(3)	(4)
1950-51 ..	607	591	6.9	6.7
1951-52 ..	459	460	5.1	5.1
1953-54 ..	565	564	6.0	6.0
1954-55 ..	537	573	5.4	5.7
1955-56 ..	682	731	6.6	7.1
1956-57 ..	854	955	8.1	9.1
1957-58 ..	950	966	8.6	8.8
1950-51 to 1957-58 ..	753	782	7.0	7.2
Annual Average ..	676	703	6.8	7.0

* At 1948-49 prices.

ESTIMATES OF AGGREGATE INVESTMENT

(Rs. crores)*

Year	Saving	Net Capital Inflow	Investment (1+2)
(1)	(2)	(3)	
1950-51 ..	635.9	— 28.7	607.2
1951-52 ..	503.6	+189.5	693.1
1952-53 ..	585.3	— 35.3	550.0
1953-54 ..	598.7	— 15.8	582.9
1954-55 ..	682.7	+ 31.6	714.3
1955-56 ..	910.2	+ 40.7	950.9
1956-57 ..	993.0	+356.1	1,349.1
1957-58 ..	818.2	+454.6	1,272.8
1958-59 ..	974.8	+371.9	1,346.7

* At current prices.

Source: Reserve Bank's Monthly Bulletin.

ESTIMATES OF AGGREGATE INVESTMENT

(Rs. crores)*

Year	Saving	Net Capital Inflow	Invest- ment (1+2)	Investment as Proportion (Per cent) of National Income
(1)	(2)	(3)	(4)	
1950-51 ..	591	— 27	564	6.4
1951-52 ..	460	+173	633	7.0
1952-53 ..	564	— 34	530	5.6
1953-54 ..	573	— 15	558	5.6
1954-55 ..	731	+ 34	765	7.4
1955-56 ..	955	+ 43	998	9.5
1956-57 ..	966	+347	1,313	11.9
1957-58 ..	782	+435	1,217	11.2
1958-59 ..	902	+344	1,246	10.7
1950-51 to 1958-59 ..	725	+144	869	8.5
(Annual Average) ..	(7.1)	(1.4)	(8.5)	

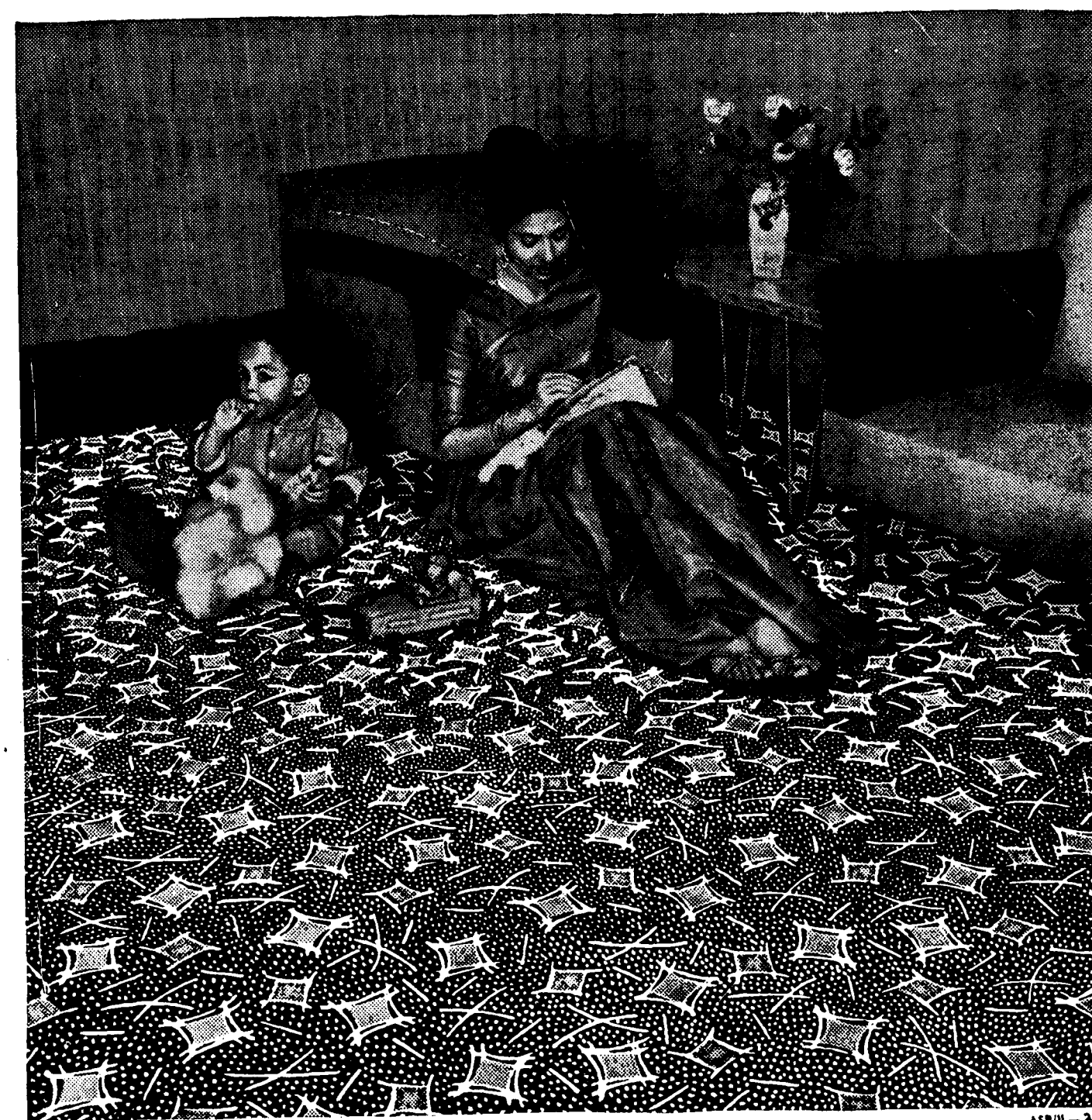
* At 1948-49 prices.

Figures in brackets represent proportion (per cent) of
National Income.AID INDIA AGREEMENTS ON EXTERNAL
ASSISTANCE

(\$ Million)

	1961-62	1962-63
World Bank and I.D.A. ..	250	150
U.S.A. ..	545	500
West Germany ..	225	139
United Kingdom ..	182	68
Japan ..	60	20
Canada ..	28	28
France ..	15	15
TOTAL ..	1395	980

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THE EASTERN ECONOMIST

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ONE RUPEE

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An Asian Economic Community?

THE Conference of Asian Economic Planners now in session in New Delhi has raised the ambitious hope that, under the sponsorship of ECAFE, there will somehow come into being, in the fullness of time, an Asian Economic Community. The direct purposes of the Conference are, however, much smaller and its largest proposal is merely the establishment of an Asian Institute of Economic Development with a related proposal for the establishment of a Regional Advisory Group on Economic Development Planning. The proceedings of the Conference have unfortunately failed to illuminate the great theme of Asian Economic Co-operation with concrete discussion of how a beginning can be made here and now in the planning of South-East Asian model. Thus it would seem that a great opportunity has been lost and it is necessary to explain why, to those who see the obvious economic advantages of co-operation, hopes of unity are still so dim and hesitant.

The approach of all those in authority has been verbal and almost verbose. Much the most useful contribution to the deliberations of the Conference has been a paper produced by the Secretariat of ECAFE on the scope for Regional Economic Co-operation in Asia and the Far East. This is a substantial study running into 84 pages of cyclostyled foolscap with a remarkably able presentation of what might be the immediate range of co-operation in the area. Unfortunately, this central paper has received very inadequate attention and, it would appear, its constructive contribution has been largely missed. Not least of the points of interest high-lighted is the Chapter on Economies of Scale and Competition, indicating the absurd costs which each country in the area is imposing on itself by units of far less than an adequate capacity, and the obstinate reluctance to depend on larger units in other countries which could operate at greatly reduced costs. The Secretariat paper gives a table of costs of steel in which it points out that the difference between a unit producing a million tons of steel and one producing 50,000 tons would be of the order of 40 per cent. More precisely, it is stated:

"Except for mainland China, India and Japan, the annual steel consumption in each of even the more advanced countries in the region has been reported to be in the range of 100,000—400,000 tons crude steel equivalent in 1957. If, however, each of these countries were to attempt to establish an integrated steel plant in its own territory separately, perhaps, with an annual capacity of 250,000 tons, costs per unit of finished steel would be at least 25 per cent higher than those of the plant's of the minimum efficient scale. The combined demand of a number of countries may justify the development of an efficient steel plant within the region, but such a plant can only be organised on the basis of some kind of co-operative effort among the countries. Even then, there will remain steel products which require relatively advanced techniques and involve economies of scale of their own. It might be that the total quantity of each finished steel product item consumed in the entire region is only a small fraction of the minimum efficient-scale output." In respect of cement it adds the comparable observation that "at an annual capacity of 100,000 tons, production costs per unit of output are estimated at almost

double the level of costs for an efficient plant with a capacity output of 1.8 million tons. Yet it is reported that the capacity of cement plants built recently in Ceylon and India, for example, has ranged from 100,000 to 150,000 tons."

These are sufficient indications of classic errors in development taking place in almost all the areas of ECAFE, including India. It does not, by any means, tell the full story of our common failure to exploit the principle of Increasing Returns where capacity has already been built and where, for one reason or another, often less than half is utilised. This has been the subject of a fuller study by Mr. Morris J. Solomon, who has contributed to these pages previously on plant utilisation, and *The Eastern Economist* will separately present next month a whole Blue Supplement incorporating his studies in India. It is hardly necessary, however, to stress the point, which should be obvious, that the limitation of markets in each one of these countries—and all of them are far less advantageously placed than India—will generate an extremely high-cost structure unless the original plant is rightly conceived and fully worked with the most modern technological efficiency.

The current difficulties are not entirely technological nor managerial. Nor, in their larger sense, are they strictly economic. What has held back co-operation in South-East Asia is failure to attempt political agreement covering the whole area whether on payments, on trade or on the dovetailing of plans of all countries. Proposals to have a Development Board, or to have a Payments Union have, from time to time been made, but been as hastily dropped, each country being fearful that any surrender of foreign exchange might limit its capacity to buy at the cheapest price in a global market. The idea that a somewhat restricted marketing or purchasing opportunity within might be compensated by a much larger regional volume of trade does not seem to have been driven home with anything like the power that it obviously bears. The truth is that the element of trust between the nations of South-East Asia is by no means large enough for an edifice yet to be built. This is not attributed to underdevelopment or for that matter to the markets being limited and the scales of operations being small. In somewhat different terms Europe, for over a hundred years, resisted economic unity because of the political obstacles which such unity seemed to suggest. The last decade has brought to fruition the European Economic Community and its toping stone, the Treaty of Rome, has been the result of the great integration following the rise of the Soviet Union—as much an element in self-defence as of ordered economic planning. Unless South-East Asia feels the crisis of its own survival much more keenly, it is extremely unlikely to take the plunge in anything like the direction which the ECAFE working paper has coherently suggested. The Conference has thus still a purely academic ring. Nevertheless, the contribution has been significant. Some imperfect seed has been sown: one must rest with that until political imagination runs to the dimensions required by our responsibilities to our peoples. This week the trumpets have given forth only a very uncertain sound.

Sugar: Belated Wisdom

THE decision announced this Wednesday after, it is believed, a rush Cabinet meeting the same day, to decontrol sugar, brings to a climax a sad story in official prevarication. Mr. S. K. Patil for many months has been arguing that there was in fact no serious sugar crisis; that over-production, consequent on large incentives given to sugarcane growers by a bonus on cane and to factories by rebate on excise, had the effect of building up stocks, but this was not "critical" calling for drastic modification of policy. For months the country had been led to believe that minor adjustments, including exports, would solve the problem. In fact, it has not even helped the supposed beneficiaries of this policy; the mills have carried stocks with a big token value based on the controlled price, which has been shown in the event to be impossible to maintain. In the meanwhile, the attempt to support the paper prices of sugar and cane has involved accommodation in the banking system far beyond what was either proper or necessary in the inflationary conditions prevailing. In the net result, notwithstanding "support" prices and large banking accommodation, the policy has proved a dismal failure. At long last, the Minister of Food and Agriculture has had to recognise that the policy he initiated has been greatly overdone, and a full retreat is now in operation.

The essential factors in the retreat are three. Firstly, prices have been completely dismantled. Secondly, while releases are in Government hands, there will be pressure to release as soon as large sales take place in the market and, therefore, it is extremely unlikely that a low rate of releases will maintain current prices. In fact, even with full control on sales, market prices well below the controlled price have been in operation. Thirdly, but most important of all, the assurances given to the cultivator for an indefinite volume of sale, and to the producer for an indefinite volume of relief from excise duty, have disappeared. The most interesting development

in this respect is contained in a clause which provides that a target for production for each factory is to be set at 10 per cent below the quantity produced in 1960-61. If a factory produces sugar in excess of the fixed target, it will have to pay an additional excise duty. But meanwhile it carries no obligation to buy cane in excess of the quantity required for its reduced target. Thus, with the prices of sugar decontrolled, in effect there will be decontrol of sugarcane prices; for an element of competition will now operate to prevent any indefinite quantity of cane being sold at the controlled prices and the balance in the free market will fetch a much reduced price. Perhaps the notorious price-linking formula will also disappear at the same time. Cane-growers are not unnaturally averse to sharing losses.

The decision to restore economic forces and to nullify ineffective Government control is not necessarily a pleasant one. One balance, all the vested interests involved, namely, the Government, producers and sugarcane growers, are likely to lose out with only one beneficiary, the consumer. But at least the possibility of reaching equilibrium in the industry without an absurd facade of make-believe prices unrelated to the demand-supply position and unrelated to the true value of cane will no longer be allowed to impose fantastically on the Indian people. In the last analysis, hard economic facts have their way of enforcing their ruthless decision even on politicians. Sugar has been the plaything of the politicians ever since Uttar Pradesh and Bihar committed themselves to large-scale dependence on the "sugar" vote. It is something that in an election year, and within a few months of the dates of election, the economic factors have been able to overrule the dogma of politicians in which political advantage seems to rise superior to all economic commonsense. At long last, perhaps the Minister of Food and Agriculture will confess that his procrastination has really been, in this case, the thief, but not the victor, of Time.

The Congress Manifesto

THE Congress election manifesto is two things in miniature—the history of the freedom movement after 1919 and the Third Five-Year Plan. This first impression does not yield place to second thoughts, but endures as an integral part of the final assessment. The invocation to the glorious part which the Congress undoubtedly played in the heroic struggle for freedom would have been quite appropriate in the manifesto for the first general elections after the inauguration of the Constitution, but it looks odd in the third manifesto. The narration of the objectives and strategy of the Third Plan does not perhaps lack in propriety, but it has overshot the mark by the repetition of elaborate detail to which the public was treated only a few weeks back when the Plan was released in its final form. Shorn of this substantial element of superfluity, the manifesto could be reduced to a third of its tiresome length.

The electorate to which the appeal of the manifesto is addressed will judge the claim of the Congress for an extended lease in office for the third term by the simple test of its record of performance in the second. The slogan of national integration is nothing new, it is being

dinned into the ears of the masses with amazing frequency and the voter is likely to pose the question why at all the need should be felt to launch a campaign for it after fourteen years of Congress rule. It serves little purpose to denounce communalism, casteism and various other forms of groupism as reactionary. At the hustings the organizers of the Congress campaign may have to face the blunt query whether the Congress Party can vouchsafe that it has not tacitly encouraged these forces for temporary political gains. An evasive no will not bear the scrutiny of actual facts.

On the economic front which is manifestly the major concern of the manifesto, the party in power will have several acts of omission and commission to answer for. The failure to contain price inflation and halt the spiralling cost of living will easily be a target of point blank attack. The influence of external factors not susceptible to the Government's control apart, a satisfactory defence can hardly be put in behalf of the monetary and fiscal policies pursued without adequate effect. The election manifesto is curiously silent on both. The strategy to hold inflation and prevent the

erosion of economic advance in real terms is apparently overlooked in the preoccupation with the catalogue of high-sounding promises to accelerate economic march in every direction. If the promises are alluring, a little scratching of the surface reveals how hollow they are at vital points. The manifesto talks about rural electrification to modernise the techniques employed in small and medium industries in the countryside. But the repeated failures of power supply to industry in the urban centres proclaim the limitations on the available as well as potential loads in the next five years.

The appeal to the electorate is designed to catch the ear of the voter in the countryside where the real strength of the ballot box resides. The manifesto contains a hollow if imposing array of assured benefits to the rural sector. But not all belong to this variety. To pick up an important illustration. The promise of a wide diffusion of the benefits of the community development programme will bear verification from recent experience. The Panchayati Raj is the very pivot of decentralisation of democratic power down to the village level. Its laudable success in the Punjab

and Rajasthan, for instance, will speak for the validity of the assurance contained in the manifesto.

It is a saving grace that the manifesto is practically free from dizzy flights into ideology. A promise of the early arrival of the socialist pattern of society is not trumpeted this time. The constructive and valuable role of the private sector in the mixed economy is given due recognition. But its value has been detracted by new threats which may not necessarily be dismissed as stunts. Monopolies and concentration of economic power in the private corporate sector are to be broken. These evils, if they exist, at all, are in evidence in the State sector. They are to be assailed by licensing of new entrants and an emphasis on small and medium enterprises. Is the pattern of large-scale production and economy of costs that goes with it to be reversed? Finally, as a counter-part of ceilings on land holdings, urban incomes may be, at least for political effect, subjected to ceilings. That no serious handicap is intended was shown by the fact that the Stock Exchanges reacted bullishly to the manifesto.

Oil: the Golden Mean?

AT long last, the perplexing issue of fixation of "reasonable" prices for petroleum products, payable to the oil companies for their imports and indigenous production, has been resolved. The first hurdle in the way was crossed on Wednesday when the Union Government decided to accept the Damle Committee's recommendations. The oil companies are expected to follow suit by Saturday when the ad hoc agreement now in force expires. Oil is often called black gold: this may be called the Golden Mean.

It is gratifying that the Government has accepted the recommendations of the Damle Committee practically in toto, although it had been given out in the Press that they did not come up to its expectations. Reason appears to have triumphed over the mistaken belief held by the Oil Ministry that oil companies were making unduly large profits and there was scope for drastic downward cut in prices currently being charged by them for their products. That there was some scope for lowering of these prices, however, was well known; the oil companies themselves had given an indication of this recently in view of the growing glut of petroleum products in the world market today. Government's acceptance of the "modest" recommendations of the Damle Committee has, thus, been all for the good since this Committee had been appointed by it in preference to referring the question to the Tariff Commission.

The acceptance of the Damle Committee's Report entails, on the basis of estimated sales in 1962, a reduction of nearly Rs. 15 crores annually in the present selling prices of petroleum products — Rs. 5 crores in landed costs, Rs. 7 crores on account of discounts in posted prices of refined products and Rs. 3 crores in distribution charges and profit margins of the oil companies. The foreign exchange saving is expected to be of the order of Rs. 12 crores. The benefit of this reduction in prices, however, is not to be passed on to the consumer; all this amount is envisaged to be appropriated to the Central Exchequer through increases in ad hoc levies under the Mineral Oils (Additional Duties of Excise and Customs) Act, 1958. The mopping up all this sum by the Central Exchequer at the expense of the consumer,

who at least is entitled to share these concessions partly, is not understandable, especially when they have been wrung in his name and when the provisions of the Essential Commodities Act are proposed to be invoked in case the oil companies prefer to disagree with the Government's decision. As already pointed out earlier in this Journal, there could not have been any objection to appropriation of the savings resulting from these concessions for the benefit of the Union Exchequer had they been only such that they could not have brought down petroleum products prices by more than a couple of naye paise. The cumulative effect of the concessions given so far by the companies under the ad hoc agreements and those resulting from the Damle Committee's recommendations can, however, be quite appreciable if concentrated on one or two items such as gasoline and furnace oil whose prices need to be lowered. The provisions of the Essential Commodities Act can also be invoked only to protect the interest of the consumer and not for the benefit of the Central Exchequer. The Oil Ministry will do well to look into this matter further.

As far as one can judge at present, the Government has departed from the recommendations of the Damle Committee only at one place, i.e., in regard to the period during which the prices now fixed will be operative. The Committee, it is understood, had recommended this period to extend to 1965 end with the provision that the Government could review the position at the expiry of about two years of the coming into force of the new prices. The Government has decided to restrict the period of operation to a "reasonable" term up to two years. But one can find little fault with this in view of the growing surplus of petroleum products in the world market, leading to gradual but persistent decline in prices. The decision should suit the oil companies as it does not rule out any upward revision of prices at the end of the two-year period, should the circumstances then so warrant.

It is earnestly hoped the new price pattern will be given effect to in the same spirit in which

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A DELHI DIARY

ARGUS IN WONDERLAND

THE world gets curiousest and curiousest. It seems to make no difference as to whether you look at it from Delhi or from Amritsar. These are, I suppose, the poles of the new axis round which the Punjab revolves. I must confess I myself have been quite unequal to the endurance tests required to interview the Prime Minister and the Home Minister or the mediators at the Delhi end or the leading actors in the Akali Dal at Amritsar at the other. I have, therefore, been misguided enough to take my information from secondary or tertiary sources — copies of copies, in Plato's phrase, twice removed from the truth — with results which have been disastrous to my expectations and to my peace of mind. On Sunday it seemed that an agreement was round the corner. On Monday Mr. H. S. Malik, leaving for Bombay, talked about the sudden appearance of more goodwill on both sides and everyone thought by the evening an announcement would be made and Master Tara Singh would be breaking his fast. On Tuesday, we suddenly discovered that there was no basis whatever for this optimism, and that the aforesaid mediators' formula was merely a nice turn of phrase which carried no substance either way. In any case, the Akali Dal has now made its position more than clear and the Government of India — as if to distract itself — is involved in Planners' Conference, National Integration and, of course, the United Nations, all of which suggest that the Punjab is a marginal question. Everyone seems to be perfectly calm in spite of the fact that everyone knows that feeling in the Punjab is running extremely high; is it not? Perhaps this calm does not presage a storm.

DELHI AND AMRITSAR

I have been trying to understand the focal points of the current Punjabi polarisation. As far as I can see the Prime Minister's statement in the Lok Sabha, from which he has declined to move at all in substance, although he will permit a roundabout reference to the Punjabi Suba, was bound to fail. My friends tell me that this is the proper policy because, in fact, the Government of India has made up its mind not to concede to Punjabi Suba and, therefore, there is no sense in raising hopes by reference of this demand to a high power commission. But if the dispute is about a particular problem — however foolish and irrational — surely a solution cannot be found by appointing a commission which treats of everything but the grievance. I doubt if the Akalis, any more than other people, love commissions — high or low powered — for themselves. Thus it seems to me that the Prime Minister and the Home Minister will inevitably be accused of cleverly avoiding the substance of the current controversy. On the other hand, I cannot see, assuming as is evident that the Government of India is not amenable to any formula which provides for Punjabi Suba, how the extremists in Amritsar can hope to win any non-violent campaign for the Punjabi Suba. I fail to distinguish between the Congress fasts, which somehow or another are always justified, and non-Congress fasts, which somehow or another are always disapproved by Congressmen. But I do see that in this particular case the fast is likely, if it leads to a disaster, to engender hate and not understanding. It seems to me that the fast unto death has been overdone; the useful fast is one of persuasion for a limited period. At present it looks as though neither is likely to be crowned with success, but at least one would have recorded as a truly Gandhian effort against Gandhians. The other looks to me a prelude to some violence which makes it both non-Gandhian and unpredictable. All in all, therefore, I find myself strongly disapproving of both sides. Thus I am learning the highest principles of Indian dynamic neutrality! I therefore, without approving of Delhi in

any way, consider that Amritsar has not been conspicuously wise in pressing a demand to its ultimate irrevocably violent conclusion.

BLESSED ARE THE MEDIATORS?

Having struck out my neck thus far, I must pay a belated tribute to the mediators of whom there have been three prominent over the last two weeks. These are: the Maharaja of Patiala, whose indefatigable activity passes all praise; Mr. Mauli Chandra Sharma seems to have done a considerable amount of foot work with him and Mr. H. S. Malik has supplied soft words in season. "Blessed are the peacemakers for they shall have peace". Far be it from me to criticise a Biblical pronouncement of acknowledged high wisdom, but it does seem to me that none of the mediators has yet inherited the earth. Indeed, the Maharaja of Patiala has been disowned by everybody except by Master Tara Singh himself, and we are hearing less and less of the other mediators. It does look as if those who have gone between suffer the worst of both the worlds.

Is mediation, or a middle course, always more rational because it looks more moderate? I recall, with something like nostalgia, meetings thirty years ago with the Rt. Hon'ble Srinivasa Sastri, Sir Tej Bahadur Sapru and Mr. M. R. Jayakar in London when the famous Round Table Conferences were on. As an impressionable student I thought how remarkable it was that these eminent people were taking up an unpopular middle course under the circumstances which it looked to me, would inevitably come down in the middle. In the event, however, I discovered that moderation was not a politically good course. None of the three eminent mediators, if I might so describe them, in the Round Table Conferences, left any long impression on the shape of things to come. In the end it was the Congress Party's extreme view — temporarily rebuffed in the Quit India movement — which secured Indian Independence. What in the present case is the moral? That the extremists in Delhi or in Amritsar are to win? I dare not venture beyond this innocent question.

NATIONAL INTEGRATION: HOW?

A momentous conference pursuing national integration with 150 national leaders in session is supposed to forge new instruments of integrating the country politically, economically, socially and, above all, emotionally. With Master Tara Singh in a critical state in Amritsar, I dare to say the conference will not get off to an auspicious start. I dare not express any disrespectful opinion, but I may, under the provisions of the Constitution providing for free speech—triumphantly vindicated by the Supreme Court's decision on the Price Page Schedule this week!—question the national integration conference as a means of securing the ends in view. The conference itself is not a deliberating but a ventilating body. I wonder whether more ventilation is what we require!

ARGUS.

(Continued from page 585)

it has been adjudicated upon. The Government by accepting the Damle Committee's Report has given further proof of its anxiety to cultivate goodwill with the private oil interests. Reciprocation on the part of the latter would help in fostering a rapid development of the oil industry in this country on which depends, to no small extent, the development of other industries. If the resolution of the issue of fixation of prices is followed up by some relaxation of restriction on expansion of the private sector oil refining capacity, the development of the oil industry can be accelerated further.

THE WEEK'S NOTES

Price-Page Regulation

ACT ULTRA-VIRES

THE VEXATIOUS controversy over the newspaper price and page schedule has been set at rest. The Supreme Court, delivering its anxiously awaited judgment in the case involving this issue, has ruled that the Newspaper (Price and Page) Act, 1956, was ultra vires the Constitution and as a consequential decision it has declared the Daily Newspaper (Price and Page) Order, 1960, void. In sum, the effect of the Act was to authorise the regulation of the number of pages in relation to the price charged, to regulate the number of supplements which a daily newspaper could publish in a year barring the two supplements on January 26 and August 15, as well as to regulate the size and space devoted to advertisement matter in relation to other matter. The Act and the Order were challenged on the ground that they abridged the fundamental right of freedom of expression as guaranteed by Article 19(1) (a) of the Constitution, and as such they were ultra vires the Constitution.

On behalf of the respondent, the Union of India, it was contended that the primary objects of the Act and the Order promulgated under it were two—to extend protection to the medium and small newspapers and to prevent the growth of monopolistic combines. Both the contentions were rejected by the Court as unsustainable under Article 19, Clause (1)(a) and Clause (2). Clause (1)(a) guarantees to every citizen the right of freedom of speech and expression. (In parenthesis it may be mentioned that the freedom of expression only was involved in this case). The right of freedom of speech and expression, however, is not absolute. It can be abridged under Clause (2) of the same Article, but on no other grounds. Under Clause (2) The State is empowered to enact a law, in curtailment of this freedom, if it relates to libel, slander, defamation, contempt of court or any matter which offends against decency or morality or which undermines the security of the State or which tends to overthrow the State. The provision of law under the Constitution is thus crystal clear.

Views were expressed before the Press Commission for as well as against the price-page regulation and on each side were ranged big as well as small papers. Eventually, the Press Commission recommended the regulation. It is worth noting that the "Sakal" daily of Poona, which moved the Supreme Court, publishes its edition running into a total of 34 pages in six days of the week (excluding the Sunday edition) and it cannot be classed as a big newspaper by any stretch of reasoning. The mischief wrought by the impugned Order was thus far-reaching. Apart from this fact, the existence of monopolistic combines of newspapers is no more than an assumption and it was unreal to act on the basis of an assumption. The idea that the regulation of price would conserve readership and regulation of advertisement space would conserve advertisement business for newspapers which are not big is inherently fallacious. The reader or the advertiser cannot be compelled to turn to the small newspaper. He may prefer to go without it. As literacy spreads more rapidly and as that distinctive category of the daily Press which serves local or regional requirements of

readership comes into its own in this country, there will be ample scope for the medium and small sized Press to entrench itself in the newspaper world. The most important gain conferred by the Supreme Court's judgment is that it has protected from the Executive's onslaught the right to disseminate news and views—a right which is an essential adjunct to a democracy.

ECAFE

A DECADE OF PLANNING

AT THE first session of the conference of Asian Economic Planners held at New Delhi this week an interesting paper prepared by the ECAFE Secretariat was presented. It related to a decade of development planning and implementation in the ECAFE region and made an objective appraisal of the rates of economic growth, actual as well as planned. It was indicated that the performance of the development plans in most of the countries during the last decade was encouraging because the rates of growth in national income as well as per capita income exceeded the targets though there were cases of shortfall as well. The table on p. 626 compares the planned rate of growth and actual performance in almost all countries in this region.

It will be seen that India acquitted herself quite creditably in the First Plan but she did not do so well in the Second Plan. The rate of growth in national income is shown to be the highest in the case of the mainland China subject to the serious reservation that the estimates are based on highly questionable figures. If mainland China is excluded Japan occupies the foremost place in this list with a rise of 8.5 per cent per annum rise in national income and 7.3 per cent in per capita income. The achievement in Japan was double that of the planned target. Pakistan had a poor showing in her First Plan which ended in 1959-60. The rate of rise in national income was only 1 per cent as compared to the target of 2.8 per cent while the per capita income was 0.6 per cent as compared to the target of 1.4 per cent. Burma, however, recorded remarkable achievement with a growth rate in national income of 5 per cent per annum. Despite the limitations from which these statistics suffer, these broad indications are enough to highlight the uneven character of the growth rates in the various countries in this region.

Nagaland

PROBLEMS OF TRANSITION

THE SECOND SESSION of the Interim Consultative Council of Nagaland which was held last week at Kohima has brought a further measure of reassurance that Dr. Phizo's following is losing ground and the moderate element is gaining greater mass support. Dr. Inkongliba Ao's assassination has had no adverse effect on the morale of the majority which is determined to make a success of the agreement signed at Delhi to elevate Nagaland to statehood and make the Nagas masters of their domestic affairs. Mr. T. N. Anga has been elected chairman of the Interim Consultative Council of Nagaland in succession to Dr. Ao and in his person the Interim Council has acquired considerable accession of strength. This one-time lieutenant of Dr.

Phizo has long since denounced the cult of violence and secession and has ranged himself as a staunch supporter of the moderate section which believes in the real destiny of Nagaland as an integral part of India. At last week's session, the Governor of Assam, Gen. Srinagesh, exhorted the members of the Interim Council to pull their weight with the administration in its function to preserve law and order. It would appear that misgivings about the support to the rebels from villages in certain areas of Nagaland are misplaced and such support as may be visible is more the result of duress than of voluntary action.

The hands of the Interim Consultative Council can be strengthened and firm conviction can be carried to the masses in Nagaland in regard to the final transfer of power if an effective beginning is made now during the period of transition. On this question it would appear that the members of the Interim Consultative Council are not quite so happy as they ought to be and at the last session they expressed themselves rather frankly that the transitional regulations were interpreted by the officials on the spot in too narrow a spirit which hampered the exercise of larger power by them. It was their plea that if there is tangible evidence to the people that the process of transfer has been initiated right now, although on a modest scale, the journey to statehood would be eased with the full and unreserved support from the people. This issue is likely to be taken up in the reported visit of a delegation of the Naga leaders to Delhi next month to meet the Prime Minister. Meantime, the Interim Council is busy making arrangements for drawing up the constitution of the local self-government councils at the tribal, range and village levels.

Ceylon

RESERVATION OF JOBS

RECENT REPORTS indicate that the Government of Ceylon is contemplating fresh legislation for the reservation of jobs in the plantation industry for Ceylon nationals. The reservation is to take the form of prescribed quotas for the nationals who would be entitled to preference in the recruitment of labour force in the plantations. It would appear that already a policy of reservation has been initiated by the Ceylon Government and the limit prescribed for priority for Ceylon nationals is about 50 per cent. If fresh legislative revision of this previous quota is proposed to be made, it would imply that it was not functioning properly or it was found to be inadequate. There is much to be argued in favour of such a kind of reservation where the problem of joblessness is by no means a minor one. But a vital and integral part of this policy is to come to a clear decision as to who are Ceylon nationals.

This problem of the definition of Ceylon nationals has become complicated in our neighbouring island because of the settlement in that country of people of Indian origin, who have now for generations adopted Ceylon as their homeland and have no intention whatsoever of returning to their land of origin. In the normal course, a great majority of them should be entitled to be recognized as Ceylon nationals and possibly a marginal section among them may not be eligible for that status. But out of about 9 lakh Ceylon Indians—persons of Indian origin settled for several decades in Ceylon—as many as 7 lakhs have been declared as stateless. For very understandable reasons, the Government of India is not eager to take greater interest in the determination of this question than it

has done hitherto. It is only right that it should not do anything which even remotely might create any reactions of interference in the domestic affairs of Ceylon. But it would be a great mistake to oversimplify this issue. This is as much a problem of the constitutional status of these "stateless" people as it is a humanitarian problem. In 1954, the agreement signed between the Governments of India and Ceylon stipulated that there would be no discrimination against the Ceylon Indians in the matter of employment, but if their status of statelessness is left pending, apparently they would not be entitled to the benefits of the system of employment priorities which are being offered by the Ceylon Government. It would be a great tragedy if they are uprooted from the homeland of their adoption and left with no choice but to be repatriated to India. Talks were recently started between the officials of the two countries to prepare the preliminaries for higher level talks on this question. It is to be regretted that the proposed revision of job reservations is synchronizing with the official talks.

Hindustan Antibiotics

THE FLY: FUSS OR FURY?

IT IS not in dispute that a dead house-fly was discovered in a vial of streptodocin by a doctor who was about to administer the contents to his patient. A prompt protest was entered with the Hindustan Antibiotics where it was manufactured. With equal promptitude action was taken to freeze the whole batch of 10,000 vials which had been put in the market. A doubt, however, may be raised whether it was by a miraculous chance that the fly was detected in the very first vial to be opened, while the whole batch minus this one remained on the druggists' shelves awaiting custom between delivery from Pimpri and the alarming discovery. But this is a minor point. Apparently the freezing of the 9,999 vials is to be taken in a figurative sense. Since no more complaints have been recorded, it is to be presumed that any other vials used were quite safe. But a point of dispute has been raised gratuitously (some might be tempted to say, foolishly,) by the Hindustan Antibiotics in its Press Note. The Press Note goes on to explain the meticulous procedure of sampling and testing to check up the purity and quality of the products and launches a counter-attack that interested quarters are playing up the incident. Who are these interested quarters and how have they managed to exploit the incident? Is it a case of a fuss over a trifling thing or fury over a grave lapse? The angry authors of the Press Note should find a dispassionate answer for their own benefit as also for the community's benefit.

It is true that a single lapse must not be magnified into a generalisation. It would be malicious and highly dangerous to do so. Nor is there any indication that such an attempt has been made by anybody in this case. But it is equally true that the magnitude of this single lapse is grave enough. Considerable expenditure has been incurred by the Hindustan Antibiotics in the training of a senior officer in Britain and America in the most up-to-date techniques of sampling and testing of antibiotics and much more on the construction of a modern and most well-equipped building to house its quality control department. But a tiny fly has given this public sector enterprise a rude jolt lest it slips into complacency. A thorough probe ought to be carried out into this incident and responsibility located to make quality control as fool-proof as humanly possible.

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The World Abroad

HOW TO SECURE EFFICIENCY IN STATE ENTERPRISES

By ODYSSEUS

BECAUSE the attempt in the UK to keep the nationalised industries "out of politics," by trying to insist that the Minister is responsible for broad policy and the public corporation for day-to-day administration, has broken down, there is a growing feeling that this should be constitutionally recognised and that direct Ministerial administration, on the lines of the post office, should be substituted.

But in his thoughtful and readable study, "Parliament and Public Ownership" (Cassel. London. 1961. Price 30sh.), Mr. A. H. Hanson, of Leeds University, points out that the basic difficulties of nationalised industries, such as coal or transport, arise because they are simultaneously (a) commercial enterprises, which ought to be managed in terms of costs and returns, and (b) public services, to which the community thinks that it is entitled whether they can be made to pay or not. The electors do not argue that if the railways cannot be made to pay they should be closed down, but that the "state" (which they usually fail to recognise is only another description of themselves as taxpayers) should subsidise the losses.

Nobody disputes, however, that state enterprises should be managed so as to pay their way to the greatest extent possible. This means that the business man's attitude of mind should predominate in their actual management. This, in turn, is a strong argument for maintaining their separate corporate existence and not making them an ordinary government department, in which ideas about business efficiency, costs, selling prices, and returns, are inevitably submerged in the ordinary departmental routine of detailed estimating and accounting procedures, Treasury control of establishments, government rules concerning contracts, etc., all of which were devised for the totally different purposes of enforcing uniform control in a purely administrative machine.

AN EFFICIENCY CONTROL CENTRE

Mr. Hanson proposes that the existing corporations should be preserved, that ministerial responsibility for all the corporation's activities should be fully admitted (thus solving the problem of evasion of accountability outlined here last week), but that, in addition, a new government agency should be created which would act as an efficiency control centre, to collect and sift information, to compare statistically achievements with foreign state, or other, enterprises, and to act generally as business consultants to the corporations.

This agency should be independent of the Ministry, public corporation, Parliament, the Select Committee of the House, and the Consumers Councils, but would be at the disposal of all these bodies to investigate definite problems referred to it. It should not undertake a continuous and complete investigation of all nationalised industries throughout the year, for this would mean that it would tend to usurp the functions of management of the corporations and would undermine their self-confidence and sense of responsibility by peering over their shoulders all the time. It would only examine problems, either specific to one industry, or

common to all, referred to it, or which it had decided to take up on its own initiative. This would, of course, involve some looking over of shoulders, but not everyone's all the time. Moreover, the agency's object would not be that of the Parliamentary Opposition, i.e. to catch people out, but that of the management consultant, i.e. to help them to improve. Plenty of looking over shoulders goes on already in the UK today, especially in controversial state enterprises, like the railways, so that it would be better not to try to stop it but to make it objective in intention and more informed.

Mr. Hanson suggests instances in which it would be desirable to insist that a problem be referred to the agency, and its advice received, before action is taken. Most UK public corporations have a Consumers' Council attached to them, which is supposed to be consulted on any proposal affecting consumers' interests. In fact, these councils have been wholly ineffective because they have been restricted to questions of hardships, are in no position to challenge the figures presented by a corporation, and because, in general, the Minister always supports the "commercial judgment" of the Corporation.

This procedure leaves everyone dissatisfied (except the Minister and the Corporation!). It would be more sensible if a specialised agency were to conduct an impartial expert investigation of the facts, the costs and the basis on which they were calculated, to ascertain what action would be in the best interests not merely of the corporation concerned, but of the locality and the nation. The principle might be adopted that no facility should be withdrawn until evidence was available that the cost of producing it outweighed the benefits conferred. Information and advice on this would be the responsibility of agency experts, skilled in "costs-and-benefits" calculations. Other functions that the agency could undertake would be to examine unremunerative public services demanded by consumers, and, above all, price policies. Although it has long been agreed in the UK that an industry providing a basic service cannot be left entirely free to decide its prices, especially if it is a monopoly, this was forgotten when coal, electricity, and gas were nationalised. How far the Minister has intervened to influence gas and electricity prices is not known. Mr. Hanson urges that what the Minister needs is the advice of an agency which has the facilities and the time to engage in continuous study of pricing policies, and which could therefore present the facts without delay and indicate the probable results of alternative decisions.

HOPES FOR THE FUTURE

Mr. Hanson is not optimistic about the chances of adoption of his proposal for an independent fact-finding and management consultancy government agency. He foresees strong opposition from the nationalised industries, which would fear and resent it, and from civil servants who would regard it as implying criticism of their own abilities. He thinks that the most likely hope for the emergence of such an agency would be to develop the information and advice functions within existing corporations to the point at which it would be reasonable or necessary to hive them off into a special institution. He thinks that the best hope lies in the

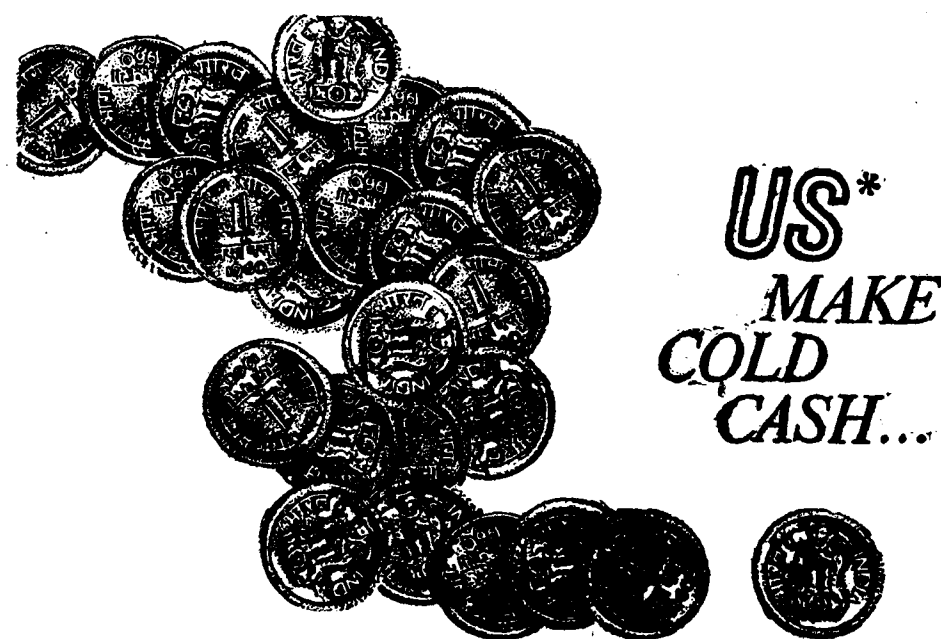
development of the activities of (1) the House of Commons Select Committee on Nationalised Industries and (2) the acknowledgment of responsibilities in the Ministries concerned with state enterprises. The "silent persuasiveness of ascertained fact" should remove from the sphere of partisan debate many subjects which are only controversial because they are not properly understood.

The House of Commons is seen at its best in (a) the broad discussion of important issues of public policy and (b) in ventilation of individual grievances. The best results are obtained when the debate or the question has been preceded by some kind of preparatory process, like that of a Select Committee, so that attention can be focussed on outstanding points. At present, the House's broad discussions of the nationalised industries take place mainly on the annual Reports and Accounts, periodically supplemented by a Report from the Select Committee. If these debates are unsatisfactory it is because (except when from time to time a Select Committee Report has been made) no point of concentration has been provided, partly because information is deficient, partly because many M.P.'s seize the occasion to expatiate on constituency grievances which they find difficulty in raising at Question time. M.P.'s cannot, of course, be prevented from using such occasions as grievance sessions, but if, either by means of the Select Committee, or of Mr. Hanson's suggested investigating agency, it could be ensured that documents summarising relevant information should be previously supplied

to M.P.'s, the more productive of parliamentary and public enlightenment will the debate be, and the better will genuine requirements of supervision of state enterprises be satisfied.

The ideas outlined here today, and in the previous two articles, for the more rational control of state enterprises may, I hope, provide food for reflection in India, since according to Mr. Paul Appleby (in his "Re-examination of India's Administrative System with Special Reference to Government's Industrial and Commercial Enterprises", published by the New Delhi Cabinet Secretariat), India's Parliament "is the chief citadel of opposition to delegation of powers, the need for which is the worst short-coming in Indian administration". It is Mr. Hanson's contention that the more you attempt to suppress Parliamentary interference the more are you likely to stimulate it. His support for a Select Committee on Nationalised Industries, and his suggestion for an investigatory agency, is not intended to perpetuate a regime in which Ministers and M.P.'s are constantly interfering. The value of Select Committee reports, and of an agency, is not that they would enable Ministers to do more, and M.P.'s to talk more, but that they would direct action and talk to points on which they were really needed.

[This is the final article in a set of three on the problems of parliamentary control over state owned enterprises.—Ed.]



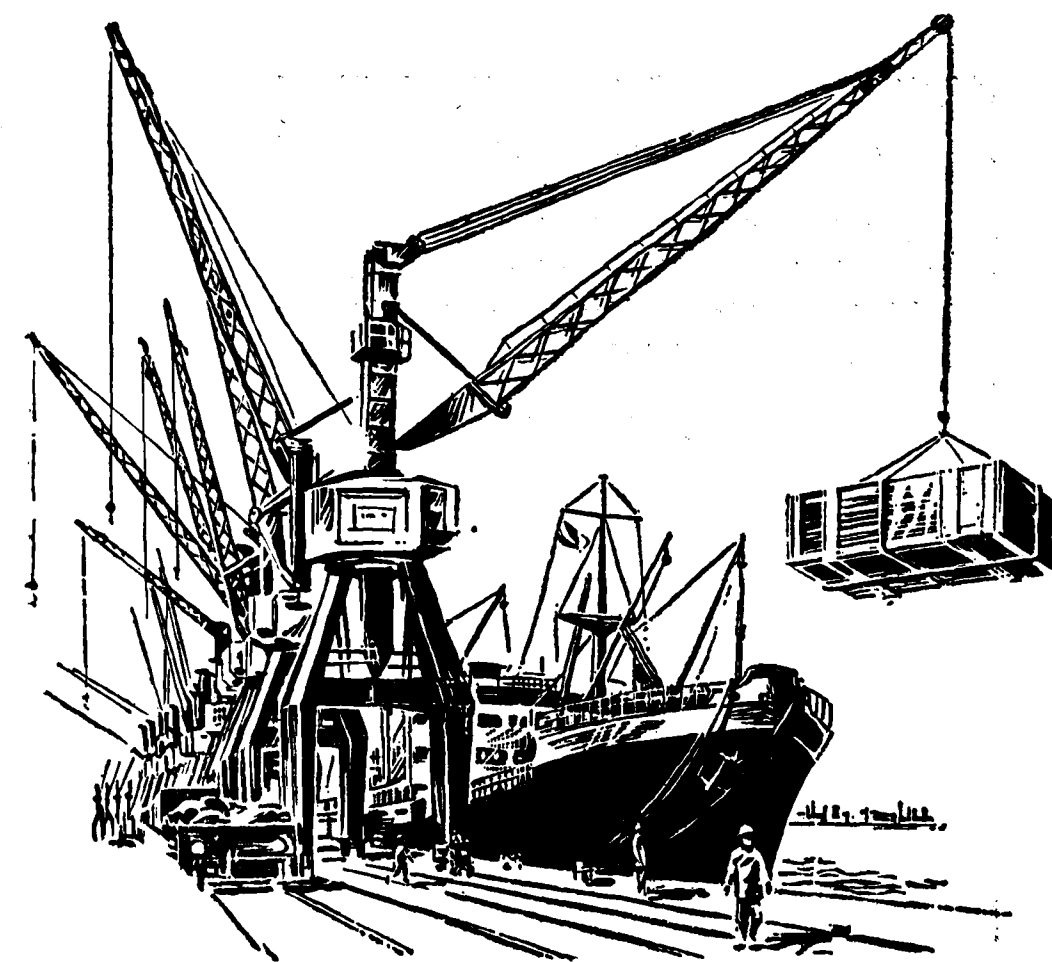
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The European Scene

THE DECLINE OF IMPERIAL TRADE—II

From Our Special West European Correspondent

PARIS, September 25.

FIGURES were given here last week to illustrate the erosion of British commercial positions in the countries of the Commonwealth. This decline of imperial trade is due: to the reduction of imperial preferences and the granting of quotas valid for more sources of supply; to the fact which both these changes express, namely the loosening of political ties between Britain and the independent nations of her former empire; to intensified competition from the USA, the Soviet bloc and above all from the rehabilitated Continental countries; and finally to the diversification and multiplication of import requirements in the Commonwealth countries, notably those that undertook planned development. In these circumstances, the decline of British trade is not surprising and some British observers express surprise that it has not gone further. But then, it is going further; long before any question of Britain joining the Common Market was raised, it was clear that the decline that has been going on since 1937, and with special rapidity since 1954, would continue as far ahead as one can see, though maybe at a slower rate. After all, for all the losses of recent years Britain still holds a dominating situation in several sterling area markets, and her position in all of them is stronger than in markets outside the sterling area. As the bonds of empire weaken, these vestiges of imperial advantage will be diminished further, especially now that we know that any viable arrangement Britain makes with the Common Market must entail a sharp reduction of imperial preference, if not its abolition. It is too early to speculate on the consequences of any reform of the international payments system (e.g. the Triffin plan) that would lead to Britain's abdication from the role of the sterling area's banker.

This decay of imperial trade is not, by itself, disastrous for Britain—provided she draws the appropriate conclusions, by ensuring that she is not shut out of a united Europe just when she is losing trade in the Commonwealth markets. While her share of Commonwealth markets has been declining, her share in non-sterling markets has been maintained, and it happens that the rate of growth in these latter is often higher than in the Commonwealth. If, with the aid of what remains of imperial preference, Britain cannot even manage to hold her own in Commonwealth markets which are expanding slowly; and if, even in spite of the beginnings of discrimination, she can hold her own or better in Continental markets which are growing rapidly, then obviously it is wisdom to reconcile oneself to the decline of imperial trade and to seek compensation elsewhere.

Having briefly surveyed the decay of imperial commerce in Britain's case, turn to the same process that is going on in French overseas trade. In July of this year, for the first time in her history, France's principal client was not Algeria but West Germany. Over the previous twelve months the Germans had increased their purchases of French goods by 30 per cent while Algeria reduced hers by 20 per cent. The former increase was due to the new competitiveness of French industry, notably in machinery, and (to a much smaller extent than is thought) to the mutual preferences of the Common Market. The latter decrease was due (not by any means to the Algerian war, which in the past six years has been consistent with considerable prosper-

ity in North Africa) to the prospect of a final break between France and her last colony. The extent of the decrease is no doubt to be ascribed to the sudden stagnation that has overtaken Algeria as the Europeans begin to consider quitting; only those sanguine enough to think that France can recover her positions in North Africa will regard this as an exceptional or temporary development. The contrast between the 30 per cent increase and the 20 per cent decrease illustrates, while perhaps exaggerating, the long-term trend: the decline of imperial trade and the intensification of European economic unity.

The same trend may be seen in France's trade with all the 33 countries or territories of the franc zone. This has been declining irregularly, for several years; it fell by 6 per cent in 1956 and it has fallen by 7 per cent again in the first seven months of this year. French exports to the franc zone were running at about 950 million New Francs a month at the end of 1959; they had fallen to under 900 million NF a year later; they were just over 800 million NF this spring and are under that figure for the average of seven months so far this year. Sharp declines have occurred not only in exports to Algeria, but to Guinea, Cambodia, South Viet Nam, Laos, Madagascar, Senegal and Togoland. The rate of fall in recent months might be exceptional, having to do with the American recession and a weakening of raw material prices, but there is no doubt about the long-term downward trend.

Were it not for the persistence of commercial preferences inherited from the colonial system, the decline of French imperial trade would have begun before this. French decolonisation began later than British, but its effects on trade have been felt more quickly because, by making her ex-colonies "associates" of the Common Market, France surrendered her commercial privileges even before the colonies were liberated. That is to say, she surrendered them to the extent of sharing them with her Common Market partners, whereas Britain alone continued to benefit from Commonwealth preference, even though its value shrank, when her colonies were freed. Since this sharing involves opening up the franc zone to the aggressive exporters of West Germany and Italy, the impact on French imperial trade was considerable, it will be even more marked if Britain, by joining the Common Market, gains similar access to French-speaking Africa.

As could have been pointed out in the British case, the effect on individual French industries varies widely. It is the manufacturers and exporters of finished consumer goods who are most affected; they have lost 12 per cent of their colonial trade so far this year. For the manufacturers of capital equipment there is the prospect of longer-term gain when the independent ex-colonies begin to industrialise, whereupon community of language and technical training will tend to favour purchases of producer-material in France. The British case, however, seems to show that this only serves to maintain the absolute value of trade, without preventing the relative decline of imports from the former mother-country, as foreign techniques are increasingly appealed to.

So far we have looked at the decline of imperial trade from the point of view of the European powers. How does it look from the other side, from the ex-colonies? Of course, it constitutes the substance of the

economic independence they agitated for when they were being governed from Europe. The steady fall in their purchases from the mother-country, at least relative to their total trade with the rest of the West, with Russia and Japan, expresses the freedom they now have to buy where they will. (Years ago they used to imagine that this would mean buying in the cheapest market, but in reality they find their purchases being directed by considerations of currency shortages, credit terms, tied loans, the requirements of political neutrality and other factors as remote from mere cheapness as were the obligations of colonial subservience.) This assertion of independence does not imply that, after a more or less long period of declining imperial trade, the former imperialist power is quite evinced from the ex-colonial market, or even that after surrendering traditional commercial domination it loses its position as the biggest single trading partner. It implies only that, after the disappearance of preferences that no longer have a political justification and after a weakening of traditional bonds, the ex-imperialist should be offering its exports on strictly competitive terms. Yet the only guarantee that the European power can do that is that it should be competing freely with other European economies in Europe itself, and with the Americans in a Western trading world from which dollar-import restrictions have abolished. We have seen that this has already happened to a large extent with French industry in its relations with Africa: it is because French industry has to meet German and Italian industry on an equal footing inside the Common Market that it can contemplate trading with Africa without any benefit from the remains of imperial advantage. British industry will have to face the same test if it enters the Common Market.

It is curious in these circumstances to see the reluctance with which certain interests in former colonies accept the other side of the medal: the loss of preferential access to one European country. This is re-

quired by that decline of imperial trade that constitutes, as we have said, their economic independence. There are African leaders who want to continue selling their coffee and fibres in France at special prices (i.e. to retain the benefits of economic subjugation) while they trade more freely with other European countries. Some of the alarm expressed in India in private quarters, but not in Mr. Morarji Desai's statesmanlike utterances on the subject, about possible loss of sheltered British custom belongs in the same class: a refusal to see the implications of India's right to buy more from Russia, the USA and West Germany. There is even something of this in the Australian attitude to Britain's entry into the Common Market; the drift of Australian taste to American goods is well known, but Canberra wants to combine this with integral preservation of her preferential access to the British market.

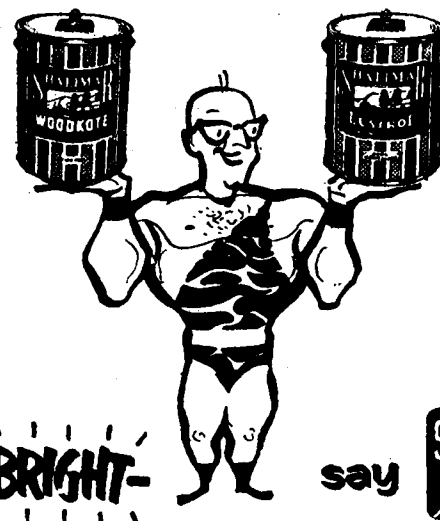
However, when developing countries who welcome the liberating aspect of the decline of imperial trade complain of the loss they suffer by being deprived of privileged access to one European market, they cannot simply be told that they are refusing to pay the price for what they want. It is rather that, faced with the immensity of their development tasks, they realise that economic independence is not enough, as they fondly thought, before attaining independence, it would be. The right to sell preferentially in Britain or France was matched by the obligation to buy preferentially from Britain or France. Now that they have the right to buy anywhere in the industrial world, their development needs impel them to assert the obligation on all the industrial world to provide them with favourable conditions for their exports. Obviously, this general obligation cannot be deduced from the corresponding right as clearly as the obligations of imperialism could be deduced from its rights. Fortunately, the Western community that is emerging around the node of the Common Market is capable of other deductions besides those of commercial logic.

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Economic Report from the U.S.

I.B.R.D. AND I.M.F. MEET

By GUY SIMS FITCH

WASHINGTON, Sept. 20.

THOSE twin United Nations instruments of international economic growth and financial stability — the International Bank for Reconstruction and Development (IBRD) and the International Monetary Fund (IMF) — have now chalked up some 15 years of successful operation. This is a milestone not lightly to be dismissed, as the governors of the two organizations meet this week for their annual meeting, being held this year in Vienna. This milestone takes on added significance when one recalls some of the scepticism which greeted the two institutions. Yet time seems to have vindicated the judgment of those who saw in them new opportunities to achieve the kind of economic and financial co-operation from which all nations could benefit. As a matter of fact, the passing years have seen the continued growth of the two bodies, not merely in membership but also in structure and function.

To the IBRD, which has become known familiarly as the World Bank, have been added two new affiliates. These are the International Finance Corporation (IFC), with the function of spurring economic development around the world through the constructive use of private funds and investment, and the International Development Association (IDA), which has added to the normal World Bank operations the concept of long-term development loans on easier terms than might otherwise be available. Since it began its operation 15 years ago, the Bank has made available some \$5,700 million in loans to countries throughout the world — a notable sum, indeed, when one considers the broad need for development capital. Much of its lending in the beginning went for the rehabilitation of war-shattered economies, particularly in Europe. But for more than a decade now, with that initial task fulfilled, development has taken precedence over reconstruction. The bulk of its loans has been going to aid in the economic advancement of what have been called the developing nations, with such basic needs as electric power and transportation accounting for the major shares.

During the year ended this past June 30, Bank loans or credits came to \$711 million for development projects in 21 countries. Of this sum, IDA was responsible for \$101 million in the form of 50-year interest-free credits to four countries. This represents more than a little progress for IDA, which did not come into existence until September 1960, and by the end of June 1961 had 51 member governments with subscriptions totalling almost \$906 million. IDA now has a lengthening list of development proposals under investigation all over the world. Yet it is not the World Bank, which has expanded and liberalized its lending powers in response to new and growing needs, but the Monetary Fund that occupies the centre of the stage this year at Vienna. Actually, the focus at the annual meetings has been shifting toward the IMF for the past several years, ever since the nations of Western Europe moved to make their currencies convertible. This shift has been underscored by the increased use of the resources of the IMF, which makes funds available to ease balance of payments difficulties and currency strains. Drawings by member-nations have been running at a record rate this year, reaching \$2,300 million by the end of August. This compares with \$977 million for all of 1957, the previous peak year of IMF operations.

It comes as no surprise, then, to find the Fund, with the support of many of its members, proposing an enlargement of its lending powers. It should be emphasized that the advantages accruing from this added guarantee of financial stability would not be confined to just one or two nations. The additional resources would be available on a stand-by basis to help any major nation out of a temporary difficulty, with benefits to the entire world economy. While there may be a temptation to view the proposed IMF expansion as a sign of international financial weakness, in reality the reverse seems to be the case. As IMF Director Per Jacobsson has pointed out, the economies of the free nations have been expanding, world trade has been growing, and there is general confidence in the U.S. dollar and other leading currencies. The IMF, with its support of international financial stability, has made a significant contribution to these developments. Thus, there appears to be a growing realization that further strengthening of the Fund's resources may well be advisable, to enable this international organization of free nations to carry on with even greater assurance of success, the work in which it has been so notably engaged.



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Special Article

REGULATING STOCK EXCHANGES

By J. HAROLD TARBELL, Ph.D.

J. Harold Tarbell is Professor of Finance in the Department of Economics and Business Administration, Lafayette College, Easton, Pennsylvania. During the period of the Congressional Investigation and Hearings relative to the regulation of the stock exchanges he served as personal adviser to Ferdinand Pecora who directed the investigation committee. The specific task of Professor Tarbell was to analyse the evidence and suggest legislation for regulation to prevent abuses and malpractices in the orderly operation of the security markets. With one minor exception the recommendations were incorporated in the Securities Exchange Act of 1934.

ARE there evils and/or undesirable practices involved in the operation of the stock exchanges of India? Apparently there are men in high places feeling that this might be the case as evidenced by a discussion on this matter between the Minister of Finance and the Presidents of the Stock Exchanges.

Stock exchanges are useful for they provide a market place for securities, and give liquidity to shares and bonds at fair and reasonable prices. Without this liquidity corporations would have a much more difficult time in floating original issues to enable them to raise vast amounts of capital for large-scale operations. While stock exchanges attract persons who wish to speculate as well as invest, speculation in itself is not bad. In fact intelligent speculation is good for it tends to stabilize prices. The word "speculate" is derived from the Latin "speculari" which means "to see ahead". We need persons of vision, foresight, and wisdom who will support those enterprises which are capably managed and serve an economic need and withdraw their support from those firms which are not qualified.

Unfortunately the stock markets attract persons who are not qualified to speculate in that they are not equipped with adequate economic intelligence or with the financial strength to accept the risks involved. They feel that the stock market is a place to make money quickly and buy on tips, rumours, and without adequate information. Larger and more sophisticated operators have been known to use shady and unfair practices to the detriment of society in general and to the uninitiated investor in particular.

The purpose of this article is to point out some of the problems of stock exchanges in the U.S.A. and state what was done to overcome them with the hope that some food for thought, at least, might be provided here.

In the earlier days the buying and selling of shares on the stock exchanges in America was dominated by wealthy individuals or families that held substantial interests in corporations, the professional speculator or trader, and to a minor extent the "little fellow" who somehow thought that the stock market might be an easy path to riches. It was not until after World War I that public participation of persons in the middle class became extensive. By the middle and towards the end of the 1920's this participation reached a fantastic degree with persons buying shares merely because they were increasing in price and without regard for sound value. Finally, towards the end of 1929 the bubble broke in a mighty crash leaving financial ruin in its wake. In the purchase of equities, particularly on credit, persons threw all caution to the wind and few were willing to admit that they had engaged in a dangerous game excessively and with folly and stupidity. They screamed to the high heavens and demanded that that "Evil Den of Iniquity—Wall Street" should be cleansed. A Congressional Committee was appointed and after extensive hearings the Securities and Exchange Act was passed by 1934, with the Securities and Exchange Commission

as the administrative agency. The question involved was: what were the evils and unfair practices that should be outlawed or regulated? For purposes of convenience it can be said that the committee concentrated on three major items. First, the need for adequate information concerning the corporations and the securities issued, second, the regulation of credit used in the security markets, and third, manipulation of price restrictions.

No corporation (with minor exceptions) was permitted to issue and sell to the public any securities unless a detailed prospectus giving complete information was filed with the S.E.C. Heavy penalties are levied if a prospectus is found to be inaccurate or omits material facts. Even before this provision in the S.E.C. Act, the stock exchanges themselves had crusaded for full reporting of earnings and outlooks of the firms whose securities were listed thereon. Their attitude was that they did not want people buying and selling on the floor of the exchanges "pigs in a bag" and adopted the attitude of wanting to know every detail concerning the pig. For many years the New York Stock Exchange had insisted that its listed corporations should provide detailed annual reports as well as less exhaustive details every quarter. No uniform accounting practices are prescribed. A corporation is free to select any accounting methods which it might wish. However, once selected the same system must be followed unless one gets the approval of tax officials who are inclined to be suspicious that such a change is being made in order to show less taxable income. Therefore, this consistency in accounting methods and practices makes it the easier to interpret financial reports.

As for the second point, credit, let it be said that it has played an important role in connection with security speculation. One could purchase shares on 10 per cent margin. This involved a down payment of merely the 10 per cent. The seller of the shares would be paid in full with the additional 90 per cent being provided by the broker who would hold the shares until his customer had paid for them in full. The broker would use the shares, however, as collateral in borrowing money for he never had adequate funds of his own. These "brokers' loans" would be obtained from banks and large corporations which had idle funds. While the rate of interest paid for the use of money was generally low, the lender was in a safe position for the collateral was of known value and of high liquidity. Furthermore these loans were payable on demand. Thus if the value of the collateral fell in value, the lender could and did demand repayment in full or in part. In order to repay the loan the broker would demand that his customer retire the loan. If he was not in a position to reduce his loan with the broker then the stock would be sold to acquire funds to enable the broker to settle with the lender. With a sag in market prices of any extent those trading on margin would have to sell (therefore the term "forced liquidation") and this dumping of securities on a falling market obviously pushed prices even lower.

While the officials of the various stock exchanges realized that this distress selling could and did occur their attitude was to make the margin requirements merely large enough to protect themselves and their members. In order to control margin trading to avoid distress selling the SEC Act stated that brokers may now borrow only from a bank which is a member of the Federal Reserve System. Under this regulation the amount that a buyer must put up has ranged between 40 and 100 per cent. For example, during world War II, a time when it was felt unwise to permit credit to be used for speculative purposes, the margin requirement was 100 per cent. In general it can be said that the policy followed is to raise the margin requirements in periods of prosperity when over-optimism and speculative fever is high, and to lower the margin requirements in periods of recession and depression. Under this type of regulation there has been very little or no distress selling. It might be added here that at the moment the margin requirement is 70 per cent.

Our third point—eliminating manipulation. Several remedial steps were taken to this end.

One practice used by corporate officials was painting a rosy picture at a time when they were selling shares, then later give announcements of doom to depress prices so that they could acquire shares at the lower levels. To remedy this situation the law provides that all corporate officials must file, monthly, any changes of ownership directly or indirectly, i.e. shares in which they might have an interest even though the shares are registered in the names of friends or relatives. Furthermore, if they speculate in the shares of their firm any profit made must be turned over to the corporation, while any losses sustained must be borne by them personally. If shares are held over six months, then this holding is regarded as a permanent investment and dividends and profits may be retained by the corporate officials. Pools have also been outlawed. Under this manipulative device an individual would acquire vast sums from friends with the hope that the funds would be large enough to influence prices. Frequently the pool manager would hire well-known financial writers to tout the stock.

Short selling if carried on in excessive volume can be vicious. In fact some felt that had there been no short selling during the crash of '29 the market would not have sunk to the depth that it did. It has been argued further that as a result of the crash with thousands losing their fortunes in full or in part purchasing power was lost to such a degree that sales (particularly in the field of the durable goods industries) fell off and started the downward spiral that resulted in the Great Depression. In other words some felt that excesses in short selling was the cause of it all. This was obviously not entirely correct. There had been excessive speculation, particularly on margin, with the result that prices were not in keeping with value. Excesses in either direction—up or down, are not good for a stable economy. However, many do not understand the economic usefulness of short selling as a stabilising influence. The short seller sells when he feels that the market is too high and, while it is true that he is a potential buyer when prices sag, some have argued that this buying merely partially corrects the damage that he has done. The Act does not prohibit short selling, but it does limit the practice. Short selling is permissive when the market price of a particular stock increases, however, one may not sell short when prices are falling. Thus it is no longer possible to continuously hammer down prices in a falling market. However, when prices are falling, should there be an increase in price of only the smallest fraction, one may again sell short at that increased price. On this basis bear raiding is curbed.

Without question short selling during the crash did push prices down. Some of the larger short sellers were known (such as Joseph P. Kennedy, the father of the present President and who served as the first chairman of the Securities and Exchange Commission) and, while the matter of forbidding short selling on the part of individuals was discussed at the hearings, no regulation against them was made. However, investment companies may not sell short. These companies now hold, in their portfolios, securities with a market value of approximately eighteen billions of dollars so it is clear that should some of these larger companies sell short, prices might be depressed too much and too rapidly.

Initially a majority of the investment fraternity felt the Act too severe and that it would result in a lack in the flow of funds to finance industry and commerce. There is some evidence that this was true and minor amendments have been made. With the passage of time even the severest critics admit the advantages of regulation. Major abusive practices involved in the issuance and continuing sales of securities have been eliminated or curbed with the result that the investing public has the confidence that his interest is protected. Even though there is additional red-tape and record keeping those in the field of investment conclude that, while regulation may have been a nuisance in the short run, it has given all a greater measure of confidence, that all is well, thus the business of the stock exchanges has been booming with increased commissions and profits to the brokerage fraternity.

These remarks are not intended to imply that the usages and practices of trading on the stock exchanges of India do not properly and adequately serve the existing needs of its economy. It does no harm to take stock and to make inquiries from time to time as well as to study the pattern of experiences of other countries, which pattern and experience may or may not be applicable.

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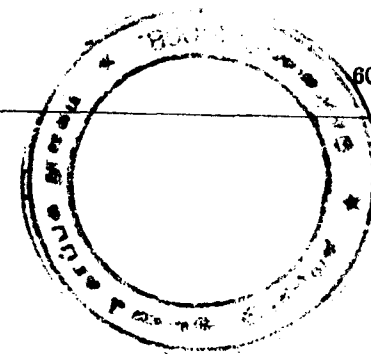
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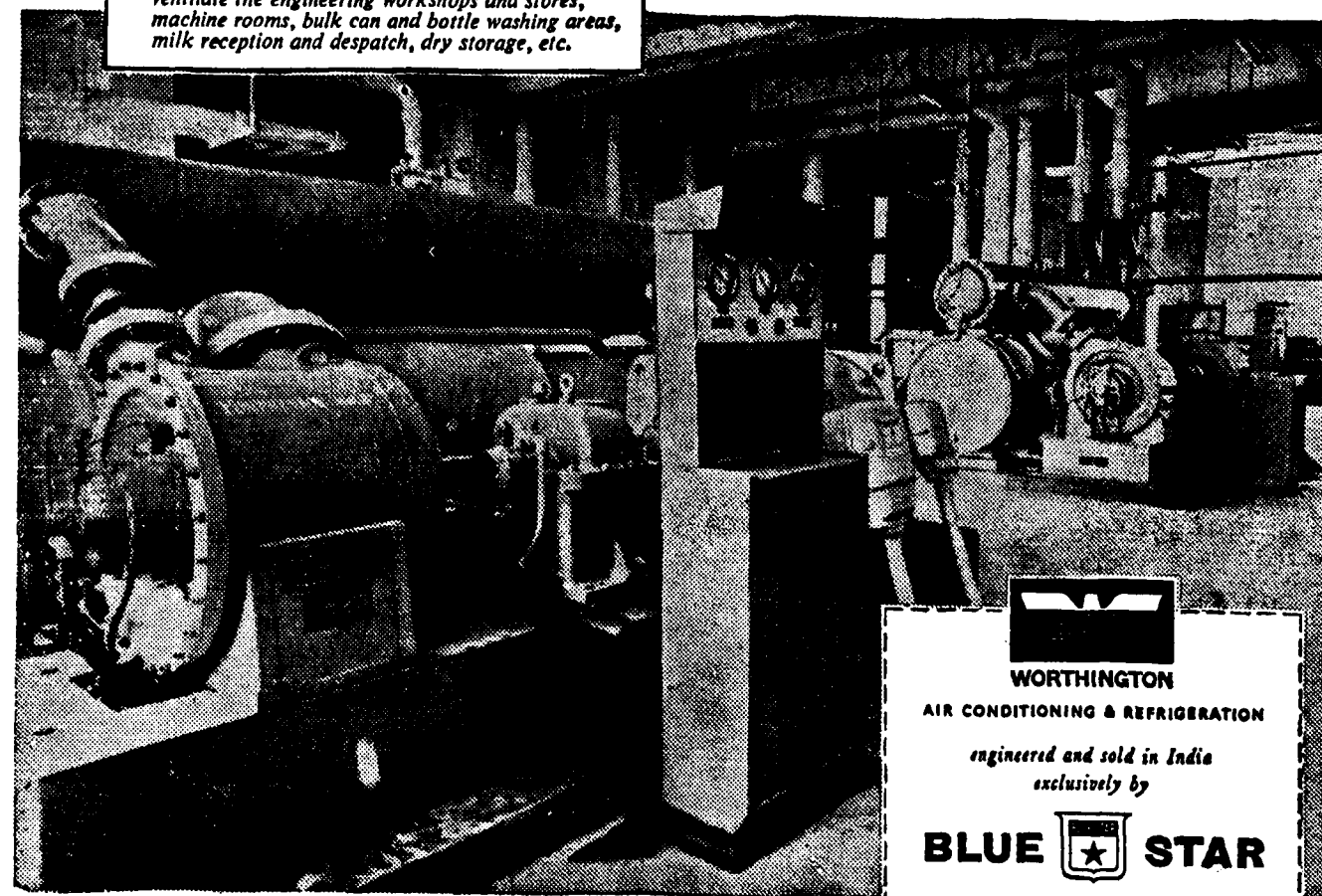
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TTP 8

THE BUSINESS WORLD

The Stand of the Seven Sages

By CROESUS

THE FIRST MEETING of the Presidents of the seven stock exchanges in India who have formed themselves into a committee, as suggested by the Union Finance Minister when he met them during mid-September, may be expected to provide an indication of the steps they are likely to take in order to ensure a healthy functioning of the stock markets in this country. As a contemporary observed recently, this is one more chance for the stock exchange authorities to set their house in order on their own. How they should go about it is entirely their business as they are expected to know how best to achieve it, and it is just as well that the Government of India has assured them that it would not interfere with the day-to-day working of stock exchanges. This is a great gain to the stock exchanges, in that it means that the Government has accepted the position that they (the stock exchanges) are autonomous bodies. This is what Mr. Morarji Desai, the Union Finance Minister, stated categorically in the course of his address to the meeting of the Presidents of the stock exchanges in the middle of this month. What Mr. Desai said at this meeting is well worth recalling, if only because it is indicative of how and what the Government has been thinking on this important subject.

Among other points that the Union Finance Minister made on the above occasion, the following are significant:

- (1) The share markets in India are an important link in the economic structure of the country and have a useful role to play.
- (2) The Government wants more and more people to invest in old as well as new shares, and this is possible only in a healthy climate.
- (3) This [that is (2) as above] demands that there should be no unhealthy speculation in the market leading to wide fluctuations in share prices, brought about by certain forces.
- (4) There are difficulties caused by kerb trading which is illegal.
- (5) The Government will advise the stock exchanges whenever its help is necessary and is sought.
- (6) The Government will not interfere with the day-to-day working of stock exchanges.
- (7) There will be no regulation, unless it becomes necessary.
- (8) If any Government action becomes necessary, the Government would like to have prior consultations with the stock exchange authorities.

(9) The stock exchange authorities should meet periodically to consider problems relating to unhealthy speculation in share markets and evolve suitable solutions for the development of sound share market operations (an idea of what these "sound practices" mean was indicated such as the need to go into the problems of Kerb trading, adequate margins and greater co-ordination among different stock exchanges).

Although several suggestions have ere now been made for the reform of stock exchanges in this country, two of them stand out prominently, namely a workable system of margins and the enforcement of a minimum brokerage. A third suggestion which has also been insistently made relates to deposits by brokers. The other suggestions include, 'inte alia', the establishment of a permanent Stock Exchange Security Commission on the U.S. model, surprise inspection of brokers' books periodically, and a careful watch on abnormal dealings in cash counters.

Any one who has carefully gone through all that has been written on this subject in the past few months, if not years, will not find it difficult to agree with those who insist that the minimum reforms which the Stock Exchange Division of the Union Ministry of Finance has been pressing for are in the best interests of everybody concerned, including the stock markets. Many in the stock markets too would welcome these minimum reforms. How then is one to explain why there has been such seemingly persistent unwillingness on the part of the stock exchange authorities to implement these reforms? Perhaps they apprehend that, if they were to do this, they would be accepting 'ipso facto' the allegations against them of unhealthy speculation. This presumption is permissible especially in the context of the several attempts on the part of market authorities to maintain that the market has been quite normal and well under control by reason of the several regulatory measures they have already taken on their own. Whether this is justified or not is beside the point if the desideratum of a healthy stock market is to be ensured. That can only be done, without, at the same time, any loss of face for the stock market authorities, by the Committee of the Presidents of the stock exchanges resolving at their forthcoming meeting to introduce margins and enforce minimum brokerages on all the stock exchanges. This meeting may also be availed of by the presidents of the stock exchanges to express an unequivocal appreciation of the Government's stand as adumbrated by the Union Finance Minister. It is hoped that this would be the stand of the seven sages.

Fund-Bank Meeting

AT the annual joint meeting at Vienna recently of the four international financial institutions—International Monetary Fund, International Bank for Reconstruction and Development, International Development Association and International Finance Corpora-

tion—it was an obvious realisation that the financial resources at the disposal of these institutions were quite inadequate as compared to their increasing commitments in various different ways. If the International Monetary Fund required more money to

attempt a control over international monetary stability, the International Development Association needed more funds to assist effectively the underdeveloped countries in their development efforts. The inadequacy of funds at the disposal of International Monetary Fund was stressed in the opening session by Mr. Per Jacobsson, the Managing Director, who warned that the Fund might not be able to adequately support a healthy world financial structure. He went to the extent of suggesting that the Fund should seek credits; something the Fund has never done during the last sixteen years of its existence.

Mr. Eugene Black went a step further and pointed out that the increasing requirements of funds at the present critical moment should be met by the industrialized nations. They should offer, he added, larger proportions of development finance for the lending institutions at minimum rates of interest. While his point was supported by the representatives of the underdeveloped nations, it was Mr. George W. Ball, the United States representative, who strongly pleaded for a liberal release of development funds by the industrially advanced nations. Thus at Vienna an atmosphere was created where the advanced nations were made to realize the urgency of financial assistance to developing economies.

There were indications that the World Bank, through larger borrowings from European markets, would siphon off investment funds for use in developing countries. This is significant because many developing nations would otherwise be unable to have direct access to tap the European prosperity.

Perhaps the most significant point made by Mr. Black at the meeting was in respect of the changing debt structure of underdeveloped countries where a persistent tendency had developed in too many cases for debt repayments to pile up. There were signs since 1959 that the ratio between conventional credits and what might be termed as unconventional credits was changing and as Mr. Black added, "changing for the worse." It was quite logical that for the assistance to be effective it had to be at terms that created a minimum burden for the borrowing country. The safest way of minimizing this unhealthy trend in the rising debt structure was to maximize the amount of official capital which was supplied on a long-term basis with

a token interest burden. Mr. Black added that it was going to be "harder and harder to keep development projects and programmes moving ahead in any orderly fashion and orderly pace unless the aid mixture had a larger component of funds on a grant basis." There was, however, an overwhelmingly strong view among the delegates of developing countries that unless the funds made available were in sufficiently large quantities they could not be really effective in raising their economies.

Mr. Black was critical of the recent Aid-India Club meetings on the grounds that too much capital subscribed would be provided on terms which bore too heavily on India's balance of payments. He emphasized that unless the aid was given on easy terms comparable with the IDA, economic development activity would be overloaded with foreign debt. While it was true that India would have liked to receive assistance on the terms of the credits given by IDA, which matured in 50 years and carried no interest rate or commitment charges and amortization began after a ten-year period of grace, it has to be kept in mind that such assistance would not be available in magnitudes necessary for Indian requirements. Financial assistance received from various sources on various terms has been effective in raising the tempo of India's economic development. As was pointed out by Mr. Morarji Desai at Vienna, India has made the development of its economy the central piece of all its policy. "The access to the funds and resources so readily obtained last July is of great and timely help to us." He added, though, that we have been operating on a very slender margin as far as our foreign exchange resources are concerned.

A well-conceived development programme is as necessary as the financial resources to accomplish it. This fact was highlighted by Mr. Black, who pointed out that it was not possible for any lending agency to realistically determine the quantity of aid required for any country. Against this background, the World Bank has recently decided to set aside a group of highly qualified development advisers who will be available to member countries on request for extended periods of time. In this respect, it may be added, India had been rather fortunate; her projects have been, by and large, considered financially and economically sound.

formed the main theme of the address of Mr. Vallabh-dass V. Mariwala, the President of the Indian Merchants' Chamber, to the second quarterly meeting of the Indian Merchants' Chamber a few days ago.

According to Mr. Mariwala, this rate of investment "contains an element of considerable sacrifice on the part of the community, being subject to a high and persisting inflationary rise in prices, cost of living and a level of taxation which has exceeded the capacity of the savings sector to bear." And so, he submitted, the Plan should be so tailored as to fit in with the resources that India could mobilise.

Referring to the problem of taxation, the IMC Chief pointed out that, compared to the actual realisation of Rs. 1,052 crores through additional taxation in the Second Plan, the expected amount of Rs. 1,710 crores of additional taxation in the Third Plan indicated the enormous extent of reliance the planners have placed on this front—and this at a time when it is recognised that, with the levels of taxation on persons and companies being what they are, there is hardly any scope left for further taxation. Even the present level of taxation, according to Mr. Mariwala

has adversely affected prospects for personal and corporate savings. As regards indirect taxes also, it was pointed out that any increase in the present levels would only serve to curb the enthusiasm and sap the stimulus for high rate of productivity in the different sectors. High costs as a result of indirect taxation, the IMC Chief felt, would affect the impetus for growth. In short, Mr. Mariwala summed up the position regarding taxation by saying that the whole approach to taxation policy and the high targets fixed for additional taxation have failed to take into account the present structure and levels of taxation, both direct and indirect, and their impact on prices.

Mr. Pravinchandra V. Gandhi, the Vice-President of the IMC, confined his remarks to banking, a field in which he has specialised. The proposed changes the Reserve Bank intends to introduce in the banking system, he opined, could only be brought in gradually and progressively. Although he conceded that, in view of the present economic development, there was imperative need to strengthen the banking system, he sounded a note of caution against any far reaching changes. Such changes, said he, would have to be carried out without rudely disturbing the spontaneous efforts of banks and their economic functioning. Instead of confining the banking system in a statutory strait-jacket, Mr. Gandhi preferred to ensure, as in the U.K., that the lending policies of banks are sound and the disposition of funds is made in a manner which combines safety of funds and a fair return on advances.

Exports

MERCHANTS' MEMORANDUM

DURING THE last decade, while India's imports have increased substantially from an annual average of Rs. 724 crores (in the First Plan) to Rs. 1,072 crores (in the Second Plan), exports have remained stagnant at an annual average of Rs. 614 crores and Rs. 609 crores in the First and the Second Plan periods, respectively. In view of the rapid development of industries, on the one hand, and the maintenance of the already existing industries, on the other, during the Third Plan, it is envisaged that the country's aggregate import bill will rise to about Rs. 1,270 crores annually. The magnitude of the task that this calls for—that is to make up the leeway between the existing level of our exports and that demanded by the sharp rise in our imports—must impress anyone that India has yet to evolve a dynamic export policy such as is required to tow the Third Plan out of the docks. In this connection, a reference may be made to the deliberations of the Export Promotion Advisory Council, recently held at New Delhi, in the course of which whereas all the participants agreed on the imperative need to step up our exports, quite a few of them were not agreeable to the Government's proposal for introducing an element of compulsion—say, by fixing a certain percentage of the production of each industry for export—in order to maximise exports.

In a memorandum submitted to the Import and Export Policy Committee headed by Dr. Ramaswami Mudaliar, it is noteworthy the Committee of the Indian Merchants Chamber (IMC) has not only stressed the need to boost up our exports but has gone one step further, to insist that "export promotion must be considered as an integral and vital feature of the plan for economic development". In this memorandum the IMC Committee has also observed that a reorientation of the country's export policy is an urgent necessity in the present circumstances and has called for a policy that would meet the demands of the overseas market not merely in respect of commodities which India can

offer them conveniently but those in respect of which the importing countries are in need of. The Committee also appreciates the imperative need for a degree of sacrifice in domestic consumption in order to leave an adequate surplus for export. But, then, it does not subscribe to the policy of compulsory exports, as envisaged by the Government. According to the IMC memorandum, the introduction of compulsion would mean that the exporters will have to effect distress sales and incur losses. It has, therefore, suggested other measures for the promotion of exports, such as taking the commercial community into confidence and persuading them to set aside a portion of production of different items of export on a voluntary basis, and offering suitable incentives, including retention of a part of their export earnings to import their own requirements, and so on. There is force in the contention of those who oppose any compulsion in these matters on principle. But what is more important and more often apt to be forgotten is the fact that, in matters as exports, where one of the parties (foreign buyers) is not amenable to our laws and discipline, compulsion cannot have any place. Nor will it yield results.

Automobiles

U.S. TEAM'S RECOMMENDATIONS ON STRENGTHENING ANCILLARIES

SOME VALUABLE suggestions have been made by the U.S. Team, sponsored some time ago by the Technical Co-operation Mission to study the working of the Indian automobile industry, on strengthening the automobile ancillary industry in this country.

The Team, in its report, says that the automobile ancillary industry in India has developed along lines unlike those in other countries and it does not appear, despite more foreign technical collaboration and coming up of new ancillaries, that the industry is moving in the direction of strength. A major restrictive and limiting factor in this respect, the Team opines, is that both the large and small-scale Indian businesses are seeking maximum independence from each other and from ancillary suppliers to a degree inconsistent with objectives of low cost, maximum production and conservation of foreign exchange. The Team recommends that this situation should receive objective thinking on the part of Indian business management as well as the Government of India.

Purchasing practices and sub-contracting techniques, the Team says, are vital to the growth and strength of an industry. The practice in the Indian automobile industry to make the components in the unit of assembly itself rather than buying them from ancillary units is not justifiable on economic grounds or even on grounds of survival. In this regard, the Team senses an underlying and almost universal mistrust between buyers and sellers; "Sanctity of a contract or a business agreement of any kind, not on moral grounds but on the basis of long-term self interest, seems to be almost completely lacking". To remedy the situation, the Team suggests that purchasing representatives of the business community should go abroad to investigate material procurement practices and techniques.

To put the ancillary industries on a sound footing, the Team has further suggested that ancillaries which desire to grow and sell their products to vehicle manufacturers should start developing a Product Design Engineering Department of their own regardless of the type of foreign collaboration which they may enjoy. Unless and until the Indian ancillary producers recognise their obligation to make product design changes and improvement, thereby becoming more and more valuable to their customers, no strong ancillary group can develop, says the Team. The ancillaries' technical

Business Notes

Taxation

FRESH TAX TARGET TOO HIGH AND UNREALISTIC

IT HAS been estimated that, in order to meet the total investment of Rs. 10,400 crores in the Third Plan, the rate of investment has to be stepped up from the current level of about 11 per cent of national income to about 14 per cent and the rate of domestic savings from about 8.5 per cent to about 11.5 per cent by 1965-66. The question that is exercising the minds of most people today is whether this is at all feasible, notwithstanding the optimistic findings of the National Council of Applied Economic Research. It is true that, during the past decade, the rate of investment has risen appreciably. Thus, at the commencement of the First Plan, the investment in the public sector alone stood at Rs. 200 crores, which rose to Rs. 800 crores by the end of the Second Plan. This is now proposed to be raised further to Rs. 1,700 crores. In view of the past sacrifices, the question that is now being posed is whether the country can afford the further sacrifices that this proposal entails, and it is just as well that this subject

objective should be to know more about the end use of their products.

The Team has also found lack of automotive standards in the automobile ancillary industry in India. To rectify this lacuna, it recommends the establishment of standardization committees similar to the Society of Automotive Engineers. These committees, it further suggests, should be made up of engineers from the automotive industry. The Chairman of the committee should probably be chosen from an engineering school, since no professional automotive engineering society now exists in India. The various committees should agree on tentative standards for lights, instruments, splines, gears, materials, heat treatment, etc. These standards should not be binding on any company, but should be published and distributed to the industry.

To improve the technical know-how in the industry, the Team suggests that ancillaries, through their own Ancillary Industries Association, should create a technical assistance group, composed of Indian engineers, to give technical assistance to all members on their production and quality problems. This Technical Assistance Group should be able to draw on the vehical manufacturers and T.C.M. for information that it might not be able to get otherwise.

Throughout the survey the Team has observed duplication of facilities within the vehical manufacturers and the ancillaries. The Team has recommended that fewer new manufacturing licences be issued that duplicate facilities not now being utilized to capacity.

To serve the public better, the Team has recommended that all ancillaries be allowed to sell in the replacement market without restriction. The vehical manufacturers should distribute replacement parts more widely than is currently being done through a limited number of car dealers. Another pertinent observation in this regard made by the Team is that contractual agreements between the manufacturers and the ancillary industry are usually qualified with the stipulation that the ancillary industry would refrain from using its own trade mark or name and not establish its own image in the replacement market. Should this practice continue, the Team thinks the possibility of establishing high grade ancillaries, with a brand name, comparable to the O.E.M., will never materialise.

On the question of profit margin on replacement parts, the Team has come to the conclusion that the profits made by the Indian manufacturers are not excessive compared to the United States, considering the discounts allowed on prices in the U.S.A. Similarly, published profit margins to the Indian dealers are lower than those in the United States. When acute shortages of replacement parts occur, the public has, however, to pay excessive prices.

Banking

CO-OPERATIVE BANKS AND THE STATE

IN HIS annual address to the Maharashtra State Co-operative Bank Ltd., Chairman, Prof. D. R. Gadgil, raised an important point regarding the role played by the Government in various ways in the furtherance of co-operative institutions, especially the banks. At a time when the Maharashtra State Co-operative Bank found its commitments to co-operative sugar factories increasing and the demand for loans for agricultural purposes appreciating, it was the Government of Maharashtra, he said, that rendered timely help by advancing to this Bank a temporary loan of Rs. 1 crore. The deposits of the Bank increased further and it was able to repay the Government loan on the due date. He, emphasised, however, that the Government could do more than that. For instance, the surplus funds with local bodies and some public corporations could find

their way to the Co-operative Banks, in view of the increased responsibility devolving on them for providing adequate agricultural credit under the development programmes. Considering the fact that these funds would otherwise lie idle, it appears that this move could be of considerable assistance to the banks. In fact, as Prof. Gadgil pointed out, the Maharashtra State Co-operative Bank did receive a generous response from some of these bodies. In line with the approach outlined by Prof. Gadgil, the Bank with its affiliates and their branches has decided to provide necessary banking facilities to the State Road Transport Corporation throughout the State. This step again indicated the establishment of closer contacts with local bodies and public corporations.

A notable development of the year in the working of the Bank was the decision of the Refinance Corporation for Industries to extend facilities of reimbursement for the medium term loans advanced by the Bank. In view of the expanding activities of the Bank, Dr. Gadgil added that the Bank will have to rely on the Reserve Bank of India to a substantial extent and this assistance, it appears, was already available in some degree. Prof. Gadgil has, however, raised an important point that it was not very proper for the Reserve Bank to determine the credit-worthiness and the needs of the Co-operative Banks from their paid-up share capital and resources. The quantum of the Government capital made available, he said, should depend not merely on the performance of a bank in the past but on the development envisaged in the future. These views have been supported by the recommendations of Vaikunthbhai Mehta Committee regarding the provision of agricultural credit by the Reserve Bank on a more liberal scale. The Reserve Bank, it has to be remembered, accepted these recommendations in principle.

C & I Chambers

ROLE IN A DEVELOPING ECONOMY

IDEAS REGARDING the role of Chambers of Commerce and Industry in a developing economy have been so far foggy. Various do's and don'ts, of course, have often been put across by spokesmen of these Chambers, but there had not been any clear line of thinking. The whole issue was put in the right perspective by Mr. Barker, Secretary of the Bombay Chamber of Commerce and Industry, at the Chamber's 125th anniversary, when he pointed out that apart from acting as the Public Relations-cum-Information Offices of the Government, these Chambers should be the mouthpiece of commerce and industry, as far as public are concerned. It is also right and inevitable that the prime task of the larger Chambers of Commerce and Industry in India should be to act as a liaison between the Government and the private sector industry. In addition to the relations of the Commerce and Industry with Government and the public, the Chambers are generally of considerable assistance to other trade associations.

Pertaining to the work of the Bombay Chamber of Commerce and Industry, Mr. Barker underlined that the Chamber did not reckon to take up the difficulties of the individual companies on any subject. It is only where the difficulties are generally experienced by all or a considerable number of members that the Chamber feels to take action. Generally speaking, the Chamber deals with issues of general application, that is, those which concern at least a wide section of members. It is the special services, namely, the Labour Advisory Service, the Statistical Service, the Docks Department and others that are available for the use of member-individually.

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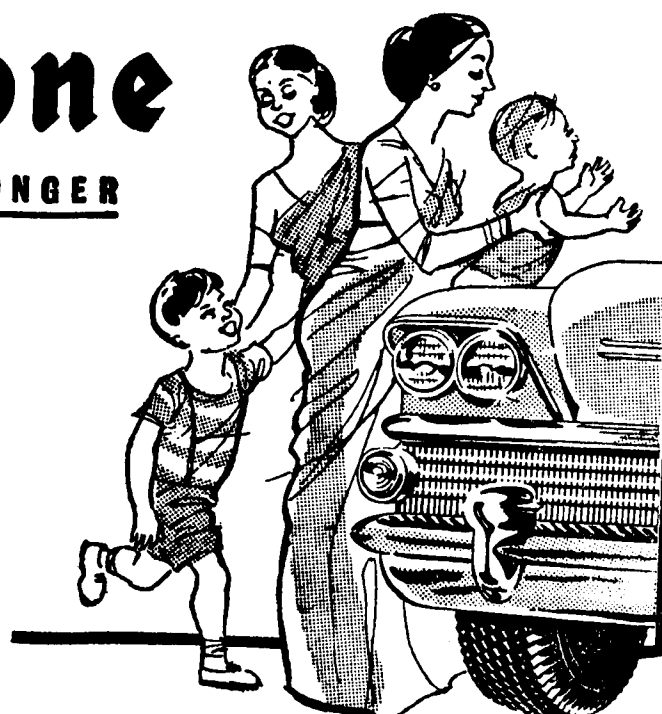
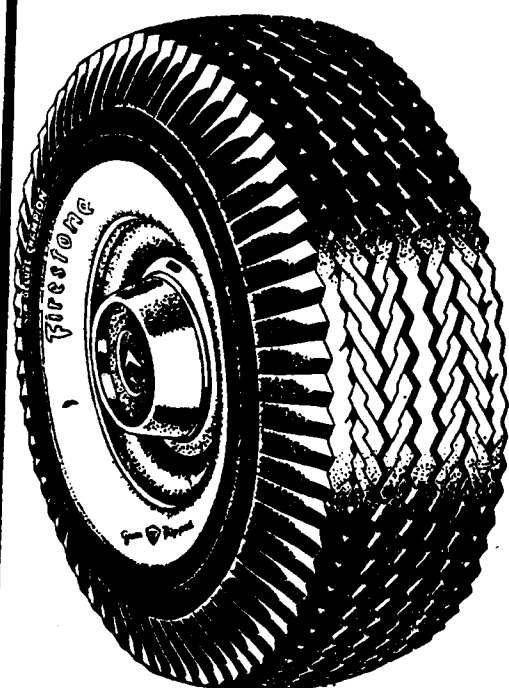
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There is a great demand in the Chamber for the issue of certificates of origin and analysis in respect of a variety of goods exported. In order to meet the demands of overseas buyers of Indian produce and manufacture, the Chamber issues certificate of weight and quality in respect of larger number of commodities especially oils and oilseeds, spices, drugs and medicines, Indian herbs, etc.

The Bombay Chamber has sixteen special sub-committees on every subject affecting commerce and industry from labour affairs to exports and from railways to company law. All said and done from a review made by Mr. Barker, it appears that the role which the Chambers will have to play will be to guide, advise and, if necessary, to direct stipendary experts.

Chemicals

VITAL ROLE OF CAUSTIC SODA

THE VITAL role of caustic soda as a basic raw material to several important industries, such as soap, textiles, paper, vanaspati, rayon and aluminium, is well known, but not so the heavy responsibility of manufacturers to ensure the development of the industry to its full stature, observed Mr. K. R. P. Aiyangar, Chairman, Tariff Commission, while opening the public enquiry into the question of continuance of protection to the caustic soda industry beyond December 31, 1961. There were 12 units engaged in the production of caustic soda when the protection was first granted to the industry in 1955. This number rose to 15 in 1958 and to 18 by 1961. Of these 18 units, 11 units produce caustic soda for sale and seven for their own consumption. The three units established since 1958 are Saurashtra Chemicals, Porbunder, Dhrangadhra Chemical Works Ltd., Sahapuram, and J.K. Chemicals, Ltd., Bombay. The rated capacity, which stood at 39,940 tonnes in 1956, increased to 68,270 tonnes in 1958 and has risen further to 131,630 tonnes this year. On the other hand, actual production during 1958, 1959, 1960 and the first six months of 1961 aggregated 58,311 tonnes, 70,487 tonnes, 97,402 tonnes, and 57,873 tonnes, respectively. Production during the current year is expected to cross the one-lakh-tonne level, which compares with a production of less than 30,000 tonnes only seven years ago, that is in 1954, before the industry got protection. While ten of the existing units were permitted to expand their capacities substantially, fourteen new units have been given licences to establish caustic soda plants in various parts of the country. When all these are commissioned, the total capacity of the industry would increase to about 3,66,500 tonnes, that is within a very close range of the target capacity of 4,00,000 tonnes as laid down in the Third Five-Year Plan.

On the demand side, whereas the annual domestic demand was estimated by the Tariff Commission at 1,24,000 tonnes in 1958, the actual consumption of caustic soda, according to the Development Wing of the Commerce and Industry Ministry, amounted to 1,35,000 tonnes. This figure increased to 155,000 tonnes in 1959 and 170,000 tonnes in 1960. According to the estimate of the Development Wing, the current year's consumption has been put down at 1,95,000 tonnes. By 1964, the demand is expected to rise up to as much as 3,00,000 tonnes.

It is noteworthy that, by and large, the quality of the domestic product has been considered to be satisfactory. According to Mr. Aiyangar, the industry has fared well due to the strict regulation of imports, thereby completely eliminating foreign competition. In its turn, the industry too may be said to have made good this gesture by saving for the country a large volume of foreign exchange on imports at a time when every rupee of foreign exchange is of consequence. With the vast scope that lies ahead by reason of the increasing dependence of caustic soda-consuming industries on the home product — undoubtedly a favourable factor — there are great opportunities for service for the

industry, provided, of course, the Government adopts a helpful attitude and does not give shocks so often as it has been doing of late by allowing the State Trading Corporation to import large quantities of caustic soda (even if they be from Rupee Payment countries) and unload them on the market at psychologically wrong moments.

METTUR'S EXPANSION PROGRAMME

DR. P. S. LOKANATHAN, Chairman of the Mettur Chemical and Industrial Corporation Ltd. at the annual general meeting of the company held recently referred to the company's expansion programme which, he said, was progressing smoothly. The second stage of expansion of caustic soda plant from 20 to 40 tons per day capacity was under way. Equipment was already received at site, and was being installed gradually. The next step would be the raising of production capacity of caustic soda from 40 to 100 tons per day which would be accomplished during the Third Plan period. Incidentally, this expansion programme would be in line with the overall tempo in the country; India's caustic soda production was expected to reach 3.5 lakh tons by the end of the Third Plan as against 1.35 lakh tons at the end of the Second Plan.

Dr. Lokanathan added that one important feature of this company would be that it would have a fully integrated plant utilising co-product chlorine beneficially, thus achieving in one measure higher efficiency. Another special feature of this expansion programme was that the stepping up of investment was not likely to affect dividend distribution, which was a considerable achievement in itself. This would nevertheless involve raising of funds through loans and share capital. Dr. Lokanathan mentioned another development which sounded a note of optimism for the company: the location in the vicinity of this company of two big consumers—the Madras Aluminium Company and India Cements Ltd.—which would solve, though partly, the problem of marketing for the Company.

Paper

MYSORE PAPER'S EXPANSION PLAN

MR. M. D. SHIVANANJAPPA, Chairman of the Mysore Paper Mills Ltd., outlined the proposed expansion scheme of the Company at the Annual General Meeting held recently. From the present installed capacity of 8,000 tons to 18,000 tons of marketable paper by the end of Third Five-Year Plan is going to be a major landmark in the Company's history. At present, as the Chairman pointed out, the paper making capacity of the Company exceeded the pulp making capacity so that there was an imbalance between the two sections. Moreover, the present output did not permit the Company to instal a modern Soda Recovery Plant which alone could secure for the Company certain economies which in turn could reduce considerably the cost of production.

The Chairman pointed out that soon the Company would go in for the expansion scheme and the Mysore Government had already agreed to supply 50,000 tons of bamboo annually required for the plant. The pulp plant which was to be installed after expansion would have a capacity to produce sufficient quantity of pulp to feed the existing two paper machines of 15 tons each and also the new paper machine of 30-35 tons capacity. Thus after the installation of the pulp plant and a modern Soda Recovery Plant, the Mysore Paper would produce 18,000 tons of marketable paper at a considerably reduced cost. As the demand for paper was likely to continue in the present rate of progression, marketing of the additional output would not be a problem for the Company.

The Chairman has estimated that the expansion scheme would cost nearly Rs. 3.5 crores which, he believed, could be raised through share capital by Rights Issue (Rs. one crore), rupee loan from Indus-

trial Finance Corporation (Rs. 60 lakhs), foreign exchange loan from Commonwealth Development Finance Corporation and Industrial Credit and Investment Corporation of India (Rs. 70 lakhs each) and bank borrowings and other reserves (Rs. 50 lakhs). The authorised capital of the Company had already been increased from Rs. 25 lakhs to Rs. 150 lakhs and the Company had obtained consent of the Controller of Capital Issues to raise Rs. one crore by issue of shares. The Company would not find it difficult to raise finance through new issues as well as through loans. As the Chairman pointed out, the agreement with Commonwealth Development Finance Corporation had been signed recently and an agreement with Industrial Credit and Investment Corporation of India too had been reached. He added that these two loans would finance the purchase of equipment in the U.K. and certain European countries for the expansion programme. Thus the Company was proceeding with its expansion schemes on a sound basis and soon the Mysore Paper Mills would be producing more than double its present output, profitably.

Woolens

PROBLEMS OF WOOLLEN INDUSTRY

MR. L. P. PITTIE, Chairman, All-India Woollen Mills Association Ltd., at the first annual general meeting of the Association held in Bombay highlighted some of the problems facing the woollen industry. He brought to the fore the question of Indian raw wool and the extent to which its use could help in saving foreign exchange. The Chairman opined that while the Association was in full agreement with the views that the possibilities of using Indian wool and thus conserving out limited resources of foreign exchange should be fully explored, it has also got to be examined carefully as to whether use of Indian wool in fact would serve and further the real purpose of saving foreign exchange. The current thinking in the Government circles appears to be in favour of using Indian wool to the extent of 20 per cent. On all counts, it appears that the foreign exchange earned in exporting Indian wool is more than the foreign exchange spent in importing foreign wool. The cost of wool tops manufactured out of the imported wool would be lower than the tops manufactured out of Indian wool because of the higher yield of the imported wool. The Chairman underlined that it would be appreciated if superior imported wool is mixed with Indian Bikaner carpet wool, which is of an inferior quality, the full advantages of the superior wool are eliminated. Further, if increasing quantities of Indian wool are used in the country, the export markets for the same would naturally be adversely affected, if not lost, and it would become very difficult in the normal time to recapture them. The points made by Mr. Pittie are of basic importance and should set a new thinking on the subject.

Among other points, the Chairman pleaded that the export incentives should be increased in the case of woollen goods from 75 per cent to 85 per cent of the export value. So far as the pattern of production is concerned it is submitted that the Government should, after assessing the situation, so re-adjust the mills' individual pattern of production that the aggregate production of hosiery yarn is reduced to 30 per cent of the total production. On the question of determining the fair rate of return on the employed capital, the Chairman submitted that the return should be such that should encourage greater production. Bearing in mind the peculiar circumstances of the woollen industry, where the prices of raw materials are subject to wide fluctuations, it is clear that a return of 20 per cent on the employed capital will be fair. With a view now to export more of woollen goods, it is imperative that an up-to-date machinery be installed so that the quality of Indian goods may conform to the foreign standards.

Economy

INDUSTRY IN KASHMIR

IT SHOULD be a comforting thought for the Kashmir Government that the Central Government has decided to set up a newsprint and a pulp plant with a capacity to manufacture 30,000 tons yearly. Besides, another paper and pulp plant of the same capacity and a plywood plant would also be established in the private sector. These three projects would be quite big and are expected to solve the unemployment problem at present rampant in the mountain-locked area. It is also gathered that a National Drug Farm will be established by the Union Drug and Pharmaceutical Corporation. An Indian firm has also agreed to set up a development corporation for Kashmir bauxite which could result in the starting of an aluminium industry in Jammu area. There are also possibilities of setting up several medium-sized cement plants in Jammu and Kashmir. The foundation stone of a cement factory was laid recently by Bakhshi Ghulam Mohammed, Prime Minister of Kashmir. The scope for fruit-preservation industries is, of course, tremendous. Although large-scale industries cannot be set up in the State because of its difficult terrain and absence of rail link, the scope for medium and small-scale industries to raise the standard of living of people could be exploited fully. There is enough hidden mineral wealth in the State and it can be utilised effectively.

While it is a heartening factor that industrialisation is under way in the Kashmir State, the fear is that until and unless power, trained labour and effective transport system is provided, all the plans in the State may go awry. So what the State needs today is to start a labour training programme which could ultimately increase productivity. Power on a large scale would certainly be required as the existing power plants would not be sufficient to meet the exigencies of the situation. So in the first instance, power potential in Kashmir will have to be developed rapidly and extensively. Last but not the least, transport system will have to be organised in such a way that the needs of industry are met properly. Mere tinkering with the problem would not provide the right answer. Besides, special facilities and concessions will have to be provided to the industrialists so that they might have full confidence and go ahead with the schemes.

Lead

SALE OF SURPLUS AUSTRALIAN STOCKS

NOW THAT an Agreement has been arrived at with the Commodity Project Corporation, an Agency of the United States, it will help Australia to dispose of 45,000 short tons of surplus Australian stocks of lead metal. The Agreement provides for delivery over a period not exceeding twelve months. The agreed price is related to the current world price for lead, (about £A80 a long ton) and represents about £A3,600,000 from the sale. The sale has been announced by Broken Hill Associated Smelters Pty. Ltd., which is owned jointly by North Broken Hill Ltd., Broken Hill South Limited and the Consolidated Zinc Group. B.H.A.S. refines lead concentrates for the Group at Port Pirie, South Australia, where it operates the largest lead refinery in the world. The B.H.A.S. statement said that the sale represented part of a programme announced by the United States Government representatives at the International Lead and Zinc Study Group meeting held in Mexico city last April to discuss barter of surplus agricultural commodities for surplus lead under certain conditions. One condition of the sale is that B.H.A.S. and Broken Hill Mining Companies undertake not to sell or produce during the present calendar year in excess of figures provisionally agreed on at the Mexico city meeting. The surplus lead stocks to be bartered by the Broken Hill group had accumulated as the result of restrictions the Group had imposed on itself at various meetings of the Lead and Zinc Study Group.

FROM THE CAPITAL'S CORRIDORS

DURGAPUR STEEL PLANT

IN the last two weeks have been published in this column the expansion programmes of the Rourkela and Bhilai Steel Plants. Some details are now available of the expansion programme of the Durgapur Steelworks. The Project Report for the expansion of this steel plant will be shortly examined by Messrs. Atkins and Partners, a British firm of consultants. On the basis of this examination, the Government of India will invite tenders for the supply of machinery and equipment for the expansion programme. The present contractors of this plant—Indian Steelworks Construction Limited (ISCON), are expected to participate in these tenders. It is just likely that their valuable experience will be fully made use of.

The expansion programme of the Durgapur Steelworks envisages raising of its annual output of steel to 1.6 million tons ingots from the present capacity of approximately 8 lakh tons of finished products from one million tons ingots together with some three lakh tons of pig iron for sale and for internal use at the Works Foundry when all the existing blast furnaces are in operation.

To raise the capacity from one million tons ingots to 1.6 million tons ingots per annum, it will be necessary to instal at the Works a further battery of coke ovens together with its attendant By-products Plant, an additional blast furnace and another open hearth furnace of 240-ton capacity, besides effecting some improvements and extensions in the Works such as remodelling of the existing seven 200-ton open hearth furnaces into 240-ton furnaces and the existing 100-ton furnace producing wheel quality steel into 120-ton furnace.

To make the blast furnaces fully efficient, a fully prepared burden will have to be charged into them together with sinter created from the natural fines from the ore mines. It is intended that the screening of the natural fines and subsequent beneficiation, if necessary, should be done at the mines and supplied as two separate materials into the Works.

The remodelling of the existing open hearth furnaces to their increased capacity of 240 tons each, will be done in rotation as they come up for major repairs. The remodelled furnaces will be supplied with basic roofs and full oxygen equipment. The existing open hearth furnace, which produces wheel quality steel, after its remodelling will be able to produce 1,10,000 tons per annum of this quality steel. Any additional requirements of this quality steel required for the Wheel and Axle Plant is envisaged to be secured by the use of the larger capacity furnaces with a reduced charge. To maximise production at the open hearth furnaces, resort will be had to 8-hour tapping. It will be essential to have an efficient organisation to make certain that scrap, hot metal and ancillary materials are available as and when required for any particular furnace.

The additional unit intended to be installed at the coke oven plant will ensure that coke making facilities are well in excess of the extended requirements under good conditions. Similarly, the additional blast furnace with a fully prepared burden and with the use of sinter in the burden will ensure that blast furnaces on basic iron will be capable of producing more hot metal than is required. The additional open hearth furnace and the remodelling of the existing furnaces will be capable of providing all the ingots required. In case the alterations to the existing furnaces and training of operators in modern technique take more time to obtain full output efficiency, provision has been made in the layout of this section of the Works to instal another 240-ton open hearth furnace.

The Primary Mill System already installed at the Works is fully capable, when working 6,000 hours per annum, of breaking down 1.5 million ingots into blooms. Only minor extensions are envisaged to be made in this unit in the form of having additional coking pits and a cold ingot stockyard together with a cold ingot pre-heating furnace system. The remaining one lakh tons breakdown of ingots will be had in the Wheel and Plant.

The Central Engineering Maintenance Department is also competent to deal with the requirements of the additional plant. The foundry, similarly, is capable, with small additions, of providing the additional ingot moulds, baseplates and trumpets that will be required for the increased output and also approximately 2,500 tons per year of ingot moulds and stools required for the Alloy and Special Steels Plant to be set up near this Steelworks.

In the Finishing Plant section, it is proposed to have a new skelp mill and some additions to the Wheel and Axle Plant to raise its capacity from 45,000 to 75,000 wheel sets of various types and dimensions. The output of the Wheel and Axle Plant at the completion of the expansion programme will be some 1,30,000 tons per annum. It is proposed to effect some other small adjustments in this section, for instance the material for the skelp mill and the slabs and billets for sale will be transferred from the existing stock bay into two new bays—one located for the stocking of material for sale and the other for the stocking of material for the skelp mill. Additional rolls and attendant facilities will also be required at the medium section mill to enable this mill to produce 60 lbs. per yard rails.

SUPPLY OF ELECTRICITY

An additional gas-fired boiler and blower will be installed as an extension to the existing power plant to meet the requirements of the fourth blast furnace.

The maximum demand of electric power after the completion of the expansion programme is estimated to be approximately 60,000 kW. The existing power station can give a firm power-load of 10,000 kW. The balance of 50,000 kW. power has to be arranged.

As the demand for power in the Durgapur area is increasing rapidly and the Damodar Valley Corporation is not likely to be in a position to meet the demand of the Steel Plant in time, it is recommended to construct a new power station in the Steelworks to generate its power demand with the Steelworks' surplus fuel.

The new power station can be equipped with either one 50,000 kW unit or two 30,000 kW units. If only one 50,000 kW unit is installed, there will be no standby capacity and when the only unit is down for normal maintenance, steel production will be severely limited. If two 30,000 kW sets are installed, only one set need be taken down at a time for maintenance and during this time the second set, together with the 15,000 kW possible from the existing power station, will give a total power of 45,000 kW. With this power and with suitable staggering of mill operations, the steel production can be reasonably maintained. It is, therefore, recommended to install two 30,000 kW generating sets.

The existing power station cannot be enlarged to accommodate the two new 30,000 kW sets. It is, therefore, proposed to erect the 30,000 kW units in a new power station.

A second primary sub-station will be built at Sajara, located between the two approach ramps to the Blast Furnace Plant and the Steel Plant. This sub-station will be laid out to receive two 30 MW feeders at 33 kV from the new power station.

All new load centres in the iron and steel making plants will be fed from the Sajara sub-station. Existing load centres in these areas now fed from Punabad sub-station will be transferred to Sajara sub-station, thereby leaving Punabad sub-station entirely free for the rolling mill loads.

The existing feeder cables of the loads transferred to Sajara will be reconnected to form two ties between the two primary sub-stations. These ties will be strengthened by an additional feeder so that a total of 40 MW could be transmitted either way.

The two 30 MW generating sets in the new power station will be in operation for most of the year. Under this condition the entire power requirement of the Steelworks can be met from the power generated in the Steelworks itself. At times, it would be possible for the Steelworks to export power after meeting the works demand. Therefore, the Steelworks will not require the 40 MW of power already reserved from the Damodar Valley Corporation's Waria power station under the one million-ton programme.

Since the Alloy and Special Steels Plant, under the management of Hindustan Steel Limited, is being installed adjacent to the Steelworks at Durgapur, it would be possible to divert this power already reserved for the steelworks to this new plant whose requirements also are approximately 40 MW. This can be most economically done by feeding the purchased power through Punabad sub-station, utilising the feeders already laid between Waria power station and Punabad sub-station.

With above arrangement it is possible to run the Steelworks' power station at its optimum capacity and supply the surplus power, as available, to the Alloy and Special Steels Plant, thereby reducing the actual amount of power to be purchased from the Public Utility System. Also, this inter-connection of the power supply systems of the two plants will ensure practically all the power required for the Steelworks, even when one of the two 30 MW sets is down for normal maintenance, as the small additional power that may be required at this time by the Steelworks would be available out of the 40 MW reserved for the Alloy and Special Steels Plant since integration of both systems will allow greater diversity of loads.

The above proposal of integrating the power supply systems of the Steelworks and the Alloy and Special

Steels Plant will need careful investigation by Hindustan Steel Limited jointly with the consultants for the Alloy and Special Steels Plant and the Public Utility Authorities.

All extensions to the existing services will be provided. It is intended to install a 100-ton capacity Oxygen Plant to meet the additional requirements of the Steel Plant and the blast furnaces. This will be installed in the existing building together with the necessary auxiliary equipment.

Additional railways, roadways, rolling stock and mobile stock will be provided to handle the increased output of the works.

Necessary new, or extensions to existing, administrative buildings will be provided.

COST ESTIMATE

The total estimated cost of the expansion programme is approximately Rs. 590,000,000, of which an equivalent of approximately Rs. 334,000,000 will be the expenditure in foreign exchange.

The present 1.6 million ton extensions are so arranged that they allow for the continual expansion of the Works upto its ultimate capacity of approximately 3 million tons and will form an integral part of the ultimate plant arrangement.

BHILAI, ROURKELA AND BOKARO STEEL PLANTS

Meanwhile, negotiations have started at Ranchi between Hindustan Steel Limited and some Russian experts for the finalisation of the agreement for the expansion of the Bhilai Steel Plant on the basis of the Project Report prepared by Soviet experts.

The Government of India has also accepted the Project Report on the expansion of the Rourkela Steel Plant. Some tenders for the expansion programme of this plant have already been invited.

So far as the Bokaro Steel Plant is concerned, negotiations are said to be still in progress between the Government of India and the U.S. Ambassador, Prof. J. K. Galbraith.

UTILIZATION OF YEN CREDIT FOR THIRD PLAN

The following manufacturing programmes have been approved by the Government for being financed through the credit made available by Japan for the Third Plan period.

Name of Party	Industry and Manufacturing Programme	Amount Approved (Rs. lakhs)
Century Rayon, Bombay	Viscose Rayon	60.00
New Era Paper Mills, Ludhiana	Paper	3.80
Rajaramka Paper Mills Limited, Tumsar	Paper	3.60
McLeod & Company Ltd., Calcutta	Wire Ropes	45.40
Jagdish Lal & Bros, Delhi	Four Denier Wire Cloth	10.00
Chandansinha Vijaysingh Bharkatya, Indore	Insulated Power Cables	80.00
The National Foundry & Rolling Mills Ltd., Cuttack	Steel re-rolled products	2.67
R. M. Karkaria & Co.	Textile Auxiliaries	2.48
East India Rubber Works (Private) Ltd., Calcutta	Conveyor Belting	4.00
Harbans Lal Malhotra & Sons, Calcutta	Hand Sewing needles	1.04
Shri Katta Nagabhushanam, Anantpur	Bolts and Nuts	1.29
Shanker Bulb Industries Private Ltd., Dehradun	Miniature Head Lamps	0.54
Jagkumar & Company, Bombay	Hypodermic syringes	2.12
Hakim Rai Jai Chand, Bombay	Railway Electrical Signalling Equipment	1.07
Sri S. Balasubramaniam, Sri Shakthi Kumaran Enterprises, Madurai	Fluorescent tubes and fittings	2.11
Shah Electrical Enterprise, Bombay	H.T. Porcelain insulators, etc.	3.89
Das Hitachi (Private) Limited, New Delhi	Manufacturing programme not available	1.21
Eastend Paper Industries (Private) Limited, Calcutta	Paper	2.60
	TOTAL	227.82

PUBLIC SECTOR OIL REFINERIES

A firm date for the commissioning into production of the first public sector oil refinery, being set up at Nunmati, in Assam, has been set in the beginning of January next year, according to the Chairman of the Indian Refineries Ltd., Mr. D. K. Barua. Addressing a press conference here last Saturday, Mr. Barua stated that despite heavier monsoons this year and the recent riots in Assam, the work on the refinery was going on satisfactorily; these two delaying factors, he said, had only added to the zest of the workers and the management to complete the refinery according to the original schedule.

To begin with, the refinery will be going on stream with about 50 per cent capacity. It is expected to achieve its full rated capacity of 0.75 million tons per annum output by April end or middle of May next year. A stock of about 22,000 tons of crude has already been built up at the refinery. By the end of December, the crude stock would have been built up to the tune of about 45,000 tons. In the initial stages, the consumption requirements of the refinery will be nearly 500 tons of crude per day. Since construction of the pipeline has been delayed somewhat, the railways have been approached to continue to transport about 500 tons of crude a day till the time the pipeline is completed. This, along with the stock being built up, will make it possible for the refinery to start production. Trial production at the refinery is expected to start on or about November 20.

Replying to a question on the distribution of the products of the Nunmati refinery, Mr. Barua said that since there is another refinery in existence in Assam, the market for petroleum products in the Assam State will be divided into three parts. The Nunmati refinery will have two districts of Assam—the Kamrup district and the Khasi and Jaintia Hills district—reserved for its products. The Upper Assam area will continue to receive its supplies of petroleum products from the Digboi refinery of the Assam Oil Company. In the rest of the State, products from both the refineries will be marketed. The Nunmati refinery will be marketing nearly 75 per cent of its products outside Assam State. As a sequel to the marketing of the Nunmati refinery products in certain parts of Assam, the Assam Oil Company will have to divert some of its supplies from the area at present being served by it to its reserve area of Upper Assam or to outside the State.

Replying to several questions regarding the possibility of the products of the public sector refineries being available at cheaper prices to the consumers, Mr. P. R. Naik, Managing Director of Indian Refineries Ltd., stated that the price policy was a matter for the Government to decide. The Nunmati Refinery would be getting an ex-refinery price for its products and at what price these products would be sold to the consumers was a question for the Government to consider. The Government, he added, was expected to determine from time to time the ex-refinery prices and sale prices of various petroleum products of both the public and private sector refineries.

Referring to the schemes to be based on the by-products of the Nunmati Refinery, Mr. Naik stated that among these were included calcination of 39,000 tons of petroleum coke to manufacture graphite and carbon electrodes, production of liquid petroleum gas (a domestic and industrial fuel) and aromax (base for carbon black).

The Assam Government is likely to acquire a share in the equity capital of the Nunmati refinery to the extent of the value of the land—both for the refinery and the township sites—provided by it and the improvements effected on this land. This, it is understood, will

come to about 4 per cent of the share capital of the refinery.

Referring to the schedule for the completion of 2-million-ton Barauni Refinery, Mr. Naik said that the first stage of this refinery was expected to be completed by the end of 1962. During this stage, this refinery will be able to achieve refining capacity to the tune of one million tons of crude. The second stage of refining another one million tons of crude will be achieved by June, 1963. The third stage, which includes setting up of the lubricating plant, is likely to be achieved by the first quarter of 1964. The lubricating plant will have a capacity of 50,000 tons. The Bihar Government is likely to be allotted a share in the equity capital of this refinery on the same principles as have been laid down for Assam Government's participation in the share capital of Nunmati refinery.

The schedule for the setting up of the third public sector refinery in Gujarat is expected to be finalised in about six months' time. Tentatively, this refinery is expected to go on stream during the second half of 1964 or early in 1965. This refinery will be under the control of the Oil and Natural Gas Commission and will have a refining capacity of two million tons per annum. The Gujarat Government is likely to participate in its share capital.

WOOLLEN GOODS EXPORT PROMOTION

It has been decided that mills or factories exporting woollen textiles (including hosiery and yarn) and exporters of woollen shawls, woollen garments and carpets, rugs and druggets will be entitled to import raw materials, viz., raw wool, wool tops, shoddy wool, etc., and permissible types of dyes and chemicals etc., in accordance with the Export Promotion Scheme for Woollen Goods, 1961-62, provided that they are registered under this Scheme with the Textile Commissioner, Bombay. The Scheme covers only those woollen goods which contain at least 90 per cent wool by weight.

Only those manufacturers of woollen textiles, hosiery and yarn and exporters of shawls, garments and woollen carpets, rugs and druggets who fulfill the following qualifications will be registered by the Textile Commissioner:

(a) He should have been enrolled as an exporter under the scheme of enrolment of exporters announced by the Government of India. (This condition will not be insisted upon during the period July-September 1961. Registrations granted during the period July-September 1961 would be deemed to be provisional and would be confirmed only after enrolment under the Scheme. The provisional nature of the registration during July-September 1961 will not in any way affect entitlements under this Scheme. However, after September 30, 1961, no further benefits would be granted unless Enrolment Certificates are produced to the Textile Commissioner.)

(b) He should have past exports or internal turnover during any of the last three calendar years of such a magnitude as to indicate his capacity to export.

(c) He should produce evidence to the satisfaction of the Textile Commissioner that he is interested in export (either by past performance or by showing proof of action taken to conduct market surveys, appoint agents abroad, etc.).

(d) He should undertake to adhere to any code of conduct, as and when evolved.

(e) He should undertake to adopt the standard Contract Form with suitable clauses for arbitration and settlement of disputes as and when evolved.

(f) He should undertake to abide by such quality control and pre-shipment inspection procedure as may be evolved.

(g) He should undertake to abide by the decision of the Textile Commissioner in the matter of dispute between him and his foreign customers in the export of the commodities in question.

(h) He should undertake to forward figures of exports of woollen goods made by him every month to the Textile Commissioner, Bombay with effect from July 1, 1961, onwards.

Licence will be granted once a month or a quarter against payments, received on or after July 1, 1961, in respect of exports made on or after July 1, 1961. Applications for licences shall be made in the month or quarter following the month or quarter of receipt of payment for export. The licences will be subject to the conditions applicable to Actual User Licences, except in the case of merchant exporters who will be required to sell the imported raw materials to actual users of the materials imported. Any specific conditions/restrictions applicable to items allowed to be imported under the scheme as are detailed in Sections II and III of the Red Book, will also be applicable to Licences that may be issued under this scheme.

IMPORT ENTITLEMENT

The following will be the materials permitted to be imported under this scheme:

(a) **Raw Materials:** Raw wool, wool tops or shoddy wool, as the case may be, depending upon the raw material used in the particular item exported.

(b) **Dyes and Chemicals:** The permissible types allowed to be imported in the case of exports of woollen textiles, hosiery yarn and carpets.

(c) **Embellishments:** Zip fasteners, buttons, and sewing thread, in the case of exports of hosiery and garments, provided that the goods exported contained such embellishments, and provided further that there is no objection to import of any such embellishment from the point of view of indigenous availability.

(d) **Permissible items of machinery, consumable stores, spare parts and accessories:** For replacement purposes not involving expansion of the plant, in the case of exports of woollen textiles, hosiery and yarn only.

(e) **Industrial Sewing Machines:** Of the type and specifications approved by the Development Wing, against exports of woollen garments only.

The total import entitlements under the scheme for all the above mentioned items will be 85 per cent of the F.O.B. value of goods exported in the case of woollen textiles, yarn and hosiery, and 50 per cent of F.O.B. value in case of export of woollen garments and woollen shawls.

The entitlement for machinery may be accumulated for a period of three years. The entitlement for machinery should be claimed at the time of each application, and request made for carry-over of the entitlement. The Textile Commissioner shall issue a separate entitlement certificate for such carried-over entitlements. At the end of the year, when the application for the month or quarter ending June 30, 1962, is made, all these entitlement certificates should be submitted to the Textile Commissioner who would issue a consolidated entitlement certificate for machinery for the year 1961-62. The applicant may obtain an import licence against this entitlement certificate, or carry over the entitlement to the next two years, i.e. 1962-63 or 1963-64.

The rates of import entitlements against woollen goods exports are given in the table below.

Manufacturers-cum-exporters of woollen textiles and yarn belonging to the 'Organised Mills Sector' who are at present being given import licences for raw wool and wool tops as Actual Users would be eligible to get advance licences under the scheme up to a maximum of 20 per cent of the value of their current actual users licences, for import of raw wool or wool tops as the case may be, with a stipulation that if they so choose, they can utilise 10 per cent of the face value of such licences for import of dyes and chemicals.

Manufacturers-cum-exporters of hosiery, and exporters of garments, shawls and woollen carpets, rugs and druggets, even if they are not at present in receipt of actual user licences, will be entitled to receive advance licences for the import of admissible raw materials under this scheme on production of proof of firm export contracts. Whether any particular document produced for this purpose shall be accepted or not as proof of an export contract shall be decided by the Textile Commissioner whose decision shall be final. The value of such advance licences would, however, be limited to two-thirds of the entitlement specified in this scheme based on the exports undertaken.

In the case of licences against hosiery export the licence will be permitted, if he so chooses, to utilise 10 per cent of the face value of the licences for import of dyes and chemicals.

IMPORT ENTITLEMENTS AGAINST WOOLLEN GOODS EXPORTS

Exports	Import Entitlements
(A) Entitlements against export of woollen garments:	
(a) Raw material	50 per cent of FOB value of export, less what is utilised under (B) below.
(b) Embellishments	Half per cent of FOB value of garments exported, containing such embellishments.
(c) Industrial Sewing Machines	10 per cent of FOB value of export.
(B) Entitlements against export of woollen shawls:	
Raw material	50 per cent of FOB value of export.
(C) Entitlements against export of woollen carpets, rugs and druggets:	
(a) Dyes and chemicals	5 per cent of FOB value of export.
(b) Raw materials (only in the case of carpets the FOB value of which is not less than Rs. 20 per sq. yd.)	(i) 10 per cent of FOB value of export if the carpets contain 60 per cent or less knots per square inch. (ii) 20 per cent of FOB value of export if the carpets contain 61 or more knots per square inch.

COMPANY AFFAIRS

IMPERIAL TOBACCO

The performance of the Imperial Tobacco Company of India Ltd., during the year ended March 31, 1961 records an improvement over the previous year, thus establishing the fact that certain commercial organisations continue to achieve higher standards of efficiency. During the year the sales recorded were at Rs. 42.18 crores, nearly 14 per cent higher than the previous year's sales of Rs. 36.88 crores. These improved results enabled the board of directors to recommend a higher dividend distribution and also to appropriate the enhanced amount of fixed assets and stock replacements reserve for financing the increasing cost of replacing fixed assets and stocks. After providing taxation to the extent of Rs. 19.70 crores and paying salaries and wages to the tune of Rs. 4.34 crores, the Company had a profit of Rs. 1.88 crores. Out of this figure a sum of Rs. 52 lakhs was retained in the business against Rs. 21 lakh retained last year. An interim dividend on ordinary shares was paid at the rate of 2½ per cent subject to taxation on September 25, 1960 and another interim dividend of 2½ per cent subject to taxation on ordinary shares was paid on April 12, 1961. Now the directors have proposed the payment of a final dividend on ordinary shares at the rate of 4 per cent subject to taxation. Thus a sum of Rs. 1.36 crores is likely to be appropriated towards dividends as against Rs. 1.21 crores appropriated last year.

BATALA ENGINEERING

The directors of the Batala Engineering Company Ltd. in their annual report have pointed out that despite shortage of power, the output of the rolling mills showed an improvement though the billet supply position deteriorated sharply. Production in machine tool department improved and the directors decided to further expand the machine tool capacity. Their expansion programme has been approved by the Government and they have entered into technical collaboration with M/s. Gatti and Company and Officina Maccanico Favretto, Torino, Italy. The plan for modernisation of the rolling mill is expected to be completed by the middle of 1962. During the year under review the company recorded a gross profit of Rs. 5.25 lakhs. After making provisions for depreciation, development rebate and taxation, there is a balance at the disposal of the directors to the tune of Rs. 2.39 lakhs. A sum of Rs. 77,558 is transferred to general reserves. The directors have recommended the payment of 6.66 per cent dividend on preference shares and 11.50 per cent on equity shares.

CAPITAL ISSUES

Consents have been granted to 10 companies to raise fresh capital to the tune of Rs. 3.51 crores. The Bengal Paper Mills, Calcutta was granted consent to issue a fresh capital of Rs. 57 lakhs consisting of Rs. 9 lakhs as bonus shares, Rs. 18 lakhs as rights issue and Rs. 30 lakhs as loans stock. The new capital is to be utilised for expansion and modernisation programme of the company. The bonus shares divided into 1.80 lakh equity shares of Rs. 5 each will be issued to the existing shareholders in the ratio of 1 for 5. The rights issue to be made at a premium of Rs. 12 per share will be offered to the existing shareholders in the ratio of one equity share of Rs. 10 for three equity shares held already. The rest of the new capital will be issued in the form of 6½ per cent taxable loan stock of Rs. 250 repayable after 10 years, with a right of conversion into equity shares at specified rates. The existing equity shares of Rs. 25 each and the bonus shares would be consolidated and divided into equity shares of Rs. 10 each.

The Hind Rectifiers Ltd., of Bombay, having a paid-up capital of Rs. 5 lakhs in equity shares of Rs. 100 each, was granted consent to issue capital of Rs. 20 lakhs in equity shares of Rs. 100 for cash at par. The proceeds of the issue would be utilised for the manufacture of rectified apparatus. Menora Hosiery, Bombay, having a paid up capital of Rs. 1.60 lakhs, was granted consent to issue bonus shares of Rs. 40,000 divided into 40 equity shares of Rs. 1,000 each. Escorts Ltd., will issue Rs. 5.60 lakhs equity shares of Rs. 10 each at a premium of Rs. 4 a share and 8,000 nine per cent redeemable cumulative preference shares of Rs. 100 each at par. The allotment will be one for one in the case of equity shares; preference shares will be issued fully paid at par.

Of the six other companies which are new floatations, Sakthi Pipes Limited, Madras, was granted consent to the issue of Rs. 70 lakhs divided into 56,000 equity shares of Rs. 100 each and 14,000 cumulative preference shares of Rs. 100 each carrying a dividend of 8.57 per cent for cash at par. Sodepur Engineering Co. Ltd., proposed to be incorporated in West Bengal has been granted consent to the issue capital of Rs. 35 lakhs divided into equity capital of Rs. 25 lakhs and cumulative redeemable preference shares of Rs. 5 lakhs. Kota Strawboards Private Ltd., was granted consent to the issue of a capital of Rs. 25 lakhs for cash at par divided into 18,000 equity shares of Rs. 100 each and 700 cumulative redeemable preference shares of Rs. 1,000 each, carrying a dividend of 7½ per cent. Zenith Lamps and Electricals Ltd., Madras was granted consent to issue capital of Rs. 25 lakhs consisting of equity shares worth Rs. 20 lakhs and 9.286 per cent cumulative redeemable preference shares of the value of Rs. 5 lakhs. Trichy Steel Rolling Mills (P) Ltd., Madras was granted consent to the issue of capital of Rs. 80 lakhs in the form of equity shares of Rs. 100 each for cash at par privately. Sturdia Chemicals Ltd., Bombay was granted consent to issue capital of the nominal value of Rs. 30 lakhs in equity shares of Rs. 10 each for cash at par.

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Company Meetings

THE MYSORE PAPER MILLS, LIMITED, Bangalore-9.

Speech delivered by Sri M. D. SHIVANANJAPPA, I.A.S., Chairman and Managing Director, The Mysore Paper Mills, Limited, at the Twenty-sixth Ordinary General Meeting of the Company held at Bangalore on Friday the 29th September, 1961.

Ladies and Gentlemen,

It gives me very great pleasure to welcome you to this the 26th Ordinary General Meeting of the Shareholders and to place before you the Report of the Directors and the Audited Balance Sheet for the year ended 31st March, 1961. These have been circulated already and with your permission, I shall take them as read and would proceed to review the main features of the year's operations.

Production during the year under review is quite satisfactory. Sales realisation during the year amounted to Rs. 123.22 lakhs as against Rs. 141.31 lakhs in the previous year. The reduction in turnover is largely due to the revised prices fixed by the Government of India in accordance with the recommendations of the Tariff Commission from 1-1-1960, the effects of which were felt for the full year under review as against only one quarter during the previous year. The efforts of the Paper Industry to move the Government of India for a suitable revision of prices in the interest of existing units, particularly to minimise the adverse effects on smaller units like ours and in the interest of expansion of existing units and starting of new ones have not borne fruit and repeated requests are being made to Government of India by the Industry for a suitable revision and I hope that the Government of India would view this question with sympathy.

In regard to despatch of papers, I would like to keep you informed that during some months in the year, there were continuous railway booking restrictions and this led to accumulation of stocks which caused strain on our liquid resources — common to Companies which finance capital projects by current resources — which necessitated drawals from the Cash Credit Account. This year, we had also to meet tax liability to the extent of Rs. 9,32,700 and also to deposit advance tax under Section 18A of the Income-tax Act to the extent of Rs. 7,44,775. To provide for adequate working capital, your Directors have taken steps to raise the limit of cash credit account with the State Bank of Mysore to Rs. 25 lakhs. I should hasten to state that conditions have improved now and our products are moving quickly and there is no cause for anxiety.

I must bring to your notice that manufacturing costs are mounting on account of increase in prices of raw materials, power, coal and chemicals and there are no signs of decline. Recently, Government of India have levied an excise duty of Rs. 40 per tonne on Caustic Soda. Having regard to the rates of excise duty for writing and printing, it must be said that the rates of excise duty levied on packing and wrapping paper are disproportionately high and in addition there has also been an increase in Railway freight and all these have added considerably to our expenses. The only hope, as it appears to my mind, lies in increasing production and improving efficiency and securing maximum economies calculated to reduce costs. It is with this view — pending implementation of the expansion scheme — action was taken to secure Dorr Oliver's Recausticising Unit, and I am glad to inform you that the equipments have been installed and taken to service and it is expected that appreciable economies would be secured which would go to reduce production costs.

Coming to the consideration of the Balance Sheet, I have to mention that provision has been made for depreciation on fixed assets calculated in accordance

with the rates allowed for normal depreciation and extra shift allowances as per Income-tax Act, amounting to Rs. 6.69 lakhs; Rs. 1,69,700 towards Development Rebate and a further sum of Rs. 55,000 towards Retirement Gratuity. A provision of Rs. 6.5 lakhs has been made towards taxation. I am glad to inform you that the only one instalment of Rs. 4 lakhs that was due to the Industrial Finance Corporation of India has been paid during the year under review and the loan of Rs. 50 lakhs obtained from them for financing the First Expansion Scheme has now been fully repaid, about a decade ahead of due date. A sum of Rs. 12,50,000 remaining in the Industrial Finance Corporation of India Loan Redemption Fund has been transferred to General Reserves. As the loan has been completely repaid, the Industrial Finance Corporation of India have withdrawn their nominee, Sri T. Bhaskara Rao, from our Board of Directors. I am glad to acknowledge that the Board received valuable assistance and advice from Sri T. Bhaskara Rao and your Board have placed on record their appreciation of his services to the Company.

In regard to disposal of surplus namely Rs. 6,61,663 including carry over of last year, which stood at Rs. 51,968 your Directors have decided to transfer Rs. 2,50,000 to Dividend Equalisation Fund, which fund now stands at Rs. 3,12,500 a sum of 62,500 having been provided for in 1954. Further your Directors, having regard to the satisfactory working during the year under review have proposed to maintain the rate of dividend at the level of previous year and to recommend declaration of a dividend of 15 per cent, subject to tax, absorbing Rs. 3,75,000; the balance being carried forward, and I am confident that these proposals will meet with your approval.

I am happy to inform you that the labour-management relations continue to be very cordial. Your Directors have been pleased to sanction a bonus of four months' salary or wages to the employees for the year ended 31-3-1961 and the same has been disbursed.

In regard to the celebrations of the Silver Jubilee of our Mills you will remember that I had said on the last occasion that your Directors would fix a suitable date and I am glad to announce that it has been proposed to celebrate the Silver Jubilee in a befitting manner during the last week of March or 1st week of April 1962, and invitations will be sent to the Shareholders and I do hope that a very good number of shareholders will participate in the Function.

I now come to the important subject of the Developmental activities of our Mills in which you are deeply interested. When I had the privilege of addressing you for the first time in August 1959, having regard to the tightness of the foreign exchange position obtaining two years preceding, I cautiously expressed the hope that our application for increasing the production capacity of our Mills from the present level of 8,000 tons to 18,000 tons would receive sympathetic consideration at the hands of the Government of India and that I would be able to formulate specific proposals for expansion. Last year about this time I informed you that the necessary Industrial Licence had been received from the Government of India and that discussions with the Commonwealth Development Finance Co., Ltd., and Industrial Credit and Investment Corporation of India for exchange loans had been encouraging, the only difficulty that had delayed implementation of our

scheme of expansion. I should also like to recall that I informed you that having availed myself of the opportunity of studying at close range the conditions and trends obtaining in Capital Goods Market in foreign countries I was confident of formulating a scheme of expansion which would be both sound and economical. It is indeed a matter of gratification to me, and I have no doubt it will be to you that we have been able to secure loans to cover the value of Plant and Machinery to be imported from abroad and I shall come to the details presently.

Though I do not wish to burden you with technical details relative to the scheme of expansion, yet I should like to state a few details of fundamental importance. You are aware that our existing unit is an integrated pulp and paper unit with a capacity to manufacture 8,000 tons, the primary raw material being bamboo, supplemented by Rags, waste paper and wood pulp. The Paper making capacity exceeds the pulp making capacity, if only the primary raw material, bamboo is used. It has been explained in previous years that it is this imbalance between pulp making and paper making capacity that stood in the way of achieving the target production earlier.

The current capacity of the Mills does not permit installation of a Modern Soda Recovery Plant, which alone secures higher percentage of chemical recoveries, procuring considerable economies. The present scheme of expansion contemplates use of only bamboo for manufacture of pulp, discarding rags and waste paper used at present. In this connection, I am glad to inform you that the Government of Mysore have agreed to supply annually 50,000 tons of bamboo required for the expanded plant. The Pulp Plant after expansion will have a capacity to produce sufficient quantity of pulp to feed the existing two Paper Machines of 15 tons each and also the New Paper Machine of 30 to 35 tons capacity. This increased capacity will enable us to instal a Modern Soda Recovery Plant which secures considerable economies and reduce cost of production to a great extent and the production of 18,000 tons of marketable paper will greatly help to reduce costs by way of overheads, labour charges etc., and also help to serve the needs of the community better. I have heard it said that with the going into production of new units and additional units of the existing units production may exceed demand by 1965, yet I feel that with the progress of educational and developmental activities of the Government of India and State Governments under the five year plans, entailing expenditure of crores of rupees, there will be created a demand for paper in the ensuing years which will be positively favourable to the indigenous paper manufacturers. Speaking of ourselves, I should like to say that production of 18,000 tons of marketable paper will undoubtedly increase the earnings of our Company and will place the Company on a firm and sound basis ensuring a fair return on capital and in so far as marketability is concerned, I wish to add that our steady and sustained supplies during good years and bad have established for our products a regular and an assured market.

The scheme of expansion is estimated to entail a total expenditure of about Rs. 350 lakhs which is proposed to be financed as under:

	Rs. in lakhs
Share Capital by Rights Issue	100
Rupee Loan from I.F.C.I.	60
Foreign exchange loans from CDFC and ICICI	140
Bank Borrowings and other resource	50
TOTAL	350

As you are aware, the Shareholders at their meeting held on 7-10-1960 accorded approval to the increase of authorised capital from Rs. 25 lakhs to Rs. 150 lakhs. In pursuance of that resolution, application had been made to the Controller of Capital Issues and his sanction obtained to raise Rs. 100 lakhs by issue of 10 lakhs of Equity Shares of Rs. 10 per Share attaching a premium of Rs. 2 per Share. I do not wish to go into great details regarding the issue as you have all been in possession of the Letters of Offer issued in terms of the Controller of Capital Issues sanction order. I am glad to inform you that the Government of Mysore have agreed to take 10 per cent of the Shares which are their quota of Right Shares and the balance of 90 per cent has been under-written in compliance with the condition laid down by lending Institutions, under-writing commission being 1½ per cent without brokerage.

I am happy to inform you that the response from our Shareholders has been encouraging and there have been numerous enquiries from non-members regarding the availability of the Shares and I am hopeful that the issue would be a success.

Reverting to the question of loans, I am very happy to inform you that I signed the Subscription Agreement with Commonwealth Development Finance Co., Ltd., on 18th August, 1961, when I happened to be in London in connection with the expansion scheme of the Mysore Iron and Steel Works. According to the agreement, the Commonwealth Development Finance Co., Ltd., would give us a loan of £5,25,000 or Rs. 70 lakhs carrying an interest of 7½ per cent repayable in 7 equal annual instalments, the 1st instalment to be paid on 31st March, 1970. This amount will suffice to finance 50 per cent of our purchases of equipment in U.K. and Europe. Further, I am glad to inform you that the agreement between Industrial Credit and Investment Corporation of India Ltd., and ourselves has also been signed on 1-9-1961 and according to the terms and conditions the Industrial Credit and Investment Corporation of India Ltd., will give us a loan of United States \$ 1,470,000 or Rs. 70 lakhs carrying interest at the rate of 7½ per cent repayable in 13 half-yearly instalments, the first instalment to be paid on 1st May, 1965. This loan will finance the purchases abroad to the extent of 50 per cent and the two loans referred to above will fully cover our foreign exchange requirements. I am very happy to keep you informed that all the necessary permissions, consents and licences have been received from the Government of India. The terms and the conditions governing the loan from Industrial Finance Corporation of India have been settled, and the agreement is being signed. According to the terms and conditions the Industrial Finance Corporation of India have agreed to give us a loan of Rs. 60 lakhs carrying an interest at the rate of 7 per cent repayable in 15 instalments, the first instalment to be paid on 1st July, 1965. I should like to add that the Industrial Finance Corporation of India and Industrial Credit and Investment Corporation of India Ltd., have each sought representation on our Board of Directors and we have agreed to it. In compliance of a Statutory requirement, the Industrial Finance Corporation of India have stipulated a condition that the repayment of their loan should be guaranteed by a scheduled Bank and I am glad to inform you that the Canara Banking Corporation Ltd., one of our Bankers has agreed to stand guarantee on a nominal guaranteeing commission of ½ per cent on the day to day balances due to the Industrial Finance Corporation of India.

As you know, certain legal formalities have to be observed for execution of loan documents referred to above. To simplify the procedure and to avoid somewhat heavy expenditure it has been agreed to appoint a common trustee and to execute a common Trust Deed

for the purpose, and I am happy to inform you that the State Bank of Mysore has accepted our offer to be appointed trustee, who will look after the interests of the three lending Institutions and on a nominal commission of 6 nP. per cent on the amount of the loans. You have before you resolution No. 5 relating to the borrowing powers of the Directors and as stated in the explanatory note you are requested to pass the resolution to comply with the Statutory requirement.

Having dealt with the question of finances you will naturally expect me to say a word or two regarding the Plant and Machinery to be imported from abroad. We have had full discussions and consultations with well known manufacturers and suppliers of Plant and Machinery in U.K. and Europe and it is important to bear in mind that we are free to select and buy equipment from well known firms in U.K. or the Continent as ours is not a package deal, and funds are available for the necessary purchases in U.K. and Europe. As a result of extensive survey and study, we have formulated a scheme and a schedule of purchases and in accordance with it arrangements have been made to secure best equipments at economic prices. We have concluded arrangements to secure Pulp Plant and Paper Machine from Germany and Boilers and Modern Soda Recovery Plant and Cross Cutters from U.K. I should mention here that agreeably with the policy of the Government of India provision has been made in our scheme for the purchase of balance of equipment necessary from indigenous sources.

I feel it a pleasant duty particularly to bring to your notice that the chief merit of our scheme lies in the fact that the work of erection assisted by two or three foreign erectors, installation, supervision and co-ordination of several units of the scheme is being undertaken by a devoted team of our own technical and administrative officers and operatives, who have the requisite knowledge, experience and skill, acquired and accumulated over years and I am glad to acknowledge that it is these human resources that embolden me to launch this scheme of expansion and I am quite hopeful that the scheme will be implemented successfully and expeditiously.

I have now to refer to Resolution No. 6 regarding amendments to our Articles of Association. As has been stated in the explanatory note that our Articles of Association were framed and incorporated in 1936 at the time of inception of the Company. The Indian Companies Act, 1956 and the subsequent Amendment Act, 1960 have introduced considerable changes. As you are aware, our Shares are quoted in the Stock Exchanges of Bombay, Calcutta and Madras and certain amendments to our Articles are called for to be in conformity with their regulations and all these amendments have been made and I seek your approval to the same.

I am happy to say that as mentioned in your Directors' Report, your Directors have contributed a sum of Rs. 5000 towards the Centenary Celebrations of Bharata Ratna Dr. Sir M. Visvesvaraya, Engineer—Statesman of Mysore who has rendered meritorious services to the State and I hope you will appreciate and approve of contribution made.

I am obliged to you all for the whole-hearted support you have been extending and look forward with confidence for a full measure of support and encouragement in the implementation of the scheme of expansion.

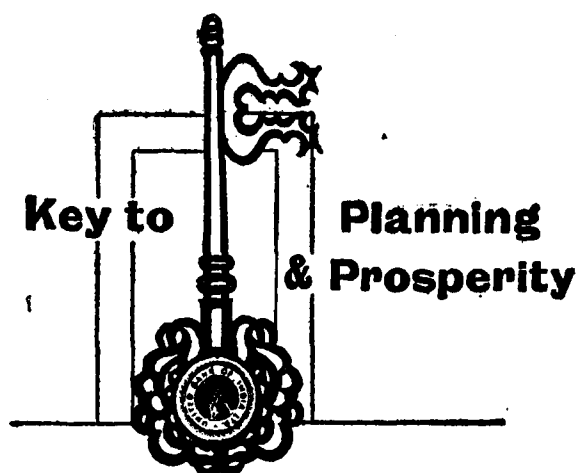
On behalf of the Company, I should express my grateful thanks to the Government of India and the Government of Mysore for their abiding interest in the

progress of the Company and for having granted the necessary permissions and consents and concessions in connection with our scheme of expansion. On behalf of the Company, I should also express my grateful thanks to the Board of Directors of the Commonwealth Development Finance Co., Ltd., London; Industrial Credit and Investment Corporation of India Ltd., Bombay; and the Industrial Finance Corporation of India, New Delhi; the State Bank of Mysore and the Canara Banking Corporation Ltd., for their valued assistance in securing funds for the expansion scheme.

I am grateful to my colleagues on the Board for the uniform courtesy, consideration and valuable guidance I have been receiving. I wish also to express on behalf of the Directors and myself our warm appreciation of the willing and efficient co-operation of all our employees.

Ladies and Gentlemen, I now move that the Directors' Report and the Audited Balance Sheet and the Profit and Loss Account for the year ended 31st March, 1961 be "APPROVED AND ADOPTED."

Note: This does not purport to be a report of the proceedings of the shareholders' meeting, a copy of which shall be sent to the shareholders separately.



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THE METTUR CHEMICAL & INDUSTRIAL CORPORATION LTD.,

Registered Office: METTUR DAM R. S.

Addressing the 24th Annual General Meeting of the Company held at the registered office of the Company at Mettur Dam R. S. on Saturday, the 9th September, 1961, Dr. P. S. Lokanathan, Chairman, said:

Ladies & Gentlemen:

It is again my pleasant privilege to welcome you all here for the Annual Meeting and to place before you the salient aspects of the Company's present working and future potentialities. The Directors' Report has been in your hands for sometime, from a perusal of which, I should say that the Company has had a satisfactory year of working. On the whole the results have been better than last year and the turnover in volume and in value has been the highest in the Company's history.

The second stage of expansion for increasing our production of caustic soda from 20 to 40 tons per day, is making satisfactory progress though the plant has not yet started production, consequent on delays in the delivery of electrical and Rectifier plants. However all the equipment has been either received at site or is in transit. Such equipment as has been received is being installed and tuned up. When this plant starts production, we will have installed a more economic unit which will be eight times the original capacity with which the Company started operations.

I have to invite your special attention to the further expansion scheme referred to in the Report, which your Directors consider, will place the Company in a competitive position and keep us abreast of developments elsewhere in the years ahead. The stepping up of production of caustic soda from 40 to 100 tons per day, the entire increase in production being of Rayon grade quality, is a necessary development for us during the Third Plan period, in which caustic production in the country is expected to reach 3,50,000 tons as against the Second Plan target of 1,35,000 tons. One important feature of our expansion will be that ours will be a fully integrated plant utilising all the co-product chlorine, quite beneficially contributing to the high profitability of our expanded plant.

Your Directors are actively exploring ways and means of financing this third stage expansion in such a way that the dividend percentage is not materially affected during the period of our stepping up production. This would therefore involve our procuring both loan and share capital in suitably staggered stages depending on the progress of erection and construction. We shall place before you definite proposals with regard to the financing of this expansion scheme as soon as exact estimates are worked out for the project, which it is hoped will be in the course of the current year.

In this context, I am happy to mention two salient features. The first important development is that we shall shortly have two big consumers of our products in our immediate vicinity at Mettur Dam. First is The Madras Aluminium Company, who are putting up their plant at Mettur and who will be substantial consumers

of the caustic soda produced by us. The second interesting development is the proposal by India Cements Limited to put up a plant for the manufacture of 6000 tons of PVC in collaboration with the well-known American firm M/s. B. F. Goodrich & Co. The PVC project will be a big consumer of the chlorine produced by this Company. As you are aware, the Company has now received a licence for manufacture of a number of important organic chemicals based on chlorine. Mr. S. Ramaswamy, our General Superintendent, who was recently in the United States has been assured of technical and financial collaboration by leading American Chemical firms in the precaution of these chemicals. We are therefore on quite concrete ground in our future programme and we look forward to your fullest co-operation in the task lying ahead of the Company in the coming two years.

As you are aware, the Industrial Finance Corporation of India have been of continuous assistance to this Company in all its expansion projects from the very inception. In our recent discussion in connection with the present expansion, we have been broadly assured of full financial co-operation in the implementation of the new project.

Since the close of the financial year, this Company has had its share of electricity cuts resulting in slightly reduced production. Now that all our hydel dams are full and the Electricity Board has assured us that there is no likelihood of power cuts in the rest of the year, I have reason to anticipate that there will be no disturbance to our production for the remaining period of the year. With the commissioning of the Neiveli Thermal Unit, it is my hope that we shall have seen the last of the power cuts in the State.

You would have seen from the appropriation account that we have had to draw on our Deferred Taxation Reserve to maintain the same dividend as in the previous year. This is because, capital equipment of the value of Rs. 55 lakhs for which payment has already been made, which is now under erection, has not yet been brought into commission which would increase our caustic soda production from 20 to 40 tons per day. It is my hope that the additional plant and equipment would be in commercial production in the last quarter of the current financial year. I am glad to say, nevertheless, that the accounts reveal a very satisfactory state of affairs.

In conclusion, I must place on record our appreciation of the valuable and devoted services rendered by the Managing Agents and by all ranks of staff and workers during the year.

Note: This does not purport to be a report of the proceedings of the Annual General Meeting.

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Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Food articles & Tobacco	Liquor and Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures			All Commo- dities
						Inter- mediate Products	Finished Products	Total	
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61	..	120.0	110.0	119.6	145.4	130.5	122.8	123.9	124.3
June 1960	..	120.3	109.5	118.0	139.7	127.2	118.7	119.9	122.9
July	"	124.0	109.6	119.5	137.2	130.4	119.4	121.0	121.0
August	"	123.8	106.7	119.7	137.0	131.0	121.1	122.6	125.0
June 1961	..	119.9	100.1	122.2	148.7	135.2	127.4	125.3	125.6
July	"	124.3	98.6	121.5	151.3	141.9	124.6	127.0	128.6
August	"	124.2	99.6	121.6	144.6	140.9	123.4	125.8	127.3
5-8-1961	..	124.1	100.1	121.5	150.5	141.8	125.2	127.5	128.6
12-8-1961	..	124.8	100.1	121.5	146.1	140.5	123.7	126.1	127.9
19-8-1961	..	124.2	99.4	121.6	142.8	140.3	122.7	125.2	126.8
26-8-1961	..	124.2	100.0	121.6	138.8	141.0	121.7	124.5	126.0
2-9-1961	..	123.2	100.0	121.5	138.7	140.7	122.1	124.7	125.5

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS
(August 1939 = 100)

Period	Bombay				Delhi Bengal U.P.		Central Provinces		Madras	E.P.	Bihar		
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	All India†	
1939 (Aug.-Dec.)	..	103	—	—	—	105	104	—	106	—	—	—	
1954	..	342	359	244	138	327	408	373	139	341	148	140	138
1955	..	322	338	217	130	321	371	364	133	321	134	135	132
1956	..	336	352	244	142	347	424	397	151	358	152	146	145
1957	..	352	368	259	150	364	448	422	162	374	157	157	152
1958	..	376	394	274	150	384	468	447	165	401	157	169	161
1959	..	393	412	308	158	384	469	498	163	429	166	173	168
1960	..	401*	420*	296	158*	397	476	512*	165	467	167	166	171
1960 August	..	402	421	304	160	410	484	515	163	470	169	168	174
September	..	399	418	302	161	403	484	520	163	472	167	168	173
October	..	402	421	304	162	396	488	517	163	477	171	166	173
November	..	404	423	300	159	392	498	509	163	484	171	168	171
December	..	400	419	297	160	385	480	507	163	488	169	167	171
1961 January	..	400	419	296	161	385	480	495	165	470	171	166	170
February	..	401	420	296	163	389	488	491*	165	470	171	164	170
March	..	404	423	296	163	392	483	488*	—	479	169	167	171
April	..	409	428	296	165	389	471	490	—	482	169	166	170
May	..	412	431	296	166	389	464	490	—	479	171*	166	171*
June	..	414	433	302	167	389	474	498	—	478	171*	167	172*
July	..	418	437	—	171	—	482	498	—	480	—	—	—
August	..	—	—	—	171	—	491	—	—	181	—	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)
WEEK ENDED

	15-9-1961			8-9-1961			1-9-1961			25-8-1961		
	High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age
Gold (per 10 grams)	125.25	123.75	124.55	124.10	123.05	123.42	124.80	123.80	124.23	123.10	122.60	122.76
Silver (per kilogram)	203.95	201.90	203.14	203.10	202.00	202.69	204.70	202.85	204.00	204.35	202.55	203.46

RESERVE BANK OF INDIA ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES				ASSETS					
	Notes in Circulation	Notes Held in Bank- ing Dept.	Total Notes Issued (a)	Gold & Bullion (b)	Foreign Securities (c)	Total of (b+c) (b+c)	Percent- age of (a)	Rupee Coin	Rupee Securities	Total Assets
1956-57	1,475,77	18,75	1,494,52	40.02	545,61	585,63	39.95	115,93	755,22	1,494,52
				(117,76)		(663,37)	(44.37)			
1957-58*	1,529,36	23,18	1,552,53	117,76	329,65	447,41	28.79	1,30,06	975,06	1,552,53
1958-59*	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
1959-60*	1,730,90	19,86	1,750,77	117,76	167,62	285,38	16.30	131,50	1,333,83	1,750,77
1960-61*	1,863,13	18,94	1,882,07	117,76	134,99	255,75	13.4	126,84	1,502,48	1,882,07
Average of Fridays										
June 1960	1,860,95	26,56	1,887,51	117,76	149,26	267,02	14.14	125,34	1,495,15	1,887,51
July "	1,827,14	25,64	1,852,77	117,70	140,01	257,77	13.91	128,59	1,466,47	1,852,77
August "	1,799,36	19,85	1,819,21	117,76	124,26	242,02	13.30	130,58	1,446,61	1,819,21
June 1961	1,958,79	30,43	1,989,22	117,76	108,01	225,77	11.35	118,54	1,644,92	1,989,22
July "	1,922,49	24,13	1,946,62	117,76	93,01	210,77	10.83	121,31	1,614,55	1,946,62
August "	1,902,77	13,31	1,911,93	117,76	116,86	234,62	12.27	123,85	1,553,46	1,911,93
Week-Ending										
11-8-1961	1,913,27	7,53	1,920,80	117,76	116,86	234,62	12.21	122,76	1,563,42	1,920,80
18-8-1961	1,899,86	12,24	1,912,10	117,76	116,86	234,62	12.27	123,99	1,553,49	1,912,10
25-8-1961	1,877,39	16,57	1,893,96	117,76	116,86	234,62	12.39	125,79	1,533,55	1,877,39
1-9-1961	1,872,62	21,81	1,894,43	117,76	116,86	234,62	12.38	126,25	1,533,56	1,894,43
8-9-1961	1,898,86	8,93	1,907,79	117,76	116,86	234,62	12.30	124,61	1,548,57	1,907,79

BANKING DEPARTMENT

Period	Deposits					Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad§	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Gov- ernment	Other Gov- ernments	Banks	Others	Total									
1954-55*	89,13	20,66	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	26,55	80,52	9,82
1955-56*	60,11	19,85	53,77	18,31	152,04	35,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
1956-57*	57,52	14,10	52,46	19,73	143,81	91,21	245,02	18,91	5,69	64,77	4,89	85,34	51,82	13,60
1957-58*	54,61	11,28	81,00	111,38	258,27	84,36	407,63	23,30	4,81	40,47	32,90	77,91	213,92	14,32
1958-59*	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,18	25,57	28,23	65,83	284,49	11,73
1959-60*	55,50	23,24	79,61	123,48	281,83	83,18	450,01	19,94	15,54	28,97	25,53	80,92	258,90	12,22
Avr. of Fridays														
June 1960	73,15	13,28	107,89	90,72	285,05	111,02	431,07	26,63	23,14	13,57	45,94	122,56	228,02	16,21
July "	63,54	20,25	120,31	132,35	336,44	73,49	494,94	25,70	13,66	21,03	32,82	125,06	260,19	16,48
August "	60,44	23,00	118,40	120,40	322,25	76,19	483,43	19,92	23,55	21,64	37,69	117,00	251,73	11,89
May 1961	61,61	16,21	78,38	116,50	272,69	145,08	501,78	16,73	41,65	21,40	83,99	125,26	191,55	21,22
June "	64,96	13,54	84,67	123,86	287,04	134,21	506,25	30,47	39,78	14,49	68,97	121,34	208,22	22,97
July "	58,61	18,56	93,24	111,63	282,04	94,38	461,41	24,17	26,26	9,98	40,10	117,43	221,75	21,72
August "	65,40	16,46	88,09	180,22	350,16	89,86	525,02	13,36	15,21	30,98	47,71	116,37	284,51	16,89
Week-Ending														
11-8-1961	60,69	13,89	80,04	202,33	356,95	88,81	530,75	7,57	19,63	31,96	47,59	117,38	289,47	17,15
18-8-1961	83,03	13,17	87,93	159,61	343,74	92,05	520,79	12,29	18,45	29,52	52,40	116,87	274,57	16,69
25-8-1961	64,60	19,93	102,96	158,19	345,67	91,25	521,92	16,62	13,03	26,61	48,75	115,71	284,51	16,69
1-9-1961	52,51	19,38	101,25	158,66	332,25	95,83	513,08	21,87	9,17	19,59	53,32	116,78	275,43	16,93
8-9-1961	63,50	31,95	75,85	159,28	330,58	91,42	507,00	8,98	18,26	18,73	48,11	134,75	261,16	17,01

* Average of Fridays. **Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. †Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. §Includes cash and short-term securities

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES				Balances with Reserve Bank (6)	Advances as per-centage of (4) (7)	Bills Dis- counted (8)	Investments in Govern-ment Secur-ities in India (10)	Investments in Govern-ment Secur-ities in India (11)
	Demand (2)	Time (3)	Total (2+3) (4)	Cash (Note+Coins) (5)					
1953-54	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	321,29
1954-55	559,62	351,86	911,55	32,66	53,91	9.50	468,39	84,66	339,74
1955-56	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	370,71
1956-57	653,34	453,92	1,107,26	36,94	50,23	7.96	626,08	155,56†	359,35
1957-58	723,89	619,19	1,343,08	39,34	77,55	8.72	723,79	167,32†	385,54
1958-59	735,93	860,33	1,596,26	40,30	83,99	7.74	766,56	133,27†	565,14
1959-60	745,83	1,086,79	1,832,62	44,84	75,81	6.58	842,75	144,49†	725,20
1960-61	..	2,901,72*	2,026,89*	..	93,09	7.17	995,75	162,94	688,52
Average of Fridays									
March 1961	820,31	1,074,28	1,894,59	45,14	70,03	6.07	1,107,98	197,93	566,54
April 1961	854,21	1,093,17	1,947,38	47,78	74,18	6.27	1,111,89	205,35	553,13
May 1961	845,27	1,108,21	1,953,48	48,43	73,26	6.23	1,085,24	194,17	548,23
June 1961	837,02	1,119,91	1,956,93	48,46	79,72	6.55	1,102,90	179,40	542,17
July 1961	843,35	1,133,99	1,977,34	46,71	83,73	6.85	1,100,57	156,31	562,78
August 1961	837,73	1,148,50	1,986,23	45,86	83,13	6.49	1,087,85	1,151,04	589,50
Week Ending									
18-8-1961	839,47	1,146,47	1,985,94	46,77	80,53	6.41	1,088,30	149,91	585,85
25-8-1961	839,64	1,156,13	1,995,77	45,81	97,29	7.17	1,079,83	151,67	598,31
1-9-1961	844,72	1,154,14	1,998,86	45,16	94,00	6.96	1,075,10	152,76	607,84
8-9-1961	835,38	1,138,92	1,974,30	44,60	73,87	6.00	1,088,49	154,77	610,67

Deposit Money with the Public

MONEY SUPPLY WITH THE PUBLIC

(Rs. in Lakhs)

Last Friday	Money supply with the public	Total currency with the public	Deposit Money with the Public				Total variation in money supply
			Total	Demand liabilities of banks	Other Deposits with Reserve Bank†	Total	
(1)	(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)	
1954-55	1,920,63	1,311,77	608,86	599,16	9,71	+126,65	
1955-56	2,184,32	1,505,09	679,23	667,22	12,01	+263,69	
1956-57	2,312,89	1,556,50	756,39	744,74	11,65	+128,57	
1957-58	2,388,83	1,606,60	782,22	762,36	19,87	+75,94	
1958-59	2,498,76	1,724,53	774,23	754,98	19,25	+109,92	
1960-61	2,900,89	2,027,04	873,85	854,89	18,96	+197,76	
November 1960	2,668,68	1,843,44	825,24	804,15	21,09	+7,99	
December	2,737,29	1,898,73	838,56	813,05	25,50	+68,60	
January 1961	2,792,66	1,944,99	847,67	821,72	25,94	+55,38	
February	2,816,56	1,966,28	850,28	829,74	20,54	+23,90	
March	2,900,89	2,027,04	873,85	854,89	18,96	+84,33	
April	2,915,44*	2,025,80*	889,64	870,42	19,22	+14,55	
May	2,872,64*	2,010,87*	861,77	841,53	20,24	—42,80	
June	2,873,02*	1,969,64*	903,37*	878,55*	24,82	+38*	
July	2,808,74*	1,936,87*	871,88*	850,72*	21,15	—64,28*	

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

SUMMARY STATEMENT OF LOANS — IBRD

JUNE 30, 1961

(In Dollars)

Country (1)	Effective Loans held by Bank				Loans not yet effective (4)
	Disbursed portion	Undisbursed portion (2)	Total (3)		
Argentina	—	—	—		48,500,000
Australia	206,299,316	—	206,299,316		—
Austria	73,972,491	16,354,258	90,326,749		—
Belgium	85,606,310	36,843,385	122,449,695		—
Brazil	174,127,341	48,392,640	222,519,981		—
Burma	15,566,073	14,764,927	30,331,000		—
Ceylon	15,097,181	6,839,819	21,937,000		15,000,000
Chile	47,614,954	45,102,502	92,717,456		6,000,000
Colombia	80,382,793	50,012,207	130,395,000		22,000,000
Costa Rica	3,651,118	1,587,882	5,239,000		8,800,000
Denmark	38,704,684	6,103,632	44,808,316		—
Ecuador	28,332,939	12,761,061	41,094,000		—
El Salvador	21,657,191	7,923,809	29,581,000		—
Ethiopia	15,521,544	4,046,456	19,568,000		—
Finland	54,842,451	9,023,483	63,865,934		—
France	232,060,269	79,567,731	311,628,000		—
Guatemala	15,183,066	934	15,184,000		—
Haiti	1,844,968	369,032	2,214,000		—
Honduras	6,606,462	10,751,538	17,358,000		—
Iceland	4,499,879	—	4,499,879		—
India	465,773,700	119,720,432	585,494,132		—
Iran	72,575,648	67,760,352	140,336,000		—
Israel	802,431	26,697,569	27,500,000		—
Italy	136,028,650	49,198,097	185,226,747		—
Japan	265,807,326	119,040,512	384,847,838		—
Lebanon	11,325,487	15,674,513	27,000,000		—
Malaya	4,624,420	24,695,580	29,320,000		—
Mexico	143,372,867	11,592,133	154,965,000		40,000,000
Nicaragua	13,265,373	12,582,994	25,848,367		—
Norway	52,372,023	31,196,383	83,568,406		—
Pakistan	90,599,443	124,599,762	215,199,205		15,000,000
Panama	—	6,743,000	6,743,000		—
Paraguay	1,814,000	—	1,814,000		—
Peru	31,450,997	35,589,122	67,040,119		—
Philippines	16,273,159	1,239,841	17,513,000		—
South Africa	99,346,368	—	99,346,368		—
Sudan	25,594,993	26,455,007	52,050,000		19,500,000
Thailand	59,362,174	34,974,826	94,337,000		22,000,000
Turkey	48,355,653	281,347	48,637,000		—
United Arab Republic	31,092,025	19,907,975	51,000,000		—
United Kingdom	111,059,756	8,561,490	119,621,246		9,650,000
Uruguay	50,061,053	8,616,947	58,678,000		—
Yugoslavia	48,016,000	—	48,016,000		30,000,000
TOTALS	2,900,544,576	1,095,573,178	3,996,117,754		236,450,000
ADD: Exchange adjustments			19,972		
			3,996,137,726		

SUMMARY OF CURRENCIES REPAYABLE ON EFFECTIVE LOANS HELD BY BANK

Currency	Amount	(1) Loans are made (a) to the member or (b) to a political sub-division or a public or a private enterprise in the territories of the member with the member's guarantee.
Australian pounds	\$ 32,807,007	
Austrian schillings	10,340,425	
Belgian francs	56,746,047	(2) This does not include \$17,054,527 of effective loans which the Bank has agreed to sell. Of the undisbursed balance, the Bank has entered into irrevocable commitments to disburse \$12,772,207.
Burmese kyats	916,765	
Canadian dollars	101,737,689	
Ceylon rupees	540,000	
Danish kroner	11,078,888	
Deutsche marks	286,508,705	(3) Original principal amount of loans signed \$ 5,790,527.893
Finnish Markkas	3,493,805	
New French francs	77,558,957	
Ghanian pounds	1,120,000	
Indian rupees	22,894,273	
Iranian rials	6,111,147	
Iraqi dinars	851,864	
Irish pounds	2,998,851	(a) Cancellation, terminations and re-fundings \$ 121,735,253
Israel pounds	1,794,552	
Italian lire	38,339,547	
Japanese yen	60,951,386	
Luxembourg francs	1,951,656	(b) Principal repayments to the Bank 438,435,370
Malayan dollars	2,834,845	
Mexican pesos	16,059,631	
Netherlands guilders	76,598,964	
Norwegian kroner	8,792,757	(c) Loans sold or agreed to be sold of which \$17,054,527 has not yet been disbursed 997,789,516
Pakistan rupees	174,552	
Pounds sterling	277,940,740	(d) Loans not yet effective 236,450,000 1,794,410,139
South African rands	19,160,840	
Sudanese pounds	1,844,279	
Swedish kronor	21,480,524	
Swiss francs	184,911,594	
United States dollars	1,567,914,229	
Venezuelan bolivares	2,211,902	
Yugoslav dinars	1,878,355	
		\$ 3,996,117,754
Disbursed portion of effective loans held by Bank	\$ 2,900,544,576	ADD: Exchange adjustments 19,972
ADD: Undisbursed portion of effective loans held by Bank	1,095,573,178	Effective loans held by Bank \$ 3,996,137,726
	\$ 3,996,117,754	
ADD: Exchange adjustments	19,972	
Effective loans held by Bank	\$ 3,996,137,726	(4) Agreements providing for these loans have been signed, but the loans do not become effective and disbursements thereunder do not start until the borrower and guarantor, if any, take certain action and furnish certain documents to the Bank. The Bank has agreed to sell \$15,396,456 of loan not yet effective and thus the total of both effective and non-effective loans sold or agreed to be sold is the equivalent of \$1,013,185,972.

**POTENTIALITIES OF SOME OF THE MINERAL RESERVES EXPLORED
BY THE END OF SECOND PLAN PERIOD**

(Million tons)

Mineral	Place of exploration	As at the beginning of the First Plan	As Revised now	Remarks
Coal		37300	50000	In addition there are inferred reserves of 80,000 million tons.
Manganese Ore		20 (high grade)	180	About 40% being of marketable grade.
Copper Ore	Khetri	No estimate	28	With an average copper content of 0.8 per cent.
	Sikkim	No estimate	0.35	With an average combined copper lead and zinc content of 8.24 per cent.
Pyrites	Amjor	No estimate	384	Of which 8 million tons represents proved reserves and 68 million tons probable reserves. Average sulphur content of the proved reserves is 40 per cent.
	Ingaldal	No estimate	2.0	
Gypsum	Nagaur	No estimate	1000	
	(Rajasthan)			
	Ramban	No estimate	50	
	(Jammu & Kashmir)			
Limestone	Shahabad District	No estimate	About 44 million tons of flux grade and 268 million tons of furnace grade.	
Chromite	Byrapur (Mysore)	No estimate	0.7	
Iron Ore	Kiriburu (Orissa)	No estimate	173	
Bauxite	Jamnagar District (Gujarat)	No estimate	6	
Magnesite	Almora (Uttar Pradesh)	No estimate	12	
Apatite	Singhbhum Copper belt (Bihar)	0.7	1.8	
Lead & Zinc	Zawar (Rajasthan)	No estimate	10.7	With an average combined lead and zinc content of 3 per cent.
Bentonite	Barmer (Rajasthan)	No estimate	10.0	

PLANNED AND ACTUAL RATE OF INCREASE IN NATIONAL AND PER CAPITA INCOMES*

Country	Period	Planned			Actual		Period
		National Income	Per Capita Income	Per Capita Income	National Income		
Burma**	1952-53 — 1959-60	7.4	6.2	3.5	5.0	1950-51 — 1959-60	
	1961-62 — 1964-65	5.0	3.2				
Cambodia	1959 — 1964	5.0	2.0	2.3	5.1	1951 — 1957	
Ceylon**	1959 — 1968	5.9	2.9	0.9	3.7	1950 — 1958	
China:							
Mainland				8.8	12.3	1950 — 1958	
Taiwan**	1956 — 1960	7.4	3.7	3.0	6.5	1956 — 1959	
Federation of Malaya†	1960 — 1965	4.1†	0.8	3.8	7.3	1952 — 1958	
India	1950-51 — 1955-56	2.1	0.9	1.5	3.4	1950-51 — 1955-56	
	1955-56 — 1960-61	4.6	3.3	1.5	3.6	1955-56 — 1960-61	
	1960-61 — 1965-66	4.6	2.4				
Indonesia	1956 — 1960	3.0	1.3	1.3	3.0	1951 — 1955	
Japan†	1955 — 1960	4.5	3.7	7.3	8.5	1950 — 1960	
	1956 — 1962	6.5	5.7				
	1961 — 1970	7.2	6.3				
Pakistan	1954-55 — 1959-60	2.8	1.4	0.6	2.0	1954-55 — 1959-60	
	1959-60 — 1964-66	3.7	1.8				
Philippines†	1956-57 — 1960-61	6		3.2	5.7	1952 — 1958	
	1959-60 — 1961-62	5.9	2.8				
Thailand†	1961 — 1966	5	3	2.1	4.9		

* Compound rate of increase.

** Gross domestic products.

† Gross national product.

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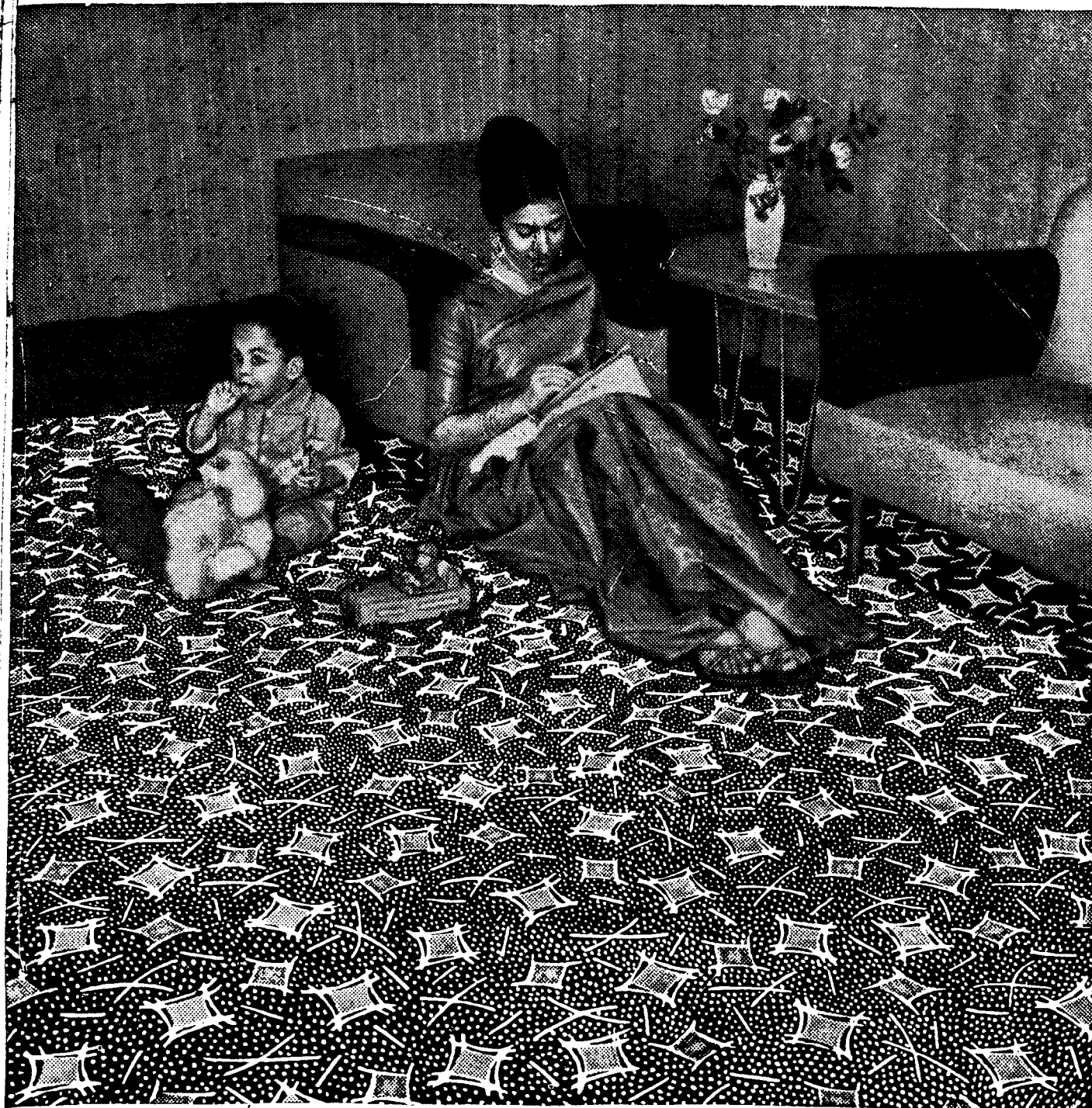
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The Punjab: Wisdom is Strength

THERE has been, except for a few irrational people, rejoicing that the major gulf between Master Tara Singh and the Government of India has suddenly disappeared. Master Tara Singh broke his fast on Sunday and, immediately thereafter, the Government of India in a communique announced that a neutral commission would be appointed to go into the grievances which led to Master Tara Singh's fast. That there is some difference between the Government of India's current position and the somewhat inflexible position taken up a month ago is shown by the fact that Master Tara Singh, while breaking his fast, has stated: "As the only grievance that led to my fast is the non-application of the linguistic principle to the Punjabi-speaking area, resulting in discrimination on a social plane, the said commission is going to examine this question, that is, the question regarding the formation of a Punjabi-speaking State". The Government of India has, it seems, shown a live sense of responsibility and has agreed to allow the Punjabi Suba issue to be raised albeit in a qualified form. This in no way involves the grant of the Punjabi Suba demand, since the Commission is not authorised to concede or even recommend Punjabi Suba. This cannot be a matter for a judicial enquiry; it is a high political issue on which the rest of the country must have an equal say with those discontented. But since no final commitment was involved, why was consideration so long delayed?

All in all, one can look upon the events of the last fifty days with some regret, but, on the whole, with some satisfaction. It is a pity that an issue which could have been resolved with the solution now obtained, needed a serious crisis in Master Tara Singh's state of health on the one hand, and a long period of hard selling in Delhi on the other, before it could be accepted. This is a measure of the rigid postures which lie behind instruments of authority and of popular representation. Governments are notoriously bound by prestige as well as by their representative character. The Akali Dal had a greater degree of freedom, but, unfortunately, until the end this was not used for accommodation, but almost always for coercion. The mediators in this case have performed a great service in bridging a gulf even

though, in retrospect, it looks small enough. It would also be foolish to ignore the point that what has been achieved is only a temporary bridge, and that many acts of goodwill will be necessary on both sides till the distrust which has been sown is dispersed and finally dissipated.

At this hour of victory, we need to be grateful for many gifts in personality and approach which too often are left unnoticed. Mr. Lal Bahadur Shastri, the Home Minister, has greatly strained his health by dedication which passes all praise. The Prime Minister has been available at all hours of the day and night and has again demonstrated this week an unbelievable capacity to deal with momentous issues with calm of mind and almost all passion spent. His stature after the National Integration Conference and the current agreement on the Punjab has again reached the great height from which his somewhat hesitant approaches to a solution previously threatened to cast him down. India should be grateful for leaders such as these, who have shown that the Gandhian message under some different circumstances and indeed, with the additional handicap of being placed in Government hands, is still alive and powerful to work in a framework so largely conceived by its first and grandest preceptor.

Perhaps it is not an accident that the news of the breaking of the fast appeared one day before October 2. Can it be the spirit of Mahatma Gandhi still hovers over the country and expresses itself on this day of dedication in a manner different from at other times? It is certainly true that as October 2 approached the angry denunciations of one another ceased and a great tranquillity seems to have descended on both sides in the current dispute. It may be that the weapons of the spirit are far more powerful than we in our material age currently believe. But the greatest materialists of all will admit that Sarvodaya Day has been given new meaning by the fact that on this day the spirit of Mahatma Gandhi was felt in areas over the country far wider than Rajghat, the symbol of the greatness of this giant visionary who is dead, but whose spirit speaks continuously to the people in whose memory he is eternally enshrined.

Syria Breaks Away

AS we go to Press, President Nasser has made the decisive pronouncement that he would oppose neither the admission of Syria to the United Nations nor her entry in the Arab League in her own right as a sovereign member. This declaration sets at rest all the doubts about the status of Syria and makes the break with Egypt complete. It must have been a painful decision for President Nasser to bear with fortitude the set-back to Arab unity and not least to his personal prestige. In showing restraint, moderation and political prudence to reconcile himself with the inevitable, he has saved his own country, Syria and perhaps part of the Middle East from an imponderable crisis which would have been to the benefit of none. It ought to be recalled as a historical fact that the initiative to form the Union emanated from Syria and although President Nasser responded to it as offering a welcome opportunity, it was not without some hesitation in conviction whether the time was quite ripe for it. This experiment in Arab unity for about three and

a half years has ended in disintegration and it may very likely lead to an agonising reappraisal of the concept of Arab nationalism in more realistic terms. This would be no small gain.

Now that the initial shock of the secession has been absorbed there is to be no more breaking off of diplomatic relations with other powers by Egypt on the score of their recognizing the reborn state as in the case of Jordan and Turkey. It means that the judgment of America and Britain in according recognition, only after President Nasser made the unequivocal decision that he would in no case resort to civil war, has been acknowledged to be correct. It may be tempting and convenient to find a scape-goat and blame the Syrian military junta's adventurous bid on external inspiration. But any such theory will hardly bear scrutiny.

It is probably true that the army leaders must have been surprised at their own experience that nothing succeeds like success. They succeeded

not only in seceding but in getting Egypt's acquiescence to it. But this discovery does not disprove the existence of a deep undercurrent of discontent and resentment which emboldened them to take the risk. A majority of the Syrians no doubt keenly felt the emotional pull of the concept of Arab unity and many regretted its break after the coup. But the discontent arose from the fact that, despite the fact of union, the Syrians could not regard the Egyptians as one with them and overcome the feeling that they were aliens. The manner in which the union was worked accentuated this feeling and President Nasser's dictatorial attitude was no less galling. In retrospect he has owned his blunders.

After the first flush of enthusiasm over the union subsided and as the Syrians started taking an objective view of governmental affairs, there emerged on the surface the realisation that a status of subordinate partnership was being accorded to them in matters of common interest. Even in the domain of internal autonomy, the Syrians felt that the right to full self-governance was being denied to them. The Syrian sense of dignity and self-respect was deeply hurt and only a plausible occasion was enough for eruption. The exit of Colonel Serraj from the Union Cabinet provided that occasion. But it is interesting to remember that if Colonel Serraj's ardent advocacy of Arab unity found powerful popular support, after the formation of the union he invited upon himself country-wide contempt for directing the oppressive machinery for spying. His arrest by the military junta, howsoever explained later, shows where he stands.

It would, however, be a distortion of facts to overlook the economic causes of the discontent.

Public Sector Shipping

OCTOBER 2, 1961, is a major landmark in the history of India's overseas shipping. That day marks the amalgamation of the two public sector enterprises — the Eastern Shipping Corporation and the Western Shipping Corporation. The formation of the amalgamated Shipping Corporation of India was an over-due reform for quite a long time and the Estimates Committee which argued a strong case for it was not the first advocate of amalgamation. There was little point in maintaining the operation of two enterprises under State auspices for the overseas trade and the ends of extended shipping services could have been served by the expansion of the Eastern Shipping Corporation. Duplication of overheads could have been avoided, bringing to the Exchequer the benefit of larger net revenue. The error of policy then committed is now being rectified.

The emergence of the amalgamated Corporation is to be hailed as a measure of rationalisation which holds the promise of financial economies that are possible as a consequence of large-scale operation. In Dr. Nagendra Singh the amalgamated Corporation has acquired an able Chairman to lead the Board of Directors, but one of the criteria by which the successful management on the part of the Board will be judged is the increasing ratio of net earnings. The increase of 50 per cent even in gross earnings in 1960-61, which was a year full of difficulties and a depressing outlook in the freight market, is a worthy achievement for which the official Press Note rightly claims credit. It is to be trusted that no decline will be allowed in this rate of increase in earnings assuming, as it is fair to do, that no further deterioration will occur in the freight rates.

Three successive years of drought, coinciding virtually with the phase of union since February 1958, converted Syria from an exporter of foodgrains into a net importer and this phenomenon, coupled with the introduction of unconventional economic policies, created a feeling of drain on the country's resources. More recently, President Nasser's hasty and drastic decrees on the nationalisation of banks, foreign firms, social policies and extreme land reforms generated a deeper feeling of the threat of disruption of the economy.

The choice of Dr. Kuzbari as Prime Minister indicates that the army leaders have taken the precaution to select one who has a proved political standing dating back to the period before the merger and who at the same time represents the elements to the right. The new regime appears conscious of the fact that it will have to proceed warily in reversing President Nasser's extreme policies. Its assurances to grant freedom for trade unionism and introduction of profit-sharing for workers and their participation in industrial management are pointers to the adoption of a shrewd policy, calculated to placate an important section of the community. Military regimes have an incorrigible tendency to prolong their own tenures and the Syrian junta's announcement to hold early elections for the restoration of the normal civilian rule may not be taken at face value. Syria's serious problems will rear their head when the normal authority will be installed. Ever since her inception as an independent state, party dissensions and instability have been the bane of Syrian politics. Will Syria, reborn as a separate sovereign state, gather strength to overcome this cardinal weakness?

The expansion of world trade is one hopeful factor.

Details of the scheme of amalgamation and the existing fleet as well as the programme for its expansion, together with the services to be operated by the amalgamated Corporation, will be found elsewhere in this issue on page 656. Two things need to be emphasized about the projected plan of plying the overseas trade. The "possibility" of the Corporation entering the tramp trade, it is said, is "being considered". The scheme should not be shelved in the indefinite process of official consideration. A leap into the tramp trade is now imperative for Indian shipping, even if it may involve some loss to the tax-payer. It is a potential instrument to capture a larger share of the cargo, albeit at the risk of cut-throat competition. Because of its potentiality in this respect its acquisition will enable us to speak in a language which the entrenched Conference lines of the advanced maritime countries properly appreciate and are willing to listen to. The amalgamated Corporation has a programme of acquiring 5 fast cargo vessels in 1962-63 and 6 more before the end of the Third Plan. This programme should not be modified and it ought to be strictly adhered to. It will help the entry in the tramp trade and increase our bargaining strength with the conference lines.

The new Corporation is making a debut on the continental route at a time when the edge of competition will be less sharp than heretofore. The Pool System of earnings on the India-U.K./Continent Conference came into operation on January 1 this year. In the immediate future there

will be no conflict of interest and ruinous competition by reason of the parallel operation on the Continental route by the India Steamship and Scindias, on the one hand, and the State-owned Corporation, on the other. As a successor to the former Western Shipping Corporation, the amalgamated Corporation acquires the right to ply this route for the specified period in respect of the prescribed number of ships in terms of the agreement with the India-U.K./Continental Conference.

I F C : Another Good Year

THE Industrial Finance Corporation of India made satisfactory progress during the year 1960-61. The net profit earned — Rs. 84.75 lakhs — shows an increase of nearly 42 per cent over the previous year; the gross income has been an all-time record at Rs. 2.99 crores. Loans sanctioned during the year aggregated Rs. 21.21 crores, bringing the total loans sanctioned since the inception of the Corporation to Rs. 105.82 crores. Loans sanctioned during the Second Plan period alone have been quite impressive around Rs. 63 crores, reflecting the improving tempo of industrial activity in the country. The total amount of loans disbursed, however, still lags far behind; upto June 30, 1961, only Rs. 57.35 crores were disbursed out of the sanctioned amount of Rs. 105.82 crores. The effective utility of the Corporation is to be judged by disbursements and on this score its performance could have been much better. The percentage of default in the payment of interest and repayment of principal has gone down appreciably from 1.2 and 4.3 in 1959-60 to 0.25 and 2.34 in 1960-61.

Consequent upon the increase in net profit, the general reserve fund has been strengthened to Rs. 1.33 crores, from Rs. 69.4 lakhs. There is also a reserve for bad debts; the credit of Rs. 14.61 lakhs in this reserve is considered to be more than adequate. The subvention given by the Government in the early years of the Corporation's operation to enable it to pay the 2½ per cent guaranteed minimum dividend on its share capital has been brought down by Rs. 10 lakhs to Rs. 18 lakhs. This the Corporation hopes to liquidate in the next two years.

Particularly gratifying is the fact that the Corporation, clothed with new powers by the amendment of its statute in December last, has achieved some measure of diversification in its activities. Though interest on loans still forms the major portion of its income, the income from its new activities — underwriting of shares and guaranteeing of deferred payments — is picking up. In 1960-61, while the income from interest charges went up by 13.3 per cent from Rs. 2.25 crores to Rs. 2.60 crores, the income from new activities went up by over 120 per cent from Rs. 4.60 lakhs to Rs. 10 lakhs. The venturing by the Corporation on joint financing with some foreign and domestic financing institutions is also a step in the right direction.

The Third Plan will obviously put great demands on the Corporation's financial resources. It is strengthening its capital structure by raising the share capital by Rs. 2 crores, which would enable it to raise market loans to the tune of Rs. 20 crores. But equally essential for the Corporation to make it more useful is the strengthening of its foreign exchange resources. The avail-

The two Indian private companies are parties to the agreement as members of the Conference. But any further extension of the distant overseas services of the Corporation must eschew parallel operation, involving, in the last analysis, a division of virtually the same freight earnings of foreign exchange or their economy. Such future plans of expansion must be on the basis of allocation of services to the two sectors to ensure maximisation of freight earnings.

ability of the first loan of \$10 million from the U.S. Development Loan Fund has been of value to the Corporation in extending its operation during 1960-61. This loan having been exhausted, the Corporation has entered into negotiations for a further loan of \$20 million from this source. The success of these negotiations need not be held in doubt. The Corporation's plans to arrange credits in several foreign currencies other than the dollar may also not meet with difficulty. These credits have a vital role to play in fostering the development of various industries dependent on imports from some of the Continental countries and Japan. But the Corporation's role here cannot but be modest.

Two other measures which can go some way in improving the financial resources of the Corporation and its income are participation in the equity capital of the loanee companies and charging of a surcharge over the interest on its loans in case the loanee concerns make profits over a prescribed limit. Participation in profits and equity capital of the borrowers is a practice not unknown to finance corporations abroad. When the Corporation is receiving an increasing number of applications for underwriting of capital issues, the implication is that the loanee companies would not have much objection to participation by the Corporation in their equity capital. Profit-sharing without participation in the share capital of the borrowing concerns, will enable the Corporation in the long run to get some additional income. These two proposals are under the consideration of the Corporation. An early decision would be desirable.

Can the Corporation turn to the financing of heavy industry as a new activity? Uptil now, the real beneficiaries from its activities have been some consumer goods industries such as sugar, textiles, paper. The profit margin in the machine-building industry in the initial stages being invariably small because of heavier capital investment, there is a case for the Corporation charging concessional rates of interest on its loans to this industry and to some other similar ones. If India is to really "arrive" as an industrial power in the world, the growth of heavy and basic industries has obviously to be fostered. The Corporation would do well to bestow some thought on this issue. If the principle of concessional rates of interest is also followed in the case of loans to industries capable of being set up in the backward areas of the country, regional development can be assisted. It is otherwise difficult to find fault with the Corporation's current rate of interest, especially when interest rates in the country have, in the recent past, shown a tendency to go up. The Corporation's decision not to step up its rates despite the growing volume of its business is in keeping with its purpose.

A DELHI DIARY

EXPECTING THE UNEXPECTED

IN this week the unexpected has happened and some of my very wise friends tell me that in their wisdom they expected the unexpected. I remember about thirty years ago that great apostle of paradoxes, Mr. G. K. Chesterton, evolved a peculiar theory that we were always expecting the unexpected. I forget the argument which contained only a small vulgar fraction of the truth, but it was something to the effect that if we were expecting the expected, then expectation ran very low. When you expected the unexpected you were tense and excited. Conversely, if you are tense and excited, then you must be expecting the unexpected. Quod Erat Demonstrandum. As my Delhi Diary last week showed, I was not in the class of the privileged and, of course, I was not tense and excited. Therefore, I suppose I was quite unready in mind to face the whirligig of time and explore the curious events which followed one another with unexpected and breathtaking speed. On Friday night it looked as though the Government was standing hard by its view that the Punjabi Suba issue would not be referred as such or even as a direct grievance to the high-powered neutral commission. On Saturday night all this was changed. On Sunday Mr. H. S. Malik was on his way to Amritsar and on Sunday evening everything was as in the best of all possible worlds. Master Tara Singh had broken his fast; the Prime Minister was happy and the whole world was singing the praises of everyone, particularly the Home Minister, the Maharaja of Patiala and Mr. Malik. May I add my feeble praises to this distinguished galaxy of peace-makers?

NATIONAL INTEGRATION AND ALL THAT

I do not have to hang my head in shame on the Punjab problem. Indeed, I have argued before and will continue to argue again that a journalist placed in the position of one arguing for mediation should be a critic of both sides when they resolve to take rigid postures which prevent an agreement being reached. Last week, I expressed my strong disapproval of the attitudes of both the sides. I do not apologise for this because at that time, I contend, the postures were rigid. To the invitations of my friends to eat my words and my hat I respond the conditions have changed a lot since then; the accommodation has come about where there was rigidity before. It is they who have changed, and, therefore, I do not see the necessity for eating my hat or my words. But I might explain that if eating my words is a punishment which I must endure to bring about a becoming sense of humility, I will gladly do it every time if it is as good as this. It is not generally realised how near a point of no return we were in Hindu-Sikh feelings in the Punjab. The fact that we have pulled back in time is cause for congratulations, not for proof that similar escapades are good for the country or for ourselves.

However, I was talking about national integration and here I will certainly eat my words because I have made a genuine mistake. I thought the National Integration Conference would be a pure talking shop which, in fact, it has not been. Opinions may well differ on the value of some of the speeches and even on the official resolutions. I think in a four-day conference, with such a glorious diversity of people, the results could not have been very much more constructive than, in fact, they turned out to be. Therefore, I for one would argue that the mere fact that we have got a full-fledged policy emerging out of the Conference is not the end. We have to have several things: firstly, a better sense of communication between parties and between people; secondly, some balance on the subject of English and Hindi in Devnagri script; thirdly, not a little understanding of the sense of sin which pervades political parties who exploit caste and local tensions

for their own purposes. They have all faithfully promised to eschew these methods in future. The test is in February, 1962 — or, indeed, all the way till then.

One of the most interesting facets of the Conference was its display of humour. The Prime Minister in the Chair for all the four days kept the sense of humour alive, although he was obviously under severe pressure — both inside and outside the meeting hall. He made a splendid chairman, and Mr. Jaipal Singh's vote of thanks reflected some inadequacy for the tremendous task that he accomplished. But I am inclined to think that a few speakers will be remembered not so much for forcefully stating their views as for the general rebuke. As a conspicuous example of technical skill I refer to Mr. J.R.D. Tata's observation that the country had been led to believe that resources belonged to the people. When, however, people, in the mistaken belief that they inherited the resources, laid claim to property which belonged to others, we soon discovered that what we really meant was something quite different. Did we, in fact, mean that the people belonged to the resources? I think this is an interesting way of showing to socialist members of society how difficult are their prescriptions in practice. I think the laughter in this particular case proved that Mr. Tata's point, apart from having strictly local application, had a significant shaft for the socialist opposition.

THE GRATUITOUS JET CONTROVERSY

I am one of those who feel very much intrigued by the Defence Ministry's strange handling of the manufacture of the supersonic jet fighter at the Hindustan Aircraft Factory. A prudent decision to obtain the technical know-how is of the very essence of this key defence project, which has become a matter of urgency for us in view of the security of our frontier. Britain is our traditional supplier of aircraft of varied descriptions, we are Britain's largest overseas customers and friendly relations in defence as in political affairs have been fostered by the Commonwealth bond. All these argue for our choice of Britain as the collaborator in the supersonic project. In fact, the choice is narrowed down practically to Britain and Russia as no other country worth collaboration has shown partiality for supersonic jets powered by two engines. But while the Defence Ministry opted for the British aircraft manufacturer—the Bristol Siddeley Group—in the first instance, it later turned to Russia for the engine equipment. This seems to be the root of the present trouble between the Hindustan Aircraft and the British firm.

When the Hindustan Aircraft called upon the firm to furnish further technical information about the supersonic jet engines capable of the verticle take-off for its programme of defence manufacture, the British firm declined to disclose it. The allegation against the firm of backing out of the original deal can hardly be borne out, since this is not an unmixed commercial deal, but considerations of security are deeply involved. Security classification, whether it relates to manufacture or research in aircraft, is under the control of the Air Ministry in Britain which would not have withheld the information in this case from us in the normal course. But if after the first successful test of our supersonic HF-94, our Defence Ministry turns to Russia for the engine equipment, the UK Air Ministry can quite reasonably apprehend leakage of strategic information and direct the firm not to supply the classified information in this situation. Freedom to buy from any source can hardly be treated as absolute in defence equipment and consistency in the choice of the supplier is the better part of discretion. Even neutrality needs to recognise obvious limitations lest the instruments of national defence may be neutralised. The diplomatic channel can be utilised fruitfully to resolve this impasse.

ARGUS

THE WEEK'S NOTES

National Unity

THE INTEGRATION COUNCIL

THE INITIAL reaction that the National Integration Conference might be caught in the cobweb of platitudes, hollow talk and a heroic display of idealism and end up in adopting pompous resolutions proved to be completely wrong. As the deliberations at the conference gained momentum, a keen sense of earnestness to evolve ways and means to arrest the dangerous fissiparous trends and to set the tone for a determined effort to foster national integration asserted itself. The Prime Minister's convincing appeal in a memorable speech, unanimously acclaimed as the decisive factor in turning the entire tenor of the proceedings, radically changed the outcome of the conference. A real meaning and purpose were imparted to the projected drive for national integration which otherwise may have degenerated into an empty slogan.

Most of the speeches at the conference struck the right note of urging a supreme effort to restore in public life the attributes of tolerance, mutual understanding and accommodation for a rational balance between the diverse elements in the community. The emphasis on minority grievances, if over-done, is sure to create a sense of frustration in some and apathy in others. The conference gave the correct lead in stressing that the accent must be placed on integration. The speeches delivered and the well-reasoned arguments advanced at the conference brought the realisation that what was needed to narrow down the differences was not the negative attitude of harping on the impediments to national integration but a positive attitude to work for its consummation. A dispassionate assessment of the work of the conference brings a sense that something solid has been achieved.

The National Integration Council, which is to be formed to give life and substance to the resolutions adopted at the conference, is confronted with a heavy task. Short-sighted opportunism on the part of all the parties and groups in the country without any exception has gone on feeding the forces of disintegration — communalism, casteism, linguism and regionalism. It would be the task of the National Integration Council to use its moral influence to put an end to this disruptive trend. The Council, consisting as it does of the representatives of the seven political parties or groups in Parliament and other diverse interests, may appear, on a superficial view, to be too heterogeneous in composition to secure identity of effort. But precisely a contrary view could be taken that in its composition it is all-inclusive and therefore comprehensive. That the diverse interests will refrain from mutual fault-finding or apportioning responsibility for the sins of omission and commission, if any, and, on the other hand, work with a community of purpose to achieve genuine integration, is a presumption on which rests the faith in the efficacy of the Council. There was ample assurance at the conference that a deep urge existed to work in this spirit. The Council has to make a success of its mission on the strength of the only sanction that stands behind it — the moral sanction. Indeed, there can be no other abiding sanction for its work.

The U.N.

INTERIM SUCCESSOR

THE LONGER the delay in filling the vacuum created by the tragic death of Mr. Dag Hammarskjöld the more difficult will it be for the effective functioning of the United Nations. In fact, for lack of the top executive

the United Nations is sure to be paralysed in its functioning. The original apprehensions that Russia would utilise this occasion for enforcing her proposal of "troika" have proved to be somewhat misplaced and she has softened her attitude, although for the purpose of an interim solution. The Russian proposal was for filling the vacancy with an interim successor till April 1963, when Mr. Hammarskjöld's term was to expire. A provisional Secretary-General, assisted by three deputies, was the hard core of the Russian proposal. She also explained that the deputies should not exercise the power of veto in the discharge of their functions and should work in a spirit of concert. This proposal has been opposed by America and it would be erroneous to treat the American reaction as hasty or rigid. In this proposal America smelt a definite attempt to plant the principle of "troika" in the constitution of the United Nations and the phraseology used by Russia also indicated that, although the three deputies would not utilise the power of veto, by implication there would be a commitment to the fact that the power of veto would be vested in them. Such a precedent would make the solution of finding a permanent successor still more difficult.

The ball has been set rolling and it would be too much to presume that Russia would maintain inflexibility in her attitude. The very fact that an interim solution until April 1963 is acceptable to her raises hope for manoeuvring for compromise. The latest development in this regard gives still greater hope that a solution might be within sight at an early date, provided the determination to accommodate the two divergent view-points of the two blocs is there. The non-aligned nations have proposed that the interim executive be selected in a manner that will bring full representation of the varied membership of the United Nations. One representative is to be selected from America, one from Russia and three from the non-aligned nations, but the power of veto is not to rest with them. It seems hardly likely that there can be any escape from making a variation in the rule of one-man supreme executive as stipulated in the Charter of the United Nations. The alignment of the membership of the United Nations into the two major blocs, accompanied by the neutral states, is a stark reality and it is not easy to ignore it. If Russia agrees to the absence of the veto and the Western nations agree to the two deputies (to be nominated by the interim Secretary-General), the vacuum can be filled immediately and negotiations for a permanent solution of this delicate question could be taken in hand.

F.A.O.

THE STATE OF FOOD AND AGRICULTURE

THE LATEST annual report released by the Food and Agriculture Organisation of the United Nations for the year 1961 draws a dismal picture of the race between agricultural production and population. The preliminary estimates for the year 1960-61 indicate that agricultural production in the world (excluding Mainland China) showed a rise of about 1 per cent over the previous year, while population rose by 1.6 per cent. Thus, the population of the world is marching much ahead of agricultural output. Since agriculture all the world over is dominated by the vagaries of climate, the performance in a particular year cannot be taken as representative. If the last two seasons are taken together, production seems to have increased slightly faster than population. If, however, Mainland China is also included in the world index of agricultural production, the index would indicate a decline in 1960-61 over 1959-60.

The disconcerting story of agricultural production in the world including Mainland China, however, conceals certain bright spots. In the Far East, Western Europe and Oceania considerable progress was recorded. Food production in the Far East (excluding Mainland China) recorded a rise of about 3 per cent with the result that per capita production of food in this particular area regained the average level of the immediate pre-war year.

The per capita output of food in the world has changed very little from the level attained in 1958-59, the year when record global production was noted. This level represents a rise of 14 per cent over the immediate pre-war year. But in the meantime living standards are improved and a revolution of rising expectations has been generated with the result that this modest rise fails to make much impression. Africa is, however, one of the unfortunate continents where per capita food production has been declining for some time past and the present level is slightly lower than what prevailed before the last World War.

Aligarh

AGONISING APPRAISAL

THE COMMUNAL riot which spread with the rapidity of a wild fire in Aligarh this week stands in a special category and discloses a sinister trend which it is the primary duty of the custodians of the Aligarh University to eradicate by a sustained effort. The need for such an effort is in no sense less pressing in other educational institutions which carry a communal label. The District Magistrate has minced no words when he put it categorically that it was the failure of the university authorities to take prompt action against delinquent students that was responsible for the development of tension in the university area as well as the city. The Vice-Chancellor, Colonel B. H. Zaidi is quite candid in making the admission that last Sunday's elections to the University Students' Union were held on communal lines. This fact is patent on the face of the results. The belabouring of students of one community by those of another in a hostel in the university and their removal to a hospital for treatment speak for the tempo to which tension was worked up. The election campaign that preceded this ugly development ought to have put the university authorities on their guard and the least they ought to have done was to postpone the election until the normal atmosphere was restored. The Vice-Chancellor has stated that he had no time to act swiftly which only shows that he did not properly grasp the undercurrent of the forces that were coming into play.

The toll of the fatal casualties in the city as a result of the spread of rioting there has now risen to eleven. The damage to life and property would have been larger if the district authorities had not acted as swiftly and energetically as they did. Students from the university hostels, who left for their home towns under apprehensions of insecurity, gave currency to coloured reports about the happenings in the university campus and this inflamed communal passions in other places. In Chandausi in particular the magnitude of rioting and casualties was great. The situation in some districts of Western U.P. has become tense, but the State Government has left no doubt that firm action would be taken to put down violence, while at the same time composite committees drawn from all the communities and parties are being organized to maintain peace. All these developments are proof of the explosive potential of communal passions in U.P.

That this virus is entering the student community deeper is a most dangerous development. One should have expected the new generation of students to inculcate a healthy national outlook. But the failure of this expectation to materialise should awaken responsible leadership in all the communities and those entrusted with the custody of the educational institutions to

make an agonising appraisal of the latent forces and in particular make a determined effort to foster a real spirit of integration in the rising generation. Coming close on the heels of the National Integration Conference, this development draws attention to an aspect which received insufficient attention at its hands. A probe into the Aligarh University episode is essential, but it will not be enough. The policy in respect of universities and other educational institutions, based on a communal basis historically or otherwise, requires a complete overhaul.

ECAFE

PLANNING IN ASIA

THE FIRST SESSION of the United Nations Conference of Asian Economic Planners which was held at New Delhi last week discussed a number of important problems in planning. The broad conclusions reached at this conference were:

- (a) Recognition that planning is essential for Asia's economic development;
- (b) Emphasis on the value of regional co-operation as a means to help economic progress in the individual countries as well as the region as a whole;
- (c) Formulation of a number of concrete steps that the members of ECAFE and its Secretariat can take to promote effective regional co-operation, basing themselves on a long-term concept of dynamic growth in the countries of Asia;
- (d) Recommendations, based on a survey of ten years' experience of development planning and implementation, for improving planning techniques, administrative procedures and the execution of development plans;
- (e) Approval of proposals to establish (i) an Asian Institute for Economic Development to provide practical and theoretical training for government personnel in economic and social planning; (2) a Regional Advisory Group on Economic Development Planning consisting of experts who would be available on the request of governments to assist them in drawing up their plans.

A majority of the delegates emphasised the apparent fact that industrialisation was a basic and long-term solution to the problem of poverty in these countries. It was conceded, however, that most of the countries in this region were predominantly dependent on agriculture and it was essential that agricultural productivity should also be increased through new technological changes in farming.

The problem of resources in these countries, it was agreed, was ticklish as domestic resources in almost each case needed to be supplemented by external resources for accelerating the rate of economic growth. International agencies, individual countries as well as private investment could all participate in this operation of assisting the backward economies of these countries to pull them out of poverty and stagnation. The economic aid, when promised by the advanced countries, should preferably be on a long-term basis so as to assist these countries in planning on a continuous basis, in accordance with the national perspective plans. An appeal was made to the advanced countries of the world to liberalise their trading policies in relation to the developing countries. In the recent past, the export earnings of all these countries had declined while the cost of importing machinery and manufacturing goods had increased. This unfavourable turn in the terms of trade had far-reaching repercussions and had retarded the process of economic growth in these countries. In the final analysis, chronic disequilibria in the balance of payments of the developing countries cannot fail to retard the growth of world trade.



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The World Abroad

STEEL IN THE U.K.: LESSONS FOR INDIA

By
ODYSSEUS

IF A LARGE ENTERPRISE, such as a steel plant, is to be launched, should it be sited where raw material, transport, power, and other costs are cheapest, or should these considerations be ignored in favour of a high cost site in an area of persistently heavy unemployment? Should the new plant be allowed to import cheap foreign coal, or oil, or compelled to use more expensive nationally produced coal? Should a plant using cheap nationally mined ore be compelled to pay a levy into a central fund to keep alive other existing high cost plants, which, if closed, would create unemployment and "social dislocation"? Should a key industry, like steel, be compelled to keep its selling prices (and therefore its profits) as low as possible in order to "prevent inflation" and to give steel-using export industries a price advantage in world markets? If low cost steel plants are, "in the national interest" to subsidise high cost plants, how do you discourage waste and ensure efficiency in the high cost plants? If, as a result of a variety of tariffs, levies, subsidies, and high cost locations, all adopted in the "national interest", your steel (or other) industry becomes a high cost industry, unable to compete in world markets, is that still "in the national interest"? Last, but not least, how do you keep a state controlled industry "out of politics"?

These are a few of the problems analysed in "The Steel Industry 1939—1959" (Camb. Univ. Press, London, 1961. Price 80 sh.), by Mr. Duncan Burn.

EXPERIENCE IN EUROPE AND THE U.S.A.

Mr. Burn's first hand knowledge of the steel industries, not only of Britain, but of France, Germany, Belgium, and the U.S.A., is encyclopaedic. I do not hesitate to say that his exhaustive 700 page book, with its 105 statistical tables, and maps covering the world's main steel producing centres, should be compulsory reading for any one concerned with steel, and for any government official concerned with central planning. Mr. Burn gives, for example, the only complete description of the working of the European Coal and Steel Community and of the U.S. antitrust control of steel, written from the viewpoint of a detached, outside observer, that I have seen under one cover. The trouble with steel in most countries is that it is so tangled up with politics that most discussions are written either to uphold or to attack the existing set up. Mr. Burn's bias is towards free enterprise, but before giving his conclusions he is careful to take awkward facts into account and meticulous in setting forth the opposing viewpoint.

Since India, with its mixture of state and private enterprise in steel, and other industries, seems to be following the pattern set in the U.K., an outline of British experience to date may be helpful.

Britain pioneered steel making, but already by 1900, the industry was being criticised for alleged inefficiency and was being outdistanced by the U.S.A. and

Germany. Its relative decline, as reflected in comparative costs, arose from several causes, not wholly of its own creation. As an industry supplying capital goods, it suffered from the growing severity of recurring slumps. As one with expensive and durable plant, it paid to continue to use obsolescent plant as long as selling prices covered operating costs. Moreover, there are heavy costs in closing down and restarting blast-furnaces, so owners, hoping that demand will revive, usually continue to work them, even when receipts do not cover operating costs. It followed that the old established U.K. plants (which had often accumulated strong reserves) kept going even when suffering acutely from competitive price cutting.

The U.K. industry was particularly vulnerable because a substantial part of its capacity had been built to supply export markets, but newly industrialising countries were growing and progressively occupying protected home markets hitherto supplied by the U.K. The European industries could often keep up their home prices by cartels behind tariffs. They cut prices competitively to get exports, not only in third countries, but inside free trade Britain. This slowed the expansion of U.K. steel, and made it difficult to modernise. Further, because the U.K. industry had grown up on top of the iron industry, it had started off with a variety of smallish, scattered firms, in which it was difficult to achieve economies of scale. These factors made for lack of competitive flexibility and encouraged price-fixing agreements.

World War I led to piecemeal expansions (rather than radical reconstruction), which imposed heavy financial burdens when the fall in post-war demand was followed by deflation, and when war-devastated Europe stepped up production in newly constructed modern plants.

TARIFFS OR FREE TRADE?

When the big interwar depression came, the whole world thought that the solution lay in tariff protection. This naturally contracted the total volume of trade available to all, and put prices up in all countries, thus deepening the depression. Had the U.K. remained a free trade island in a protected world, doubtless many of her industries, including steel, would have been killed. Without giving oneself the benefit of hindsight, it is difficult to be dogmatic as to what the U.K. should have done in the 1930's. So protectionist and restrictionist was the climate of world opinion then that today's return to expansionist, free trade, policies over wide areas of the West is a miracle beyond the dreams of the wildest pre-war optimist.

Probably the path of wisdom would have been to recognise that protection was essentially a defensive, restrictive policy, handicapping aggressive expansionist firms, fostering indolent practitioners of the high cost status quo, and to institute a flexible tariff, kept under constant review with instructions to lower the

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margin of protection on all possible occasions. What happened, in fact, was that the Import Duties Advisory Committee was set up in 1932, which paid lip service to the need for the industry to reorganise itself. The steelmakers formed the British Iron and Steel Federation, which evolved a system to "secure planning", to eliminate "unrestricted" competition at home or from abroad, and to foster "efficiency". The tariff imposed was theoretically flexible to keep producers on their toes. In practice, it was very high. It led to some investment and modernisation. But mostly it buttressed high cost location, and impeded radical changes. Planning revealed an over-riding pre-occupation to avoid disturbing existing sites and to help distressed areas. A central fund, fed by levies, led to "price stability". The export of scrap was stopped, to keep the home price low and stable. The excess costs of imported scrap and pig-iron above home prices were met out of the central fund, so that the whole industry bore the burden of high cost firms which relied on imported scrap and pig-iron.

Thus was the "national interest" preserved. Nobody suggested that the tariff and the central fund should be used to close down high cost firms, to build modern plant on low cost sites, and to pay for the movement of workers to low cost sites, and for the building of modern housing for them there.

During the war, the steel industry was naturally controlled as part of the war effort. War-time problems and experience were little guide towards those of peace. Germany's control of the European coastline denied the U.K. access to Swedish and North African ores, Belgian and French semi-products, and Scandinavian ferro-alloys etc. Wolfram from Burma was cut off; pig-iron from India was drastically reduced; shipping was everywhere in short supply. Imports of U.S.

steel, especially in semi-products, became all important. In these circumstances, the expansion of capacity witnessed in World War I was not repeated. Mr. Burn considers that the Control met the requirements of war, but he points out that this very fact meant that it was not ideally suited for the wholly different conditions of competitive production for world markets in peace.

Broadly, the war Control consolidated the position of the older high cost areas. The war naturally brought rising costs in steel-making. The Control achieved its aim to "stabilise" prices, and a complicated mechanism, incomprehensible to the outside observer, was erected, the effect of which was to prevent any rational distribution of profits to individual firms in accordance with their efficiency and to conceal their real costs. Because 1936-37 was used as a profit ceiling on old investments, old plants and old regions were favoured.

At the end of the war, the existence of these controls, depressing profit margins and distorting costs, made forecasting by individual firms hazardous. But these hazards were compensated by the levy system whereby the efficient bore the burden for the less efficient.

The real issue at stake in the political warfare that broke out for and against nationalisation — namely, would efficiency be better ensured under private or state enterprise? — was lost to sight because nobody wanted decontrol and a return to real competition. The battle was fought not on the question of efficiency but of ownership. The Conservative party, and the individual steel firms, wanted war-time planning and price controls to continue under private ownership, the Labour party under state ownership.

Next week, we will see what came of this.

The European Scene

BUSINESS IN WEST EUROPE

From Our Special West European Correspondent

PARIS, September 30.

THERE is no longer a sharp contrast between business activity inside the Common Market and business activity in surrounding states in West Europe. Inside Euromarket as outside, there are various trends at work, causing wide differences between national economies and between industrial sectors. For example, there are four countries that continue to make rapid progress: Italy, France, Norway and Austria; two that show feeble growth rates: West Germany and the United Kingdom; one that is stuck on a plateau: Belgium; and two that give signs of slight contraction: Holland and Sweden. So it would be artificial to treat the Common Market Six separately in reporting on current business activity, seeking to strike an average between their different situations. Although it makes generalisation more difficult, this diversity is important as suggesting that the Common Market has lost, for a time, that élan that made the Six a compact bunch of sprinters well ahead of the rest of the field. There is nothing in the air to indicate a recession or even a notable stagnation, but the appearance of discordant notes shows that West Europe—both the Six and their neighbours—is entering a more difficult period. Naturally, the theory has been revived that West Europe follows American ups and downs with a delay of six months, so that this region is now suffering the backwash of the recent U.S. slowdown. If that is all there is in it, the present situation need cause no anxiety, for the U.S. recession was mild and European echoes of trans-Atlantic downturns have become very muted in recent years.

Certain things are true of all West European economies at the beginning of this autumn. In all of them, there is virtually full employment (even in Italy, if one sets aside manpower that is so unqualified as not to be immediately employable); and in countries or in industries where there has been contraction this has not caused any laying off of labour but simply a fall in productivity per person employed. Secondly, wages and prices are rising almost everywhere, at different rates it is true but everywhere faster than increases in productivity. This is most notable perhaps in Britain; although we have classed her with nations showing moderate expansion, one must remember that this is just a recovery after a previous slowdown, so that activity in the U.K. today is back where it was 15 months ago—with a 4 per cent increase in wages in the meantime. Thirdly, investors seem everywhere to be hesitant, both in the creating of new productive assets and in the support of the stock markets, which argues a universal reserve about the prospects of resumed general expansion in the next six months.

Any other generalisations would be hazardous, as covering situations that differ too widely to be averaged. Thus one could say that West European production has grown by 5 per cent this year over 1960 (most of the advance being realised by February, after which the curve flattened out), but I am not sure that it is helpful to average out Britain's 1 per cent and Italy's 15 per cent. The safest generality is that progress this year will be modest compared to last year. It is better to turn to the various industrial sectors, where one sees in most of West Europe that there has been a decline in mining and in the food industries, stagnation in textiles, and expansion at a slower rate in metals, metal-working and chemicals. Industries that are growing faster than the general index number for industrial production are oil and petrol, chemicals and heavy

electrical equipment. There is irregular growth in machines, mechanical construction and building material. Expansion in electricity generation and rubber production coincides with the index number for all industries. Slower than this weighted average are steel, paper and automobiles. Those on a plateau are textiles, furnishing, wood. There is regression in coal, ship-building, leather. Perhaps the most interesting aspect of this hierarchy is that automobiles, steel and paper have lost their leading position as pilots of the West economies.

None of this amounts to recession but because the fall in the tempo of expansion coincides with the maturing of the substantial investments in new machinery over the last three years, there is the dual result that delivery dates have everywhere shortened considerably and there is less pressure on manpower resources. Labour is still too short in Germany and Holland for employers to be able to resist demands for higher wages, but the situation is no longer critical; there may have been some increase in unemployment in Britain very lately; while Italy and Belgium continue to absorb idle hands into industry. The first measures to promote free movement of labour inside the Common Market have just come into effect and it is too early to say what effect they will have. A general feature is keen competition for skilled labour; the closure of the frontier between free Germany and Herr Ulbricht's concentration camp will worsen this, while no influx of southern Italian or North African labour will do anything to alleviate it. Though the manpower position is nowhere desperate, the certainty that labour will remain the scarcest factor in the European economy is helping to maintain investments in modernisation, rationalisation and automation. Investments in extension of plant are another matter; here the tendency is to greater caution everywhere except in France. It is not that investments are being cut back; major plans for expansion, especially in today's capital-intensive industries, take time to formulate and implement, and do not respond to the short-term factors being described in this article. Investment outlays in the second half of this year will continue to show a bigger rise than gross national product, but a deceleration is evident in Germany and Italy. In France and Belgium, the situation is different; France has to create now the machinery that will employ her growing population in a few years' time, while Belgium has to carry through the modernisation of her no-longer-imperial economy, and neither of these tasks can be held up because of temporary fluctuations.

Building has been an important stimulant to the European economies in recent years and (given the poor housing conditions of most Continental countries) it is a healthy thing that it remains so when automobiles and steel lose that role. In most European countries, the number of dwellings completed this year will exceed the 1960 total. In France, further increase in building activity is assured, but there is a decline in the issue of building permits in Holland and Belgium. Construction of industrial and commercial buildings continues to expand in phase with the above-noted buoyancy of industrial investment.

Despite the tendency for industrial production to slow down, consumer outlays are increasing. This is because stocks are being run down at every point between the factory and the ultimate purchaser, and because outlays on services are rising faster than outlays on goods (this latter is a secular trend and has nothing to do with the short-term position). Personal

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revenues have risen notably: the labour shortage has enabled wage-earners to secure increases and the intense envy that now rules between all classes and occupations in Europe ensures that similar increases are sought by groups (such as peasants and civil servants) whose hands are not in such keen demand. Industry has paid shareholders the excellent returns on last year's profitable working, but investors (as the state of the stock markets shows) prefer to hold on to their cash. The ratio between saving and spending has remained the same, so the larger volume of revenues means larger absolute amounts laid out on goods and services. The rise in wages in the first half of the year was 7 per cent in West Germany and France, 5 per cent in Holland, 4 per cent in Britain and 3 per cent in Italy. In this situation, a rise in the cost of living is inevitable and will continue into next year: industry's costs are rising under the influence of higher wages and lower productivity per person employed, competition for services is raising their price, and finally increases in rents and transport charges are being decreed by governments on general grounds.

The external trading position of the European countries varies widely; there is no common measure between Britain's recent deficits, Holland's export decline following the revaluation, and the excellent response of French and Italian exporters to the opportunities of the Common Market. Yet if we consider the trade between these countries and the outside world, we see a universal fall in imports and a stagnation of exports. Europe is buying less from overseas and is not succeeding in selling more. This is in part an aspect of that "decline of imperial trade" described here in the last two weeks, and in part the result of European trade

losses in the U.S. market combined with the vigorous American export-drive. The fall in European car sales in the USA is familiar; Detroit expects that imports of foreign cars will be only 400,000 next year against 700,000 in 1959. To be sure, the latest U.S. figures say that the recovery from the recession has caused an unexpectedly large increase in imports, but these must be of goods drawn from countries other than West Europe; this region has to date felt no stimulation from the better level of activity on the other side of the Atlantic.

Despite this deterioration in West Europe's trade balance, exchange reserves remain abundant; they total over \$8,000 million in West Germany and around \$3,000 million in France and Italy; they have improved in Britain. With the exception of the latter country, the money supply is exceedingly easy, interest rates are uniformly low and in general liquidity has increased faster than the national product. If governments decide that this circumstance—read with the increases in wages and prices already mentioned—calls for closer control over the inflationary danger, then all the symptoms of a slowdown mentioned in this article could be intensified in the months ahead. If—as would be wiser, and as their plentiful exchange reserves would allow—they choose to liberate imports further (by faster tariff disarmament inside the Common Market, by acceding to U.S. demands for removal of the last dollar discriminations, by opening their frontiers to more Japanese goods as Tokyo is urgently requesting), they could perhaps manage to stem the rise in prices, admittedly at the cost of further embarrassing certain industries already affected by the slowdown in European activity.

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Economic Report from the U.S.

CONFIDENCE IN U.S. FINANCIAL POSITION

By GUY SIMS FIATCH

WASHINGTON, Sept. 26.

U.S. OFFICIALS appear pleased with the results of the recently concluded meeting in Vienna of the World Bank and the International Monetary Fund (IMF). Of particular importance at the meeting was the agreement in the IMF on a system whereby standby credits could be drawn by major industrial nations in serious short-term balance of payments difficulties. This agreement may not have met with the complete approval of all the governments concerned. The belief is general, however, that if properly implemented it will be a distinct step forward in meeting and overcoming serious international financial dislocations, especially exchange difficulties created by large movements of capital. Difficulties of this sort have affected a number of major countries in the past, and could strike again anywhere in the future.

The agreement has another advantage. While it still must be approved by the legislative bodies of the interested nations, including the Congress of the U.S., it can be carried out within the existing framework of the IMF. This means that it can be put into effect with a minimum of delay, perhaps by next spring or summer. A more ambitious plan involving basic changes in the IMF structure, on the other hand, might have proved more controversial, and even if agreed on in principle, would probably take as long as two or three years to consummate. Of course, one cannot expect an agreement of the sort reached at Vienna to solve all the world's financial problems. Much still will depend on the circumstances faced and the policies followed by individual governments. The U.S. with all its influence, financial reserves and economic strength, is no exception. It is significant, therefore, that U.S. officials appear to have come from Vienna with the distinct impression that foreign governments have a good deal of confidence in the financial position of the U.S. and in the policies of the U.S. Government. There seems to be relatively little fear abroad of any serious or imminent inflation in the U.S., despite the strong upsurge in the U.S. economy. According to reports, this confidence is not affected by the deficit anticipated in the U.S. budget for the current fiscal year that began last July 1. It is particularly heartening that the Budget deficit promises to be rather moderate in this year of business recovery, and that President Kennedy has made clear his intention to submit a balanced Budget to Congress for the 1963 fiscal year, when the nation's resources will be more fully employed.

Another source of possible concern is the deficit in the U.S. balance of payments. But here, too, there

seems to be more confidence abroad than is sometimes supposed. The large U.S. favourable trade balance may well be declining through this year as the American economy continues its strong rebound and imports rise, but this promises to be more offset by a reduced flow of short-term capital. Moreover, U.S. exports give every sign of remaining strong, and foreign governments are further reassured by the U.S. Government's continuing efforts to expand the nation's export trade. The general expectation here is that at worst, the balance of payments deficit still will not reach the \$2,100 million mark, and at best will be as low as \$1,000 million. This is a remarkable improvement for a country that ran deficits in the \$3,500 million—\$4,000 million range in the three previous years. A number of domestic developments in the U.S., meanwhile, are lending support to the appraisal of U.S. financial strength. For one thing, the latest report places the consumer price index for August at 128 per cent of the 1947-48 average. This represents a slight dip from July, and reinforces the view that the current business upswing is largely non-inflationary in character. It might be noted that since the beginning of this year, the price index has fluctuated within the very narrow range of 127.4 to 128.1.

There are, additionally, specific industrial trends that indicate price lines generally will be held. Several automobile manufacturers, for instance, have said they will not be raising their prices on their new 1962 models, and aluminium companies have announced plans to reduce their prices. These developments place additional pressure on steel makers to hold their price lines, what with the automobile industry the largest single user of steel, and aluminium a ready substitute for steel in many industrial applications. Furthermore, the publically stated opposition of President Kennedy to steel price boosts has confronted that industry with a moral suasion and a public interest it cannot help but take into account. Yet it is in the world's money markets that the most telling vote of confidence in the U.S. financial position may be found. All evidence points to the conclusion that the U.S. dollar is becoming increasingly valuable in foreign markets. With the advance in dollar exchange rates have come signs of a flow of short-term capital to the U.S. From this, one can conclude that financial leaders around the world are reasonably convinced that the U.S. is not likely to experience the kind of inflation which could weaken its ability to compete in world markets, that it can control adequately its budget and its balance of payments position, and that its economy will continue the sound expansion of the past six months.

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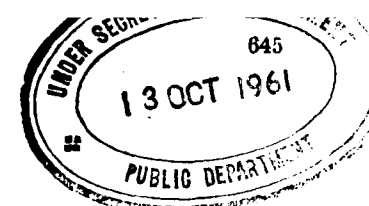
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THE BUSINESS WORLD

The Two Omissions in our Plans

By CROESUS

MR. P. A. GOPALAKRISHNAN has certainly put to good use his term of office as Chairman of the Life Insurance Corporation of India. But he has been making a better use still of his experience and knowledge of the working of the Corporation in thinking aloud about what the Corporation has achieved and what it has yet to achieve, especially if it is to subserve the socialistic pattern goal of the Government of the day. "Although the three Five-Year Plans of the country have built-in devices, e.g. the increasing number and variety of public sector undertakings, the active encouragement provided to co-operatives and the fiscal and monetary policies and control on industry, finance and commerce—which are calculated to advance us towards this goal", he is of the opinion that there are certain serious omissions in them and that unless these are taken care of, the goal in view cannot be reached. What these omissions are and what needs to be done formed the theme of a dinner meeting of the Bombay Suburban (West) Rotary Club. These dinner meetings, I must add, are taken quite seriously by the local Rotarians.

I do not find myself in agreement with Mr. Gopalakrishnan about the effectiveness of the so-called built-in devices he referred to, but I have no hesitation in endorsing his views about the two omissions in our Plans. These are: (1) failure to use all the employable potential and (2) absence of a national plan of social insurance. On the first of these, what the L.I.C. Chairman has to say bears reproduction. "While the Plans provide for increased outlays from year to year, they do not seek to provide employment to all those in the country who are employable. In result, unemployment has been increasing in spite of heavy investments and progress in many directions. According to the Planning Commission, the backlog of unemployment at the end of the Second Plan period was 9 million and the number of under-employed was 15-18 million. During the period of the Third Plan, the additional employment created would only be of the order of 14 million, while the addition to the labour force is estimated at 17 million. At the end of this Plan, therefore, we will be still left with 12 million unemployed and a much larger number of under-employed persons. The loss to the nation caused by this widespread unemployment is a negative force not only corroding the Five-Year Plans but eating into the socialist objective."

In the considered opinion of Mr. Gopalakrishnan, the Plans require to be reorientated "to provide full employment to those who are under-employed as well as to those who are unemployed. It is only thus that the present colossal waste of human resources could be avoided and foundations laid for realising the objectives of social security". Both the diagnosis of the problem and the stress on the need to solve it are precisely stated here. But have we got a precise and effective solution? In any one of his further talks on this subject, perhaps, Mr. Gopalakrishnan may choose to dwell on this aspect at some length for the benefit

of the students of this most trying socio-economic problem.

The second serious omission in our Plans, according to the L.I.C. Chairman, is the absence of a national plan of social insurance. But "this is understandable", he went on to say, "because when the Plans leave so many million unemployed and under-employed persons, it is impracticable to think of any comprehensive scheme of social insurance. Moreover, there is such a lot of poverty, even among those who are employed that the saving capacity is almost nil".

After posing the problems, Mr. Gopalakrishnan also offered suggestions to solve them. The Planning Commission should, he pointed out, appoint a committee to survey the nature and volume of unemployment and under-employment in different parts of the country and suggest schemes for providing employment. The latter task is bound to baffle anybody because of the sheer enormity of it. The L.I.C. Chief also wants another committee, to be appointed simultaneously, to make enquiries, collect necessary data, and draw up a national plan of social insurance. While saying this, Mr. Gopalakrishnan has taken care to note that the Planning Commission is not unaware of the need for social security and insurance and has even quoted the relevant passage from the Third Five-Year Plan. He believes, nevertheless, that what has been done so far does not "provide an effective answer to the formidable challenge of unemployment or general absence of social security". He is convinced that, in spite of all its valient efforts, the L.I.C. has been able to tackle only a fraction of the problem. Hence the need for a national plan of social insurance.

This national plan of social insurance, the Chairman adds, "will not only cover the entire working population, but also cater to the different needs of the different categories of workers". It need not necessarily be similar to those which are working in foreign countries, some of which (as in West Germany & Sweden) are even compulsory. Obviously, as he has himself said, "we have to suit our schemes to the conditions prevailing here and even the nature of the benefits under different schemes will have to be decided in accordance with the different needs of our working population".

Outlining the scheme, Mr. Gopalakrishnan said: "This population (working population) may be conveniently divided into four categories for the purpose of social insurance, workers in the organised industrial sector and in Government departments, farmers engaged in agriculture, workers organised into co-operative societies and all other workers either self-employed or working for others. An income of Rs. 500 per month may be fixed as the upper limit for social insurance."

"With regard to the first category of workers, I would like to refer to a scheme of issuing mass insurance policies. What I mean is that instead of issuing individual policies with different rates of premium de-

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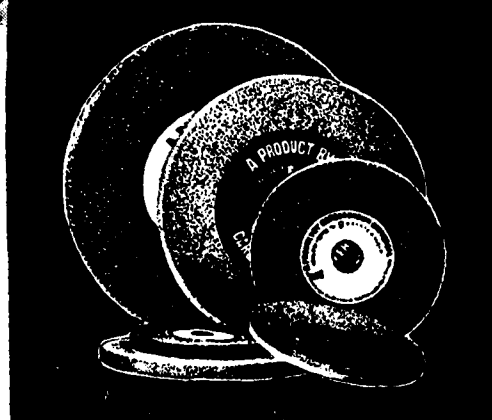
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pending upon the age at entry and the duration of the policy, mass policies should be issued to industrial and commercial establishments, army personnel and workers in Government departments insuring them up to a standard amount. There will be no medical examination and no requirement of age proof. Not even the names of the policyholders need be known to the insurer. The mass policy will merely mention the number of workers in the establishment, the policy amount to be paid on the death or retirement of each worker and the premium to be paid by the establishment. The insurer will in short deal with each establishment as a single holder of a mass policy. If a claim arises, the establishment has only to certify that a worker has retired or died and the policy amount will then be paid to the establishment.

"Adoption of these mass policies will considerably simplify life insurance administration. The insurer will directly contact the head of each establishment and issue a mass policy. There will be no payment of first year's or renewal commission, no administrative work dealing with field officers and agents and no payment of medical fees. For millions of policies the number of premium notices and receipts to be issued will be only a few thousands. The renewal expense ratio for this mass business will be reduced to one or two per cent and premium rates can be reduced to astonishingly low levels. This will make the scheme highly attractive and industrial and other establishments will find it worth their while to take out this mass policy.

"With regard to the second category of workers, viz. farmers who cultivate their own holdings, a slightly different form of social insurance is called for. A farmer has his land, which is the best security, and when he becomes too old to work on his land one or more of his sons take up the work. There is, therefore, a continuity of occupation and economic security is provided by the land in the possession of the farmer. As the majority of farmers have the joint family system, a farmer who becomes too old to work is looked after by his joint family. An ordinary life insurance policy or a guaranteed pension in old age is not necessarily the answer to the farmer's problems. A farmer really needs financial assistance when his crops fail and he is unable to pay off his monetary obligations and provide seed etc., for his next crop. Similarly, he needs funds when he has to replace old and unserviceable cattle. Any social insurance scheme for farmers has, therefore, to provide for these two of their needs. It is estimated that heavy failure of crops occurs, on the average, every five years. This means that, in the course of twenty years, a farmer may need financial assistance four times in respect of failure of crops. His need for replacing unserviceable cattle may arise, on the average, twice in twenty years. If a farmer's insurance policy could be devised, which would enable

lump sum payments to be made to him for replacing his cattle or for providing against failure of crops, six times during the currency of the policy, such an insurance scheme should not only prove most attractive to our farmers but provision of assistance at the time that it is needed would help in maintaining and increasing our agricultural production.

"Coming now to the third category of workers, who are organised into co-operative societies, it might be possible to lump similar types of co-operative societies actuarially and evolve standard plans of social insurance for them on a mass basis. Co-operative societies of handloom weavers, fishermen, milkmen, etc., and societies engaged in tanning, toy-making or marketing of consumer goods can each be taken up separately and mass policy with appropriate benefits issued to each society.

"Workers in the unorganised sector, whether in the urban or rural area, present a more formidable problem. They will have to be dealt with on an individual basis as the L.I.C. is doing at present. It should be possible, however, to devise a simple form of social insurance card on which will be entered the details of the policy and the premiums paid. Payment of premium will have to be made through post offices so that every insured person has an office nearby at which he can pay his premium."

Although I admire the broad sweep of Mr. Gopalakrishnan's imagination in adumbrating so comprehensive a scheme of national social insurance such as this, I cannot help remarking that the scheme impinges on spheres that do not strictly fall within the ambit of activities of the L.I.C., as he has himself impliedly admitted in suggesting that the State governments might operate some of these schemes. Even otherwise, it is a matter for serious consideration whether the L.I.C. can be saddled with more responsibilities (of the nature indicated by Mr. Gopalakrishnan) which would make it too unwieldy an organisation to prove effective. While I am not opposed to a scheme of national social insurance being taken up early, I strongly feel that it should be entrusted to agencies other than the L.I.C., although the benefit of the L.I.C.'s experience and advice may be liberally extended to those agencies. As it is, many insured (life insurance policy-holders) have been feeling that they have yet to taste the promised fruits of nationalised life insurance in the form of lower premium rates and higher bonuses, probably because it has become difficult to keep an effective check on rising expenses in this growing organisation which fully answers the definition of Parkinson's law. If more activities are added to the L.I.C., there will be no knowing how much longer policy-holders would have to wait to say that the nationalised life insurance has in fact benefitted them.

The Import Policy

THE import policy for the next half year, October 1961-March 1962, announced on September 30, 1961 revealed a more restrictive attitude adopted by the makers of the policy than that prevailed in the current licensing period that ended on the same day. The only notable relaxation announced was in respect of the import of capital goods required by export-oriented industries.

In formulating the policy, the official announcement stated, the views expressed at the meeting of the last Import & Export Promotion Advisory Council held

on September 11 and 12, 1961 were taken into account. It was stated that this policy had also been guided by the fact that the country had now embarked on its Third Five-Year Plan and an attempt was necessary to regulate the policy and procedures of import control in a manner that it could serve as an instrument of industrial development, a conservator of foreign exchange and a vehicle of export promotion. It cannot be denied that need to conserve foreign exchange resources persists, but the import policy, it may be pointed out, has not been very helpful in the industrial development. If the number of pending applications is any



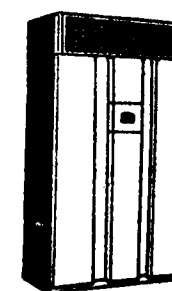
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measure of indication of the helpfulness, the number exceeds the record during the last five years. While for the period October 1960-March 1961 the number of pending applications was 1,161, it is now 12,105. This, in a way, is a grim reminder that more than the policy, the execution is of greater significance. The new policy, however, lays down the continuation of the scheme of 'Repeat Licensing' introduced previously. Moreover, the licensing of certain items like brass, bronze and similar alloys, brass rods, strips and tubes, essential basic drugs and special apparatus, instruments, equipments required by the pharmaceutical industry, have been decentralised.

One indication of the Government's desire to sustain industrial activity was indicated by the decision to liberalize import of capital goods though only for export-oriented industries. In a way, it is a recognition of the Government's anxiety to maximise export earnings. An attempt has been made to differentiate between 'maintenance' and 'developmental' imports, and to ensure adequate utilization of the country's industrial potential within the limitation of the available foreign exchange.

The new policy completely bans the import of three items and imposes sizeable cuts in the quotas in respect of nearly 117 items over a wide range of products. The three banned items are cycle parts and accessories, butyl acetate and butyl alcohol. The new curbs are not intended to save more than Rs. 1 crores on import bill. It is stated that the cuts applied on the import of finished products would be off-set to a considerable extent by the import of essential raw materials and capital goods.

It was indicated that in view of the progress made by the indigenous industry and stock position, quotas have been reduced for items like Bright M.S. and free cutting quality (high sulphur and/or landloy) bars, rounds etc., iron and steel valves, strainers etc., Mechanical tubing (seamless), Machine screws, set screws etc., Bifurcated rivets, iron or steel wire ropes, Boot and shoe grindery, steel balls of sizes above 9/16" diameter, Machine worked saws, Tube expanders, hand saws, etc., Graphite crucibles, V. Belts, Rubber covered conveyor belting and other beltings, Fractional horse power motors, Compressors Air or gas etc., Electric insulations, Flexible metallic tubes, High tension insulators, Electric carbons, Condensers, Heating elements, Rectifiers and battery chargers, Chemicals like Hydro-

sulphite of Soda, Cation active finishing agents, Carboxy Methyl Cellulose and its salts Argon gas, Sodium Bicarbonate, Potassium permanganate etc., Car clothing and car accessories etc., Farinaceous and patent foods, cutch, gableir, gums, resins, all sorts, certain items of drugs and medicines such as Tetracycline, Oxytetracycline, Acid Calicylic excluding preparations thereof, Caffeine and its salts, Sera vaccines etc., Sheet and Plate glass, Prefocussed types of bulbs, Metal lamps and parts, Radio parts such as Electronic valves, condensers, loud-speakers etc., Motor vehicle parts such as electric horns, shock absorbers, piston rings etc., slide rules, Theodolites etc., Phenol formaldehyde resinous sheets tubes etc., Synthetic resins, all sorts, and vulcanised fibre in sheets, rods and tubes. Quotas for raw films, photographic sensitised materials and carbon black have been slightly reduced.

A few items have been added to the list of licensables to actual users. These are wire cloth, sieve cloth, shuttlecock cork bottoms for sports goods industries and hosiery needles. For a number of items, the basic period has been extended. These are: Ball roller and taper bearings, pipes or tubes flexible, circular saws, dental surgical instruments, apparatus, appliances etc., Leader films, parts of earth-moving machinery, laboratory-ware made of Silica, parts of power-driven agricultural machinery, machinery required for other industries and undertakings etc. The validity period in respect of a few items such as Milling cutters, Gear cutters etc., sealed beam units all types, Taper roller bearings and their components, miscellaneous hardware, cinema machinery etc. has been extended.

Explaining the new policy, the official spokesmen indicated that the differentiation between 'maintenance' and 'developmental' imports was essentially to ensure adequate utilization of the country's industrial potential within the limits of available foreign exchange. It was suggested that paucity of imported raw materials had not slowed the rate of increase in industrial production. This denial in a way indicates the inability of those in power to appreciate the evidence provided by various industries that unutilized installed capacity exists even now and this capacity in a number of cases can be brought under profitable utilization. It is one thing to express inability to face the problem, but it is quite another to deny its existence.

Business Notes

Rayon

PROBLEM OF WORKING

IT IS understood that one of the items tabled for discussion by the Indian Labour Conference in Bangalore is the question of shorter working hours in the Rayon Industry. It is a moot point whether the present is at all the time to think in terms of shorter working hours for any industry, let alone the Rayon Industry, for even if every industry in the country works overtime, it will not be possible for us to produce enough to export to other countries and earn sufficient foreign exchange to cover the yawning gap between our swelling import bill and static export earnings. Accordingly, the plea for shorter working hours in the Rayon Industry by certain quarters with intent to force the issue willy-nilly is, to say the least, as unfortunate as it is misguided. It is indeed both unfortunate and misguided to attempt to give a bad name to the Rayon Industry, especially when it is hardly justified, with a view to hanging the industry for it. No other explanation can be found for the reported active lobbying of certain interests who have been maintaining that the Rayon

Industry, especially the Viscose Rayon Industry, is a hazardous industry and, therefore, there should be shorter working hours in that industry than in other industries. This is a serious allegation to make even to gain a scoring point in discussions across the table, and it can certainly not be made so light-heartedly as it is believed to have been made. Nor is shortening working hours the only known or the most effective way of dealing with a hazardous industry.

When the spokesmen of the Viscose Rayon Industry were contacted to throw light on this allegation, they were naturally taken aback. They categorically repudiate the view that the Viscose Rayon Industry is more hazardous than any other industry. It is not known on what basis those who hold this view have proceeded, they say, but, as the leaders of the Viscose Rayon Industry point out, detailed studies should be made before pronouncing so damaging a view in respect of any industry in this cavalier fashion.

Now, what is the easiest or, rather, a rough and ready way to determine whether working in any industry is more hazardous or less hazardous than working in another industry? A comparative record of

absenteeism due to sickness or accident in a number of industries is admittedly the easiest and, at the same time, most dependable. From one such chart made available to the writer, showing absenteeism in various industries, including the Viscose Rayon Industry, (1) due to sickness and accident, (2) due to other causes, and (3) total absenteeism due to all causes, it was clear that absenteeism in the Viscose Rayon Industry was not, on an average, higher than that in other textile industries or the Iron and Steel Industry. The percentage of absenteeism due to sickness or accident in these industries in May, 1961 varied from 3 (the lowest) to 6.5 in the cotton mill industry and from 3.3 (the lowest) to 6.5 in the Iron and Steel Industry, while, in the case of only one unit of the Viscose Rayon Industry, for which figures were available, the incidence was no more than 4.2. Absenteeism due to all causes was the second lowest at 12.9 per cent in the case of this unit, as against 16.1 per cent in the case of the Iron and Steel Industry in Bihar. If these figures convey anything at all, it is that the Viscose Rayon Industry is no more hazardous than any other industry.

If the Rayon Industry were hazardous, surely the authorities as well as the public in other countries would have taken adequate precautionary measures, including, perhaps, shorter working hours. But, from information available from authentic sources, hours of work in the Rayon Industry in other countries (the U.K., the USA and Japan) do not appear to be any the shorter than in other industries in those countries. This apart, by and large, the managements of the rayon factories in India are all known to be progressive and broad-minded and may be expected to take prompt and suitable anti-hazard action, whenever needed, if the conditions of work warrant it. Undoubtedly, the small one gets in a rayon factory is not at all pleasing, but this is neither so unbearable nor so injurious to one's health as has been made out in certain quarters. Protective measures, such as supply of free milk and vitamin tablets to workers who have to spend some hours at a stretch are adopted by these enlightened employers. So what is misunderstood as a health hazard is really a psychological discomfort occasioned by the strong and none-too-pleasant odours one experiences at times in rayon factories. But this happens in the case of quite a few other industries, such as, for example, the fertiliser industry. It would be worthwhile knowing if those who advocate shorter working hours in the Rayon Industry would make a similar plea in the case of our Fertilizer Industry also. Let the official spokesmen who may be only too ready to concede to any such vociferous demand bear in mind that the largest units of the Fertilizer Industry are in the public sector and producing a commodity vital to the successful implementation of the high agricultural targets in the Third Plan.

"EXPORT TO EXIST" SAYS SASMA CHIEF

THE TARGETS set for the rayon industry in the Third Plan period are more than double the existing capacity and to achieve it the actual capacity of 100.3 million lbs. of rayon filament and staple fibre has to be stepped up to nearly 215 million lbs. (140 million lbs of rayon filament and 75 million lbs. of staple fibre). This expansion, it is estimated, would provide for an increase in the per capita consumption of rayon fabrics from 1.3 yards in 1960-61 to 1.8 yards by the end of the Third Plan. Even after this, the Indian consumption would amount to only 1/10 of the present world per capita consumption of 18 yards. In view of this wide disparity, as also the increasing demand for apparel in this country, Mr. D. N. Shroff, Chairman, the Silk and Art Silk Mills' Association Ltd. (SASMA), told the twenty-second annual general meeting in Bombay, that

the man-made textile fibre industry had to expand its production to meet not only the present demand but also the prospective requirements based on the rate of growth over the past few years. The rayon industry has admittedly made remarkable progress in recent years. The production of man-made fibre fabrics in 1960 aggregated 413.67 million yards which is 3 per cent more than the previous year's production, but more than as much as 70 per cent, compared with the output of 1955. On the other hand, the production of man-made fibres in 1960 reached the total of 93.70 million lbs, consisting of 45.08 million lbs of continuous rayon filament yarn and 48.02 million lbs of staple yarn. Incidentally, in spite of the increase in output, Mr. Shroff complained that the range of varieties had remained stagnant.

Referring to the question of exports, the SASMA, Chairman pointed out that the industry should be prepared to export at least a minimum of 20 per cent of its production. The exports of man-made fibre fabrics during 1960 had touched an all time high at 33.96 million yards which was higher by nearly 80 per cent than the previous year's exports and 31 per cent higher than those of 1958. However, this had been achieved when the Government was incurring a vast expenditure which, it had indicated, it will not be prepared to bear in future. Instead, the industry has been urged to make sacrifices. In view of this the industry has to pass through difficult time, cautioned Mr. Shroff. All the same, he insisted that the industry needed "unflinching zeal to export for the sake of the existence of the industry, for the sake of the economy of the industry, and for the sake of the country."

FICCI Memorandum

TRADE WITH RUPEE PAYMENT COUNTRIES

THE FEDERATION of Indian Chambers of Commerce and Industry's memorandum submitted to the Import and Export Policy Committee is comprehensive, logical and to the point. Amongst the many points made, it has drawn attention that trade with rupee payment countries is beneficial only in the short run. Rupee payment agreements have been concluded not only with East European countries, but also with countries like United Arab Republic, Burma, Tunisia, etc. These agreements were entered into to ease the pressure on our scarce foreign exchange resources, and to bring about an automatic balancing of imports and exports between India and the countries concerned. To what extend these bilateral agreements have been beneficial, the answer to it is provided in the FICCI memorandum. Although such agreements may seem to effect immediately a saving in foreign exchange as no payments are required to be made out of our foreign exchange resources, the position in the long run is not so simple, because the balance amount is brought forward from year to year either to the credit of one country or the other. Thus, the funds accumulated in India by the rupee payment countries must eventually be utilized, and these arrangements, therefore, represent only a postponement of India's liability. In other words, though import from the rupee payment countries will no doubt obviate an immediate drain on India's foreign exchange resources, the payment in rupees will mean payment of Indian goods of equivalent value. While the imports from these countries serve to avoid expenditure of foreign exchange, exports to these countries will mean no addition to our foreign exchange earnings.

It has also been brought to the notice of the Committee in the FICCI memorandum that the conventional goods like tea, coffee, jute and textiles, exported to these countries are re-exported at a lower price. These

malpractices on the part of some of these countries are of a high order. The Federation has, therefore, rightly urged that rupee payment agreements must clearly provide that the additional goods exported from India should be used only for internal consumption and not for re-export or resale to a third party. In case India is to benefit by the rupee-payment agreements the procedure outlined by the FICCI needs immediate implementation.

Other points made by the Federation relate to import policy and the licensing procedure. The FICCI memorandum urges that import policy must provide for the expansion and diversification of capacity not only of the heavy engineering and machine building industry but also in the increased production of major basic raw materials. In regard to the licensing procedure, the FICCI feels that as far as capital goods are concerned the entrepreneur should not be required to argue the economics of the project 'de novo' once he has obtained an industrial licence. FICCI has also criticized the policy of ad hoc licensing. On diversification of exports, the Federation is of the view that the West European countries should be requested to allow India to export more traditional goods to those developing nations which are receiving economic aid from them. Such exports could help in setting off repayment of loans by India. All these points are of far-reaching significance and deserve to be looked into carefully.

Woollen Industry

PROBLEMS OF THE INDUSTRY

DURING THE past fifteen years, the woollen industry has achieved notable progress. The number of woollen spindles rose from 50,000 in 1946 to 60,000 in 1961 and that of worsted spindles from a negligible number of 27,500 to as much as 1,29,681. Over the same period, powerlooms also increased from nearly 2,300 to about 3,000. This bright performance, however, has been overshadowed by the unfortunate fact that the industry was not able fully to utilise its installed capacity. Highlighting this fact, Mr. P. L. Pittie, Chairman, All India Woollen Mills' Association Ltd. (AIWMA), told the last annual general meeting of the body in Bombay a few days ago, that the under-utilization of the installed capacity to an extent of more than fifty per cent was to be attributed to the inadequacy of raw material. While Indian raw wool was unsuited to the mills, the quantity of imports permitted by the authorities had been sufficient to meet only half the requirements of the industry, he said. In contrast, Mr. Pittie went on to note, the demand for woollen and worsted yarns had increased, what with the increase in income, rising standards of living, and increasing population. With the increase in demand, the prices also naturally soared high.

Referring to the quantity of wool permitted to be imported this year, Mr. Pittie observed that it was more or less the same as that permitted a year ago. He unreservedly disagreed with the belief in certain Government circles that the industry could make use of Indian raw wool to the extent of 20 per cent. For the experiments conducted by the industry in this respect have revealed that the cost of wool manufactured out of Indian raw wool is much higher than that of wool tops made out of imported wool, while the mixing of both types of wool has only resulted in diminishing the superior quality of the imported wool. In pressing the case for larger imports of wool, Mr. Pittie contended that, inasmuch as the foreign exchange earned by exporting Indian wool was higher than that spent on importing foreign wool, there was scope for increasing the imports of wool which, in turn, would help increase

the export of woollen goods. In view of the repeated demand of the Indian Woollen Industry for higher import of wool from abroad, the entire question requires, as Mr. Pittie pointed out, to be very carefully examined, in consultation with the various interests.

Referring to the problem of Indian woollen goods, the AIWMA Chief pointed out that the woollen industry had suffered considerably due to its cost of production disadvantage and that if this were further aggravated by the low quality of woollen products, there might soon be no export outlet. It is the very old and obsolete nature of the machinery that is really to blame for this, as the leaders of the industry have complained time and again. While the question of rehabilitation and modernisation of the industry has been recognised by the Government, which may, therefore, be expected to take suitable action, what the industry needs immediately, according to Mr. Pittie, is sufficient export incentive in order to cover the losses sustained by it in exporting at competitive prices. In other words, like quite a few other Indian industries, to be able to export, the Indian woollen industry also needs to be subsidised. But, even so, if the subsidy involved is not much and the gain in the form of foreign exchange earnings by export of woollen goods is considerable, it would perhaps be worthwhile.

Jay Engineering

FROM STRENGTH TO STRENGTH

IT IS evident from the speech of L. Charat Ram, Chairman of Jay Engineering Works Ltd., made at its 24th annual general meeting, that the company is growing from strength to strength. Against Rs. 52 lakhs in the previous year, company's profit after providing employees' share of profit amounted to Rs. 58.4 lakhs in the year 1960-61. It will be interesting to observe that while All-India index number of industrial production for all manufacturing industries with 1956 as base went up to 126 in 1960, the corresponding figures of the company are 207 for sewing machines and 440 for fans. This no doubt is a tremendous progress. By reducing the price of ceiling and table fans the company has been able to cater to a greater number of consumers. On the export front the company could export fans worth more than Rs. 1 crore. It is in fact a matter of gratification that the company is now in the fore-front in the export of engineering items like sewing machines and fans and has been able to get a foothold even in industrially advanced countries like U.K., U.S.A., West Germany, France, Australia etc. This speaks of the high standard of goods manufactured by the company.

With a view to develop exports in the markets abroad, the company now proposes to start assembly and progressive manufacture of the products in those markets which are seeking to establish industries of their own. A licence for putting up a unit in Ceylon has already been obtained. It is proposed to have similar arrangements in other countries like Burma, Pakistan, Thailand etc. It is also being proposed to help the industrial concerns in other countries to set up assemblies with a phased programme of progressive manufacture by giving them technical know-how, equipment, personnel and the supply of component parts. Arrangement of this type has already been made with South Vietnam, and negotiations are now afoot with Iraq, Egypt and Yugoslavia.

So that full benefit of export incentives may be obtained, the Chairman urged that a high power committee should be appointed to look into this matter of export incentives. Perhaps it may be able to devise

ways of weeding out causes which defeat or delay the inducements available to exporters. Since the mechanics of obtaining the reliefs is far from simple and speedy, it is imperative that a high powered committee asked for by the Chairman be appointed soon.

Prago Tools

SATISFACTORY PROGRESS

IT IS a matter of gratification that the Prago Tools Corporation Ltd. has now reached a stage when it can well claim to be in a sound financial position. Although the final carry-over of profit on March 31, 1961 is only Rs. 23,631 it is a great consoling factor that the Prago Tools Corporation has succeeded in writing off past losses, value of intangible assets and unsaleable finished goods and development expenses etc. Between the period July 1, 1958 to March 31, 1961, the company earned a gross profit of Rs. 17.36 lakhs after providing for full depreciation. Most of this profit was utilised for meeting past losses.

Progress in fact is discernible all-round and the Corporation has now substantial plans for its expansion. The Corporation has signed technical collaboration agreement with three firms for the manufacture of drill chucks, lathe chucks and tool and cutter grinders respectively. Negotiations are also underway with a fourth British firm for the manufacture of milling machine under licence. In fact a place of importance has been assigned to the Prago Tools Corporation Ltd. by the Government of India in the machine tool industry. Three hundred acres of land on the outskirts of Hyderabad near Maula Ali Railway Station are being acquired. When the expansion schemes are completed, it is expected that machine tools and accessories worth Rs. 2 crores annually would be produced.

A significant development that deserves notice is the signing of an agreement with Cekop of Poland for the preparation and supply of a Project Report for a unit manufacturing machine tools of various types. This project report is expected to reach in a month or two. Already Rs. 1 crore have been earmarked by the Government of India for the use of the Corporation out of the Polish credit. A second agreement with Cekop for the supply of machinery under this credit arrangement is under negotiations. So far as future of the Corporation is concerned, it is quite bright if it maintains the quality of its goods.

Aluminium

ALIND'S EXPANSION PROGRAMME

MR. S. NARAYANASWAMY, Chairman of the Aluminium Industries Ltd. outlined the proposed expansion programme of the company at the 15th annual general meeting held recently. The high tensile steel core wire factory was in the final stages of erection at Kundara, and would be commissioned before the end of the calendar year. This plant, it was hoped, would be completed three months ahead of schedule which is a considerable achievement. The factory received sufficient assistance from their Japanese associates Messrs. Kokoku and Ataka. The Chairman added that with the production of core wire in the factory the unit would, to a large extent, be self-sufficient in bare conductor manufacture. The company had also received industrial licence for the manufacture of underground cable — trade marked 'Solidal' — but was awaiting

import licence to procure the necessary equipment. Although the Government had been paying sufficient attention towards granting of licences to the importers of raw materials for most of the industries, the instance of this company provided ample evidence that in some cases the time lost in the imports of raw materials caused delays in the manufacture of final products. In this case such an important item as underground cables had to be imported at heavy costs.

The Chairman was of the opinion that considerable expansion of the cable industry had materialised during the last two years. In the light of this expansion, apart from other aluminium using industries, the supply position of aluminium metal had become increasingly difficult. The indigenous production of metal had to be supplemented copiously by imports. This was in spite of the fact that metal producing units had been doubling their installed capacity. Till the additional capacity in the newly installed units did not materialise, it would be advisable on the part of the Government to allow the import of metal for the consumers so that their output did not suffer.

Tobacco

FROM MARKETING TO MANUFACTURE

AT THE 50th annual general meeting of the Imperial Tobacco Co. of India Limited, Mr. F. A. Collett, the Chairman made a reference proudly that this Company which started 50 years ago only as a selling organisation and for a limited scope of business with a capital of only Rs. 25 lakhs had expanded its activities and now owns 5 cigarette making factories and two printing factories and its capital exceeds Rs. 15 crores. This expansion in turnover as well as the fields of activities has been very gradual. During the year to March 31, 1961 also the company progressed as compared to the year before. While reviewing year's accounts, Mr. Collett told the shareholders that both the volume and the value of sales had recorded a marked increase and the sales value has increased from nearly Rs. 37 crores last year to a figure of over 42 crores in the year under review. The Chairman added that the net profits increased from Rs. 142 lakhs to Rs. 188 lakhs and the Board recommended the raising of dividend from 8 per cent to 9 per cent. This improvement, he attributed to 'no change' in excise duties on the company's products in the budget presented on February 1960.

The Company's record shows an efficient working of the marketing machinery which is being run every year on an improved pattern. The company has made marketing its speciality in the light that their consumers are dispersed over a very large area. "Marketing", the Chairman pointed out, "may roughly be divided into two functions, the distribution function and the creative side; both of these functions are highly technical". This process of distribution of a consumer product of a perishable nature such as cigarettes has to be so organised as to make supplies available to people who want to buy them at all times and in the freshest possible condition. At one hand there are the distributors, merchants of high standing who have association with the company of many years and on the other are a chain of tens of thousands of retailers who are the final contact with the consumers. The company's distribution system is geared to service this existing channel, and their efficient staff has been contributing to a large extent. Thus, the company's system of marketing in this respect provides an instance from which many other organisations can learn.

FROM THE CAPITAL'S CORRIDORS

OIL PRICES ENQUIRY COMMITTEE

THE Damle Committee on Oil Prices, whose recommendations were accepted by the Union Government practically in toto last week and enforced on October 1, 1961, has emphasised that the oil companies should recognise the advent of a new set of circumstances in a long-term commitment of the nature of their Refinery Agreements and not insist on import of crude oil from sources of their choice only so long as the profitability of their refineries is not affected. The oil companies, the Committee says, should press on their suppliers for equivalent discounts as available to this country on a long-term continuous basis on imports of the same quality of crude oil from sources other than traditional.

The Committee finds fault with the oil refineries for not disclosing the names of their overseas original suppliers. "We fail to see", it says, "why the companies could not deal with the original producers/suppliers of crude oil or furnish information regarding the names of such original producers/suppliers. The oil companies with their world-wide connections should normally be capable of dealing directly with the consortium operating in Iran, in which their principals have interest in respect of supplies through that source and also with the original producers/suppliers at other places."

In regard to discount on crude oil supplies, the Committee has particularly recommended that the Caltex Refinery should ask from its suppliers 8 per cent discount, which the Burmah Shell and the Standard Vacuum Oil Companies have been obtaining from their suppliers, on 'Minas' crude oil obtained from Indonesia. Alternatively, it should consider the discontinuance of the use of this oil in favour of a discounted crude oil from the Persian Gulf, unless the Government is satisfied that the continued use of 'Minas' crude is advantageous to the overall economy and conducive to saving in foreign exchange in regard to finished products. The Standard Vacuum Oil Company also, the Committee urges, should endeavour to reduce (and eventually eliminate altogether) the payment of charges to its London and New York offices.

DISCOUNTS WRUNG LATE

The Committee's report implies that the discounts wrung by the oil companies operating in India from their crude oil suppliers came too late. "It should normally have been possible for the oil companies to successfully bargain for discounts on posted prices for their requirements of crude oil, long before discounts were conceded at the current rates." The companies, the Committee opines, should not only press on their suppliers for the continuance of discounts in future but also for increase in the quantum thereof, consistent with the market trends prevailing from time to time.

In regard to prices of petroleum products, the Committee says, "the discounts on posted prices of crude oil should, in more or less equivalent measure, be reflected in the pricing of end-products." The recent discounts on crude oil, the Committee adds, are not reflected in the prices of end-products and the benefit thereof is absorbed by the refineries or consignors. To this extent their margin has been enhanced above the expectation envisaged at the time of the conclusion of the Refinery Agreements. The availability of discounts on crude oil should be taken into account for allocation of foreign exchange, the Committee recommends.

DISCOUNTS ON END-PRODUCTS

As discounts are admittedly available on crude oil, the Committee believes that discounts should also be available on refined products. Two oil companies, in fact,

have admitted that they obtained their imports of petroleum products at discounted prices. As the products imported by these two companies are not identical and the rates of discount vary for the different products, the Committee has inferred that availability of discounts depends upon the bargaining capacity of the individual marketing company. The major oil companies, with their world-wide connections and long experience in oil business, the Committee opines, should be able to exert sufficient pressure on the suppliers of bulk refined products in obtaining discounts on their supplies.

The stipulation in the Refinery Agreements for determination of prices of products on 'import parity', the Committee says, is not intended to preclude the availability of supplies in the Indian market of products from sources other than those of the major oil companies. It would be quite appropriate, therefore, it suggests, to base the landed cost of products on imports at cheaper rates, if available from sources other than those which have been normally utilised by the major oil companies, provided continuous supply of equivalent quality is guaranteed.

The inability of the oil companies to obtain discounts for the import of products from their suppliers, the Committee thinks, is no proof of the position sought to be established that discounts are not available in the Middle East. The Committee draws attention in this respect to the fact that the major oil companies have been quoting for supplies, particularly H.S.D., rates lower than the landed cost of imports from Russia. Such under-cutting, it opines, would only be possible if substantial discounts were available to them on F.O.B. postings.

The Committee has not believed the statement of the oil companies that the suppliers of bulk refined products do not charge any fee or commission for the services rendered, apart from charging out-of-pocket expenses. This statement, it says, does not stand to reason particularly when the services rendered include even arrangements for financing.

GENESIS OF PRICING FORMULA

The Committee, after considerable deliberations and elaborate analysis, has produced a formula for the pricing of petroleum products which would result in a reduction to the tune of Rs. 15 crores annually in the prices of major petroleum products and bitumen based on an estimated demand for them in 1962. The break-up of this reduction is as follows: Rs. 5 crores due to drop in landed cost; Rs. 7 crores on account of discounts in the posted prices of bulk refined products and Rs. 3 crores in regard to distribution and profit margin.

In evolving the pricing formula, the Committee has grouped lubricants, greases and 'specialities' for the purpose of control of distribution costs and profits. Hot heavy stock, low sulphur fuel oil, liquidified petroleum gas, boiler fuel and chemicals have been excluded from the purview of the proposed formula.

In determining parity prices it has taken into consideration the following rates of discount in F.O.B. prices: Kerosene (superior and inferior) 10 per cent; Aviation turbine fuel 10 per cent; H.S.D. 10 per cent; Motor spirit 5 per cent; Light Diesel oil 9.3 per cent and Furnace oil 3 per cent. The F.O.B. cost of bulk refined products is to be determined at the lowest posted prices of any company regularly posted in Abadan, as reported by Platt's Oilgram Daily Reporting Service. In the prices evolved, F.O.B. quotations as applicable on May 24, 1961 (and reported in Platt's

Oilgrain Price Service No. 102 dated May 25, 1961) have been adopted, subject to certain discounts.

Ocean freight has been calculated at the AFRA rate ex-Abadan as applicable in the second quarter of 1961. Bombay has been taken on a single port discharge, Madras/Vishakhapatnam/Calcutta on a double port discharge at the Calcutta rate and Kandla/Okha/Cochin on a double port discharge at the Cochin rate.

Marine insurance, excluding War Risk Insurance, has been included. War Risk Insurance will be added separately in case of emergency. The Committee recommends that the Union Ministry of Finance (Department of Economic Affairs) should take up with the Indian Insurance Companies Association the question of undertaking marine insurance of petroleum products at the rates available to the oil companies from other sources. The risks covered should also be comparable to the risks covered under the agreement at present followed by the oil companies.

Ocean loss has been included in the pricing formula as a percent on c.i.f. cost on the basis of the past experience of the oil companies. The factors adopted for the conversion of F.O.B. prices have also been indicated. Rate of exchange has been adopted at U.S. Dollars 2.80 per Pound-Sterling (within a range of Dollar/Sterling of \$2.78 to \$2.82). The current rate of exchange of Pound-Sterling at Rs. 13.3565 has been adopted.

Basic duties and surcharges have been included in the prices as applicable for the imported counterpart, adjusted to normal temperature of the landing port on an all-India basis taken at 29.4°C or 85°F at the standard conversion factors. In the event of variations in the level of customs duty and surcharges resulting from discussions by the Oil Industry Metric Committee with the Ministry of Commerce and Industry, suitable adjustments have been recommended to be made.

Rates of wharfrage included in the prices are as applicable during January 1961. Other compulsory landing charges are based on the past experience of the oil companies.

FIXATION OF BITUMEN PRICES

In the absence of posted prices for bitumen, F.O.B. cost is determined on the basis of the suppliers' invoices. For this, Bombay port landed cost is based on bulk parity, while for other ports, it is determined on packed parity. Marine freight for bulk bitumen is included at the rates for premium rated vessels as applicable on the second quarter of 1961. Marine freight for packed supplies has been included at the rates indicated by the London Freight Brokers Association on January 12, 1961. Insurance and ocean loss have been provided on the same lines as for bulk refined products. Customs duty has been calculated at the rate of 27 per cent on a provisional tariff value of Rs. 231 per metric ton for straight grades and Rs. 280 per metric ton for cutbacks, both packed in drums. In case bitumen straight grade is supplied in bulk, the relevant customs duty at 27 per cent on a provision tariff value of Rs. 138 per metric ton will have to be substituted. In the case of bitumen ex-A.O.C., the custom duty at 27 per cent on the respective tariff value will be substituted. In the event of the tariff valuation being different, it has been suggested that suitable adjustment should be made in customs duty.

MOTOR SPIRIT AND H.S.D.

To rationalise the distribution system for motor spirit and H.S.D., free delivery zone has been created for H.S.D., as for motor spirit. The oil companies, it is suggested, should issue specific instructions, under advice to Government, that the dealers should not make

a further charge on account of delivery of H.S.D., within the free delivery zone.

The expenses against which specific recoveries are made at present have been included in the prices. Delivery ex-airfield pump will, therefore, no longer involve payment of extra charges. The oil companies, it is further suggested, should bring this fact prominently to notice at the airfields.

The charges for delivery beyond the companies' storage points of kerosene, vaporising oil, furnace oil, light diesel oil and bitumen have been excluded from the basic ceiling selling prices.

A differential between the selling prices at international airfields and other internal airfields has been maintained.

For 'lubricants and greases' and 'specialties', control is recommended to be imposed by fixing an overall ceiling limits for marketing charges and profit margin, on an average for all the products coming under these groups. The ceiling limit will be Rs. 123.02 per kilolitre for lubricants and greases and Rs. 31.28 per kilolitre for specialties.

The oil companies shall be permitted to recover the cost of materials, blending charges and the packaging and filling-in charges at actual rates. In case recovery towards marketing and distribution charges and profit margins per unit during a financial period exceeds the ceilings proposed, the oil companies should suitably revise the price structure of the various products within the respective group.

The prices for the A.O.C. products have been determined on parity with the prices ex-F.O.R. Calcutta, subject to differential being maintained for lower diesel index for H.S.D.

GROWTH IN DEMAND

There has been a progressive increase over the past years in the consumption of petroleum products and the demand will continue to increase considerably during the Third Plan period. The average increase in volume for each of the three years 1962-64 is estimated at about 25 per cent for the three major oil companies.

The overall unit incidence in 1959 showed a decrease specially in regard to bulk refined products as a group in respect of all the companies. This is largely attributable to increase in the volume of sales in 1959 over 1958.

Burmah Shell and Standard Vacuum handle about 80 per cent of the total sales of petroleum products and would, therefore, represent the cross-section of the industry. In each of the three years 1962-64, the estimate of sales will be about 22 per cent over 1959 for Burmah Shell and about 25 per cent over 1959 for Standard Vacuum.

In estimating the future marketing and distribution charges, suitable provision has been made for (i) increase in expenditure for the higher anticipated volume of sales, (ii) for effecting free deliveries of aviation spirit/gasoline and aviation turbine fuel from the companies' storage points to the airfield outlets. Aircraft and motor spirit gasoline and H.S.D. at the retail pump outlets within the free delivery zone in port and municipal towns and (iii) for unrecovered freight and bridging costs.

The weighted average of the marketing and distribution charges of Burmah Shell and Standard Vacuum has been adopted as the fair incidence for the industry.

The packed-bulk differential for 18.18 litre tins is assessed at Rs. 1.88 per container, based on the price of Rs. 1,407.4 per metric ton of tin-plate.

Introduction of uniform port charges in the price structure is not considered advisable. Introduction of a railway freight pooling system is also not considered advisable and the maintenance of the status quo is recommended. B.O.C. (L.T.) Ltd., which has been operating a freight pool system in its area, may, however, continue to do so.

The present classification of products into dangerous and non-dangerous categories in regard to railway freight should continue.

12 PER CENT RETURN

Based on the capital employed in 1959 of Burmah Shell and Standard Vacuum, the requirements of capital employed for both the companies for their future sales have been estimated. A return of 12 per cent on capital employed has been allowed.

The basic ceiling selling prices for bulk refined products as evolved should be applicable for delivery as under:

Aviation spirit/ aviation gasoline and aviation turbine fuel.	Ex-oil company's storage points and ex-airfields/ aircraft.
Motor spirit and H.S.D.	Ex-oil company's storage points and retail pump outlets within free delivery zone.
Kerosene, vaporising oil, light diesel oil, furnace oil and bitumen.	Ex-oil company's storage points.

Further charges will be payable, whenever applicable, on account of railway freight, local duties/taxes, specific delivery and supplies in returnable packages. Railway freight from companies' storage points to up-country points will apply at the bulk rate for bulk despatches and at the packed rate for supplies in packages.

The prices evolved, the Committee recommended, should come into effect from September 1, 1961, and remain in force till March 31, 1965, subject to fluctuations as suggested. The control on lubricants and greases and specialties should be valid for the same period. (The Government has deviated from this recommendation and has fixed the period of operation of the new prices to a "reasonable" term extending upto two years).

The employment of price mechanism for the correction of imbalance in the supply of end-products has not been favoured by the Committee. The solution thereof, it says, should be sought in technological adjustments in production pattern and in finding alternative uses for surplus products.

The Committee has not considered the rate payable by the oil companies to contractors for loading/unloading unreasonable as the contractors are appointed as a result of tenders or by negotiations. The Committee, however, recommends that if service co-operatives are capable of undertaking distribution of kerosene and other petroleum products, preference should be given to them.

OIL PROSPECTING IN SOUTH INDIA

Oil prospecting in the Cauvery Basin, in South India, is expected to start before the General Elections. Negotiations are currently being held between the Union Ministry of Oil and the ESSO Standard Oil Company in this regard. The U.S. company, it is learnt,

is now veering round the Government's proposal of 50:50 partnership in this venture. A definite decision on this exploration programme is likely to be arrived at in the next few days.

The Union Minister for Oil and Fuel, Mr. K. D. Malaviya, it is understood, has also ordered the examination of the proposal to set up a refinery in South India. If the marketing survey to be conducted as part of this examination warrants, the refinery would be set up whether oil is found in the Cauvery Basic or not. The Oil Ministry would welcome proposals for setting up this refinery from all quarters.

Negotiations in regard to the setting up of a lubricating oil plant by ESSO Standard Oil Company are expected to fructify in the near future. The company is said to be agreeable to have the Government of India as an equal partner in this venture.

The ESSO Standard's proposal to set up a naphtha cracker plant at its Bombay refinery is also understood to be under consideration of the Oil Ministry. The Government, it is learnt, has asked for equal partnership in this project also. The company at present is said to be opposed to it.

UTILISATION OF SWISS CREDIT

The Rs. 11 crores credit made available by the Swiss Government for India's Third Five-Year Plan is proposed to be utilised for financing the following imports:

1. **Equipment for Upper Sileru Project:** Two 95,000 H.P. water turbines; two 60,000 KW. alternators; hydraulic butter fly valves; generator transformers and some sub-station transformers; 132 KV switchgears, switch-boards, switchgear cables, circuit breakers, carrier equipment etc. All this equipment is needed for the utilization of the power potential of Machkund power station and of a weir to be built at Guntavada (Andhra Pradesh). The scheme envisages installing of two units of 60,000 KW. each, laying of 135 miles of double circuit and 80 miles of single circuit 132 KV transmission lines. The power developed will be transmitted to the coastal districts of Andhra Pradesh and fed into the existing grid to supply a variety of industrial loads such as ferro-manganese, ship-building, oil refining, fertilizer and cement manufacturing.

2. **Circuit Breakers and Switchgears for Power Transmission:** Fifty 220 KV blast circuit breakers. The rupturing capacity of the circuit breakers will vary from 7,500 MVA to 10,000 MVA. The exact number of each rupturing capacity would be estimated in course of time when tenders are invited.

3. **Machinery for Expansion and Modernisation of Textile Industry:** Part of the credit is envisaged to be utilised for import of blow-room machinery, combers and pirn winders, components for automatic looms and finished automatic looms required for replacement purposes in the modernisation programme of the textile industry. Import of components is necessitated by the fact that the National Machinery Manufacturers Limited is collaborating with Messrs. Ruti of Switzerland for the manufacture of automatic looms.

4. **Printing Machinery:** The items intended to be imported from Switzerland under this credit include stop cylinder machines, two revolution machines, lithographic machines, book-binding, stitching and sewing machines etc.

5. **Equipment for Sugar Factories:** Turbo-alternators for power generation, capacity 1,250 KW, 400/440 volts, A.C., 3-phase, 50 cycles, 0.8 power factor, Back Pressure type exhausting at 0.7 kg. to 1.0 kg./cm. 2. Turbines are to be multi-staged, complete with all accessories coupled to an enclosed high speed reduction

gear box with coupling and accessories. Alternators will be the enclosed type-exciter mounted on alternator shaft-coupled to high speed gear box outlet side. Steam ratings will be provided separately in individual cases. Turbo-alternator sets will be used in the development of the sugar industry. There are two concerns manufacturing this equipment in Switzerland. They are M/s. Brown Boveri and Messrs. Escherwyss.

6. Capital Goods and Equipment for Private Sector Industries: Some capital goods and equipment are envisaged to be imported for the following private sector industry: caustic soda, drugs and pharmaceuticals, dyestuffs, miscellaneous chemical industries like optical bleaching agents, industrial machinery, machine tools and other processing industries.

The spinning machinery to be imported under this credit will be brought by Voltas who will be distributing it to various units in the country. An order based on the expansion and modernisation of 8 spinning mills has already been placed. Among the other orders either placed or to be placed are included: (i) an order for one complete plant for the manufacture of sodium sulphate, (ii) an order for the import of equipment for dyestuff and optical bleaching agents, drugs and pharmaceuticals, (iii) an order for complete electrical cell plant and ancillary equipment (for Konoria Chemicals and Industries Ltd.), (iv) three turbo-alternator sets, and (v) an order for equipment required for the expansion of the ammonium chloride plant of Fertilizers and Chemicals Ltd.

SUGAR ORDINANCE

The Government of India has issued an Ordinance vesting it with powers to fix the quantity of sugar which a factory would be allowed to produce during the next crushing season. In case a factory produces sugar in excess of the ceiling prescribed by the Government, it will have to pay a special excise duty equal in amount to the one chargeable on the commodity under the Central Excise Act in force. The ordinance comes into force on November 1.

The issuance of the ordinance has been necessitated by the recasting by the Government of its sugar policy under which output by factories is to be cut by 10 per cent from the 1960-61 level. The new policy also envisages removal of all control on distribution, movement and price of sugar, except control on releases. The 50 per cent rebate on sugar output in excess of the production in the previous year has also been withdrawn.

With a view to lighten the burden of an unprecedented carry-over of 12 lakh tons of sugar from the current season, the Government has approached the International Sugar Agreement for increasing India's quota for exports to international markets from 1.5 lakh tons to about 5 lakh tons. Expectations are that this quota will be raised to about 2.5 lakh tons. An approach has also been made to the United States for getting the quota for sugar exports to that country raised to nearly 5 lakh tons. The present quota granted by the U.S. Government to India is 1.87 lakh long tons. Contracts for the supply of sugar to this extent have already been concluded with the U.S. importers. Shipments are expected to be completed by December. There is every likelihood of India getting a supplementary quota from the U.S.A.

AMALGAMATION OF SHIPPING CORPORATIONS

The two State-owned shipping corporations —The Eastern Shipping Corporation and the Western Shipping Corporation — have been amalgamated into one unit, named as the Shipping Corporation of India. The new Corporation has an authorised capital of Rs. 35 crores, of which Rs. 23 crores is paid-up. It has taken over from the amalgamating corporations 19 ships with a total tonnage of 1,38,593 GRT. Five fast cargo vessels, ordered by the Eastern and the Western Shipping Corporations and

now at advanced stages of construction at the Hindustan Shipyard, Visakhapatnam, will be acquired by it during 1962-63. Each of these vessels (when closed shelter) will be about 9,200 GRT. In addition to these, orders have also been placed with the Hindustan Shipyard for six fast cargo liners of Mitsubishi type. Each of these vessels would be about 9,200 GRT as closed shelters dockers and would be delivered to the Corporation within the Third Plan period. There are also plans to purchase at least one ocean-going super-tanker for transportation of crude oil. Additional tonnage of this type might be considered for acquisition later.

During 1960, the two corporations now amalgamated ran their cargo services on India-Australia, India-Japan, India-Black Sea, India-Poland and India-Persian Gulf routes and passenger-cum-cargo services from Bombay to East Africa, from Madras to Singapore and between the East Coast and the Andamans. Two more routes—West Coast India-West Pakistan/Far East-Japan and India-Pakistan/U.K.-Continent Service—were added to these early this year. The new Corporation will soon be entering the Tuticorin-Colombo Service for which plans have already been approved. It is intended to purchase one small ship for this run. The possibility of the Corporation entering the tramp-trade field is also being considered.

Since one of the two amalgamating corporations was a member of the U.K.-Continent Shipping Conference, the new Corporation has become a member of this Conference.

Dr. Nagendra Singh, Joint Secretary, Union Ministry of Transport, will be the Chairman of the Board of Directors of the Corporation. Mr. C.P. Srivastava is its Managing Director.

DUTY CONCESSION ON MATCHES

As a measure of further encouragement to the cottage match factories for using bamboo, the Government of India has decided to further reduce the rates of duty applicable to them by 25 nP. per gross of boxes of 50s. and 20 nP. per gross of boxes of 40s. The new concessional rates came into effect from October 1, 1961, and are applicable to only such factories the annual output of which does not exceed 50 million matches.

NEW MEMBER OF I.R.E.A.C.

Mr. Shriram C. Chokhani, representative of the Engineering Association of India, has been nominated as a member of the Indian Railway Equipment Advisory Committee, by the Bombay Regional Railway Equipment Advisory Committee.

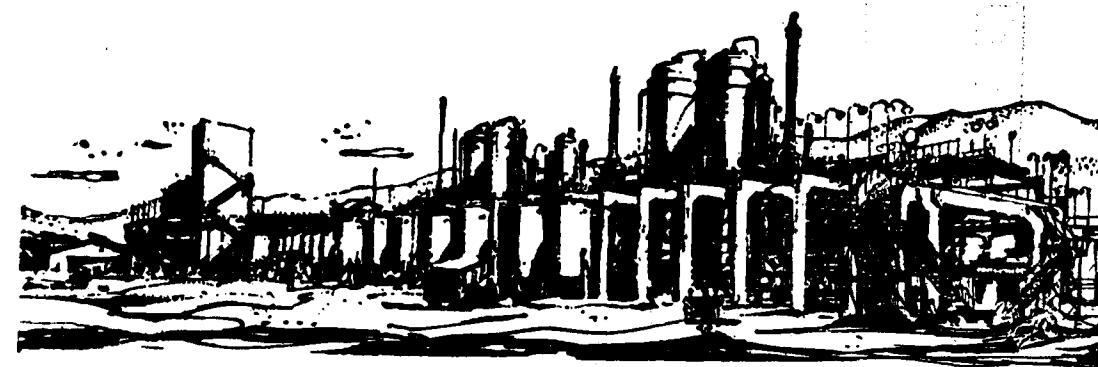
HAR
IS THE NEW SYMBOL FOR
HARVEY ALUMINUM
(INCORPORATED)
A COMMON STOCK
NOW BEING TRADED ON THE
NEW YORK
STOCK EXCHANGE

Harvey Aluminum (Incorporated) is
the 5th largest primary aluminum
producer in the United States.

UNION CARBIDE INDIA NOW MANUFACTURES AT TROMBAY



Ethyl Acetate



"Union Carbide" Ethyl Acetate is an excellent fast evaporating solvent for making lacquers, thinners, varnishes, dopes, coated paper, inks and photographic films. It is also widely employed in

the manufacture of dyes, drugs and antibiotics, perfumes and synthetic flavours. For your requirements of Ethyl Acetate or for further information write to your nearest Union Carbide India Office.

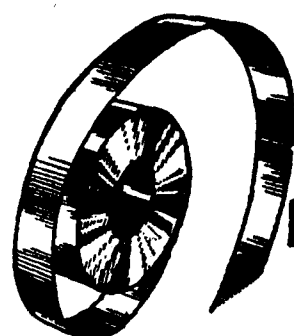
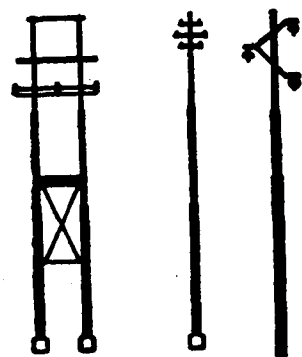
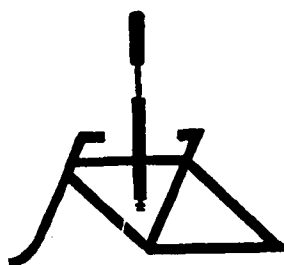
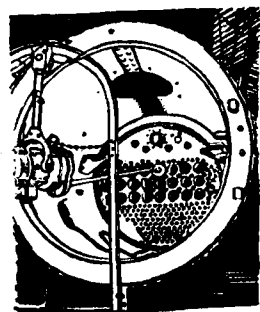
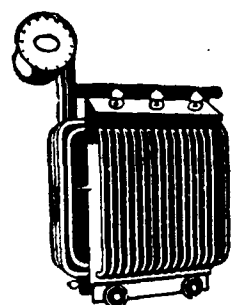


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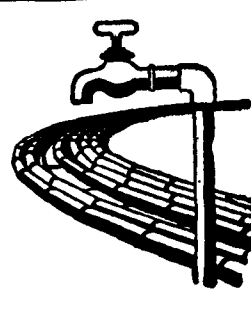
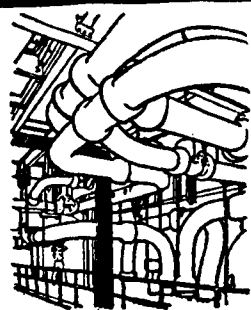
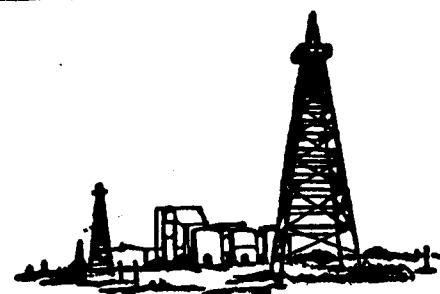
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INDIAN TUBE

THE INDIAN TUBE COMPANY
(1953) LIMITED

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COMPANY AFFAIRS

CAPITAL ISSUES

Five Companies have been granted consent by the Controller of Capital Issues for the issue of capital totalling Rs. 43.5 lakhs. The consent granted to the Upper Doab Sugar Mills Limited, Shamli, is valid up to April 28, 1962, and in other cases it is valid for 12 months. The following are the details.

The Upper Doab Sugar Mills Ltd., Shamli (U.P.), having a paid-up capital of Rs. 63,76,200 has been accorded consent to issue a capital of Rs. 25 lakhs divided into equity shares of Rs. 100 each for cash at a premium of Rs. 25 per share to the shareholders.

Dehri-Rohtas Light Railway Company Ltd., Dalmianagar, Bihar, running a narrow-gauge railway line for movement of public traffic and having a paid-up capital of Rs. 30,02,800 has been accorded consent to issue 100,000 equity shares of Rs. 10 each as bonus shares to their existing shareholders on capitalization of the company's reserves to a like extent.

The Victoria Mills Ltd., Bombay, has a paid-up capital of Rs. 25,60,000 (Rs. 8 lakhs in preference shares and Rs. 17,60,000 in equity). It has been granted consent to issue bonus shares of the value of Rs. 4,40,000 to be made in the ratio of one bonus share for every four equity shares held. The company is engaged in the business of spinning, weaving, manufacturing and processing of cotton and piecegoods.

The Kalasa Tea and Produce Company Ltd., Mangalore, has been granted consent to the issue of capital of Rs. 3 lakhs divided into 1,50,000 equity shares of Rs. 2 each to be issued as bonus shares on capitalization of reserves to a like extent. The present paid-up capital is Rs. 6,00,000 in ordinary shares of Rs. 2 each.

Ghaziabad Engineering Company Private Ltd., engaged in the manufacture of coolers, diesel engines etc., and dealing in Bosch parts and Tractors, have a paid-up capital of Rs. 4,50,000. The company has been accorded consent to the capitalization and issue of bonus shares of the value of Rs. 1,12,500 to its existing shareholders in the ratio of one for four shares held.

BISRA STONE LIME

The Directors of the Bisra Stone Lime Co. Ltd., have decided to issue bonus shares in the proportion of three fully paid up equity shares of Rs. 10 each for every share held by capitalization to General Reserves to the extent of Rs. 30 lakhs. Necessary application has been made by the Directors to the Controller of Capital Issues and steps are being taken to implement the above proposal when the approval is obtained.

STANDARD PENCIL FACTORY

The Standard Pencil Factory Madras was licensed to make pencils and refills. Only important machines were fabricated from indigenous sources. The factory went into production in March 1960 and within a short time built up its capacity to over 75,000 numbers per day. The company manufactures a variety of lead pencils and colour pencils. The company has a programme for export and have, therefore decided to raise their production to about 1.25 lakh pencils a day. The company has also been licensed to manufacture ball-point pens and refills, for which they have acquired the technical co-laboration of Messrs. Axel C. Jensen Inc. of U.S.A.

TRACTORS AND FARM EQUIPMENT

The Madras Chief Minister recently performed the inauguration of production plant of Tractors & Farm

Equipment Ltd., at Madras. This is a venture of the well-known industrial group of Simpsons in collaboration with the Massey Ferguson group of Farm Equipment Manufacturers and costs nearly Rs. 2 crores. It has an annual licensed capacity of 7000 tractors on a two-shift basis employing 3000 workers. Trailers and Tiller Seeding attachments and a number of important accessories are already being manufactured at the Madras factory. One feature of this Company is that from the very initial stages, the quantum of indigenous component is nearly 50 per cent which will reach nearly 85 per cent by 1964.

HINDUSTAN ANTIBIOTICS

The Directors of Hindustan Antibiotics Ltd., indicate in their annual report that 42.76 million mega units of finished penicillin was tested and passed during 1960-61 as against a target of 35 million mega units for the year. During the previous year the output was nearly 33.15 mega units. Out of the total output of this year, a production of 2.52 m.m.u. was obtained from the imported first crystals. Even then the target of the Plan was exceeded by nearly 14 per cent. The gross earnings were Rs. 342.57 lakhs as against a target of Rs. 315 lakhs. This was in spite of the fact that there was a substantial reduction of prices. The company derived a surplus of Rs. 142.24 lakhs after providing for depreciation development rebate etc. A provision of Rs. 65 lakhs has been made for taxation. Out of the remaining sum, Rs. 75.75 lakhs were transferred to the General Reserve.

ANNOUNCEMENT

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Company Meetings

INDIA STEAMSHIP COMPANY LTD.,

Address of the Chairman. Sir A. Ramaswami Mudaliar,
K.C.S.I., D.C.L. (oxon)

Delivered at the Annual General Meeting of the Shareholders of the Company on the 26th September, 1961

GENTLEMEN,

The Audited Accounts and Directors' Report for the period ending March, 1961, has been in your possession for sometime and with your permission I shall take them as read.

The Directors' Report shows that the freight earned during the year was Rs. 8,63,00,835 as against Rs. 8,38,59,427 in the previous year. The total number of Liner voyages during the year was 49 compared to 47.5 in the previous year. Though the freight earned was higher than last year, owing to a variety of reasons, I regret to state that the result is a substantial loss to the Company.

NAVAL DISASTERS:

At the beginning of the year, the Company suffered a serious loss by the sinking of the s.s. 'Indian Navigator' after an explosion on board. All the crew except one seaman were rescued. A more serious and sadder calamity was the loss of the lives of some Officers and Crew of a sister ship s.s. 'Indian Success' in their effort to salvage the abandoned vessel, the s.s. 'Indian Navigator'. As both the disasters are subject of a formal enquiry, it would not be proper for me to comment on them, except to the extent that I share, and I am sure you also do, the tribute that has been paid in the Directors' Report to the gallant Officers and Crew.

OVERSEAS TRADE AND FREIGHT RATES:

During the last two years, I referred to the decline in International trade and to its effect on international shipping. During the year under review the position was not any better than it was last year. In an effort to chase cargo and to keep up with the severe competition both of other shipping lines in the liner trade, and of the tramps, your ships have had to call at an even greater number of ports to secure the cargo, resulting in heavy expenses.

The rates of freight were generally at an uneconomic level—most of the rates remaining the same as they were in 1957. Meanwhile, in the intervening period, costs in every direction have gone up. Wages of staff, both floating and on the land, have had to be increased. Concessions had to be made by way of longer leave periods for the floating staff, necessitating additional personnel for the purpose. Stevedoring charges in most ports had to be revised in accordance with the rules and regulations in these ports. Any freight increase required very careful consideration and could not be readily equated to the increased cost of running the service. Some of the countries in the trade were anxious to promote export of commodities and manufactured goods in a desire to earn foreign exchange and to preserve the balance of payment position of their Governments. Conflicting considerations such as these have to a large extent prevented the easier course which would otherwise have been adopted, of increasing freight rates to meet extra and heavy expenditure. The position is now being studied both objectively and scientifically and an effort is being made to see whether freights may be increased on commodities which can bear the increase and still maintain their competitive positions in world markets.

I referred to the keen competition that prevailed last year and the unhealthy and unfair means by which

a few of the companies or their agents tried to obtain the cargo by undercutting freight rates and giving larger rates of rebate to the Shippers. These and other practices such as the manner in which some of the forwarding agents, particularly on the Continent of Europe, tried to corner the cargoes, were referred to by me in my last address and these practices continued during the greater part of the year under review.

A PARTIAL SOLUTION:

In my speech last year I referred to a possible solution that was being attempted at by the two Indian Lines in the Conference, along with other Conference Lines, who faced the same problems and were equally anxious to find a solution to put an end to unhealthy competition and to the malpractices. I stated that the solution suggested was that the allocation of freight earnings of the Conference, in certain proportions over a term of years, providing at the same time, for the growth and development of the fleets of under-developed countries, through a defined and reasonable escalation of the rate of allocation during the period. Negotiations for this purpose were started as early as 1959 at a Conference in Delhi, between the representatives of British and foreign lines and the representatives of Indian Lines, and they were continued in London and Hamburg in the early part of 1960. The result, however, was not promising at that stage. Meanwhile the evils enumerated above were on the increase. At last, at a meeting of the Representatives of these Lines and the two Indian Lines in Delhi, in November, 1960, an agreement was arrived at, defining the percentages of earnings which the lines under different flags would be allocated at the end of each year. It is a matter of some satisfaction that this arrangement has been arrived at and is considered beneficial by all the Lines concerned, particularly as it removes unhealthy competition, various kinds of malpractices and ensures the better working of the Conference system, as much in the interests of Shippers as of the shipping lines. The Pool system in the India-U.K./North Continent Trade, has come into effect from 1st January, 1961, and in two other Conferences of the Continent, viz. the French Conference, and the Western Italy Conference, came into effect from 1st April, 1961. It has to be emphasised that by this arrangement Shippers will not be inconvenienced to the slightest extent and in fact that the movement of cargo to and from Continental ports will be better facilitated. It is also hoped, provided that the international trade does not deteriorate, and there is no reason to expect it will, the earnings of the various companies will improve by this arrangement. I would only like to add that the results of this Pool System, owing to the date at which it came into effect, are not reflected in the Balance Sheet for the year under review.

PORT DELAYS:

But all attempts at improving the financial position of the companies will prove infructuous if the delays that are occurring at the ports both in India and abroad are not seriously checked and curtailed. One of the main reasons for the serious loss which your Company along with others sustained, is the extraordinarily long hold up of the vessels at various ports during the year. The Directors' Report refers to the fact that 332 days

were lost in the ports in the year under report as against 85 days in the previous year when vessels were idle without loading or unloading operations. The unofficial strikes in the U.K. and the delays in some of the Indian Ports have largely contributed to this unfortunate result. When it is remembered that on the Company's new vessels, and they are in a majority in the composition of our fleet, Rs. 10,000 is lost every day the vessel is idle in port, it requires little calculation to assess the loss to the Company on this account alone. The tugmen's strike at Bombay which held up the port working for many days, is only an instance in point. The unofficial strikes in the U.K., particularly in London and Liverpool, which manifested themselves all too frequently during the year, contributed substantially to the loss incurred by companies.

SHIPPING—PUBLIC AND PRIVATE:

While the position is as I have stated, there has arisen recently a doubt as to the part that Shipping in the Public Sector, the Shipping Corporation of India, can or should play in relation to the Private Sector. Is it proper for the Public Sector to come in competition on routes which the Private Sector has been handling so far and if so to what extent is this desirable or justifiable? The question has come into prominence in connection with the recent entry of the Western Shipping and I should like to take this opportunity of clarifying the position. The Western Shipping Corporation applied for a limited number of ships being allowed to ply in the Conference route as ships of a member of the Conference. The Corporation with the full approval of Government agreed on the number of ships that would ply in this route and the period during which that fixed number of ships will operate. With the agreement and approval of the two Indian Lines on this route, the Conference admitted the Shipping Corporation to its membership. In this connection there has been some criticism that the Government owned Corporation should not have entered into competition with the Private shipping concerns, and the statement of Hon'ble Shri Lal Bahadur Shastri, when he was Minister of Transport, has been quoted which was as follows: "I must state it very clearly that it is not our intention that shipping in the Public Sector should run in competition on routes which private shipping companies have established themselves". I believe that this will still be the basic policy in the expansion of shipping, whether in the Public Sector or in the Private Sector. The vessels of the Indian Flag whatever route they may be engaged in, are facing worldwide competition in many ways. They do not have the protection of tariffs as inland industries have and it is therefore essential that no Line or Lines engaged in a particular route should have over competition from the same flag vessels, to the ultimate detriment of all the Lines of the Flag, whether it be the vessels of the Public Sector or of the Private Sector. They only principle on which either kind of vessels can enter a route which has been established by other Lines of the same Flag, should be as stated by the Chairman of the National Shipping Board "The new Line must be supplementary to and not in displacement of the existing shipping Lines".

DEVELOPMENT REBATE:

The question of expanding shipping tonnage whether for shipping companies already in operation or for new companies, presents a problem in view of the legislation regarding development rebate, which was passed some time back. The development rebate has been allowed generously at 40 per cent of the cost of the ship. But the onerous character of this allowance arises out of the fact that 75 per cent of this allowance has to be provided out of the profits before any dividend can be declared. Shipping companies have repeatedly represented to the Government that the provision of this amount out of the profits of the company may be extended over

a period of years so that the prospect of payment of dividend to Shareholders may not be seriously affected. The National Shipping Board has considered this problem on more than one occasion and has unanimously adopted the recommendation that the development rebate to be provided for by the companies, may be spread over a period of years. These representations and recommendations have not so far helped in modifying the provisions regarding development rebate. I would only like to reiterate our request for the Government giving further consideration to this question.

LOOKING AHEAD:

I do not desire to strike an unduly pessimistic note as to the future of your Company. I have reiterated often that shipping is a peculiar industry, where the boom periods are few and the lean periods are many. While we are going through a lean period, I do venture to express the hope that we may turn the corner before long. There has been in many quarters a very reasonable and legitimate demand that Indian shipping should expand fast and that during the Third Plan Period, a larger amount of tonnage should be added than is provided for at present. While I myself have advocated the expansion of tonnage and your Company has established its belief in such expansion, I would like to enter a caveat against hasty and illtimed expansion under the circumstances in which shipping, all over the world is today. Such expansion requires very deep thinking. The question how and on what routes such expanded tonnage should be used, whether the expansion in tonnage should take the form of tramps or liner cargo vessels, or tanker or passenger vessels—all these aspects of expansion require careful consideration. The National Shipping Board has paid some attention to these factors and its recommendations will, I hope, engage the serious attention of shipping companies and of Government. I am certain that the Ministry of Transport is giving careful thought to these questions. In Dr. P. Subbarayan, the Minister of Transport and Shri Raj Bahadur, the Minister of Shipping, we have gentlemen, enthusiastic and eager for the promotion of Indian Shipping, but who are also at the same time, realists and cautious in approaching these problems. To them, Indian shipping owes a deep debt of gratitude for the encouragement they have given and the support they have extended, particularly in the Pool negotiations. The Ministry of Transport, the Secretary to the Ministry of Transport, the Director General of Shipping, his deputies and assistants, have shown their concern in and anxiety to help Indian shipping, and to them we owe our thanks. They have helped us with advice and assistance at all times. The Shipping Co-ordination Committee has been reorganised and promises to be of real help to Indian shipping whatever the routes may be. I was rather critical of the Chartering activities of the State Trading Corporation in my speech last year and I am glad to note that this Charter Committee has now been reconstituted and my hope that it will be on a better, broader and firmer basis with more clear policies adopted is likely to be fulfilled.

TRIBUTE:

The financial results of the Company does not reflect the hard work and the devoted attention which officers, both ashore and afloat, and the staff of the Company have rendered during the year. In fact, owing to the conditions mentioned earlier, their responsibilities have been greater and their work heavier and I should like to express the Board's appreciation of their services. I should also like to convey the thanks of the Company to the Shippers who have extended their continued and firm support to us, and to the brokers and forwarding agents who have shown confidence in us and in the quality of our shipping service.

CENTRAL WAREHOUSING CORPORATION

Speech of the Chairman, Shri B. B. Ghosh, at the Fourth Annual General Meeting

Gentlemen,

I have great pleasure in welcoming you to this Fourth Annual General Meeting of this Corporation. The report of the Directors and the annual accounts, which have been supplied to you, give an account of the working of the Corporation for the year 1960-61. Both the types of audit prescribed under the Act, namely one conducted by the Auditors appointed by the Government of India and the other by the Director of Commercial Audit on behalf of the Comptroller and Auditor-General have been completed, though the report of the latter is yet to be received.

2. The year under report marked the end of the Second Five-Year Plan. As you are aware, the Central Warehousing Corporation started its activities midway through the Second Plan and it could not be expected to achieve in two or three years what it could have achieved if it were able to function for the entire period of the Second Plan. How many warehouses should be set up during the Second Plan was the subject matter of numerous discussions and the target was ultimately set at 40 warehouses. It is a matter of some satisfaction that the Corporation was able to achieve this target. This is a modest number, considering the size of the country, but if we take into account the warehouses set up by the State Warehousing Corporations, of which we hold 50 per cent shares, the total number is over 300. We have thus, at the beginning of the Third Plan, a fairly good number of warehouses spread throughout the country. It is expected that this number will probably be doubled before the end of the Third Plan.

3. While the number is important, we have come to a stage where we ought to think more about the size and capacity of each warehouse, the volume of business and in general the services which the warehouses may claim to be rendering to the community. Speaking about the Central Warehouses alone, the storage capacity has been increased by about 80 per cent during 1960-61. As an indication of the increase in business, I may mention that the outstanding advances against warehouse receipts at the end of the year under report exceeded Rs. 5 crores as against Rs. 2.86 crores at the end of the previous year. There is little doubt that the warehousing scheme is becoming more and more popular.

4. You are aware that in order to avoid delay, we had to set up warehouses generally in hired accommodation and the volume of business has been limited by the capacity of the hired accommodation available. The policy, however, has been to start construction of warehouses of economic size as soon as possible. We have already got new warehouses in certain places and construction work is now going on at many centres. It has recently been agreed that the Engineering Organisation functioning under the Department of Food will also undertake and look after the construction programme of the Central Warehousing Corporation. This is expected to expedite the works. As new warehouses become available, our storage capacity will increase. In fact, during the Third Plan, our main emphasis will have to be on building up warehouses of proper size, at least at the centres where we have already set up warehouses and to take up construction also increasingly

at the new centres. We may, therefore, except that while the number of Central Warehouses will increase there would be a proportionately larger increase in storage capacity and hence of the volume of business. In designing the Corporation's own warehouses, the need for specialised types of storage for certain commodities is always kept in view. The question whether cold storages for perishable commodities can be set up is also under consideration.

5. I understand that deposits from producers have also been showing a gradual increase. This is a welcome trend. We should be able to attract them more as, between the Central Corporation and the State Corporations, we succeed in covering the country more intensively. I would request you all to convey to the agriculturists, in your respective spheres, the genuine benefits which they will derive by coming to the warehouses direct.

6. The Corporation will constantly keep in view the increasing warehousing needs of our developing economy. The Central Corporation is concerned not only with the establishment of some big Central Warehouses and making them a success, but is responsible for ensuring, through constant help and advice, that each of the fourteen State Warehousing Corporations fulfils its role. It took some time to set up these State Corporations and many of them were set up rather recently. Even so, the State Corporations are, I am happy to say, making on the whole good progress. As many as 266 warehouses were set up by the end of the year under report, with total storage capacity of 2.78 lakh tons. During 1960-61 the Central Corporation contributed about Rs. 35 lakhs to the share capital of the State Corporations and by the end of 1960-61 the total contribution of the Central Corporation to the share capital of the State Corporations amounted to about Rs. 132 lakhs. Some of the State Corporations have also started their construction work and I hope that they will be able to show better performance in this regard soon.

7. You will see from the profit and loss account that the net loss in 1960-61 was less than in 1959-60. This is so in spite of the fact that we are still not earning any return on our investments in the State Corporations. We are by and large recovering our direct expenses on the Central Warehouses.

8. In spite of difficulties and occasional differences of opinion about the respective roles of different organisations, I am glad to say that the warehousing scheme has been making steady, though not spectacular, progress. It has created a general consciousness of the need for good storage and this is bound to result in widespread benefits.

9. Before I conclude, I would like to express on your behalf and on behalf of the Board of Directors our appreciation of the work of the officers and staff of the Corporation.

10. I now invite you to consider the annual accounts and the report of the Directors which have been supplied to you.

THE IMPERIAL TOBACCO COMPANY OF INDIA LTD.

Speech of the Chairman, Mr. F. A. Collett, at the Fiftieth Annual General Meeting of the Company on 26th September 1961

BOARD OF DIRECTORS

On the 31st of May this year Mr. N. Shiva Rao retired from the Board after serving as a Director of the Company since the 1st of April 1956. Mr. Shiva Rao has had a very long association with the Company, having first joined in February 1935, and I am sure I am expressing the sentiments of all of us when I say that we wish him very much happiness and all success in the future.

In October 1960, Mr. S. D. Gupta was appointed to the Board. Since he joined the Company in 1940, Mr. Gupta has concentrated on the production side of the business and he brings to his increased responsibilities an extensive experience and expert knowledge which has already made, and I am sure will continue to make, a substantial contribution to the progress of your Company.

ACCOUNTS

When I addressed you a year ago, I told you that during the first five months of the financial year Sales showed a welcome improvement over the previous year. I am happy to be able to tell you that the improvement then referred to was maintained throughout the year and both the volume and the value of Sales showed a very marked increase over the previous year. The measure of this increase is reflected in the Profit & Loss Account, from which you will see that Sales values have increased from just under Rs. 37 crores last year to a figure of more than Rs. 42 crores in the current year.

In a large measure I attribute this improvement to the fact that in the Central Budget presented to the Lok Sabha in February 1960 no changes were made in Excise Duties on your Company's products. This was a very welcome respite from the frequent changes which had occurred in earlier years and because selling prices in the various categories remained undisturbed the consumer knew exactly where he stood. You will see from the Accounts that, nevertheless, Customs and Excise Duties have increased from Rs. 15½ crores to Rs. 18 crores.

As a result of the increased business the Accounts show an increase in net profits from Rs. 142 lakhs to Rs. 188 lakhs, with the result that your Board has recommended raising the total dividend from 8 per cent to 9 per cent. Your Board believes that there is still considerable scope for expansion and has considered it necessary to make a larger than usual transfer to Fixed Asset and Stock Replacement Reserve, for the purpose not only of making good past deficiencies in providing for the increasing cost of replacing fixed assets in due course, but also of financing the larger stocks of leaf and other material at prices which show a constant tendency to rise.

GOLDEN JUBILEE

You will have seen from the Notice convening this meeting that this is our Fiftieth Annual General Meeting and on an occasion such as this I think you will agree that I am justified in indulging in a little reminiscence.

Fifty years ago your Company was only a selling organisation and for the limited scope of its business it

required a capital of only Rs. 25 lakhs; today your Company owns five cigarette making factories and two printing factories, and its capital is now in excess of Rs. 15 crores. In 1911 your Company's turnover was just over Rs. 40 lakhs; in the current year it is well over Rs. 40 crores, and even though Rs. 18 crores of the present turnover represents a collection of revenue on behalf of the Government in the form of Customs and Excise Duties, I think you will agree with me that the expansion of the business is no mean achievement.

At the time of our First Annual General Meeting, the management staff was recruited entirely from overseas; of the present staff only about one-fifth was so recruited, the remainder being Indian Nationals.

Over the same period there has been an even more comprehensive change in the source of our raw materials. Apart from one or two specialised items, all our raw materials are now produced in India. This fact, of course, reflects the rapid development of industry in this country but I can safely say that your Company has always extended a welcome, and often a helping hand, to potential suppliers, both of raw materials and, more recently, of machinery.

However, we certainly have no intention of resting on our past achievements. The per-capita consumption of cigarettes in India is still very low and, with the successful implementation of the Five-Year Plans and the resultant increase in the standard of living of the population, one must expect further increases in the consumption of tobacco goods in the years to come. I believe that your Company will not be found wanting in the task of supplying this anticipated demand.

MARKETING

Although a most valuable contribution has been made by the Company's employees this year on all sides of the business, not least on the production side, it is perhaps in the field of marketing that most progress has been made. Marketing may be roughly divided into two functions, the distributive function and the creative side; both of these functions are highly technical.

The basic requirement of distribution of a consumer product of a perishable nature such as cigarettes is to make supplies available to people who want to buy them, at all times and in the freshest possible condition. This task, in a country the size of India, is of exceptional complexity. Apart from the constant activities of the Company's field staff, a most important part is played by all the links in the distributory chain. At one end we have the distributors, merchants of high standing in all the main cities and towns, most of whom have been associated with the Company for many years and have a profound knowledge both of our business and of conditions in their distributory areas. Their contribution to the Company's increased business has been most valuable. At the other end of the chain we have the tens of thousands of retailers, who are the final contact with the consumer. I am confident that your Company's distributory system is now geared to service our existing volume and indeed to meet the expanding demand of the future; incidentally it is worth noting that the cigarette business provides a livelihood to a great multitude of people.

On what I have referred to as the creative function, our marketing staff are constantly investigating and endeavouring to anticipate the changing needs and preferences of the consumer and endeavouring to meet his wishes. They have had some success this year but there is more to be done and there is no feeling of complacency.

LEAF TOBACCO

In my speech last year I drew attention to the very serious problem of the growing of flue-cured tobaccos on unsuitable soil. I am sorry to say that I have seen nothing in the current year to relieve my apprehensions, and we have been much concerned about the quality of some of the tobacco which has been offered to this Company for sale. I might take this opportunity of remarking that the problem is a wider one than the immediate interests of this Company in as much as while Indian tobacco is deteriorating, tobacco grown in other countries of the world continues to improve, and this situation cannot long continue without jeopardising India's extremely valuable export trade in this commodity.

LABOUR RELATIONS

In the majority of our branches and in our Head Office relations with the Trade Unions and with our employees have been generally good. During the past year we have been successful in concluding mutually negotiated long-term settlements with most of our branches and this has had the desirable effect of stabilising the employment contract with a large percentage of our work people for a three-year period. It has also had the effect of further cementing the mutual trust and confidence between management and labour which is so necessary for productive efficiency.

At one time there was a threat of large scale redundancy at our branch in Monghyr, but with requirements of increased production the economic operation of our factory there continues to improve, to the extent that redundancy has now been replaced by recruitment of new labour — an indication of what might well be expected elsewhere with increased business.

In its relations with its work people it is your Company's policy to provide emoluments and other

benefits fully comparable with those of similar industries, while at the same time making further financial improvement in the terms of service dependent upon greater productivity both of men and machines. In this we are working in conformity with the labour policy announced for the Third Five-Year Plan, with which we are in full agreement.

CENTRAL EXCISE

In presenting the Central Budget for 1961-62, the Finance Minister announced that tobacco had been one of Government's stable revenue earners, but said that experience had shown the need for some simplification and rationalisation. In practice, however, he anticipated with his changes in the tax structure an increased revenue of something over Rs. 2 crores from unmanufactured tobacco. At the same time, the Finance Minister announced large increases in the Import Duty on unmanufactured tobacco, which he expected would realise Rs. 89 lakhs.

This increase in Import Duty made an increase in the prices of the higher categories of cigarettes inevitable. The upward adjustment in Excise Duty was relatively small, and did not fully justify an increase in the unit price of a packet of cigarettes in the more popular price classes, so your Board decided, on this occasion, to absorb most of the additional duty.

PROSPECTS

In addition to absorbing most of the increased Excise Duties, your Company is having to meet steadily increasing costs of labour, raw materials and freight, but it will be obvious to you that we cannot continue to do this if the increases in various items of cost outstrip the gain we are able to make from increased productivity.

Nevertheless, as I have said earlier, I am confident that given freedom from further increases in tobacco duties there is considerable potential for additional business accruing to your Company and, provided rising costs do not outpace increase in turnover, we can look forward to the future with moderate optimism.

THE PRAGA TOOLS CORPORATION LTD.

Speech of Shri S. Ranganathan, Secretary, Ministry of Commerce and Industry, Government of India and Chairman of the Board of Directors at the Seventeenth Annual General Meeting of the Shareholders held on September 28, 1961.

Gentlemen,

We met last on March 27, 1961 for the Sixteenth Annual General Meeting of the Company and I am happy to welcome you to the Seventeenth Meeting in six months' time. This is possible because we have been able to close the accounts for the year ended March 31, 1961, and present the same to you within the period of six months stipulated in the Companies Act.

2. The audited statement of accounts and the Directors' Report thereon have already been sent to all shareholders. You would have also received, as on the last occasion, a simplified Balance Sheet and Profit and Loss Account. These would give at a glance the working results of the Company. With your permission, I shall take them as read.

3. As you are aware, the Government of India started taking an interest in the affairs of our Company in 1956 and appointed some of their officers to serve on the Board, even when the Industrial Trust Fund of the erstwhile Hyderabad Government acted as the Managing Agents. Later, the Managing Agents resigned as from July 1, 1958, from which date the management of the affairs of the Company has been the direct responsibility of your Board of Directors assisted by a General Manager.

4. I propose, with your permission, to review briefly the progress achieved by the Company since your Board assumed direct charge of its affairs. At the outset I am glad to report that during the period of 2 years 9 months from July 1, 1958 to March 31, 1961 the Company earned a gross profit of Rs. 17.36 lacs, after providing for full depreciation. Almost all this profit, however, has had to be utilised in writing off past losses, value of intangible assets and unsaleable finished goods, developmental expenses, etc. so that the final carry over of profit on March 31, 1961, is only Rs. 23,631. Your Directors can take justifiable pride in the fact that today the Company has been placed on a comparatively sound footing and its financial position is such that a reasonable share of the surpluses accruing in succeeding years could go to the payment of dividends, and the balance ploughed back for expansion programmes.

5. The capital of the Company was reconstituted in 1958 by writing down the share value from Rs. 50 to Rs. 35 per share. Even so the loss carried forward was Rs. 9.99 lacs. Another important step was the decision of the Central Government to invest Rs. 70 lacs in the Company. At the same time the Andhra Pradesh Government agreed that the loan granted by them to the Company of Rs. 17.75 lacs could be converted into share capital. They also agreed to forgo the outstanding interest of Rs. 5.29 lacs due to them. These steps put the Company in ready funds to meet its various commitments and its business could thereafter be conducted without the nightmare of constant financial difficulties to which it had been subject in the preceding years.

6. One of the handicaps this Company suffered from was the lack of adequately experienced person-

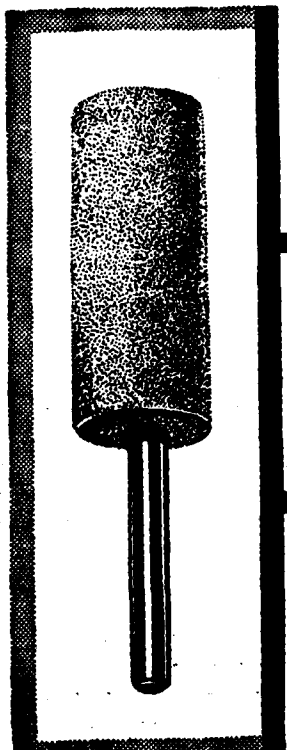
nel at the middle management levels. This deficiency has been remedied by the appointment as heads of departments of persons with considerable experience in their respective lines. The post of Works Manager, however, continues to be vacant since November, 1959, and attempts to recruit a suitable person have not yet succeeded owing to the paucity of persons with requisite technical experience.

7. In the factory itself, considerable improvements have been effected. The drainage was improved to prevent storm water entering the machine shop and causing damage to machinery as has happened in past years. The machines were re-laid out to form product-wise sections to the maximum extent. Considerable re-wiring of the plant was undertaken in order to minimise electrical losses and breakdowns which were occurring frequently. Over sixty machines have been reconditioned. In order to minimise running repairs and sudden breakdowns a preventive Maintenance Unit has been formed. A systematic lubrication procedure has been introduced. A new and hygienic canteen has been built. All these steps have already yielded results in the greater utilisation of machines.

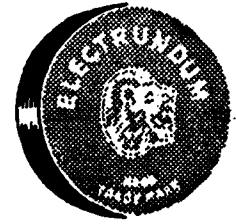
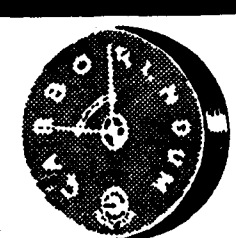
8. With the available plant and machinery the factory had reached a production level of Rs. 60 lacs per annum in 1959 itself, but during 1960, due to unsettled labour conditions, production came down to Rs. 48 lacs in 1960-61. In the current year 1961-62 we have every hope of reaching the Rs. 70 lacs target provided labour continues to co-operate, and if this figure is reached the shareholders could not reasonably complain.

9. As at the time of my last report to you, labour situation has been continuing to cause us concern; but I am glad to report that on the 1st July, 1961, the management and the Employees' Union signed a settlement which gave the workers an additional dearness allowance of Rs. 10 per month and certain other benefits in the form of a night shift allowance and supply of uniforms. In its turn the Union has entered into a truce agreement for three years and has also agreed to the revision of work-norms and work standards by mutual negotiation. This settlement if implemented in the spirit, will be a landmark in the labour-management relations in this Company, and we may look forward to peace in the industry and to a climate for better working and productivity in the coming years. The General Manager who has conducted these delicate negotiations deserves our congratulations.

10. Thus, we have so far, with some measure of success, consolidated the position of the Company and ordinarily there should be no fear of its sliding back. With this assurance, we have now taken in hand a substantial expansion. As you are all aware our Company has signed technical collaboration agreements with three British firms for the manufacture of drill chucks, lathe chucks and tool and cutter grinders respectively. Negotiations are currently under way with a fourth British firm for the manufacture of milling machines under licence. The Government of India



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have already assigned to this Company a definite role in the machine tool industry. Three hundred acres of land on the outskirts of Hyderabad near Maula Ali Railway Station are being acquired. When these expansion schemes are completed the factory would produce about Rs. 2 crores worth of machine tools and accessories annually besides the other products the Company is currently manufacturing.

11. Since we last met here, there has been another significant development. The Company has negotiated and signed an agreement with CEKOP of Poland for the preparation and supply of a Project Report for a unit manufacturing machine tools of various types. This Project Report is expected to reach us in a month or two. The Government of India have already earmarked Rs. 1 crore for the use of our Company out of the Polish Credit. A second agreement with CEKOP for the supply of machinery under this credit arrangement is under negotiations.

12. You will expect me to say something about the future. All I would say is that I am optimistic, even though some of our products are in the competitive field. Already there is keen competition from other entrepreneurs in some lines; this competition could be expected to increase rather than decrease. But quality is our hall mark and if we maintain our standards, I

am not unduly pessimistic about sales. There may however be need to reduce prices. Greater productivity is the answer and our management is fully alive to this need.

13. Our General Manager, Shri B. Venkataraman, who has been with us since July 1958 is due to retire shortly from the Company on October 18 next. I am sure you will wish to express our sincere appreciation of his services to the Company and to wish him a happy retirement. Shri A. M. Kelkar, an Officer of the Industrial Management Pool who joined the Company as Officer on Special Duty on July 21, 1961 will be taking over from him and we propose, with your permission, to designate him as Managing Director.

14. This will be the last occasion I shall attend your meeting as Chairman of the Board of Directors. The President has decided to appoint Shri P. S. Rau as Chairman and I am confident that the Company's affairs will register under his able and experienced stewardship greater and greater success.

N.B.: The above does not purport to be the report of the proceedings of the Seventeenth Annual General Meeting of the Company held on September 28, 1961.

THE ALUMINIUM INDUSTRIES LTD

Chairman's Speech

Addressing the Fifteenth Annual General Meeting of The Aluminium Industries Limited, held at the Registered Office, Kundara, on September 30, 1961, Mr. S. Narayanaswamy, Chairman, said:

The past year has been one of all-round increase in production of bare conductors, covered conductors and rod, as you have no doubt observed from a glance at the production graph published in the Report. Bare conductor production touched 66,300 kilometres and covered conductor 9 million core metres. There has been an interesting revival in the demand for tools and accessories. Our total sales reached Rs. 435.73 lakhs against Rs. 340.72 lakhs in the preceding year. This was to be expected with our Hirakud Unit being in fuller commercial production than in the previous year. However, our nett profit figure is slightly lower than in the previous year, with no very significant variation under the conventional appropriation heads. This is, perhaps, a correct reflection of the competition your Company has had to contend with in the bare conductor market, despite its patriarchal position in the aluminium conductor industry. Our production and sales testify to the acceptability of Alind cables in the bare conductor market. We have had in a measure to depend on our large turnover for profits and thus gain horizontally what has been lost vertically.

MOUNTING DEMAND

I am happy to report that the demand for the Alind covered conductor has been steadily on the increase and we have seen a heartening degree of consumer preference of our product. This has encouraged us to increase our installed capacity at Kundara for covered conductors. This also provided us the incentive to establish one more Unit for covered conductor production in Hyderabad -- which will be in commission before the end of the current financial year. We are grateful to the Government of Andhra Pradesh for their kind assistance in helping us to establish this Unit.

It is a matter of no small gratification to your Board, that it was possible to keep both our Kundara and Hirakud factories occupied to capacity. This was largely due to the Central Government's assistance in making aluminium metal available. It is correct to say, however, that with larger supplies, it would have been possible for us to make more rolled rod available to other manufacturers of bare conductor in the country, having regard to our current rolling capacity.

EXPANSION PROGRAMME

I would like to take this opportunity of briefly touching on our expansion plans. As you know already, our high tensile steel core wire factory in the installation of which we have received considerable assistance from our Japanese friends Messrs Kokoku and Ataka, is in the final stages of erection at Kundara and will be commissioned well before the end of the calendar year, that is to say, about three months ahead of schedule. With the production of core wire in our Kundara compound, we shall achieve a very satisfactory degree of self-sufficiency in bare conductor manufacture.

The Company holds the industrial licence for the manufacture of "solidal" underground cable, but the import licence for the equipment has not yet been received and there has been an amazing time lag between the two. While your Board appreciates the pressure on the country's foreign exchange reserves, it is time for Government to assess the balance of advantage as between importing underground cable costing crores of rupees annually on the one hand and issuing the import licence for equipment costing a very modest amount that would

help the cause of substituting expensive cable imports from hard currency areas on the other. It is our hope that this will not be delayed too long.

No management worth its salt today can merely complete an industrial installation, energise and commission it to the prescribed capacity of efficient working, sit back and declare complacently that the time table having been satisfactorily implemented, there is nothing more to be done. The modern concept of industrialisation is that it is a continuous race against obsolescence, by reason of what competitors do at home and abroad to reduce costs, improve quality, diversify production and refashion goods to suit both the changed consumer tastes and the newer uses to which the articles are put. This is also the process by which earning power is maximized. Thus stagnation or non-development has become the nightmare of industry and what may be called the Battle against Back-numberism has to be kept up. Such a battle cannot obviously be fought without resources. Your Company has been ploughing back earnings into the industry, by practising restraints on dividend distribution all these years -- to the point of making even normally contented sections of shareholders feel that dividends could have been more generous. Looking back, I cannot help feeling that your Board was never on stronger ground than when they resisted the temptation to increase distributions.

The enlarged production of bare conductors since our Hirakud Unit went into production, the stepping up in rod-rolling and covered conductor capacity and the erection of our high tensile wire plant at Kundara have cumulatively begun to impose on the Company's finances considerable strain. The capital cost of all the newer units and the tremendous physical increase in what are compendiously described as "inventories", which have a disconcerting knack of costing more and more every year, have kept our bank borrowings at a high level. When we get import licences for a third rod rolling unit and the "Solidal" project, which may be coming in any time, your Directors will be confronting a ways-and-means problem, the solution of which should enable the Company to function in reasonable comfort. Today inventories are no less formidable a problem than capital costs and it would be unwise to make frugal estimates of project requirements that might ultimately prove self-defeating. Your Directors hope in tackling the resource problem of the coming year, to keep in mind the interests of shareholders no less than the exigencies of Company finance. In the process, it is only fair to mention that a fresh capital issue may prove inevitable.

The Tariff Commission have recommended continuance of protection for a further three-year period from 1st January, 1961. There is reason to expect that on the expiry of this period, increased production of cheaper aluminium metal in India will facilitate a gradual reduction in prices of conductors and render protection unnecessary to the aluminium industry.

METAL POSITION

I would like to dwell however briefly on the technical position of aluminium metal as it obtains currently in India. There has been considerable expansion of the cable industry in the country, apart from other aluminium-using industries in the last few years. The



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supply position has been getting increasingly difficult. The indigenous production of metal has had to be copiously supplemented by imports from the sterling and dollar areas and rupee-payment accepting countries. Yet the position is not free from anxiety.

One existing metal producing unit has been doubting its installed capacity at Hirakud, another has been completing erection of its factory at Rihand and a third Company nearer home, will shortly be commencing construction at Mettur. It would be unwise, all the same, to expect that we shall be freed from dependence on external supply sources for some years to come. Aluminium is both a massive and complex industry depending in large measure on steady and unfailing supply of electric energy, apart from being beset by problems peculiar to metallurgical industries. Meanwhile, indications are that the metal using industries will be making larger demands on the suppliers. It would be comforting to know that in the coming four years our metal-producing units would be able to meet in overwhelming measure, the processing industries' demands within the country. With the Government of India's declared desire that the copper-using cable-makers of India should switch over to aluminium in the next few years, this question of metal supply within the country assumes special importance. The transition phase during which supplies would be partly indigenous and partly drawn from external sources, in one of some anxiety. It seems important during this period to keep the supply line from abroad in good repair.

I cannot omit to say a word about our transport difficulties. Owing to short supply of railway wagons, we have not been able to move our manufactured goods

to consumer ends, within a reasonable period and this has seriously affected our delivery time tables — particularly at Hirakud, which is not to say that at Kundara the wagon position is comfortable. This has led to congestion and stockpiling of finished goods in our yards, while at the consuming end there has been shortage of supplies. There is the inevitable chain reaction, in that the Company's inventories swell in the shape of undelivered manufactured articles and there is need for larger working capital. Financing charges tend to swell the final bill of costs. I sincerely hope this unhappy transport deficiency will be remedied in the near future.

Our relations with labour have been very cordial indeed. Our incentive schemes have been fully vindicated in the larger production and larger earnings of our workers. We have concluded an agreement with our workers at Hirakud which must be considered a very fair deal to our workers, in that the opportunities for higher earning based on production are handsome, and if our Kundara experience is any indication, this should result in larger production for the Company and higher earnings for the workers.

I must place on record the Board's appreciation of the continued and lively interest the Managing Agents have taken in the working of the Company and their constant efforts to secure the expansion of its activities, the excellent work put in by the supervisory and engineering staff and all ranks of workers in our diverse Units at Kundara and Hirakud.

N.B.: This does not purport to be a record of the proceedings of the Annual General Meeting.

JAY ENGINEERING WORKS LTD.

CHAIRMAN'S SPEECH

NEW EXPORT RECORD CREATED

TECHNICAL KNOW-HOW GIVEN ABROAD

Lala Charat Ram Stresses the need for Early Decision and Smooth Machinery for Export Incentives

Speech delivered by Lala Charat Ram, as Chairman of 24th Annual General Meeting of Shareholders of The Jay Engineering Works Ltd., Calcutta, on 28th September, 1961.

Ladies and Gentlemen,

It is a matter of pleasure for me to welcome you at the 24th Annual General Meeting of Shareholders of the Company. I am, however, saddened by the fact that, due to illness, our Chairman, Sir Shri Ramji, has been unable to preside personally at this Year's meeting. Sir Shri Ramji is now well on the way to recovery, and all of us fervently hope that he will soon be in a position to resume his active interest in the Company.

I am very much touched by the feeling reference of Lala Kishenlall Poddar to Sir Shri Ramji, and though, as a son, it is somewhat embarrassing for me, I must say that he has echoed the feelings of all those who have watched with interest and appreciation the progress of Jay Engineering Works Ltd. I shall convey these sentiments to Sir Shri Ramji who will be greatly cheered by the expression of affection by the Directors and Shareholders of the Company, for him.

The Directors' Report and the Balance Sheet and Profit and Loss Account for the year 1960-61, have been with you for some time, and with your permission, I shall take them as read.

HIGHER EXPORTS AND REDUCTION IN FAN PRICES

As you will have seen, the Company's profit, after providing Employees' share of profit amounted to Rs. 58.4 lakhs in the year under review against Rs. 52 lakhs in the previous year. The increase in profit is comparatively lower because of higher exports and reduction in Fan prices to the consumer. Due to higher provision for Income Tax, the disposable profit is only slightly more than last year, and the Directors have therefore recommended to maintain the dividend at last year's level.

An idea of the progress made by the Company during the last 5-year period can be had from the following figures:

	Unit	1955-56	1959-60	1960-61
Net Sale Value	Crore Rs.	3.1	7.2	8.9
Profit (after providing employees' share of profit)	Lakh Rs.	28.4	52.0	58.4
Production				
— Sewing Machines	Lakh Nos.	1.1	2.4	2.6
— Electric Fans	"	0.8	3.5	5.1
No. of Retail Points	Number	1,115	1,800	2,000
" " Schools	"	150	700	800
" " Students	"	11,000	50,000	55,000
Value of Exports	Lakhs Rs.	21.0	82.5	113.0

PRODUCTION INDEX IS MUCH HIGHER

It is interesting to see that while the All-India index number of industrial production for all manufacturing industries, with 1956 as base, has gone up to 126 in 1960, the corresponding figures of our Company are, 207 for Sewing Machines and 440 for Fans.

Working results for the year are quite gratifying, and you will no doubt join with me in congratulating the officers, staff, and workers of the Company for putting in hard work which has produced these results. Our special thanks are due to Shri Bishan Sarup Agarwal and Shri T. R. Gupta for the fine performance of our splendid team of personnel at all levels.

CONSUMERS ARE BENEFITED BY REDUCTION OF PRICES

During the year, we reduced the prices of ceiling fans by Rs. 5 and of table fans by Rs. 2.50 each. This

step was in keeping with the Company's policy of continuously sharing the fruits of economy of operations with the consumers. We have found that Indian society is financially so stratified that demand for durable consumer goods tends to be highly elastic, and with every reduction in price, a larger and more numerous class of consumers opens up to the manufacturer. Voluntary price reductions therefore enable the Company to move further towards economies of large scale operation, with consequential benefit to consumers, employees, shareholders and to the national economy.

OPENING A NEW UNIT AT HYDERABAD

The Chairman mentioned in his speech last year that we had applied for Industrial Licence for setting up a new unit for producing 3 lakh Sewing Machines per year. Government of India has since then granted the Licence, and plans for establishing the new unit — at Hyderabad — are in hand.

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As I mentioned earlier, our exports during the year under review exceeded Rs. 1 crore. This has been possible because of vigorous selling effort put in by the Company and its Selling Agents, at considerable sacrifice of immediate profits. It is a matter of pride for us that we have been in the fore-front of export promotion of engineering items like Sewing Machines and Fans, and have been able to get foothold even in industrially advanced countries like U.K., U.S.A., West Germany, France, Australia, etc. However, the bulk of our exports is still to under-developed countries, and, as is natural, these countries, like our own, are anxious to build up indigenous manufacturing industries. Again, just like us, they have the foreign exchange problem. These factors put a limitation on the size of foreign markets, and the severe international competition for them makes the promotion — or even maintenance — of exports, a function of the efficiency and quality standards that we can command.

Our country's need for foreign exchange for developmental purposes makes exports a matter of vital importance. The achievement of highest standards of productivity, efficiency, and quality thus calls for dedicated effort on the part of managers as well as workers, and no consideration of doctrinaire regard for vested 'rights' of employers or employees, should be permitted to interfere with this national effort.

PLANNING TO PUT UP MANUFACTURING AND ASSEMBLY PLANTS IN FOREIGN COUNTRIES

We have proposed to meet the challenge of exports by re-orientation of our policy in three respects. Firstly, we plan to develop further our exports to developed countries by making our products continuously more attractive to them on the basis of quality and prices; this will release us somewhat from dependence on under-developed markets which, by their very nature, will shrink as they develop. Secondly, we propose to start assembly and progressive manufacture of our products in those of our present export markets which are seeking to establish industries of their own. We have already got a Licence for putting up a unit in Ceylon, and are registering a Company under the name 'Usha Industries Ltd.' as a subsidiary of our Company. It is proposed to have similar arrangements in other countries like Burma, Pakistan, Thailand, etc. Thirdly, we plan to help the industrial concerns in other countries to set up assemblies with a phased programme of progressive manufacture by giving them technical know-how, equipment, personnel and the supply of component parts. Such an arrangement has come in operation in South Vietnam and negotiations are going on in Iraq, Egypt and Yugoslavia.

You are probably aware that Government of India is proposing a programme of compulsory exports. A pre-requisite for the success of such a programme is an efficient system of rigid quality control so that sub-standard goods do not get exported. Otherwise there is the danger of export markets being spoiled for Indian goods, and good-will built over long periods will be lost. Means must, therefore, be devised for checking such a situation.

We believe that in the existing circumstances there is no alternative to a programme of enforced exports. At the same time it is necessary to create favourable conditions for those who are themselves willing to export. Our economy is tending to be a high-cost economy; for this reason, the need for matching the incentives which exporters of other competing countries enjoy, becomes all the more emphasised. Amongst export promotion measures awaiting Government action are, reduction of steel prices for Engineering goods,

and the availability of long term credit at low rates of interest. Early decision on these will considerably stimulate exports.

It is a matter of gratification that Government has realised the need for offering Income-tax relief to exporting industries. While we are happy that the proposition has been accepted in principle, I would like to submit to Government that the mechanics of granting the relief should be designed to avoid self-defeating delays and complications. I am moved to make this observation by our experience of existing incentives, with which it has unfortunately been the rule, rather than the exception, that mechanics of obtaining the promised reliefs have been far from simple and speedy.

I would reiterate the suggestion made by our Chairman last year that a High Power Committee should go into the matter of export incentives and should devise ways of weeding out causes which defeat or delay the inducements available to exporters.

USHA DISPLACES THE FOREIGN RIVALS

In internal market, USHA has become a by-word for the highest value in manufactured goods, and to a very large extent, consumer preference for foreign Sewing Machines and Fans has been displaced. It appears clear from the progress of our Company and from that of other large and small-scale manufacturers, that in our field there is absolutely no need for foreign know-how or capital, and indigenous resources are adequate for meeting the country's requirement of Sewing Machines and Fans.

MALPRACTICES IN THE TRADE

In this connection I refer with some distress to what our Company considers to be a situation not conforming with rules of fair trade practices. My reference is to the exploitation of internationally established trade-names by applying them to goods which are produced neither by the owner of those names, nor in conditions under which it is customary to permit such use. To the extent that such a practice conveys to the consumer an assurance which is not founded on facts, it needs to be discouraged in the interest of business ethics. There appear to have been only isolated instances of this type so far, particularly one in Sewing Machine industry, but the industry and Government have to safeguard against the continuance and spreading of this practice.

PROGRESSIVE EMPLOYMENT POLICY

This leads us to the need for building up the intransigent strength of our industry. I referred a little while back to the pressing demand for high standards of productivity, efficiency and quality. Our Company is committed to a policy of 'High wages — low unit costs', and has been practising it for the past many years. By and large our experience with this concept has been encouraging, but the realization that the monetary impact of this policy must be reciprocated in ever-increasing measure by higher performance standards, requires more to be driven home. Employee relations in our Company are a worthy example to industries anywhere. I am, therefore, mentioning this not in a spirit of dis-satisfaction, but as a live fact which must be increasingly realised and translated into practice if progressive employment policies are to survive the forces of competition in internal and foreign markets.

Ladies and Gentlemen, I am very proud of this opportunity of addressing you today, and I hope that operations of the Company in the year have been a matter of satisfaction to you. Thank you.

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Food articles & Tobacco	Liquor & Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures			All Commo- dities
					Inter- mediate Products	Finished Products	Total	
1953-54	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1955-56	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61	120.0	110.0	119.6	145.4	130.5	122.8	123.9	124.8
June 1960	120.3	109.5	118.0	139.7	127.2	118.7	119.9	122.9
July	124.0	109.6	119.5	137.2	130.4	119.4	121.0	121.0
August	123.8	106.7	119.7	137.0	131.0	121.1	122.6	125.0
June 1961	119.9	100.1	122.2	148.7	135.2	127.4	125.3	125.6
July	124.3	98.6	121.5	151.3	141.9	124.6	127.0	128.6
August	124.2	99.6	121.6	144.6	140.9	123.4	125.8	127.3
12-8-1961	124.8	100.1	121.5	146.1	140.5	123.7	126.1	127.9
19-8-1961	124.2	99.4	121.6	142.8	140.3	122.7	125.2	126.8
26-8-1961	124.2	100.0	121.6	138.8	141.0	121.7	124.5	126.0
2-9-1961	122.4	100.1	121.5	138.7	140.7	122.5	125.1	125.5
9-9-1961	121.2	100.0	121.5	137.8	141.3	122.6	125.2	124.5

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS (August 1939 = 100)

Period	Bombay		Delhi Bengal U.P.			Central Provinces	Madras	E.P.	Bihar			
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhit	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	All India†
1939 (Aug.-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1954	342	359	244	138	327	408	373	139	341	148	140	136
1955	322	338	217	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	157	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	308	158	384	469	498	163	429	166	173	168
1960	401*	420*	296	158*	397	476	512*	165	467	167	166	171
1960 August	402	421	304	160	410	484	515	163	470	169	168	174
September	399	418	302	161	403	484	520	163	472	167	168	173
October	402	421	304	162	396	488	517	163	477	171	166	173
November	404	423	300	159	392	498	509	163	484	171	168	171
December	400	419	297	160	385	480	507	163	488	169	167	171
1961 January	400	419	296	161	385	480	495	165	470	171	166	170
February	401	420	296	163	389	488	491*	165	470	171	164	170
March	404	423	296	163	392	483	488*	165*	479	169	167	171
April	409	428	296	165	389	471	490	165*	482	169	166	170
May	412	431	296	166	389	464	490	166*	479	171*	166	171*
June	414	433	302	167	389	474	498	—	478	171*	167	172*
July	418	437	—	171	—	482	498	—	480	—	—	—
August	419	438	—	171	—	491	501	—	181	—	—	—
† Base 1944 = 100. * Provisional												

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT) WEEK ENDED

	22-9-1961			15-9-1961			8-9-1961			1-9-1961		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	125.90	123.85	125.06	125.25	123.75	124.55	124.10	123.05	123.42	124.80	123.80	124.23
Silver (per kilogram)	205.10	202.55	203.52	203.95	201.90	203.14	203.10	202.00	202.69	204.70	202.85	204.00

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Balances (5+6) with as per-		Advances as per-		Bills Dis- counted as per-		(8+9) Investments in Govern- ment Secur- ities in India	
	Demand	Time	Total	Cash	Reserve	centage	of (4)	centage	of (4)	of (4)	ities in India
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
1953-54	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	59,56	321,29	
1954-55	559,62	351,86	911,55	32,86	53,91	9.50	468,39	84,66	60,68	339,74	
1955-56	608,64	407,95	1,016,59	34,64	52,52	8.89	514,37	118,08	63,02	370,71	
1956-57	653,34	453,92	1,107,26	36,94	50,23	7.96	626,08	155,56†	71.39	359,35	
1957-58	723,89	619,19	1,343,08	39,34	77,55	8.72	723,79	187,32†	66.77	385,54	
1958-59	735,93	860,33	1,596,26	40,30	83,99	7.74	766,56	133,27†	56.37	565,14	
1959-60	745,83	1,086,79	1,832,62	44,84	75,81	6.58	842,75	144,49†	53.87	725,20	
1960-61	794,49	1,155,87	1,950,36	47,04	93,09	7.17	995,75	162,94	59.48	688,52	
Average of Fridays											
March 1961	820,31	1,074,28	1,894,59	45,14	70,03	6.07	1,107,98	197,93	68.92	566,54	
April 1961	854,21	1,093,17	1,947,38	47,78	74,18	6.27	1,111,89	205,35	67.64	553,13	
May 1961	845,27	1,108,21	1,953,48	48,43	73,26	6.23	1,085,24	194,17	65.49	548,23	
June 1961	837,02	1,119,91	1,956,93	48,46	79,72	6.55	1,102,90	179,40	65.53	542,17	
July 1961	843,35	1,133,99	1,977,34	46,71	88,73	6.85	1,100,57	156,31	63.56	562,78	
August 1961	837,73	1,148,50	1,986,23	45,86	83,13	6.49	1,087,85	1,151,04	62.38	589,50	
Week Ending											
25-8-1961	839,64	1,156,13	1,995,77	45,81	97,29	7.17	1,079,83	151,67	61.71	598,31	
1-9-1961	844,72	1,154,14	1,998,86	45,16	94,00	6.96	1,075,10	152,76	61.43	607,84	
8-9-1961	835,38	1,138,92	1,974,30	44,60	73,87	6.00	1,088,49	154,77	62.97	610,67	
15-9-1961	839,17	1,135,53	1,974,70	46,15	77,09	6.24	1,087,42	157,25	63.03	605,61	

Deposit Money with the Public

MONEY SUPPLY WITH THE PUBLIC

(Rs. in Lakhs)

Last Friday	Deposit Money with the Public			Total variation in money supply		
	Money supply with the public	Total currency with the public	Total	Demand liab- lities of banks	Other Depo- sits with Reserve Bank†	
(1)	(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1954-55	1,920,63	1,311,77	608,86	599,16	9,71	+126,65
1955-56	2,184,32	1,505,09	679,23	667,22	12,01	+263,69
1956-57	2,312,89	1,556,50	756,39	744,74	11,65	+128,57
1957-58	2,388,83	1,606,60	782,22	762,36	19,87	+ 75,94
1958-59	2,498,76	1,724,53	774,23	754,98	19,25	+109,92
1960-61	2,900,89	2,027,04	873,85	854,89	18,96	+197,76
November 1960	2,668,68	1,843,44	825,24	804,15	21,09	+ 7,99
December "	2,737,29	1,898,73	838,56	813,05	25,50	+ 68,60
January 1961	2,792,66	1,944,99	847,67	821,72	25,94	+ 55,38
February "	2,816,56	1,966,28	850,28	829,74	20,54	+ 23,90
March "	2,900,89	2,027,04	873,85	854,89	18,96	+ 84,33
April "	2,915,44*	2,025,80*	889,64	870,42	19,22	+ 14,55
May "	2,872,64*	2,010,87*	861,77	841,53	20,24	- 42,80
June "	2,873,02*	1,969,64*	903,37*	878,55*	24,82	+ 38*
July "	2,808,74*	1,936,87*	871,88*	850,72*	21,15	- 64,28*

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

TRENDS IN VOLUME AND VALUE OF MINERAL PRODUCTION IN INDIA

(Value : Lakhs of rupees
Volume: '000 tons)

Mineral	1950		1955		1960*	
	Volume	Value	Volume	Value	Volume	Value
Coal	32,310	4,668	38,230	5,603	51,810@	10,895
Iron Ore	2,970	154	4,680	323	10,520	770
Manganese Ore	880	848	1,580	1,082	1,160	818
Limestone	2,920†	103†	7,370	302	12,530	562
Chromite	17	6	89	27	99	57
Ilmenite	213	33	251	132	246	147
Bauxite	64	8	90	9	377	42
Mangnesite	53	11	58	13	154	27
Gypsum	206	14	690	45	982	63
Copper Ore	360	120	353	258	441	237
Lead Concentrates	2†	N.A.	3	8	6	22
Zinc Concentrates	2†	7†	5	17	10	25
Total value of all minerals including the above		8,341		9,436		15,902

* Provisional figures.

@ Includes lignite from Jammu and Kashmir — 4,647 tons in 1960.

† Figures relate to calendar year 1951.

N.A. Note available.

Source: Planning Commission.

PRODUCTION OF COAL IN 1960-61 — FIELDWISE

(Million tons)

Fields (1)	As Envisaged in the Second Plan (2)	Actual Production in 1960-61 (3)
Assam	0.50	0.68
Darjeeling	0.03	0.04
Raniganj	18.16	18.08
Jharia	16.69	16.09
Karanpura	6.00	4.48
Bokaro	2.88	3.75
Giridih	0.26	0.46
Other small fields in Bihar	0.14	0.15
Chhindwara and Chanda	2.25	3.06
Korba	4.00	0.57
Central India Coal Fields	5.31	3.67
Sasti	0.07	0.14
Orissa	0.52	0.88
Singareni	2.93	2.52
Bikaner	0.03	0.05

TOTAL .. 59.77 54.62

ALL INDIA YEARLY PRODUCTION OF COAL FROM 1951 TO 1960-61

Year	In million tons	Percentage change over the preceding year
1951	34.43	
1952	36.30	+ 5.4
1953	35.98	- 0.9
1954	36.88	+ 2.5
1955	38.23	+ 3.7
1956-57	40.30	+ 5.4
1957-58	44.10	+ 9.4
1958-59	45.94	+ 4.2
1959-60	47.82	+ 4.1
1960-61	54.62	+14.2

DISTRIBUTION OF EXPORTS OF JUTE MANUFACTURES FROM INDIA AND PAKISTAN

(Thousand tons)

Country	India			Pakistan		
	1957	1958	1959	1957	1958	1959
Commonwealth						
United Kingdom	38.3	56.8	53.3	1.6	3.2	10.1
Australia	100.7	82.1	72.8	0.7	5.9	24.8
Canada	34.0	37.2	40.1	0.3	0.4	1.3
New Zealand	16.9	19.5	15.6	(a)	(a)	0.6
British West Africa	25.0	12.7	14.0	(a)	(a)	(a)
Union of South Africa	—	—	—	28.3	28.8	50.0
Other Commonwealth	53.9	45.1	36.1	(a)	(a)	(a)
Total Commonwealth	268.8	253.4	231.9	30.9	38.3	86.8
Foreign						
United States	220.7	216.0	256.2	13.3	12.3	19.5
Argentina	66.4	63.6	53.4	(a)	(a)	4.0
China	—	7.7	51.9	(a)	(a)	(a)
Cuba	54.5	42.7	25.2	1.5	2.4	15.9
Egypt	49.4	20.1	21.9	(a)	(a)	(a)
Indonesia	15.7	14.4	21.1	(a)	(a)	(a)
Soviet Union	8.2	16.0	20.8	—	—	—
Burma	26.6	9.3	14.8	5.2	9.7	9.5
Thailand	23.9	13.8	14.4	(a)	(a)	(a)
Western Germany	2.3	6.1	12.8	(a)	(a)	0.7
Peru	10.7	6.6	10.1	(a)	(a)	1.7
Belgium	3.7	7.3	9.6	4.6	2.8	5.9
Netherlands	1.6	6.0	4.0	(a)	3.3	6.4
Italy	0.1	0.4	0.1	(a)	(a)	(a)
Other foreign	114.4	94.5	112.0	15.1(b)	16.9(b)	39.5
Total	867.0	777.9	860.2	70.6	85.7	189.9
Of which Common Market	7.7	19.8	26.5	—	—	—
Breakdown by Type						
Hessian	400.5	412.1	453.3	—	—	—
Sacking	449.7	347.1	388.3	—	—	—
Others	16.8	18.7	18.6	—	—	—

(a) Included, if any in "other foreign".

(b). Of which Iran 5.7 in 1957, 7.8 in 1958 and 3.1 in 1959.

Source: Industrial Fibres' by Commonwealth Economic Committee.

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THE EASTERN ECONOMIST

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ONE RUPEE



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India : A House Divided?

EVENTS this week in Uttar Pradesh have given point to an old accusation that India is a house divided against itself. The National Integration Conference, voted as a great success just a week ago, is now being criticised for quick complacency. Were these eminent people blind to realities or are they basically, in their passion for reason and intellect, removed from the masses in which these powerful political currents are at work? If they are, in fact, blind, can the blind lead the blind, with both possibly falling in the ditch? If on the other hand they are only removed from the masses—but have a power of understanding the passionate currents below—cannot the National Integration Council rise above paper resolutions and formulate a policy for breaking down the barriers between man and man at those levels which have resulted in terrible antagonisms in the last unhappy week? This is not to argue, as the Vice-President had done, that something must be extremely wrong with our educational system. The fact that the trouble started in a University campus does not prove that its source is there and there only. Indeed, the Aligarh incident seems to have displayed passions drawn from soil far away and particularly in many non-university cities of the State. Basically we are coming to the hard conclusion that the communal problem is something far deeper than we, in our national pride, often claimed it to be, namely, an off-shoot of British 'Divide and Rule' Imperial policy. All these are major issues which Indians must ask of themselves. It is to be recognised that a major diagnosis and some deep surgery is required to deal with a deeply distressing malady in our body politic.

To say this is essentially a social and political question is by no means to absolve those in authority in Aligarh and elsewhere who have erred. Administration of the University of Aligarh has been grossly inadequate and, irrespective of any other factor previously under enquiry, it would seem that the University authorities had no grip of the situation when it was rapidly moving out of hand. It is right that changes should be made without delay in the University's administration. Secondly, and without question, the communal universities, obviously have no purpose. Secularism must be imposed since there is always a danger with current passions that communal approaches will encourage or protect communal approach. But why should one stop short of universities? The Muslim Convention and the Hindu Convention were both misguided, and the fact that the eminent people have sat on both sides is no reason to judge their action wise. *The Eastern Economist* does not propose the banning of such conventions because, in a democratic country, it is vital that groups of people of whatever community should be able to state their views subject

to the overriding conditions of law and order and the essentials of political stability. But it is not wisdom for the individuals concerned to exercise their right of free speech in this manner. As a matter of convention it should now be recognised that these conferences should not normally be held particularly in an atmosphere unfavourable to dispassionate thought.

Hitherto, the prescription is largely negative — no communal universities, no communal conventions and, indeed, no communal approaches of any kind. But who will carry out a dispassionate policy, when, as often happens, the pursuit of communal or caste advantages achieves not merely popular approval but also secures political power? The Congress Party cannot pretend that it has ignored the advantages of putting up a candidate who would be backed by the religion or the caste of large groups of the electorate. It is, therefore, in no position to point to the mote in its political neighbour's eye, since it has a large beam in its own. Similarly, the moral righteousness often exhibited by leaders in the Congress, and by the Prime Minister in particular, in regard to an all-India approach when deep grievances do reside in the minds of the people in certain areas, is not a solution. Indeed, it might provide a new irritant. In the last analysis, there are deep regional political overtones of the current malaise. In Uttar Pradesh, the Punjab and Madras we have seen within the last month a display of regionalism as well as of communalism or casteism. It was in the face of these known facts that the National Integration Conference decided that the situation was by no means grave, and the national unity of India was superior to the forces of dissension. Surely, this view was not reflecting the facts. The National Integration Conference has appointed the National Integration Council with comprehensive membership, representing a cross-section of interests to implement its resolutions, but there is a pressing need to frame a policy for emotional integration. The country waits now for quick action. This is a testing time for those who participated in the Conference even more than for those who are in sympathy with its ideals without understanding how that sympathy can be translated into deeds. And for the Congress Party the ordeal will be greater than ever for, if the salt shall lose its savour, wherewith will it be salted? Will it apply balm to the wounds, real or imagined, of those discontented or will it only proclaim as it keeps on doing that all States belong to all people? If it cannot meet the disease at its source, its remedy will fail. For the minds of those affected are not yet ready for exhortation; they are sick, but it is the sick who need the physician not those that are whole.

The Berlin Deadlock

MR. GROMYKO'S statement at London on Tuesday this week about the possibility of resolving the deadlock over Berlin by negotiations must be interpreted in the context of the prolonged discussions between Mr. Rusk, Mr. Gromyko and Lord Home, followed by his talks with President Kennedy on the eve of his departure

from America. The conference of the three Foreign Ministers gave ample proof of the tough attitude adopted by Russia which does not appear to have been softened so far. In maintaining this rigid posture and at the same time holding out a hope of a negotiated settlement, Russia obviously wants to emphasize that the two sides should

lose no time in making up their minds as to what precisely should be the form of give and take that would be indispensable for a settlement on the basis of a compromise. But while every possibility for negotiating an agreement will need to be explored, the Western allies have to come to unanimity on the extent of accommodation. This means that the time would be ripe for negotiations once France and West Germany are persuaded to join America and Britain in evolving an agreed strategy.

The limits of compromise imply that on certain basic issues a sacrifice of rights will not be countenanced, since what would emerge in the end would be not a compromise but capitulation. Mr. Khrushchev's proposal to confer the status of a free city on Berlin is nothing short of reducing it to a state of defencelessness and eventually neutralising its very freedom, since in the state of vacuum which would be created, East Germany can easily dominate the city by virtue of her commanding position over the normal surface access routes. The Western allies are placed under a relentless obligation to keep their armed forces in West Berlin for its defence and any vacillation on their part in discharging it would not only undermine German faith in the alliance but produce repercussions transcending far beyond. The capacity to defend West Berlin's security is entirely conditioned by the command over the line of communications and in an emergency (or even in its absence) it depends on the unfettered right of air access. These are the minimum rights or obligations which cannot be made the subject of bargaining for peace, unless it is to be bargaining for peace at any price.

The Berlin crisis was raised to the highest pitch by Herr Ulbricht's precipitate and calculated action in sealing off the East Berlin border on August 13. That this was in compliance with Russia's major tactical move hardly needs to be underlined. Berlin is not an isolated and separate issue in itself. It is an integral part of the larger

issue of the separation of West and East Germany which has been strategically manoeuvred by Russia. The route for intercourse between West and East Berlin has been blocked and a complete barrier has been raised between the two halves of the country. This is with the apparent object of forcing the question of recognizing the status of East Germany. Russia has held in abeyance the threat of concluding a unilateral treaty with the Ulbricht regime as tactics of the last resort.

The longer the Berlin crisis is allowed to be prolonged, the more explosive will the situation become involving an increasingly grave threat to peace. Between the blockade of Berlin thirteen years ago and the Berlin crisis of today lies a vast difference. Russia was not a nuclear power then, but now she has achieved parity. It would be naive to presume that a war on this issue will be restricted to the use of the conventional weapons, much less that it will be localised. The two leading nuclear powers are fully alive to this possibility. Mr. Gromyko's reference to the possibility of a negotiated settlement is not unrelated, in the last analysis, to this risk which may be forced by a chance miscalculation. America on her part is far from sticking to an inflexible posture. In his address to the United Nations General Assembly, President Kennedy made two significant observations—that America would not transfer the control of nuclear weapons to a non-nuclear power (implying in this context West Germany) and she would not insist on a rigid formula for Berlin.

The real task, but at the same time an extremely delicate task, that is ahead is to persuade West Germany not to ignore the fact of a separate regime in East Germany. Even a de facto recognition of East Germany would clear the way for a settlement. Hard as this decision may be, it is the acceptable solution to the deadlock. It does not slam the door permanently against the reunification of Germany. It is this conviction which America and Britain have to bring home to West Germany.

Jute Turns the Corner

THE decision of the Indian Jute Mills Association to step up the working hours in the industry to 48 a week from October 16 would be widely welcomed. The decision has come not a day too soon and marks the end of the crisis the industry has been passing through for over a year. During this protracted crisis, which arose out of the failure of the jute crop last year, the industry has had to resort to two block closures of mills and reduction of working hours to 42 per week. In the past six months it is estimated to have suffered a loss of nearly Rs. 6 crores to recoup which it will take at least a couple of years. Though foreign buyers had become hesitant to go in for purchases at the prevailing high prices and restricted them to their immediate needs only, production of jute goods had suffered to the extent that at the end of September the industry had stocks only to the tune of 51,600 tons—the lowest during the past ten years.

With the current year's jute and mesta crop considered to be "excellent"—the first estimates put the output between 6.5 million and 7 million bales—and liberalisation of imports from Pakistan and Siam (in the latter case the import duty has been abolished), the outlook for the industry indeed appears to be promising for the next year.

Raw jute prices during the past three weeks have receded well to around Rs. 33 per maund, basis Assam Bottoms. But care has to be taken that they do not fall precipitately to uneconomic levels below Rs. 30. Had the recent decline in raw jute prices been only due to rush of supplies on Puja-eve when the agriculturist is in dire need of money, it would not have been a matter of much concern. With the abatement of supplies to normal quantities, prices would have stabilised. A disconcerting factor, however, is that the downturn displays some element of manipulation. The reminder by the Government to the Indian Jute Mills Association to fulfil the understanding the latter had given during the recent talks on fixation of floor prices for raw jute, suggests that certain sections of the industry have not refrained from indulging in activities prejudicial to its long-term interest.

There may not be any danger of raw jute prices falling below uneconomic levels in the near future, firstly because the pre-Puja rush of supplies would abate and next, because the industry has to step up its purchases consequent upon the increase in working hours. But to be complacent about the issue obviously amounts to shutting

one's eyes to the grave situation that may develop in the beginning of the next year. The heavy discount at which the distant deliveries of raw jute are quoted is a clear pointer that a slump in jute prices in another two or three months may not be ruled out. To ward off this danger, it is imperative that the Buffer Stock Scheme is finalised as early as possible and the mills step up their purchases to replenish their heavily depleted holdings.

While the fall in raw jute prices will soon be reflected in lower jute goods prices, leading to a stimulation of the dormant demand abroad for jute manufactures, it is time that the industry and the Government took up in right earnest the question of reducing costs so as to bring them somewhat in line with the expectations of our foreign buyers, who are the ultimate masters so far as this industry is concerned. Pakistan with her advantages of superior quality jute and mo-

dern equipment of her industry is fast becoming a keen competitor to India. The competitive capacity of the Indian jute industry, therefore, has to be improved. This calls for various measures of which the most important are modernisation and rationalisation of the industry, cutting down of middleman's profit and fixation of minimum prices of raw jute at a level which, while giving an adequate return to the agriculturist, should not unduly push up the industry's costs. Though no floor prices are envisaged for the current year, it is gratifying that there does not remain now any difference of opinion on the issue and that there is a growing realisation of the fact that the interest of the jute grower does not clash with that of the manufacturer. What the jute industry primarily requires is assured supplies of raw jute in adequate quantities. The jute grower can respond when he is guaranteed a minimum return for his produce.

Company Finances in 1959

THE Reserve Bank of India's bulletin for the month of September sets out an analysis of the financial results of 1001 large and medium sized non-Government public limited companies for the period July 1959 to June 1960 spotlighting with special reference to certain contradictory movements within the corporate sector. Whereas sales and profits recorded an increase in 1959 over 1958, the volume of gross capital formation (assets plus inventories) showed a fall. In 1959, the total gross assets formation amounted to Rs. 157.4 crores. This compared unfavourably with Rs. 166.6 crores in 1958, Rs. 237.3 crores in 1957 and Rs. 263.8 crores in 1956 indicating a decline by about 40 per cent between 1956 and 1959. A further probe needs to be undertaken for locating the reasons for this downtrend because the expansion of this vital sector of the economy depends very much on the ploughing back of assets. If in a year of encouraging rise in sales and profits, capital formation cannot be hastened, then in years of poor performance the picture may be much more disconcerting.

The study has estimated for the first time the entire volume of assets formation for the corporate sector and has come to the conclusion that the gross capital formation in 1959 was not more than Rs. 159 crores, out of which gross fixed assets amounted to Rs. 139 crores and inventories to Rs. 20 crores. For the first four years of the Second Plan, it is estimated the gross capital formation for the entire corporate sector was around Rs. 952 crores, out of which the gross fixed assets accounted for Rs. 739 crores. Thus it is patent that the inventories played only a secondary role in the process of capital formation as they contributed not more than Rs. 213 crores.

Another significant feature of the financing operations of the corporate sector as revealed by this analysis is that it is dependent for expansion mostly on its internal resources. In 1958, the internal resources constituted 48 per cent of the total resources while earlier in 1956 their percentage was only 28. It was assumed that more reliance would in future be placed on external resources because it was cheaper to borrow from the banks. All those earlier anticipations have been belied by the working results which show that as much as 63 per cent of the assets forma-

tion in 1959 came from the internal resources of the companies which consisted of free reserves and surplus, depreciation and taxation reserves. The depreciation reserves alone constituted about one-third of the total internal resources.

Fresh capital from the market in the case of the external resources constituted nearly one-half of the total external finances. Earlier in 1958, its share was one-third of the external resources. Borrowings from the banks shrank probably because of the rise in the interest rates necessitating a shift to internal resources and fresh capital from the market.

The rise in the price of manufactures and the recovery in production were both responsible in increasing the volume of sales by as much as Rs. 170.5 crores in 1959. The total sales of 1001 companies were estimated to be a little more than Rs. 2,000 crores. The industries mainly responsible for this buoyancy in sales were iron and steel, cotton textiles and engineering. The rise in prices was due to an increase in the manufacturing cost, but not in toto, with the result that profits also increased by a substantial margin. The profits before taxation of 1,001 companies increased by as much as Rs. 40 crores from Rs. 120.9 crores in 1958 to Rs. 161.5 crores in the year under study. This is a heartening trend because 1958 also had registered a similar rise in profits while the earlier two years i.e. 1956 and 1957 had presented a very depressing picture of profits. A major contribution to the increase in the volume of profits was made by the cotton textile industry. The total volume of profits in 1959 in the case of this industry was Rs. 19.3 crores — nearly three times the profits in 1958 at Rs. 7 crores.

The findings of the Reserve Bank in regard to the corporate sector confirm the impressions gathered earlier through various other economic indicators such as the index of industrial production and the index of wholesale prices. During the last year, it has been pointed out repeatedly that while production has continued to increase, prices also have increased both in the case of raw materials and the manufactured goods. What is discouraging is that despite the faster rise in profits, the rate of capital formation has lagged behind, indicating a probable adverse repercussion on the tempo of industrial production.

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THE WEEK'S NOTES

Communalism

THE HINDU CONVENTION

IF THE question is bluntly posed why at all the convenors of the Hindu Convention felt the need at this time for their action in calling the convention, no honest and convincing explanation can be offered except that the Muslim Convention held in the capital city provided the provocation. The plain truth is that this is a case of a counter-convention pure and simple. More specifically it seems to have been intended as a counter-blast to the action of Muslim communalists. In retrospect it should be quite clear that the holding of the Muslim Convention was a most harmful move and its sponsors should have pondered over the potential injury which their action was likely to inflict on the cause of communal harmony. The counter-convention held last week cannot be justified since one wrong does not justify the other. Both the conventions have made an ugly demonstration of the forces of disruption that are still lying dormant in the Indian society and bring home the agonising realisation that, despite the philosophy, professions and some practice of secularism, the virus of religious animosity has not disappeared during the fourteen years since we became the master of our own affairs.

Mahant Digvijayanath, Chairman of the Reception Committee, and Dr. S. N. Bannerji, President of the Convention, were at great pains trying to establish the incredible thesis that there was nothing sectarian about the Hindu Convention, that the term Hindu connoted nothing more and nothing less than the national way of life and, above all, they equated the Hindu society with the Indian nation itself. Hindu consolidation, the audience was told in the most passionate terms, was not different from national consolidation. This bubble of the non-communal interpretation of the activities of a blatantly communal association could easily be pricked by a plain query: Where lies the place for those who do not profess the Hindu way of life as they have the full freedom to do under the Constitution? If there was anything which characterised the deliberations at this convention, it was the total and most conspicuous absence of logic. Dr. Bannerji denounced the Muslim Convention as violating the very spirit of the Constitution, but apparently this reasoning did not apply to the convening of the Hindu Convention — it was a convention for national consolidation, for the integration of a way of life! The agenda before the Convention contained an imposing — but merely plausible — array of subjects ranging from foreign policy, internal and external threat, defence to protection of the Hindu minority in Pakistan. The entire tenor of the discussion showed that the agenda was conveniently ignored and other issues usurped its place. While the Muslim convention was castigated for maligning the Government, the Hindu convention appealed to the electorate not to vote it into power again.

Laos

THE END OF STALEMATE

AT LONG last an agreement has been reached on the formation of a neutralist government for Laos. Such a government could only be on the basis of a coalition of the three groups, obviously with a preponderance of the neutralist element. The prolonged stalemate was a pointer to the necessity of coming to an early settlement, lest the internal situation in Laos might deteriorate with the infiltration of military aid. While the stalemate lasted, the International Control Commission also found itself in a condition of stagnation. The major barrier to the formation of the neutralist government was the difficulty of an agreed settlement between

the three princes themselves. It is possible to argue that the alignment of the power blocs assisted the process of stiffening the attitude of the princes at times, but the degree of this external influence ought not to be exaggerated. What was obvious emerged in the end. Prince Souvanna Phouma now becomes the Premier and, although a final decision has not been reached, it is likely that Prince Boun Oum would be the choice for the office of Vice-Premier. There has been an acceptable division of potential authority between Prince Souvanna Phouma and Prince Boun Oum by the allocation of the portfolios of the Interior to the former and of Defence to the latter. The provisional rules stipulate that the Premier and Vice-Premier should act concurrently in policy matters, which means that there would be an obligation to find harmonious working based on consent. Whether this arrangement works smoothly or becomes a source of friction should not be a matter for real worry, as there seems an earnest desire on the part of the three groups that a neutral government should govern the country.

The 14-nation conference at Geneva stands committed to the principle of neutrality for Laos since the independence of the country can be ensured only by safeguarding non-alignment. The main question that now remains to be settled is how soon the International Control Commission should be put in a functional position to discharge its assignment. Whether the Commission will be free from the possible recurrence of obstructions by a rigid rule of unanimity or whether the rule of simple majority will enable it to operate freely is another hurdle to be crossed. Now that Laos would be represented by an undoubted plenipotentiary at Geneva, his voice ought to be respected as the united voice of Laos and recognised as a vital factor in the deliberations. All in all, the prospect in Laos has brightened up.

A.I.C.C.

ACCENT ON UNITY

AN IMPORTANT event at the two-day session of the All-India Congress Committee at Madurai last week was the forthright declaration of the Party to give a fight to all the reactionary forces which were determined "to preach separatism as a confirmed political creed." The Prime Minister made one of the most forceful and effective speeches against the separatist forces. He did not name the Dravida Munetra Kazhgam, but his reference was too obvious to be missed. Who else is making the advocacy of secession? In the heat of passion the Prime Minister went so far as to state in naked words: "Let the whole of India be destroyed in the process of defending its integrity and there should be no separation." This forthright pronouncement immediately after the National Integration Conference at Delhi, sets in perspective the political philosophy that guides the nation. But those who can be credited with statesmanship have questioned the wisdom of the strongly worded denouncement of the DMK which is likely to stiffen its attitude.

But it needs to be pointed out that the party in power has suffered in recent years from the disease of disintegration more from within than from without. The Congress factions at the State level, the unseemly squabbles over the party tickets for the next elections and the virus of casteism have weakened the organisation and the talk of effective national integration may become more of a slogan than a reality. The Congress Party had better imposed the same discipline on its own members to achieve the eluding ideal of national unity. It is heartening that a decision has already been taken to disclaim the Congress alliance with the Muslim League in Kerala.

The World Abroad

PRICE CONTROLS AND COMPETITION IN U.K. STEEL

By
ODYSSEUS

WHEN WORLD WAR II ended, the UK steel industry sought to retain private ownership, and ward off nationalisation by showing that the war-time system of price control avoided the evils caused by pre-war alternate booms and slumps, ensured efficiency and cheap steel, and avoided profiteering. Conservatives and Socialists accepted the industry's view that the war control system was sound. The difference between them was whether it should be exercised over privately or state-owned enterprises. So the real issue—Is efficiency ensured better under private or state enterprise?—was never debated. In the event, steel was nationalised for a short period and then denationalised. But the system of control remained broadly the same, before and after. What was it?

A magisterial analysis is given in "The Steel Industry: 1939—1959: A Study In Competition and Planning" (Camb. Univ. Press. London. 1961. Price 80 sh.) by Mr. Duncan Burn, who is all the more enlightening in that he draws on his encyclopaedic knowledge of the steel industries of Europe and the U.S.A.

After the war, the British Iron and Steel Federation, representing the steel-makers, claimed (with a straight face) that price control provided competition in a form which was better than if there were price competition. Since theirs was a variation of the classic argument used by cartels and state enterprises, it is worth examining.

AN INGENIOUS THEORY

The Federation said that the upholders of price competition maintained that it induced firms to lower costs and raise efficiency. In fact, however, they asserted, inefficient firms were not quickly eliminated and efficient firms were impoverished. Price competition could not work with alternate booms and slumps. Firms which lowered prices could not get much more business, because demand was inelastic in the short run. In the long run, the finances of the inefficient were restored by the return of a boom.

The Federation argued that sponsored competition, within prices fixed on the average costs of efficient firms, would induce the inefficient to lower costs, would lead to their quicker elimination and to the quicker adoption of large-scale methods. If a firm had to make a specified article for a fixed price it had an incentive to lower costs and thus raise profits (within the authorised price). If, in addition, the price is fixed in relation to average costs with a narrow profit margin, then every successful effort to reduce costs by one firm affects the calculation of average costs and so squeezes further the profit margin of all, and those which fail to improve will fare progressively worse and eventually be eliminated by their losses.

Indeed, the Federation argued, besides this automatic reduction in average costs, once firms had responded as the price-fixing authority thought sufficient to meet a scarcity by increasing capacity, the margin itself could be lowered. They claimed that this had been done. Where rapid expansion of output was needed, the Steel Board fixed prices above this margin cost level. In other cases, where modernisation of capacity seemed less desirable, because the saving in operational costs at a new plant would not be enough to offset the high capital cost, they did not fix a price even as high as the marginal cost at a new plant. Provided prices are not raised when demand is keen in booms, or lowered when it falls in slumps, pressure towards efficiency will

be continuous, and inefficient firms will not be able to keep their heads above water by using as reserves in times of slump the profits made by charging high prices in booms. There was no question of giving profits to all producers however high their costs. On the other hand, there were no quotas or restrictions on any firm's output.

In support of this ingenious theory, the Federation published charts showing the margins earned during three quarters on sales of heavy products by all the 42 firms which made them. Six of the 42 sold between 60,000 and 80,000 tons each in a quarter, and together provided 41 per cent of total sales; five selling from 30,000 to 60,000 provided 20 per cent; six selling from 20,000 to 30,000 provided 11 per cent; twenty-four selling less than 20,000 tons provided 28 per cent. The charts showed that some firms made large losses in all three quarters. Margins rose from a loss of £2/12/6 a ton for the least successful firm to an equal profit for the most successful. Out of total production of some 1,100,000 tons, losses were made in the first quarter on some 140,000 tons, on over 200,000 tons in the second, and on 300,000 tons in the third. Eight firms made losses in each quarter; seven had losses in two quarters, and four in one quarter.

These, says Mr. Burn, are not the only remarkable features of these figures. There were, for example, striking fluctuations of fortune from one quarter to another. One firm appears to have increased its margin from 12/- per ton to 38/- at a time when the average margin fell. Another, selling 50,000 tons a month, had a fall from 25/- to 2/6. One turned a loss of £2/12/6 into a profit of 5/-. It is obvious that sponsored competition had confusingly erratic results.

At first glance these charts were inexplicable. Here, it seemed, was an industry in which not less than 42 firms competed against each other, and yet accepted, without a murmur, fixed prices which left many of them with a loss at a time of strong demand and gave no producer a high margin of profit.

THE TRUTH!

The truth was that the famous 42 were not all competing against each other. Not all made the types of heavy product subject to price fixing, and few made the whole range of sizes and qualities in any one type of product. Within each heavy trade there was some specialisation. Colvilles, for example, made the widest and thickest heavy plates. Cargo Fleet made only wide flange beams. There were some patent piling sections, special high tensile structural steels, and free-cutting steel billets. Thus, in specific products, there was little or no competition. Nor did the firms make only heavy products. With few exceptions, they also made some of the more highly finished products—sheets, tin-plate, re-rolled bars, rods and sections, wire, hoops and strip, tubes, forgings, tyres, wheels and Axles. In addition, many were linked with engineering and other manufacturers. So the truth was that although some firms were losing on some products, none were losing on all.

All this sheds new light on the sponsored competition charts. Heavy product sales accounted for 40 per cent of the steel ingot output. Most of the steel industry's output was sold in the uncontrolled higher profit categories. Sales of heavy products, even "at a loss", might, in fact, be making useful contributions to overheads. Some production "at a loss" was doubtless the result of "coupled bargains", whereby firms under-

took an order which would involve them in a loss, or small profit margin, only if accompanied by another order on a product enabling them to compensate for the loss. Scandalous, anti-social capitalism? But if you create a system in which profit margins, based on averages, are distributed erratically, regardless of enterprise, do you expect the ordinary human being's instinct for survival not to lead him to some solution? Competition compels the survival of the fittest to compete. But having eliminated that, you get instead the survival of the fittest to wangle. Because you insist on creating impossible conditions for the business man, you must not expect him obligingly to commit suicide.

By charging higher prices on a mass of infinitely varied products, and by offsetting losses with coupled bargains, firms making heavy products avoided the losses that would have put them out of business. So the narrow profit margin authorised, far from offering incentives to reduce costs, merely discouraged investment in unremunerative (although may be from the view point of the economy as a whole, important) lines.

So much for controls on selling prices. I refrain from attempting to outline the controls on raw material prices — imported ore, scrap, and coal for fueling the blast furnaces — because they are of nightmare complexity. Broadly, the policy has been to keep prices of scrap and of coal artificially low, and to charge a levy on the users of cheap home ores to help importers of foreign ores. The doctrine is that the various price controls counteract some currently abnormal cost factor, which unfairly affects firms, irrespective of their efficiency or inefficiency. The doctrine disregards the industry's short term costs in order to promote its best long term cost interests, "in order to allow steel makers to plan on a proper assessment of real costs and users to gauge the future prospects of the steel market accurately".

The doctrine is seductively simple. But to say that it affects firms irrespective of their efficiency does not mean that it leaves the positions of the efficient and inefficient unchanged. Did the system have a regular

bias? Could this bias be altered? What constitutes "efficiency" in a situation where neither raw material nor selling prices are realistic? Is a firm to be praised for "efficiency" if it sites itself well to get cheap raw materials, or is this dastardly profiteering? What is an "abnormal" cost factor? If it lasts long enough, does it become "normal"? How can long-term costs be defined? How forecast? Does any fool-proof method of forecasting exist? To what scale of output would forecasts be related, to what scale of imports of steel? Could oil be substituted for coal as a fuel, at what prices?

Take ore. The subsidy assumed that post-war freights would settle at 50 per cent above pre-war. They disobligingly rose to 255 per cent by 1949. In 1948, the system benefitted scrap users at the expense of pig iron users in order to mitigate the steep rise in pig iron costs. This spread the pig iron burden over the whole industry. The controllers therefore had to decide the right ratio between pig iron and scrap. Was the ratio right historically? What was the range within which the pig iron-scrap ratio moved in competition? Had the average relation in a free market any relevance? If it had what validity did it give the whole scheme, including the artificially low price of scrap and the use of the ingot levy to cover the cost of imported scrap or special collections of home scrap? In these years of inflation, the pegged scrap prices helped steel makers in competition with makers of other (uncontrolled) raw materials as well as in competition with foreign steelmakers. In other words, the steel makers' true costs were masked: they made profits irrespective of efficiency. This, it seems, was what Conservatives and Socialists wanted "in the national interest." The trouble is that the steel makers of the world do not owe U.K. steel makers a living.

In a final article next week I will outline bright spots on the horizon which suggest that the U.K. industry has seen the red light in time.

Meanwhile, does India enjoy high cost steel "in the national interest"?

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The European Scene

B.S.T. AND T.O.P.

From Our Special West European Correspondent

PARIS, October 9.

A PROBLEM that presents itself in very much the same way both in India's expanding economy and in the dynamic economy of the Common Market is the place of "small enterprises" in an industrial system that inevitably tends to reward bigness. Mr. S. K. Guha wrote in "The Eastern Economist" on September 22, "Bitter complaints are often heard also from smaller capitalists operating on a capital of, say, Rs. 50 lakhs to Rs. 3 crores or so that the big capitalists have been deriving all the benefits in the corporate sector, reaping unduly large profits vis-a-vis the former class.... Be that as it may, it has to be remembered that in the process of development it is only natural that the larger and more organised units already in the field will grow further and faster, in view of their experience and entrepreneur ability, and derive the advantages of economies of large-scale and group management". The same complaints are very frequently heard over here on the Continent. Of course, this is nothing new; the history of "small business" legislation in the United States shows that this is a perpetual problem in a progressive economy. (That same history also shows that this is a fertile field for demagoguery; crusades in favour of small enterprises are electorally paying and Congress has enacted much unwise and merely useless legislation on the subject.) Yet it has become much more urgent since the introduction of the Common Market. Small businesses in the individual countries had learned, more or less, how to rub along in the shadow of the giants, with the protection of their national parliaments, but the opening up of a six-nation market upset this precarious balance.

The bigger market naturally favours the bigger firms. Economies of scale become more important in a market of 170 million consumers than in a market of 50 million. Foreign markets are more easily approached by an enterprise that has a well-known name, is used to advertising, can afford to employ specialists and build up a new sales network, and, if necessary, make market-splitting pacts with its foreign peers. The small business can do none of these things alone, so it gets little benefit from the widening of the market while it sees big foreign firms encroaching on its home market. A typical result is that this year in France the giant corporations are increasing their investments by 30 per cent while small firms are diminishing theirs by 5 per cent, while the number of bankruptcies recorded this summer was 25 per cent greater than a year ago. In general, this is a process that no one wants to stop, for it is realised that it is a necessary aspect of the modernisation and enlargement of European industry, and of a more rational division of labour. The best way to ease the pain for the small family concern that is forced to the wall is, not to restrict the big firms or to pour cheap credit into a doomed business, but to maintain the economy's expansion and full employment, so that alternative uses for capital and labour are immediately available.

At the same time, for perfectly sound economic, political and humane reasons, no one is resigned to seeing small enterprises and family businesses wiped out just because they are not big enough to indulge in monopolistic practices. Unless we are Marxists, we know that it is not the fate of a free economy to become endlessly bigger and more concentrated. Not only is there plenty of room in an efficient economy for a host of small enterprises, but their existence is necessary to the biggest firms, which become uneconomic if they try to do everything "under the one roof". For want of skill and knowledge small firms may fail to adjust to a new situation, when their disappearance will be sorely missed a little later. Without seeking

to prop up outdated concerns or to delay inevitable absorptions and amalgamations, it can be in everyone's interest — government, local authorities, consumers and big firms themselves — to assist certain small enterprises across a difficult passage, to reveal to them the new opportunities that economic progress creates for them and, even, to help establish new small firms. Just as in India, much has been attempted in Europe and America by governments through specialised finance corporations that seek to provide capital on favoured terms to small entrepreneurs, yet I think that this is the least important and least fruitful approach. Small business, of course, lacks cheap long-term finance, but then so does everyone in an expanding economy, by definition. But that is not what it lacks most. Mr. Guha, as quoted above, judiciously mentions first the relative lack of "experience and entrepreneur ability" and the benefits of group management.

To say summarily that the big corporation wins out because of its superior financial resources misses the fact that, very often, these resources are used to buy intellectual and organisational advantages which, if they were made available to small firms cheaply (by hiring, renting or pooling) would enable them to hold their own. Only the biggest corporation can afford to buy its own electronic computers, but if small firms can hire them or, even more economical, can submit problems to a computer-firm that works for a fee, they can secure whatever benefits this device brings without an increase in their capital; and in the last three years, such practices have become common in Europe. So it might be interesting to draw attention to several ways of helping small firms that involve no appeal to government generosity or to the money market, and which are being used today in Europe to assist family concerns through what is for them the Common Market crisis. I emphasise that, apart from a benevolent interest taken in some cases by the French plan authorities, these techniques are entirely the work of the private sector and would require, for their imitation in India, no legislation or official intervention. They are examples of self-help by small firms or of co-operation between big and small firms.

The first are called "bourses de sous-traitance", or sub-contract exchange-markets, which seek to provide for small firms what the big firms get by market-studies, advertising and a staff of representatives. That is, they make known what the firm can do, find out what others want done, and centralise this supply and demand of services. A small house that has a wood-working machine or a metal-finishing apparatus or a gadget for sealing plastic which lies idle one day of the week or for one season of the year cannot afford to prospect the market, and yet another firm (it may be another small business or even a giant corporation) may require just those services in the same town. The "bourse" tries to operate like a labour-exchange, by marrying these offers and enquiries; if it gets enough support and learns to respond quickly, it can hope to make industrialists think of it whenever they need a job done, just as employers gradually learned to apply first to a labour exchange when they needed hands. It may specialise in work of a particular sort, handling only enquiries for metal-working, or it may cover many or all industries over a smaller region. Of very recent origin, the idea is quickly catching on. I take as example the "bourse de sous-traitance" (the initials BST are rapidly passing into commercial jargon) of the metallurgical and mechanical industries of the West-Centre of France. Set up last July, it has compiled a complete inventory of all the material, intellectual and human resources in that line in its region, and keeps up to date a file on the available capacity of all its mem-

October 13, 1961.

bers. It already undertakes to reply instantly to any enquiry, though it cannot promise that the reply will be positive; resources of the sort needed may not be locally available, whereupon the applicant will perhaps enquire at the BST of a neighbouring region. The West-Centre BST calculates that it needs to have 100 members to operate efficiently and so far it has not quite got them, so it is extending its geographical cover to take in nearby departments. Its annual budget is Rs. 1 lakh, subscribed by members in proportion to their number of workers; when it has 100 members, then the average subscription will be Rs. 1,000 a year. The utility of this scheme in India, where there exists much idle capacity in machinery installed quite recently, is evident.

More ambitious though so far limited to the region of the Ardennes is an association called TOP ("technique, organisation, productivity"), which is a club formed by the seven biggest firms of that region (mainly steelmakers and mechanical construction firms) and 42 medium and small businesses. The idea is to make available to the small firms the services of the productivity experts of the big firms, for several days each month when they organise seminars and visits to plant and offices. The big firms simply detach their experts free of charge, the small firms put up the travelling expenses (each one might have to find Rs. 800 for a complete "course") and the Plan authorities, who were not slow to see the possibilities of the scheme, lend some of their experts and give a subsidy that goes to buying a small library. Why did the big firms have this idea? Just because they realised the dangers of "prosperity in solitude". In the Ardennes, there are 12 firms employing more than 500 men, and 4,100 employing less than 50 each; the big 12 were branches of large national or international corporations, which benefitted from the latest knowledge in business methods, work organisation, etc., while the small houses were feeling the draught of the Common Market. A natural solidarity inclined the big firms to lend a hand; and anyhow, men who spend their whole working life in quest of greater efficiency in their own firm find it hard to resist offering advice to a struggling little neighbour who has a good business but does not know how to run it.

It was the president of Arthur Martin, one of Europe's biggest stove manufacturers, who persuaded six equally big firms to invite the small entrepreneurs

to open their doors to their technicians, productivity experts, accountants, and, in turn, to show the small fry around their plant to see modern methods in operation. Usually, a group of a dozen or so small entrepreneurs interested in a problem attend lectures by the big firm's specialist, then visit its plant or office to see his ideas at work on a large scale and then visit a small business to see how those ideas could be adapted on a smaller canvas. It soon emerged that the specialist found this as profitable intellectually as the little men; it was by no means a waste of his employer's time to have him studying organisational problems "in a test tube". Besides, in this club one big firm's experts, for the first time, were invited to see how another big firm handled similar questions; two steel mills, which for no good reason had always been jealous of their "private affairs", discovered that they had nothing to lose by learning from each other in the candid and enthusiastic atmosphere created by a dozen little men eager to learn. But of course the most impressive results were achieved in the small firms themselves. Examples (of which the authenticity is attested by the fact that M. Pierre Masse, the French Plan's commissioner-general, inaugurated the latest session of TOP) include a family business that found that it could reduce its manpower by 40 per cent for an investment in small equipment costing Rs. 3,000, and another that learnt how to reduce its production time by 50 per cent without investing a centime.

TOP has been so successful in its career of 20 months that the promoters are getting worried: there are thousands of small businesses in the Ardennes, and what will happen if they all want to join in? The big seven who founded it hope to get the five other mammoths of the region to take part. The assistance of the Plan authorities and of the national Productivity Association can be drawn on. Moreover, the experts on loan from the big corporations found that there was no scarcity of talent among entrepreneurs employing less than 500 men; their experience was narrower but they had useful contributions to make on particular points. Finally, the small businesses that have benefitted from assistance and have achieved notable economies are becoming showpieces that are capable of passing on the lesson. TOP's success has aroused the interest of the Belgian authorities, who have sent people to watch it work. Maybe it will find imitators further afield.

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- FIRST to manufacture hydraulically operated modern cane crushing mill for small-scale Khandsari sugar units—J. K. Iron & Steel Co. Ltd., Kanpur.
- FIRST to produce Aluminium virgin metal from Indian Bauxite in India—Aluminium Corporation of India Ltd., Jaykaynagar.
- FIRST to produce Engineers' Files in India—J. K. Engineers' Files, Bombay.
- FIRST to establish Plastic Industry in Northern India—Plastic Products Ltd., Kanpur.
- FIRST to produce Heavy Chemicals in Western India—Eastern Chemical Co., (India) Bombay.
- FIRST in the world to produce on a commercial scale Hydrosulphite of Soda by Sodium Amalgam Process—J. K. Chemicals Ltd., Thane.
- FIRST Continuous process Rayon Plant in India to produce Viscose Rayon and the first such factory in India to be built up in record time—J. K. Rayon, Kanpur.
- FIRST Nylon Plant in India—Jaykaylon (under construction), Kara.
- FIRST to manufacture Portable Typewriters in India—Blackwood India Ltd., Calcutta.
- FIRST Woollen mill in India to export woollen goods to Norway and Sweden—The Raymond Woollen Mills Ltd., Thane.
- LARGEST Jute Mill in Northern India—J. K. Jute Mills Co. Ltd., Kanpur.

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POLITICIANS AND JUDGES

By P. KODANDA RAO

RECENT events connected with the High Courts in Madras, Mysore and Maharashtra have caused deep concern, as they tend to undermine public confidence in the independence of the Judiciary due to the decisive influence of the Chief Ministers, who are politicians and party-politicians at that. Currently the Madras and Mysore High Courts have Officiating Chief Justices. It was known years ago when the last permanent incumbents were due to retire, and yet their permanent successors were not named before they were due to retire. There are two vacancies in the Mysore High Court which have not been filled for nearly two years! The Government of Maharashtra openly avowed in their official publication, "Guiding Principles of Maharashtra" that it would ensure regional representation on the High Court! In the "bad old" days of British rule, successors to fill vacancies were announced well before the vacancies occurred, reducing, if not eliminating, canvassing by aspirants to the offices. In the "good new" days of Swaraj, there have often been unconscionable delays, with highly demoralising consequences. The instances mentioned above are not exceptional. Delays seem to have become chronic and general.

The judiciary is the sole protection to the citizen against invasion by the executive and therefore, it is axiomatic that it should be beyond the reach of political influence. If the judiciary also comes under the control of the politicians, then good-bye to justice. It is for this reason that the Constitution of India excluded the Chief Ministers and the Home Minister of the Government from having any say in making judicial appointments, and included only the Chief Justice of India and the Chief Justices of the States who are non-political at all times, and the President and the Governors who are non-political during their office. According to the Constitution, the President of India is the sole authority to make the appointment of the Judges and Chief Justices of the High Courts. He has to consult the Chief Justice of India and the Governor of the State in appointing the Chief Justice of a High Court, and the Chief Justice of the High Court also in appointing psuine judges of the High Court.

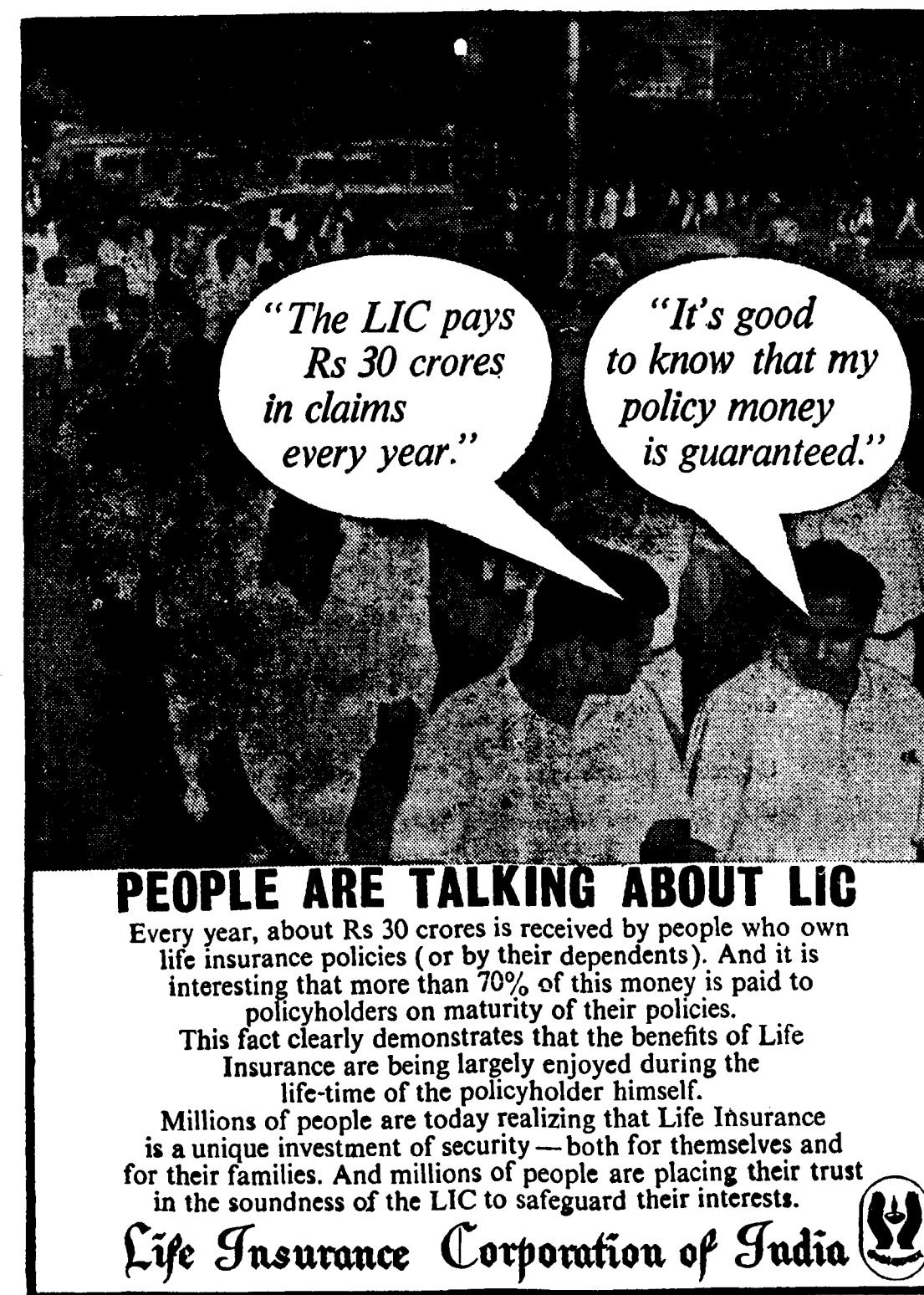
It is a moot question whether the President and the Governor should act in their own 'individual discretion' or on the advice of their Cabinets. It is also a moot question whether the Chief Justices also should act in their own individual discretion or in accordance with the majority opinion of the Bench. Mr. Justice A. R. Somnatha Iyer and Mr. Justice Mir Iqbal Husain of the Mysore High Court were reported to have held that the judicial service was selected for special treatment under Article 234 of the Indian Constitution as against other appointments contemplated in Article 309, and that the power under the former Article was the special responsibility of the Governor, to be exercised by him in his discretion. This interpretation would rule out the Chief Minister altogether. On the other hand, if the President and the Governors are obliged to act on the advice, amounting to commands, of the Home Mi-

nister at the Centre and the Chief Ministers in the States, the decisive power in making judicial appointments will vest in the politicians, and the Chief Justices of India and of the High Courts would be reduced to mere advisers.

The Constitution is silent as to who should take the initiative in the appointment of judges of High Courts. The Press Communique issued by the Government of India on May 10, 1961, stated that the initiative for such appointments came mostly from the Chief Justices concerned. It is obvious that in some cases it came from what the communique euphemistically called the "State authorities", meaning thereby the Chief Ministers. The Law Commission revealed that the Chief Justice made his recommendation, not to the Governor, but to the Chief Minister! The latter consulted the Governor, which must necessarily be an empty formality, and then forwarded it to the Home Minister of the Government of India, and not the Chief Justice of India! The Home Minister consulted the Chief Justice of India and made his recommendation to the President, who formally made the appointment. The Law Commission stated further that if the Chief Minister did not approve of the recommendation of the Chief Justice, he forwarded his own rival proposal to the Home Minister, with or without the knowledge of the Chief Justice! And the Home Minister sometimes preferred the nominee of the Chief Minister to the nominee of the Chief Justice! The undermining of the prestige of the judiciary at the hands of politicians could hardly go further.

The Commission condemned in the strongest possible terms the decisive voice given to party-politicians in making judicial appointments, and anticipated that if the present practice continued, independence of the judiciary would disappear, as the High Courts would be filled with judges who owed their appointments to politicians. It was a "dismal" and "grave" prospect. It recommended that the Chief Justice should take the initiative and forward his recommendation both to the Chief Minister and the Chief Justice of India. The Chief Minister might comment on the recommendation, but should not make a rival one. At the Centre, the Chief Justice should not merely be consulted by the Home Minister but his concurrence obtained. To give effect to its proposal, the Commission furnished a draft amendment to the Constitution. But the party-politicians would have none of it. It is a grave scandal.

It seems desirable that, instead of the Chief Minister, the retiring Chief Justice of the High Court should recommend his successor and forward it to the Chief Justice of India, who, in consultation with the Chief Justices of other High Courts, should make the final recommendation, which, with the comments of the Home Minister, if any, should be forwarded to the President, who should automatically accept it. This system may not be perfect, but it is any day better than judges be appointed by judges than by party-politicians.



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Special Article

INDIAN ADMINISTRATION: MYTHS OF THE LEGACY

By C. S. VENKATACHAR, I.C.S. (Retd.)

THE fifteenth year of Independence is an opportune time to have a close look at the Indian administration. For, the old British Indian administration was one of those very impressive but curiously unsubstantial human institutions—almost a phenomenon, till it faded away in 1947. In many ways it resembled one of the Isles of Laputa in Gulliver's travels which contained many admirable things but which remained suspended from above the ordinary world.

It was neither an integral part of India nor of Britain. Guy Wint noted that the English Civil Servants in India—solidly English to the core—sat in fact on the Moghul throne and the empire of those Civil Servants was not integral to British political life.

To many Indians, it was a strange, inscrutable instrument of power of a distant, alien people. When the Awakening came in the 1920's the administration became an irritant which soon developed into one of bitter hostility and contempt towards it. Indian nationalism remained aloof from the machinery of the Government, barring a brief interlude of contact for two years in the field of provincial administration. The ruling party has, since independence, exhibited an inexplicable and perplexing attitude of ambivalence towards public administration and the Civil Servants, almost a feeling of revulsion somewhat akin to that against Western culture of which K. M. Panikkar wrote in the early 1920's as "Hating it with all our heart we may not get away from it." It is against such a background there stand out some myths of the pre-1947 administration.

An oft repeated, one thought of the I.C.S. as the steel frame of the administration. Lloyd George, whom Lord Keynes once described as "a prism which collects light and distorts it, a vampire and medium in one", coined the phrase to please the Tory Imperialists. Indians naturally resented the epithet but curiously believed in it. Because it was a good phrase, it stuck. No one cared to examine its inaccuracy.

Even if there was a frame, it had broken down under the impact of the first world war. The administration always retained its character of a vast Civil and Military bureaucracy—a well-devised system of administrative absolutism. The army, as in the case of the Hapsburg Empire, enforced a latent despotism. Till the first world war, the British ruled effectively at the district level and at the higher regions of the administration they skilfully manipulated power by a combination of authority, prestige and a nimbus round about that vague but glamorous entity known as the Raj.

Some foreign observers, while praising the remarkable stability of India in the 1960's, stress that a contributory cause was the handing over of the torch to the Indians as the British were making efforts generously to get out. This is a fiction as there was no conscious effort either to hand over or take over. Edwin Mon-

tagu was told as early as 1917 that the "Indian Servants were very sorry their day was done, recognised that it was inevitable and were willing to go ahead". Another thirty years had to elapse before independence came. During this period, the administration was changing in its composition and cohesion. The British were unable to restore the prestige of the Civil Service to the pre-war conditions. They had to carry out a series of manipulations to maintain the racial strength and composition of the I.C.S.

The administration ceased to have any dynamism. It could not go backward; it refused to move forward. It was trapped in a mental cul-de-sac. It lacked confidence and possessed no sense of purpose. One of the Englishmen who entered the I.C.S. in the 1930's found that the English had become strangers in India.

The administration which nicely confused, except to the initiated, the relation between the machinery and the men behind it, alternated between the Rule of Law and the Rule of men, with a bias, on the whole, in favour of the latter. Indians, with their background of literary tradition, thought the strength and merit of the service lay in the competitive examination in the erroneous belief that the ruling class was a meritocracy. The opposite was the case. A governing class, adapted to the needs of a growing empire was moulded in the last century in the English public schools and expatriated to India through the doors of competitive examination and in the far-flung outposts of the Empire, the public school 'chaps', in the words of Kipling, 'lived or died as gentlemen and officers.' "As a device for training the guardians of the British empire, the public schools deserve respect. They seem a good deal more ingenious, if only less painful, than the Chinese communes." Based on the English public school tradition, the civil services remained stubbornly English to the core till its very end. Lord Radcliffe in his lecture on the 'Problem of Power' referring to the Indian Services says:

"What was their secret? Power of Race? Sense of duty? Sound Schooling? All these things were present and yet the quality that strikes one most is a certain unaffected readiness to be themselves. Goethe noted in our countrymen: 'It lies' he said, 'in the courage they have to be that which nature made them'."

With all its English characteristics, a startling attribute of the administrative structure was that it had been neatly fitted into India's age-long caste system. The nineteenth century British bureaucracy during their residence in India, revelled in being members of a super-caste. They came from the governing classes and aristocratic society of the Victorian age and their social differentiation from the rest of the British population was tremendous. This aristocratic character of the British society was well stamped on the Indian administration. Competition based on a more democratic system of recruitment did not eliminate the caste spirit

in the Indian administration. The bureaucracy invented many ritualistic forms to keep it alive.

When Indians were inducted into the machinery, they felt quite at home with its caste spirit, if not with its racial exclusiveness. The higher Indian official became a 'predatory' status seeker partly because of the bar sinister. He also developed exaggerated notions of his personal status in relation to society which in reality meant his caste or social group. At the lower echelons of the administration, castes which had hereditary traditions for Government service, found a haven for the exercise of their caste spirit, in a bee-hive like activity in the hierarchical structure of the administration. Here is a *damnosa hereditas* bequeathed to the Indian Republic; within the bosom of a most up-to-date modern constitution functions an administration, well-saturated with caste spirit—alas considerably strengthened and rejuvenated by linguistic parochialism and caste patriotism of the new elites.

When the westernized Indian invaded the top echelons of the administration, it lost its organic character. It became mechanistic. The British refused to accept the standards of their competitive society. So, when it is said that Indians inherited the administration of the pre-independence period, it should be borne in mind that they became heirs to a skilfully constructed and carefully tended machine but devoid of any intellectual or

philosophical ideas. Many departing Britons thought that the machinery would go into a scrap heap in the sincere, if a mistaken, belief that in the Indian administration it is the men behind the machine who count. Withdraw them and the machinery, a clever piece of human invention, manipulated by an alien authority, with no roots in national life, would inevitably collapse. At best, the I.C.S. was "the mechanical expression of a legacy".

Administrative unity and the use of the English language created the illusory image that an all-India service under freedom is automatically transformed into a national bureaucracy. India equipped herself with a kind of *mandarinate* but not with a mandarin who had his psychological roots in India's culture. There is a wide gap between the elites and the masses; the Government and the administration are still disconnected from the people, despite the progress achieved since independence. The new intelligentsia is hostile to the idea of maintaining the unity of India through the English language. This is understandable as political power is passing into the hands of the elites of the regional languages. The English civil servants will have the status of hired technicians, possibly segregated into a separate and inferior social group. There appears to be a dim prospect for the emergence of a truly national bureaucracy, though the fiction is sedulously fostered that a pan-Indian Service creates national unity.



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THE BUSINESS WORLD

The Defences Behind Sterling

By PAUL BAREAU, Editor of 'The Statist'

THE reduction in the Bank of England rate from 7 to 6½ per cent, modest as it is, provides a significant sign of the turn of the tide. The stern measures called into being to meet the sterling crisis that developed with such dramatic rapidity earlier this year, have been making themselves felt both on the external and domestic fronts. The time has come for a slight easing of these restrictive measures and, in particular, for a reduction in the very high rates of interest which were again threatening to pull into Britain a dangerous and unwanted volume of foreign money.

The sturdy recovery in sterling which has made this possible, followed what looked like a near knock-out blow. The power of that blow has been fully revealed in the latest Quarterly Bulletin of the Bank of England. The attack on sterling began in early March when the German mark and the Dutch guilder were revalued. These exchange moves set off a wave of uncertainty and doubts about the permanence of the existing structure of all exchange rates. Sterling was the main victim of the resulting panic, partly because the balance of payments position of the United Kingdom was anything but satisfactory, partly because a large amount of foreign money had been attracted to the London market by relatively high rates of interest in the preceding months, and finally because sterling as a currency so widely used in international trade was inevitably vulnerable.

The extent of the run on sterling is to be gauged not merely by the fall in the gold and convertible currency reserve which over the first seven months of the year amounted to £278 million, but even more by the extent to which European central banks came to the rescue of sterling by extending short term banking accommodation to the Bank of England. The Bank of England itself has announced that at their peaks these short term credit facilities, arranged under what has become known as the "Basle Agreement" reached £325 million. Adding to this the loss of gold and convertible currencies in the reserve, a total of just over £600 million is reached — a figure which approximately corresponds to the net inflow of foreign balances during 1960. What came in then, went out during the first seven months of 1961. The Bank of England rightly describes this exodus and the speculative movements of funds that accompanied it as being "of a magnitude which had not been seen in the post-war years".

It was in those grim circumstances that the Government decided to introduce what was virtually a supplementary budget in July and allied this to restrictive credit measures, including a rise in Bank rate to 7 per cent. These may themselves have done little to produce any solution to the long-term problem of the British economy; but there can be no doubt as to their effectiveness in the short run and in removing the sense of panic and uncertainty which had for so long hung round sterling's neck.

In this respect, perhaps the most effective of these short term measures was the massive assistance which

was obtained from the International Monetary Fund from which Britain drew the equivalent of \$1,500 million in the form of nine different currencies. In addition it obtained a standby credit equivalent to \$500 million. The amount withdrawn from the International Monetary Fund has been used in part to rebuild the gold and convertible currency reserves which, by the end of September, had been strengthened to £1,260 million, a recovery of £393 million from the low point reached at the end of July. In addition the large bulk of the £325 million which had been borrowed from the European central banks has now been repaid.

The sterling scare is thus well and truly over. Behind sterling there is a solid phalanx of reserves. Apart from the gold and convertible currency reserve of £1,260 million, its highest level for more than ten years, there is the I.M.F. standby credit equivalent to \$500 million. The facilities that can be made available through inter-central banking credits under the "Basle Agreement" have been repaid and are, therefore, intact. If sterling or the dollar come under pressure, the International Monetary Fund will soon have at its disposal the additional resources promised under the Jacobson plan at the recent Vienna meetings of the Bank and Fund. These additional facilities may have certain strings tied to them by the French, the Dutch and the other creditor countries that may have to provide them but there is little doubt that if they were needed they would be forthcoming to the tune of the promised \$ billion.

This by no means exhausts the reserves that lie behind sterling. The British Government still owns dollar securities that were taken over from British investors during the war but never marketed. These at the latest count were valued at nearly \$1,000 million. In a real emergency the Government could also count on mobilising the privately owned dollar securities in Great Britain. These portfolio investments are now estimated at about \$3,000 million.

There should, therefore, be no qualms about the availability of adequate ammunition with which to defend the sterling and to repel any speculative attack that may be made on it. These reassurances, however, only apply to the short term. Looking beyond the next few months certain forbidding tasks loom on the horizon. The International Monetary Fund will have to be repaid and this can only be done by restoring to the British balance of payments the surplus which it has lost over the past three years. Here lies the most fundamental problem facing Britain. The competitive position of British industry must be strengthened, some attempt must be made to restore the surplus Britain used to earn in its "invisible" transactions with the rest of the world.

One of the main factors in the reduction and virtual disappearance of that surplus has been the growth in overseas Government expenditure. At the recent Lord Mayor's dinner to the Bankers and Merchants of the City of London, Lord Cromer, the recently elected

Governor of the Bank of England, asked whether the high level of Government expenditure overseas was not perhaps "based more on our Imperial past than tailored to our changing position in the world?"

There are, however, signs that events are moving,

albeit slowly, in the right direction. Exports are picking up, merchandise balance of payments is improving. The reduction in Bank rate would not have been made had the authorities not been fairly reassured about the direction in which economic developments in Britain are moving.

A Look at L. I. C.'s Investments

By CROESUS

WITH its annual rate of net investment of all kinds crossing Rs. 60-crores mark—it was Rs. 63.62 crores, to be precise—the Life Insurance Corporation of India has come to invest more than Rs. 5 crores every month, and the indications are that the rate will further rise in size with the steady growth of Life Insurance in the coming years. By reason of being such a large investor, the L.I.C.'s investment operations are naturally watched with considerable public interest. The discriminating public, especially that section which has a stake in investments, is always on the alert to ensure that the investment of the policy-holders' moneys continues to be done on the lines of the promises made at the time of nationalisation of life insurance in this country. In particular, they remember the assurances given by the Union Finance Minister, Mr. Morarji Desai, in Parliament that there would be no change in the respective shares of the public sector and the private sector as regards the investment of the moneys of the Life Insurance Corporation.

It is against this background that one has to study the following table showing the trend of stock exchange investment during the period 1957-60:

(Figures in crores of rupees)

Year	In stock exchange securities in India	In public sector in India	Per cent	In private sector in India	Per cent
1957	329.75	255.13	77.37	74.62	22.63
1958	368.93	288.12	78.1	80.81	21.9
1959	398.28	311.60	78.2	86.68	21.8
1960	457.43	360.06	78.7	97.37	21.3

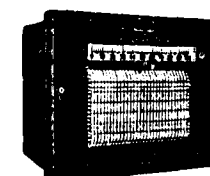
It will be seen from the foregoing table that, although there has not been a material change in the respective proportions of investments in the public and private sectors, there is no gainsaying the fact that, from the point of view of the total value of investments and percentage-wise, there has been a steady increase in respect of investment in the public sector. In the private sector too, there has been a steady increase in the total amount of investment, but percentage-wise, it is significant that there has been a steady decline. If this trend were to continue, the respective proportions are bound to vary. Even otherwise, it seems difficult for the L.I.C., even if it wants to, after a given period, to maintain the present proportions, unless the scope for investment in the private sector increases commensurately with the rate of increase in the investible funds of the L.I.C. (which does not seem likely) or the permissible percentage of investment in individual companies is raised by the authorities (which may not be welcome to these companies). In other words, a situation may well be visualised when, even if the L.I.C. wants, it may not be able to maintain these proportions and also keep on investing its funds in stock exchange securities. Perhaps this is one of the reasons, suggest certain

quarters, which has prompted the L.I.C. to be more solicitous of investments in buildings. It is well-known that, both in England and in the United States of America, where, although insurance has not been nationalised, insurance companies undertake building operations on a vast scale. This is considered by them not only a good investment but as a contribution to the welfare of society. As a matter of fact, after visiting Poona in the wake of the devastating floods, recently, our Prime Minister drew the pointed attention of the Corporation to this fact and suggested that the L.I.C. could certainly help solve the problem of housing in a big way. That there is great scope for doing so is obvious from the percentage of investment in the total of all the three items that may be taken to represent this category, viz. loans to Co-operative Housing Finance Societies, (Rs. 2.50 crores), loans on house property (Rs. 25.66 crores) and loans to State Governments for their housing schemes (Rs. 11.31 crores) or a total of Rs. 39.27 crores out of a total investment of Rs. 512.76 crores in India, as the following table showing the breakdown of the L.I.C.'s investments in India on December 31, 1960 shows:

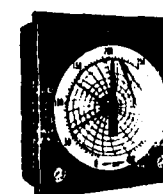
(In lakhs of Rs.)

Central & State Govt. and other Approved Securities	364,72.33
Municipal Securities not included above	65.98
Share and Debentures	92,04.91
Loans to State Govts. for Housing Schemes	11,30.84
Amounts due from State Govts. in respect of their controlled business taken over	6,02.78
Loans to Co-operative Housing Finance Societies	2,50.00
Other loans guaranteed by Govt.	50.25
Loans on mortgage of property	9,05.19
House Property	25,66.23
Other investments	27.88
TOTAL	512,76.39

The first four items of the above table are really the items that will attract the utmost attention, and it must be said to the credit of the Corporation that complete details of its stock exchange investments have been provided in its Fourth Annual Report. The total of these items comes to Rs. 470.72 crores, of which Rs. 457.43 crores represents the value of the Corporation's investment in India and the balance of Rs. 13.29 crores the value of investments outside India. Out of the former, investments in the public sector amounted to Rs. 360.06 crores or 78.7 per cent of the total while the investments in the private sector were no more than Rs. 97.37 crores or 21.3 per cent of the total investments in India. The investments in the public sector include Central Government securities (Rs. 228.25 crores, State Government securities Rs. 94.90 crores, municipal loans Rs. 65.98 lakhs and debentures, preference and ordinary shares Rs. 30.98 lakhs). Similarly, investments in the private sector include investments in approved securities of Rs. 5.64 crores and in debentures, preference and ordinary shares of Rs. 91.73 crores. It



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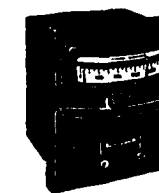


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is interesting to note that, out of the total of Rs. 360.06 crores investments in the public sector, investments aggregating Rs. 30.98 lakhs in debentures, preference and ordinary shares as well as Rs. 65.98 lakhs in Municipal loans do not come under "approved securities." Although a glance at the list of these investments must impress anyone, the fact that they are not "approved securities" may occasion adverse comment. For this reason, either securities in question must be added to the "approved" list or the L.I.C. specially and specifically permitted to invest in these "not approved" items. In the private sector investments, however, the entire amount of Rs. 5.64 crores are under "approved securities" and it is significant that they represent debentures of co-operatives or credit institutions.

Out of the total investments of Rs. 97.37 crores in the private sector, as already noted, Rs. 5.64 crores constitute the so-called "approved securities", leaving a balance of Rs. 91.74 crores as representing the Corporation's investments in other debentures, preference shares and ordinary shares. The Corporation has provided the following interesting table giving an industry-wise breakdown of the L.I.C.'s major investments (i.e. those investments that are in excess of Rs. 2 crores):

(Rs. in crores)	
Industries	1960
Electricity	9.55
Engineering	9.10
Cotton textiles	8.57
Iron & Steel	7.67
Mineral Oil	7.49
Cement	5.34
Jute	4.31
Paper and Boards	4.09
Electrical goods	3.06
Banks	2.97
Sugar & Breweries	2.90
Aluminium	2.65
Insurance	2.60
Coal	2.36
Plantations	2.00
Rubber products	2.16
Other industries	15.23
TOTAL	92.05

It will be seen from the foregoing table that the largest individual investments have been made in the electricity and the engineering industries, followed by cotton textiles, iron and steel, mineral oil and cement, in that order. In all these cases, the total value of the investment has exceeded Rs. 5 crores. The total number of industries in which the L.I.C. had investments at the end of 1960 amounted to 28, as against only 22 at the end of 1957, and many of them are new industrial ventures. This is an indication of the refreshingly welcome attitude of the L.I.C. towards investments in new industries and industrial undertakings.

A few words now about the L.I.C.'s investments in one form or another, in house building schemes. The L.I.C. has been helping the house building operation in a number of ways. Thus, the Corporation has given loans to State Governments for housing schemes, and, at the end of 1960, the total of such loans aggregated Rs. 11.31 crores. Secondly, the L.I.C. has been giving loans to co-operative Housing Finance Societies. The total of such loans at the end of 1960 stood at Rs. 2.50 crores. The L.I.C. has also invested in house property to the tune of Rs. 25.66 crores as on December 31, 1960. Thirteen States have benefitted from the L.I.C.'s loans to State Governments for housing schemes and it is the MP Government that has taken the maximum advantage, accounting for the largest amount among the 13 States, namely Rs. 1.74 crores. The entire Rs. 2.50 crores under loans to Co-operative Housing Finance Societies has gone to the Bombay Co-operative Housing Finance Society, no other State Co-operative Housing Finance Society having as yet availed itself of this facility. Obviously, the investment of Rs. 25.66 crores in house property represents the investment of Life Office buildings in different parts of the country, including those owned by private insurers in the past, which had been, and still continue to be, rented out. Perhaps the investment of Rs. 9.05 crores on loans on mortgage of properties also includes loans to policy-holders who may have mortgaged their property and taken loans against that security, and, in one sense, even this can be considered as an aid to building operations. But, even so, the total extent of aid by the L.I.C. to house building operations cannot be considered to come anywhere near the expectations of our Prime Minister and, to quote his own words "a state corporation like the L.I.C. of India should be presumed to have a greater social outlook."

Business Notes

Rubber

STATE OF THE INDUSTRY

AT THE 40th meeting of the Rubber Board, Dr. Rama Varma, the Chairman, surveyed the present conditions prevailing in the industry and discussed certain important problems that face the industry today. Commenting on the target fixed for rubber (1 lakh tons constituting 45,000 tons of natural rubber, 50,000 tons of synthetic rubber and 10 to 15,000 tons of reclaimed rubber) by the end of the Third Five-Year Plan, he stressed that the industry will have to equip itself with a production programme to achieve it. At present the area under rubber is nearly 3.21 lakh acres, of which 1.74 lakh acres or nearly 54 per cent is mature for tapping. By the end of 1965, it is expected the tapable area would increase to nearly 2.64 lakh acres. This shows nearly 52 per cent increase in the effective area. On this basis, the output may increase to nearly 38,000 tons, taking into consideration the present output of 26,000 tons. He is of the opinion that it may reach even 40,000 tons if due weight was given to the pro-

duction from clonal seedlings and budded trees that would be tapable by that time. It is clear, therefore, that to attain a target of 45,000 tons, greater effort would be necessary. Some of the methods suggested by him to increase output are improved manuring practices, adequate plant protection, new methods of tapping, application of yield stimulants and better employer-employee relations.

Commenting on the structure of the industry, he said that the size of holding has an important bearing on any measure for increased production. At present the total number of registered holders is 57,731, of which only 547 have estates of above 50 acres in size (covering an area of 1.32 lakh acres). The number of holdings of 50 acres and below is nearly 57,174 covering an area of 1.89 lakh acres. This includes 49,636 holdings of 5 acres and below, the average size of which is less than 2 acres. The small size of average holdings raises an important point in respect of productivity. Mr. Varma pointed out that to give full employment to a tapper, a minimum of five acres are required. If a 'task' is to include instead of only 250 trees, 300 to 400 trees as in

Malaya and in other rubber producing countries, the size of the holding has to be raised further. It is these considerations which induced the Board to recommend to the Government to advance loans on easy terms to small holders to enable them to increase their holdings to blocks of 5 to 15 acres. This seems to be a wise suggestion and it is hoped the Government would give sufficient attention to its implementation.

The state of finances of the producers is also a major factor. The main handicap is the lack of working capital. It is true that a small holder gets some credit facility from the Co-operatives, but the fact remains that the existing arrangements for short-term credit to small holders of rubber are totally inadequate. In view of the fact that small holders have increased by 324 per cent between 1950 and 1960 and the area covered by them has also gone up by 250 per cent, special attention has to be paid and wherever necessary the Government should come forward. The Board's replanting subsidy scheme and new planting scheme, it appears, must be helpful, though for long-term capital requirements only. Dr. Varma made it clear that the Board has yet to evolve a plan, precise and complete in details, to meet the short-term credit requirements of small holders. It is hoped some solution would be forthcoming.

Foreign Trade

NEED FOR PLANNING

TOTAL WORLD trade in 1960 showed a considerable rise over the previous years. While the annual average of imports and exports aggregated \$112.5 billion and \$119.3 billion, respectively, the actual imports and exports in 1960 amounted to \$113.4 billion and \$118.9 billion, respectively. However, over the same period, the performance of India lagged behind her performance in previous years. The total worth of India's exports were valued at only Rs. 6.3 billion, while her imports amounted to Rs. 10.1 billion, so that the gap between our exports and imports has widened further. It was only Rs. 2.9 billion in 1958, which increased to Rs. 3.2 billions in 1959 and further increased to Rs. 3.8 billion in 1960. Even in the current year (1961), according to available figures (for the first five months), exports and imports have reached Rs. 6.6 billion and Rs. 9.8 billion, respectively, disclosing, again, a gap of Rs. 3.2 billion for only a part of the year. If this rate of rise in our trade gap were to continue, despite the observance of strict import controls, the resulting effect on our balance of payments position would be disastrous. The problem is serious in all conscience and cannot be tinkered with; it must be solved on a long-term basis, as Mr. Morarji J. Vaidya, President of the Indian Council of Foreign Trade (I.C.F.T.), rightly observed, while addressing the central committee of that body at Bombay recently. Mr. Vaidya pointed out that the present exchange crisis was the outcome of wishful thinking and miscalculation of the Government in having laid unduly excessive dependence on short-term credit. As a result, the commissioning of many industrial plants could not be carried out according to schedule and the anticipated quick returns have been delayed longer than anticipated. In consequence, savings from the industry also have not materialised as expected. On the other hand, repayment of the debts by us has become overdue.

One of the causes for the present predicament, according to Mr. Vaidya, has been the keen interest of both the Government and the industrialists to industrialise the country willy-nilly. The rate at which imports of capital goods have been taking place in view of this all out industrialisation has been faster than the resources of the country can permit in terms of

the foreign exchange available. Even the long-term credit secured by the Government for the purpose could not be availed of at the right time, thanks to delays in the allocation of these funds among the various and numerous claimants, as, for example, the small car project, the aluminium projects, the rayon projects, and the steel projects, all of which have had to suffer in the event.

In Mr. Vaidya's view, the position as it has now developed calls for immediate attention to two problems: first, that the process of translating planning into action requires efficient co-ordination between the Government and the private sector; "undue obsession about the integrity of one section or the other does not prevent us from implementing practical policies which would yield desired results" to quote his words and, secondly, the schemes for export promotion should be so devised as to cover all the interests who are connected with exports directly or indirectly.

The ICFT Chief also noted three factors which would benefit all the interests and also activate exports. For one thing, he wanted the incentives which are presently being provided for exports by manufacturers to be made available to exporters who are traders also; secondly, the Government should, instead of specifying incentives in terms of import licences for specific raw materials, components, etc., introduce a system of incentives based on the retention of a part of the foreign exchange earned by the exporter; and, thirdly, the export activities of the STC should be minimised. In this connection, Mr. Vaidya cautioned that it is not a matter which can be achieved through the disposal of files on a politician's or a bureaucrat's desk, however, clever and able the person concerned may be in his own sphere of administration, as some of these seem to believe. The export trade of any country can only be built on the sure basis of years of experience of those engaged specifically and specially in the field and whatever we may do to reorientate our export policy without regard to this basic fact is doomed to certain failure.

INDO-MALAYAN TRADE

IT SEEMS a little strange that a foreign trade delegation should tell us what we should do in regard to our export trade. Could not the authorities in this country ever think of installing a permanent exhibition emporium in Malaya and a permanent trade commission over there? The suggestion coming from the Malayan trade delegation, however, has substance in it and needs to be pursued in right earnest.

That there exist vast possibilities of trade between the two countries, of course, goes without saying. The Malayan Trade Delegation which is in this country to explore possibilities of increasing her exports to India and to find out the reasons for the decline in Indo-Malayan trade, has pointed out that India can capture the market in Malaya provided it maintains the quality of its goods. There exist vast possibilities in the Malayan market, particularly when Malaya has now embarked on a Five-Year Plan of economic development which would open up the Malayan countryside. The extension of economic frontiers and rural development would naturally create a matching increase in demand for manufactured and consumer goods, which Indian industry could meet.

Our goods are quite popular in Malaya. An instance of Usha electric fans was given by the Malayan delegation to prove this point. India can export machine tools, machinery and durable consumer goods such as electric fans, bicycles and wireless sets, a variety of other goods like razor blades and pharmaceuticals and a wide range of plastic and chemical manufactures. It is now for Indian business men to come forward and explore the possibilities. Perhaps

a trade agreement between the two countries could extend facilities both to Malayan and Indian traders and thereby improve the trade relations between the two countries further. India's adverse balance of trade with Malaya in 1959 was to the tune of 58 million dollars. With a publicity campaign of high order and making its goods more competitive, India can certainly bring about improvement in her balance of trade. The opening of trade centres in Malaya at strategic places might also be helpful.

EXPORT PROMOTION

VARIOUS TRADE bodies have of late been stressing their viewpoints in regard to export promotion. The latest to come out have been the Federation of Indian Chambers of Commerce and Industry, Bharat Chamber of Commerce and the AIMO Export Promotion Seminar, jointly organized by the All-India Manufacturers Organisation, Association of Indian Industries and the Indian Council of Foreign Trade. Of the notable suggestions made at the Seminar was that of Mrs. Sinha, India's Deputy Finance Minister, that the pattern of production must move in step with the requirements of foreign trade and the structure of India's foreign trade must, in turn, reflect the changes in the economic structure. It is clear that in spite of external aid, there is likely to be a serious shortfall in the Plan, if exports during this period do not increase significantly beyond the present level. And to bring about this increase in exports, it needs to be emphasised that production costs must be reduced.

As to what the manufacturers could do for export promotion, Mr. Prabhu V. Mehta, the Chairman of the AIMO special committee for industrial finance and development, said that India as a whole and particularly Indian business men should have a slogan "sell Indian goods" to meet the needs of time and replace the pre-Independence slogan "buy India" or "buy Swadeshi". Discussing the need for export promotion, Mr. Mehta said that a proper determination of export prices would pave the way for larger exports with greater certainty. Mr. Mehta pleaded for the adoption of modern methods of sales promotion such as prestige publication for each product, employment of audio-visual publicity campaign and the training of multi-lingual marketing men. Business ethics and the adoption of fair trade practices have become an article of faith in international business. It is, therefore, important that Indian exporters should strictly adhere to all contractual obligations so widely necessary to build good customer relations. All said and done, it needs to be emphasised that a time has come when all thinking men should realize that without an active, vigorous and efficient campaign to sell our goods abroad, there is no solution to the country's foreign exchange problem.

Stock Exchanges

BETTER ORGANISATION

IN PURSUANCE of the decision taken by the presidents of the seven stock exchanges in India, last month, to meet periodically to review the working of stock exchanges, as also to take such measures as are necessary for their proper functioning, the committee of the presidents of the seven stock exchanges in India (Ahmedabad, Bombay, Calcutta, Madras, Delhi, Hyderabad, and Indore) met in Bombay last week. The main outcome of this first meeting of the committee was the proposal to introduce a uniform scheme of automatic margins on carry-over ('badla') business. According to Mr. P. S. Nadkarny of the Stock Exchange Division of the Finance Ministry, Convenor of the committee, the graded scale of carry-over margins would range from 2 to

50 per cent, depending upon the load of carried forward business in all the cleared shares from one settlement to another.

In view of the great disparities existing in different stock exchanges as regards the price of a membership card and the security deposit (in Bombay, for example, the value of a membership card and the security deposit are Rs. 20,000 and Rs. 25,000 respectively, while in Ahmedabad, it is Rs. 5,000 for both membership and security deposit), the committee decided to consult their respective Boards of Directors, before formulating details of the necessary forms, statements, returns, etc.

Referring to the problem of kerb trading and option business, there was unanimous agreement for a check on these but, the committee left it to the discretion of the respective stock exchanges to deal with the problem as best as possible.

The question of listing shares is not without its share of difficulties. It is noteworthy that the committee accepted the suggestion that the bigger exchanges be asked to help the smaller ones who have got very little business, by persuading the companies having their registered offices in the jurisdiction of the smaller stock exchanges to have their shares first listed on these exchanges.

Two problems have come into the limelight as a result of the meeting. First, though the market mechanism is left to be controlled by stock brokers, their behaviour has to be so readjusted as to serve the interests of the investing public better. Secondly, the periodical meetings will undoubtedly keep the stock exchanges abreast of happenings, and public opinion is bound to have its impact upon every meeting. There is no gainsaying the fact, therefore, that the first meeting has begun well and has ushered in a new epoch in the history of stock exchanges in India.

LIC

A YEAR OF PROGRESS

THE ANNUAL REPORT of the LIC released last week shows a steady progress attained during the recent years. During 1960, for instance, life funds increased by nearly 56 crores to Rs. 560 crores, and total assets increased from Rs. 554 crores in 1959 to Rs. 662 crores in 1960. The total business in force at the end of the year shows that it covers 77.13 lakh policies amounting to Rs. 2,285 crores — an increase of Rs. 327 crores over 1959. During the year 1960, the Corporation wrote a total business of Rs. 495.72 crores and issued 12.34 lakh policies. As against this the performance during 1959 was total business of Rs. 427.16 crores, and 11.23 lakh policies. The new business during 1960, therefore, increased by nearly 16.1 per cent over the previous year's level. The performance of the Corporation can be seen in another way: the average sum of insured policies. In India it increased from Rs. 3,671 in 1959 to Rs. 3,903 in 1960, while in its business abroad the average sum increased from Rs. 11,969 in 1959 to Rs. 12,539 in 1960. Moreover during the year 1960, the Corporation paid an amount of Rs. 30.69 crores towards settlement schemes: Rs. 7.68 crores were claimed by death and Rs. 23.01 crores by maturity.

Another measure of Corporation's continued progress is that it has opened one regional office, three branch offices, and 39 sub-offices and upgraded 24 sub-offices as branch offices. Besides the Corporation opened 74 centres in 1960. These centres when fully developed will be upgraded as sub-offices. The Corporation also opened a branch office in London. With this the Corporation now transacts new business in Eden,

Fiji, Hong Kong, Kenya, Malaya, Mauritius, Singapore, Tanganaika, Uganda, United Kingdom and Zanzibar.

Under a TCM project a team of three senior officers of the Corporation visited U.S.A. to make a study of American life insurance practices. The team is to report on the ways on which American methods can be adapted in India. The recommendations made by this team are under consideration of the Corporation at the moment. Apart from this report, an interesting controversy was raised regarding the insurance rates which were recommended to be lowered. It appears the Corporation may sooner or later consider to reduce its rates and the insurance business, in that case, will show an added progress.

Steel

STEEL PLANTS IN SOUTH

THE POSSIBLE location of pig iron plants in the South is being considered by the Government of India in pursuance of its policy to avoid concentration of industries in any particular area and devote special attention to under-developed regions, the Union Minister for Steel, Mines and Fuel, Sardar Swaran Singh, revealed in Madras recently. The Minister pointed out that the possibility of smelting iron ore with lignite briquettes would open up opportunities of producing pig iron in Madras which could be converted into steel. In line with this policy, the Mysore Iron and Steel Works at Badravathi, the Minister said, had been encouraged to expand, although it involves haulage of larger quantities of coal from Bengal and Bihar regions.

A scheme for a Steel Plant has already been drawn up and included in the Third Plan, pending the success of the pilot tests of Neyveli lignite. Commending the progress made so far in Neyveli Project, the Minister said, the integrated lignite project is estimated to cost about Rs. 100 crores which has been broken up under different heads as follows: (1) Rs. 20 crores for the mining operations; (2) Rs. 22 crores for processing and utilizing lignite for the generation of 250 mega-watts of electric power using one and a half-million tons of lignite; (3) Rs. 26 crores for the urea and fertilizer plant designed to produce 1.52 lakh tons of urea per annum using about 6 lakh tons lignite annually; (4) Rs. 20 crores for the briquetting and carbonisation plant, and (5) Rs. 11 crores for other works.

The briquetting and carbonisation plant is designed to produce smokeless fuel, particularly suitable for domestic purposes, and also valuable bye-products. All the schemes are closely integrated, the products of one or the other of the schemes constituting the raw materials of essential utility for one or more of the others.

Tobacco

SURPLUS U.S. AND PHILIPPINES STOCKS POSE SERIOUS PROBLEM

THE MOUNTING stocks of tobacco in the United States and the Philippines since 1955 pose a serious problem for big tobacco-producing countries like Rhodesia and India. This is the opinion expressed by Mr. E. R. Campbell, Chairman of the Tobacco Export Promotion Council of Rhodesia and Nyasaland. The U.S.A., Mr. Campbell pointed out in Bombay last week, had by now accumulated a total stock of 500 million lbs. of flue-cured tobacco. Philippines had supplies to suffice for her requirements for the next five years. These stocks, he said, were unsaleable today due to their high prices and also, in some cases, due to the quality. "But a day must come when these countries will have to dispose of their stocks even at a serious loss." When large quantities came to be dumped in the world market, orderly marketing that Rhodesia and India have, would be obviously disrupted, opined Mr. Campbell.

Another serious problem that the tobacco-producing countries in the Commonwealth will have to face is U.K.'s possible membership of the European Economic Community. The extent of the damage to the tobacco-growers caused by this factor, Mr. Campbell said, could not be ascertained as long as the conditions under which Britain would join the ECM and the concessions she would be able to wring for the Commonwealth countries were not known.

The World Tobacco Congress which is scheduled to meet in Salisbury in 1963, Mr. Campbell hoped, would discuss the problem. He also called for an understanding to be reached between the tobacco-growing countries and those which were building up huge stocks, on the orderly liquidation of surpluses so as not to upset the export markets of countries like India and Rhodesia. This is possible in view of the rising demand for cigarettes in the world, consequent upon the increase in population and improving standard of living. Mr. Campbell urged the need for Indian and Rhodesian tobacco industries coming closer.

Soap

MEETING THE TARGET

DURING THE last few years soap industry in India did not fare very well because various raw materials were not available; but this problem was solved to some extent in 1960 and the organized units produced nearly 1.40 lakh tons. Mr. S.P. Godrej, President of the Indian Soap and Toiletries Makers' Association, pointed out at the annual general meeting held recently at Calcutta that the output could have been more if sufficient capacity were available with certain producers and adequate supplies of suitable raw materials were made available to certain others. This is a known fact that a number of units have been going with idle production capacity due to inadequate supply of suitable indigenous as well as imported raw materials. In view of the 1965-66 target of 500,000 tons laid down by the Planning Commission (organized sector: 2.2 lakh tons, and unorganized sector 2.78 lakh tons), special efforts will have to be made by the industry.

Mr. Godrej pointed out that due to the acute stringency of foreign exchange, Government found it impossible to grant adequate licences for modern plant and machinery as well as for raw materials to meet the industry's needs. It cannot be forgotten that soap consumption is a symbol of the country's progress. It would not be very proper to minimise the needs of foreign exchange for this industry. The Government must take steps to encourage the output of modern soap making machinery in India. The Chairman pointed out that there is hardly any producer who is engaged in this line. In order to adopt latest production techniques, it is necessary that the producers of soap machinery are encouraged. The production of caustic soda in the country too is to be stepped up considerably and the gap, if any, has to be met by adequate imports.

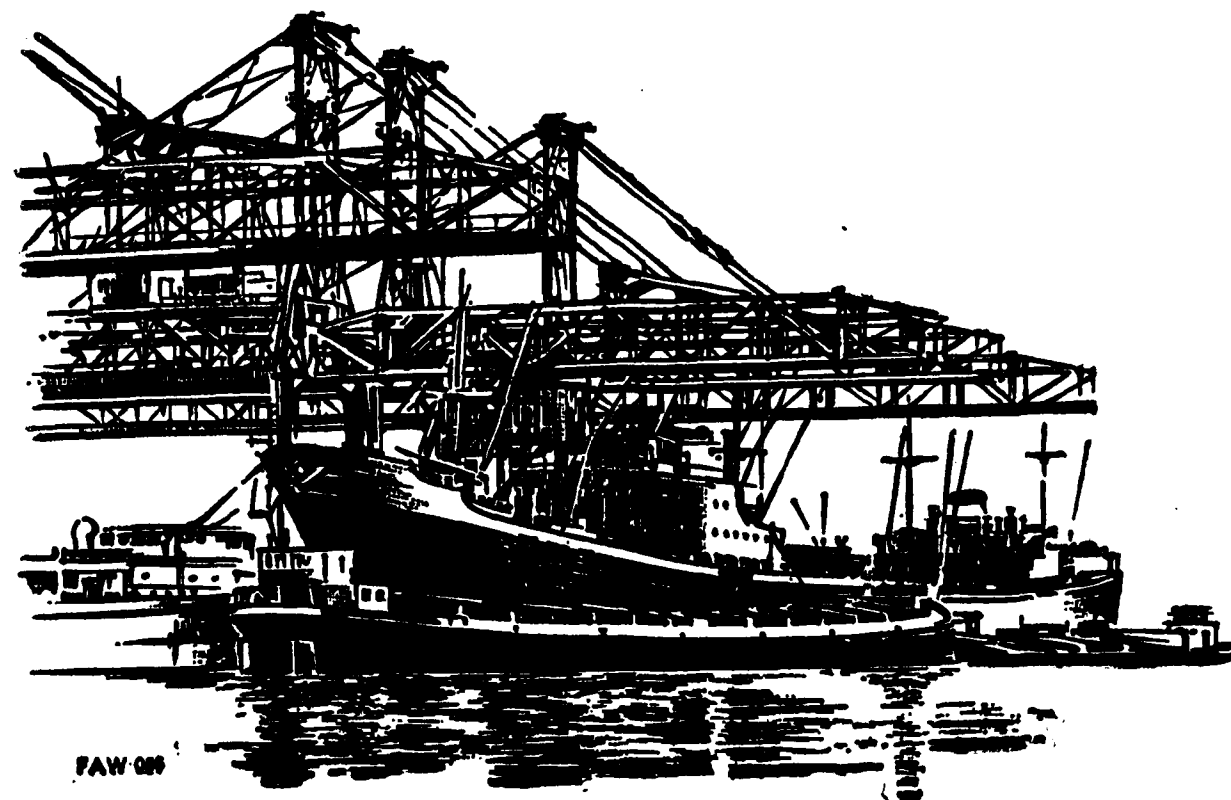
Another important point raised by the Chairman was in respect of small-scale producers, who should make the commodity available in the villages. He was of the opinion that many of the small producing units are situated in urban areas and in some cases, they maintained their units at a smaller level just to get the benefit of excise exemption. The Chairman was of the opinion that Government should bring down the exemption level to a low minimum of 30 to 40 tons per year, which will benefit the really small units and the units producing 50 to 200 tons be made to pay a moderate cess of Rs. 50. This seems to be a sound proposal.

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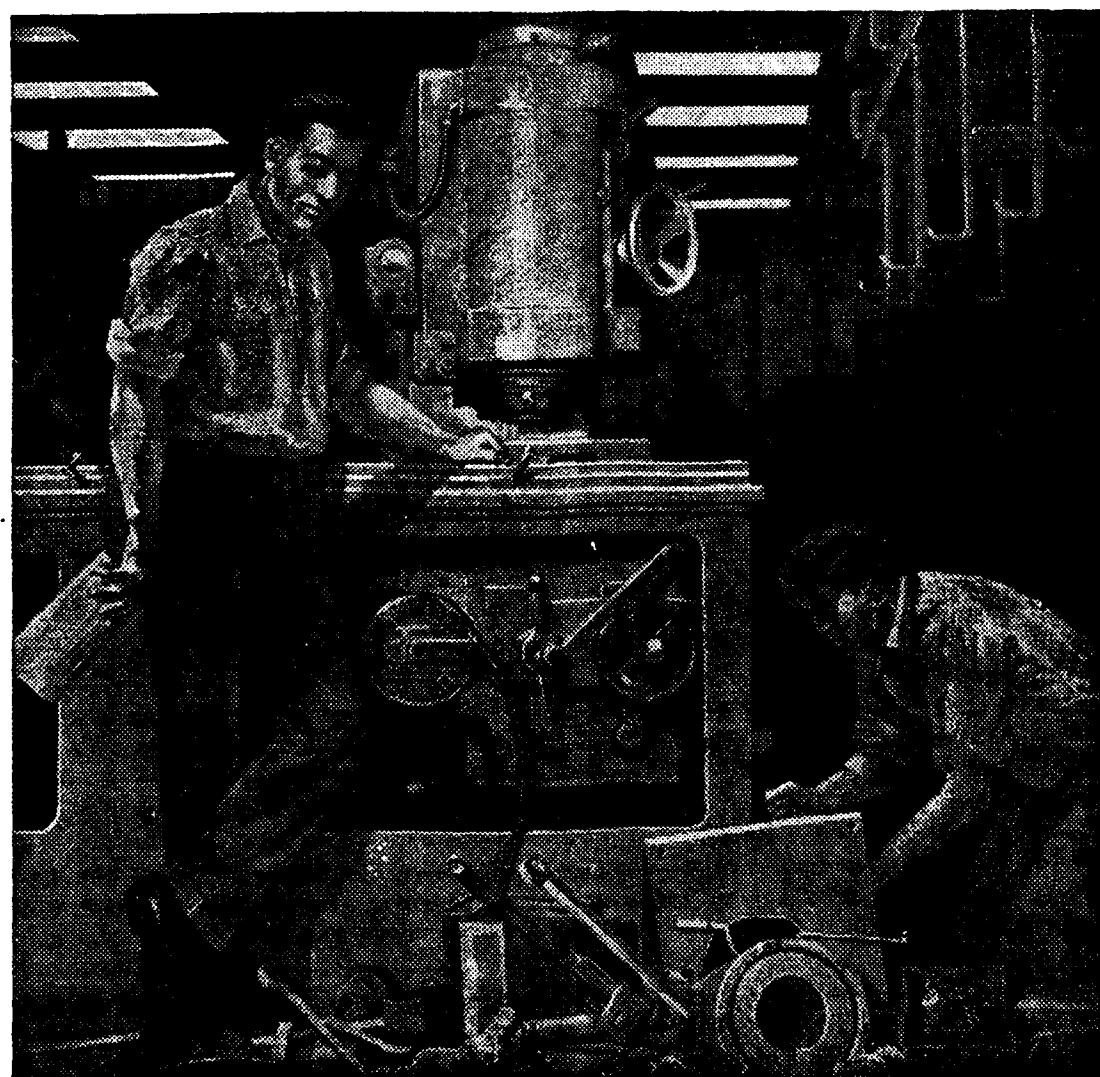
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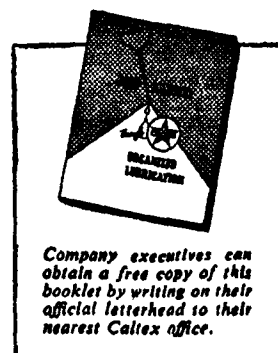


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FROM THE CAPITAL'S CORRIDORS

SMALL CAR CONTROVERSY

THE 'Small Car' Project is still in a state of confusion. While the Planning Commission did not include it in the Third Five-Year Plan, the Finance Minister, before he left India, gave his "conditional" approval to the Project. The Defence Ministry also came in with its project to manufacture "Economy Car" with Japanese collaboration. The Government has, however, not still reached any decision. The Federation of Indian Chambers has, meanwhile, come out with its bold proposition, which is likely to be read with interest.

The Committee of the Federation of Indian Chambers of Commerce and Industry recalls the record and potentialities of the automobile manufacturing units which are currently in operation in the country. It says: "These units have been set up in collaboration with foreign enterprises and in consultation with and approval of the Government of India. The industry had to pass through difficult times in its early years. Volume of demand particularly at that time was very low. The future was uncertain. The inadequate foreign exchange allocation to the industry added to its difficulties and has been primarily responsible for curbing the further growth of industry. Nevertheless, the industry gradually consolidated its position. The indigenous content of the cars has steadily increased. Some of the manufacturers have indicated their willingness and capacity to undertake the production of the type of car as envisaged by the authorities".

In view of these factors and also in terms of Government's declared policy that it will not enter lines of manufacture which the private enterprise is capable of handling, the Committee seems to be disturbed at the reported decision of the Government to go ahead with the project. In this connection, the Committee frankly brings it to the notice of Government that if it proceeds to implement this decision, it will have far-reaching repercussions on business sentiment, especially in the minds of foreign collaborators.

Another point that has been raised by the Committee is in respect of foreign exchange required for the project. If the proposed project has not been provided for in the Third Five-Year Plan, it has not been made clear as to how the Government proposed to secure foreign exchange. "It is said that foreign exchange will be taken out of what has been earmarked for the Automobile Industry. If this report is correct, it is a serious matter in that, as already explained, inadequate foreign exchange allocation has already had an adverse impact on the growth of automobile industry." If the necessary exchange is to be made out of the total foreign exchange pool, the Committee is doubtful if the extra foreign exchange will be made available by the World Bank or members of the Aid-India Club to finance this specific project. "On this analysis, foreign exchange will be spent on the project at the expense of other projects which have already been included in the Third Five-Year Plan. And, obviously, those that have been included must be deemed to be of greater urgency". The Committee, therefore, trusts that the Government will not proceed with the project as it is not in keeping with the principles of Industrial Policy.

The above observations may be read with interest in the light of the recommendations of the People's Car Committee. This Committee has said:

"It is possible, at present levels of material costs, labour rates, and various taxes, to produce a car at an ex-factory price of Rs. 5,100 on an annual production rate of 50,000 cars, exclusive of excise duty.

When the production rate is 20,000 cars per annum, the ex-factory price is estimated to be around Rs. 6,150, exclusive of excise duty.

Car production, with an initial indigenous content of fifty per cent, can be commenced in 24 months from the date on which land is made available to the project authorities and an agreement with the collaborator signed.

It is possible to build up production with a more or less wholly indigenous content within a period of three years from the start of production.

Of all the proposals received, that of Regie Nationale des Usines Renault of France, for the production of the Renault 'Dauphine' car is the most acceptable on the basis of technical suitability, satisfactory collaboration terms and experience and background of this State-owned firm.

The offer made by Regie Nationale des Usines Renault of France for the production of the Renault 'Dauphine' car furnishes a promising basis for further negotiations.

In the limited time available, it has not been possible to undertake the detailed studies of prospective sites. However, on broad technical considerations the most appropriate location for the proposed Plant should be found within the area bounded by Agra in the North, Rajpur in the East, Hyderabad in the South and Nasik in the West."

Certain other recommendations relating to production, build-up training, sales, etc., detailed in the Report include:

(i) The car should be marketed in two versions — standard and deluxe — of the model. The latter to have additional fittings — particularly for export.

(ii) Production of other types of vehicles such as pick-ups, station wagons and delivery vans using the same power equipment and other fittings as the car should be taken up as demand develops.

(iii) The same engine as in the car can be used for small generating and pumping sets required in an increasing scale in Community Development areas.

(iv) Land and factory buildings should be constructed as required for the final rate of production even though the requirements in the earlier stages may be somewhat less.

(v) The Plant should be located in an area where the cost of construction would be within the figures estimated.

(vi) Surplus capacities likely to be available in other factories in the country for various processes such as body pressings, forgings and castings should be taken advantage of to reduce capital cost of production machinery.

(vii) Consideration should be given to the possibility of procuring machinery and plant from U.S. Defence Surpluses.

(viii) Expenditure on the residential colony to be provided should be limited to Rs. 150 lakhs for an annual production rate of 20,000 cars and Rs. 250 lakhs for an annual production rate of 50,000 cars.

(ix) Every endeavour should be made to obtain experienced management and supervisory personnel from existing Government plants.

(x) Training facilities available on the Indian Railways and in other Public Sector Plants should be made use of for speedy training of staff.

(xi) If Renault are appointed as the collaborators, advantage should be taken of the Indo-French Technical Aid Agreement for the training of Indian personnel abroad.

(xii) Plant erection and staff strength must be accurately matched to production build-up to keep costs down to the minimum in the initial stages.

(xii) It will be expeditious and advantageous for the Plant Authorities to work abroad in the close liaison with the collaborators for the early procurement of plant and machinery.

(xiv) It may be possible to obtain some parts from alternative sources such as Railway Workshops, automobile manufacturers and other Engineering Plants. This will help reduce capital expenditure and also to increase the indigenous content in the initial stages.

(xv) The range of manufacture in the main plant should be reduced to the minimum and the ancillary industry encouraged to produce a larger range of components.

(xvi) Proprietary ancillary fittings already being produced in India should be used in the proposed car to the maximum extent permissible by design.

(xvii) It should be possible to procure ancillary components manufactured in India at a level of around fifty per cent above the foreign prices and, in fact, to further reduce the costs of production in the country.

(xviii) Long-term contracts should be arranged with ancillary equipment manufacturers to ensure satisfactory prices.

(xix) A Development Suspense Fund should be operated to absorb the differential between cost of production and ex-factory price in the initial stages.

(xx) Dealer's commission should be fixed at 7½ per cent of ex-factory price or Rs. 400 whichever is less.

(xxi) An equated transport charge should be levied on all cars sold within the country, irrespective of distances of haulage.

(xxii) Consideration should be given to the possibility of reviewing and revising the present rates of excise duty and to correlate these either to horsepower or cost of production.

(xxiii) Profits from the sale of spare parts and over-hauling of power packs — which have been left out of the estimates of cost of production — will have a material effect on the ex-factory price as sales build up.

(xxiv) Regional distribution of cars should be arranged by the Plant Organisation itself.

(xxv) Sales of cars to individual customers should be through private agencies.

(xxvi) Export of cars should be undertaken by the Sales Organisation of the Plant itself.

COMPULSORY EXPORTS

The Union Government, it is learnt, has not abandoned the idea of going in for legislation to secure compulsory exports. The measure is still under consideration of Government and only last week the Economic Secretaries Committee on export promotion dwelt upon the issue in all its ramifications in the light of the comments made at the Export Promotion Advisory Council meeting last month. A final decision on the question is likely to be taken in the near future.

EXPORT OF SUGAR

The Government of India has approached the British Government for allocation of a quota for export of sugar from this country to the United Kingdom under the Commonwealth Sugar Agreement. The Indian Government has also requested the U.K. Government to use its good offices in getting an increased quota for Indian sugar for export to the international market.

There does not seem to be any difficulty in India being allotted a quota under the Commonwealth Sugar Agreement. Thirty per cent of the sugar requirements of the United Kingdom are reserved for being supplied by the local producers, 60 per cent from the Commonwealth countries and the remaining 10 per cent from

the members of the International Sugar Agreement. Among the countries which have got a quota for sugar exports to the United Kingdom under the Commonwealth Sugar Agreement are included Australia, South Africa, West Indies, Fiji and Mauritius. As South Africa has voluntarily withdrawn from the Commonwealth, her quota can conveniently be diverted to India.

The real difficulty, apart from the price factor, which will arise in respect of export of Indian sugar to the United Kingdom is that the U.K., like the United States of America, is used to specially refined sugar. The intake into the United Kingdom of the kind of sugar India produces is practically nil. Great Britain imports raw sugar from abroad and refines it itself. Apart from meeting her own consumption, she exports refined sugar to East Africa, Singapore, Malaya and even to the United States. If India wishes to enter the Commonwealth Sugar Agreement on a permanent basis, she will obviously have to change her pattern of production.

INDO - U.S. ACCORD ON TEXTILE EXPORTS

India and the United States have agreed to work towards increased access to world markets for cotton textile exports on a constructive and orderly basis. The agreement, it is learnt, has been reached at the informal discussions held last week in Washington between the officials of the Indian and United States Governments. These officials were assisted by the representatives of the textile industries from both the countries.

A joint communique issued in Washington and New Delhi simultaneously at the end of the discussions, said that the desire of the two Governments to facilitate economic expansion and in particular to promote the development of less-developed countries by providing increasing access for their exports of manufactured product was reaffirmed.

HIGHER PROFIT FOR N.C.D.C.

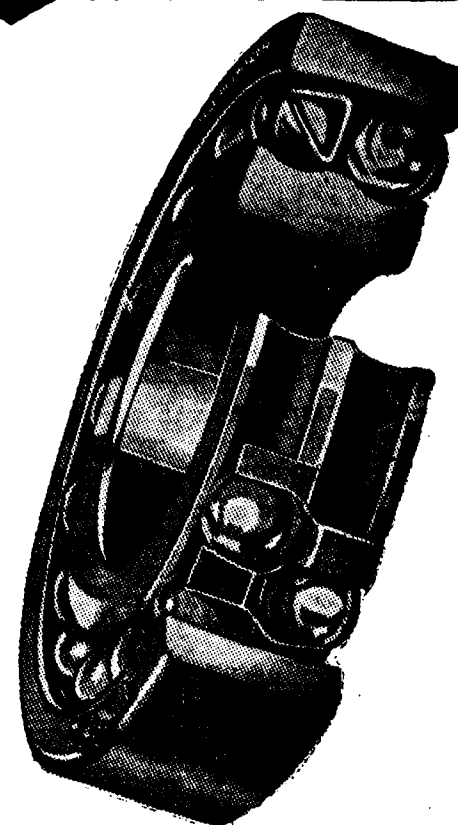
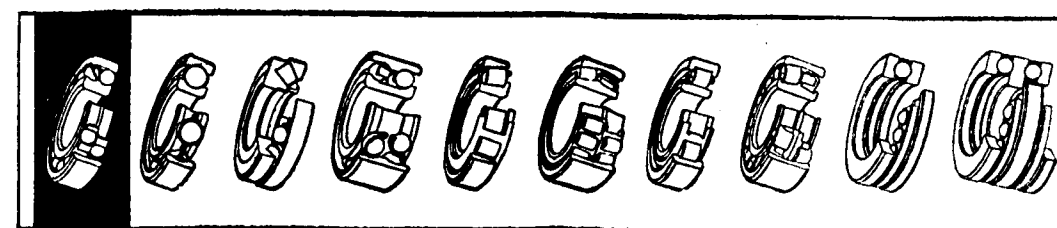
The National Coal Development Corporation has earned a net profit of over Rs. 1 crore during the year 1960-61, as against about Rs. 20 lakhs in the previous year. The higher profits earned by the Corporation in 1960-61, according to its Chairman, Sardar Ujjal Singh, is accounted primarily by a substantial increase in production compared to the previous year and to some extent to better supervision.

Addressing the recent annual general meeting of the Corporation, Sardar Ujjal Singh contended that the Corporation had achieved the coal output target set for it under the Second Five-Year Plan. During the last three months of the Second Plan period, the Corporation, he said, had attained an annual rate of production of 13.7 million tons approximately, as against the target of 13.5 million tons.

The Chairman dwelt at length on the facilities arranged by the Corporation for training technical personnel which have been in short supply for its purposes. The Corporation has set up five mining training schools in different areas with an intake capacity of 552 a year. These schools provide for four separate courses of training for periods varying from 13 months to 3½ years in subjects like fitters, supervisors, surveyors and assistant surveyors. In 1960-61 as many as 188 trainees completed their courses at these schools.

The Corporation has also a scheme for training of mining engineers and graduate electrical and mechanical engineers. During the Second Plan period, 66 graduate mining engineers underwent apprenticeship training under this scheme. Of these, fifteen obtained their second class Colliery Managers' Certificate of Competency and another 16 their first class Competency Certificates. The Corporation has also been deputing graduate mining engineers and electrical and mechanical engineers for training abroad in some specialised subjects.

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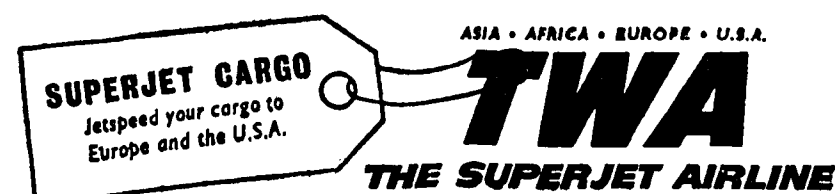
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The Corporation has set up for the purpose of maintenance and repairs of heavy earth-moving equipment a central workshop in its eastern India coalfields. This workshop will also be manufacturing spare parts to an approximate value of Rs. 35 lakhs per annum and undertake fabrication of steel structures. During the Third Plan period, the Corporation intends to set up a central workshop with Russian assistance in Central India coalfields at Korba for undertaking heavy maintenance work.

Sardar Ujjal Singh expressed his confidence that the Corporation would be in a position to fulfil the target of coal production set for it under the Third Plan, although the task was a stupendous one. The Corporation has been assigned a target of raising an additional 20 million tons of coal per annum by the end of the Third Plan period. Of this, Singareni coalfields would be required to contribute three million tons and the N.C.D.C.'s other collieries 17 million tons.

THIRD PLAN COAL, TRANSPORT TARGETS

Opinion is hardening here that the Planning Commission has underestimated the demand for coal at the end of the Third Plan period. In order to achieve even the present target of 97 million tons of coal output by 1965-66, it is pointed that planning will have to be made on the basis of about 120 million tons production.

A reappraisal of the planning for transport is also considered essential. The present targets fixed in regard to transport are thought to be rather on the low side. The Union Ministry of Mines and Fuel has undertaken a series of studies which it is felt will prove useful in appraising the correct demand for coal, oil and power.

D.V.C. EARNINGS IN 1960-61

Over Rs. 7.83 crores were earned by the Damodar Valley Corporation from the sale of power produced by its chain of hydel and thermal stations in 1960-61—an increase of about Rs. 167 lakhs compared to the revenue earned by it in 1959-60.

The total power generated by the D.V.C. power system in 1960-61 was 163.73 million kWh., against 145.82 million kWh. in the previous year. The rises in revenue and power generated by the D.V.C. were, thus, about 27 per cent and 12 per cent respectively in 1960-61, as compared to the previous year.

The hydel stations of the D.V.C., namely Maithon, Panchet and Talaiya, produced 13.6, 13.4 and 0.9 million kWh. in 1960-61. The two thermal stations, Bokaro and Durgapur, generated 12.9 and 0.59 kWh. this year.

The main consumers of D.V.C. power in 1960-61 were the West Bengal and Bihar State Electricity Boards and the Calcutta Electric Supply Corporation. In addition, the Eastern Railway, Chittaranjan Locomotive Works, Hindustan Cables, Durgapur Steelworks, the Indian Copper Corporation, the Indian Iron and Steel Company and the Tata Iron and Steel Company received power from this source in these years.

AID - INDIA CLUB MEETING PUT OFF

The Aid-India Club meeting, which was scheduled to be held in Washington on October 25, has been put off till early next year, it is learnt here. This is the second postponement of this meeting; it was earlier to be held in September.

The precise reasons for the present postponement are not clear. But it is indicated that certain members of the Consortium have not yet been able to complete the formalities concerning aid programme and arrangements. India, it is understood, would like all the aid coming from the Consortium to be on a long-term basis and at low rate of interest. The assistance promised

by Japan and France, it is said, falls short of these expectations. An approach has been made to both these countries to liberalize their credit terms.

BOKARO STEEL PLANT

Some developments are expected to take place by the end of the current month in regard to the setting up of the fourth steel plant in the public sector at Bokaro. Negotiations, it may be recalled, have been going on in this respect for some time between India and the United States. The finalization of these negotiations, it is understood, has been delayed due to United States' anxiety that if they at all assist India in setting up the Bokaro steel plant, that should be most modern.

Meanwhile, the Union Government has licensed an additional capacity of 1,20,000 tons for the manufacture of alloy and special steels in the private sector. This brings the total capacity sanctioned so far for such steels in the private sector to 1,30,000 tons. The country's requirements of these steels by the end of the Third Five-Year Plan are estimated around 2 lakh tons. The ordnance factories and the alloy steels plant envisaged to be set up in the public sector are expected to supply nearly 85,000 tons of such steels per annum.

Preliminary work on setting up the alloy and special steels plant in the public sector has already been taken on hand. Tender enquiries for the supply of plant and equipment are understood to be under preparation.

WEST GERMAN TECHNICAL EXPERTS FOR ROURKELA

The first group of 34 West German engineers, it is learnt, has reached the Rourkela Steelworks to assist in its operation. During the next few weeks, upto a total of approximately 200 experts from several leading firms will be released by the West German industry to take up work in India.

Top members of the team who have arrived so far include Dr. Fritz Peter, Chief Superintendent, Iron and Steel; Hans Niess, Chief Superintendent, Engineering Services; Guenther Vogt, Manager, Production Planning; Klaus Voss, Assistant Traffic Manager and Gerhard Schuermann, Manager, Repair Shop. They are all headed by Dr. Robert Mintrop, General Superintendent, who arrived last month.

FOUR - POINT PLAN FOR STABILISING LAC PRICES

The Union Government has formulated a four-point programme for stabilising the purchase and export prices of lac. The main features of the scheme are the fixation of minimum purchase prices, operation of the buffer stock programme by the State Trading Corporation and levy of an export duty. The minimum export prices are proposed to be reduced from Rs. 64 per maund for B-II quality seedlac with corresponding changes for other grades. The minimum price at which the STC will purchase B-II quality seedlac from growers and manufacturers has been fixed at Rs. 56 per maund. Differentials over this price have also been fixed for certain other types of lac. The export duty will be Rs. 160 per 1,000 kg. of seedlac and shellac (including button lac and garnet lac) and Rs. 125 per 1,000 kg. of other types of lac.

The scheme takes effect immediately and has been drawn up with the twin objects of encouraging overseas traders to purchase lac in preference to synthetic substitutes and to ensure fair prices to the growers and manufacturers. The low prices at which lac purchases were being made recently, it was apprehended, would have led to curtailment of lac production in future.

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COMPANY AFFAIRS

USHA SPINNING

The Usha Spinning and Weaving Mills Ltd., incorporated recently at Delhi, is to carry on the business of wool combers and cotton spinners, and proposes to erect a cotton spinning mill in Gurgaon District with an installed capacity of 12,000 spindles. It proposes to produce nearly 40 lakh lbs. of yarn per annum. The annual requirements of raw cotton are estimated at 4.68 million lbs. and the entire quantity is likely to be available to the Company from indigenous sources. The Punjab is one of the largest cotton growing areas in India producing nearly 17 per cent of India's cotton. The quality of Punjab cotton is considered quite good. Apart from this, the produce will feed the vast handloom, power loom and hosiery industry, which is developing rapidly in the Punjab.

The Company has already procured the necessary land. The promoters, Messrs. Ram Kishan Kulwant Rai, have agreed to transfer 40,000 sq. yards of land to the Company, which will be sufficient for the purpose. Orders for the entire machinery have been placed. The Company is importing plant and machinery of the value of Rs. 15.27 lakhs out of which Rs. 8.76 lakhs will be in deferred instalments. The factory is already under construction. It is expected that its building will be completed by the next month and major parts of the machinery will arrive at site towards the end of this year, so that the mill would go into production by May 1962. The promoters and directors plan to put up additional spindleage of 13,000 together with 600 looms, subject to receipt of necessary approval.

The Company, it seems, is well set for a profitable beginning.

NEW ISSUES

Two new companies and three existing companies have been granted consent by the Controller of Capital Issues for the issue of a total capital of Rs. 5 crores. The consent is valid for 12 months in each case. Following are the details:

Lucas-TVS: Lucas-TVS Private Limited, a company proposed to be incorporated in the State of Madras for the manufacture of automobile electrical equipment in collaboration with Messrs. Joseph Lucas (Industries) Limited, United Kingdom, have been accorded consent to issue capital of Rs. 2 crores divided into 200,000 equity shares of Rs. 100 each, for cash at par. Of the said capital, 60 per cent will be subscribed by the foreign collaborators.

India Refrigeration Industries: India Refrigeration Industries Limited, Delhi, has been granted consent to the issue of capital of Rs. 50 lakhs consisting of equity shares of Rs. 10 each of the value of Rs. 36 lakhs and the balance in 9 per cent free of company's tax but subject to deduction of taxes at source, cumulative, redeemable preference shares of Rs. 100 each. The new company will manufacture sealed units for refrigerators and air conditioners.

Dunlop Rubber Company: The Dunlop Rubber Company (India) Limited, has been granted consent to the issue of 15,00,000 equity shares of Rs. 10 each credited as fully paid-up bonus shares on capitalisation of the company reserves to the extent of Rs. 1½ crores. The company's existing paid-up capital is Rs. 3 crores

and the bonus shares will be issued at the rate of one bonus share for every two shares held.

Kerala State Industrial Development Corporation: Kerala State Industrial Development Corporation Limited, Trivandrum, has been granted consent to the issue of capital of Rs. 100 lakhs, for cash at par, divided into 10,000 equity shares of Rs. 1,000 each. The entire capital will be subscribed by the Government of Kerala and the proceeds will be utilised for promoting, establishing and executing industries for the manufacture of various types of plant and machinery, etc.

Oldham & Son: Oldham & Son (India) Limited, Madras, an existing public company has been accorded consent to issue bonus shares of the value of Rs. 2.5 lakhs on capitalisation of the company's reserves to a like extent. The company's paid-up capital is Rs. 7.5 lakhs.

PRIZE FOR PHILIPS INDIA

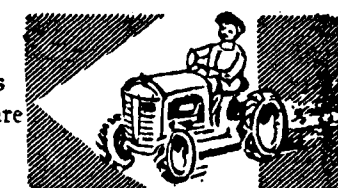
The Minister for Commerce and Industry, Mr. K. C. Reddy, handed over to the Chairman, and Managing Director of Philips India Limited, a shield representing the first prize for the best presented accounts for the year 1959-60 at the recent annual meeting of the Council of the Institute of Chartered Accountants of India.

The scheme introducing the award of the shield and certificate has succeeded in setting up of a high standard in the presentation of accounts.

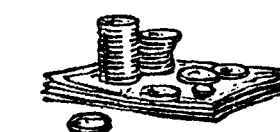


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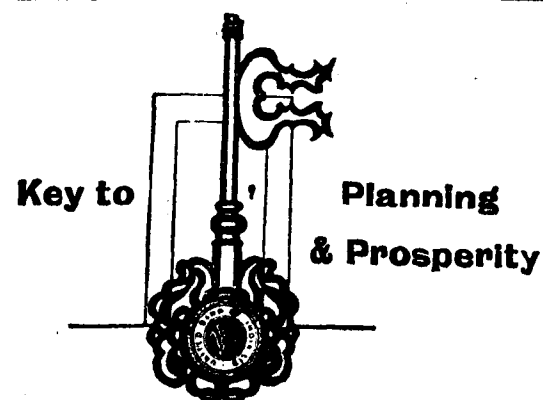
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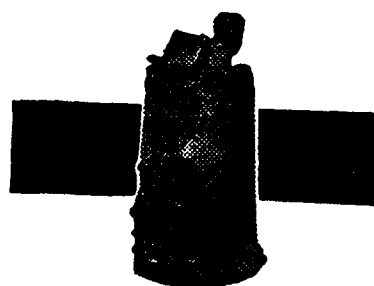
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Company Meeting

INDUSTRIAL FINANCE CORPORATION OF INDIA

Chairman's Speech

AT THE

Thirteenth Annual General Meeting Held on Thursday, the 28th September, 1961

Speech delivered by Shri K. P. Mathrani, I.C.S., Chairman, Industrial Finance Corporation of India, at the Thirteenth Annual General Meeting of the Corporation held on the 28th September, 1961.

Gentlemen,

Owing to the fortuitous circumstance that I assumed my duties immediately on the expiry of the year 1960-61, it is my pleasure and privilege, soon after my taking over, to present to you the Annual Accounts of the Corporation and the Report of the Board of Directors for the year ending the 30th June, 1961. The printed copies of the Accounts and of the Report have been circulated to all the shareholders and I shall, with your permission, take them as read.

2. The year under report marks another stage in the economic development of the country — the completion of the Second Five-Year Plan and the beginning of the Third. Your Corporation has played not an insignificant role in the achievement of one of the major objectives of the Plan, namely the establishment of a sound and progressive industrial economy. During this five year period, we sanctioned loans of the value of Rs. 62 crores and 61 lakhs and disbursed funds to the extent of Rs. 40 crores and 62 lakhs. Over the thirteen years of the existence of the Corporation loans aggregating Rs. 105 crores and 82 lakhs have been approved, a sum of Rs. 57 crores and 35 lakhs having been disbursed during the period. It shall be our aim to ensure that the Corporation makes a further useful contribution to the economic growth of India with the specific object of reducing our dependence on the import of manufactured goods as well as plant and machinery.

3. The year under review has been a particularly successful one for the Corporation. Our gross income reached the record figure of Rs. 2 crores and 99 lakhs as against Rs. 2 crores and 50 lakhs during the preceding year and our net profits, after making provision for income tax and corporation tax, came to Rs. 84.75 lakhs, showing an increase of nearly 42 per cent over the previous year. It has, therefore, been possible for us to add substantially to our reserves which now stand at Rs. 1 crore and 69 lakhs, an increase of 69 per cent on the balance at the end of the last year. We have, in addition, as a reserve for doubtful debts a sum of Rs. 14.61 lakhs, which is considered to be more than adequate. In fact, a review of the reserve has shown a distinct improvement in the position of our bad and doubtful debts. As in the previous two years, we have provided a sum of Rs. 10 lakhs towards progressive liquidation of the subvention of Rs. 53.45 lakhs received by us from the Central Government for the purpose of paying the guaranteed minimum dividend on our share capital in the early stages of the establishment of the Corporation. This leaves a balance of Rs. 18 lakhs only which we plan to repay in the course of the next two years. In view of the statutory restriction contained in the second proviso to Section 31(2) of the I.F.C. Act the dividend for the year is being limited to the minimum guaranteed by the Central Government, nearly 24 per cent.

4. As will be evident from the Statement of Profit & Loss Account, there has been an appreciable diversi-

fication of our activities during the year, even though the interest on loans continues to be the major source of our income. While the income from this source has gone up by 13.3 per cent, from Rs. 2 crores and 25 lakhs during the previous year to Rs. 2 crores and 60 lakhs, that from commission on underwriting of shares and on guarantee of deferred payments has increased by over 120 per cent, from Rs. 4.60 lakhs to Rs. 10 lakhs; in addition, we have earned a handsome profit by sale of some of our investments. Moreover, during the year we also received, for the first time, a dividend on the shares held by us.

5. The total amount of loans approved by your Board of Directors during the year aggregated Rs. 21.21 crores, which is an all time record for the last 13 years of the Corporation's activities, and shows an advance of Rs. 3 crores and 29 lakhs over the figures for the last year of Rs. 17 crores and 92 lakhs. The Corporation received 76 loan applications during the year under review for an aggregate amount of Rs. 36.86 crores as compared to 38 applications for an aggregate amount of Rs. 17.54 crores received during the year 1959-60, indicating an increase in the volume of business handled by the Corporation of almost 100 per cent over the previous year. The aggregate amount of loans sanctioned by the Corporation has now exceeded rupees one hundred crores, which may be considered as a land mark in the life of the Corporation. These noteworthy achievements have been facilitated by the fact that the Corporation has widened the scope of its activities by granting loans in foreign currency, guaranteeing deferred payments, underwriting equity and preference issues, and financing industrial projects jointly with other institutions, etc.

6. It may not be out of place to refer briefly here to some of the joint ventures with other financing institutions in which the Corporation has participated in recent months. The Corporation has for the first time sanctioned a loan of Rs. 60 lakhs to a concern engaged in the manufacture of paper jointly with the Commonwealth Development Finance Company Ltd., of the United Kingdom (CDFC) and the Industrial Credit and Investment Corporation of India Ltd. (ICICI). These two institutions have agreed to grant loans of £ 525,000 (approximately Rs. 70 lakhs) and 1.47 million dollars (approximately Rs. 70 lakhs) respectively to meet the cost of the imported plant and machinery while the loan of the Corporation is to be utilised for the rupee expenditure. In another case, the Corporation has agreed to grant a loan of Rs. 18 lakhs to a concern engaged in the manufacture of camphor and its allied products jointly with the ICICI which has granted to it a loan of Rs. 30 lakhs in foreign currency. In two other cases the Corporation has agreed to finance industrial projects jointly with two State Financial Corporations. I am sure you will agree with me that these are steps in the right direction. It is our intention progressively to broaden the fields of co-operation between ourselves and other financial institutions, both at home and

abroad. This policy would also help to diversify the risks of investment and thereby render it possible to finance large requirements with a view to making a further contribution to the rapid industrialisation of the country.

7. At the last Annual General Meeting, mention was made of the efforts of the Corporation in obtaining credits in foreign currency and of the sanction by the Development Loan Fund of the United States Government of a loan of 10 million U.S. dollars to the Corporation for giving sub-loans to industrial concerns in the private sector in the country. How useful this facility has proved can be gauged from the fact that during the few months of the year after signing of the agreement the Corporation approved dollar sub-loans aggregating 9.023 million dollars (Rs. 4.23 crores) along with rupee loans of the order of Rs. 1.37 crores to 14 concerns engaged in the manufacture of a variety of products such as glass, paper, chemicals including fertilisers and electrical machinery, etc. Shareholders will be glad to note that our relations with D.L.F. in the matter of these loan operations have been very satisfactory and the Fund have agreed to raise the limit up to which the Corporation can grant sub-loans without their prior approval from \$250,000 to \$500,000. The Corporation had, at the close of the year, pending with it application for the dollar sub-loans equivalent to Rs. 5.62 crores. As we stand almost fully committed in respect of this first loan, negotiations for an additional loan of U.S. \$20 million from the D.L.F. are in progress and it is hoped that a further tranche of dollar loan will soon be available to us. Apart from the credit in dollars, possibilities of securing loans in other foreign currencies are also being explored.

8. In regard to our loan operations, the sugar industry continues to lead the list of loans approved by the Corporation for the last three years consecutively. This is mainly due to the high priority given by the Corporation to the establishment of sugar factories in the Co-operative sector. The Corporation has so far sanctioned loans aggregating over Rs. 23.20 crores to 37 sugar co-operatives distributed all over the country and I am glad to say that the working of most of the factories which have gone into production, has been satisfactory. The success achieved in the establishment of sugar co-operatives has led to the promotion by the Corporation of co-operative projects in other lines of production as well. The Corporation has sanctioned loans amounting to Rs. 49.70 lakhs for the establishment of two co-operative spinning units. The loans approved by the Corporation for co-operative societies represent 22.4 per cent of the total loans approved by it, which is indicative of the important role played by the Corporation in the promotion of this sector of the economy.

9. Next to sugar, paper and textiles occupied the second and third places in the quantum of loans approved by us during the year. For the first time since its inception, the Corporation has sanctioned a loan of Rs. 20 lakhs to a concern engaged in coal mining. It is also a matter for satisfaction that concerns from the less developed parts of the country are now utilising the facilities offered by the Corporation on an increasing scale. In this context you may be interested to note that 17 loans aggregating in amount to Rs. 5 crores and 93 lakhs were sanctioned to concerns located in the States of Andhra Pradesh, Assam, Kerala, Orissa, Rajasthan and Uttar Pradesh.

10. In the field of underwriting too, we have made much progress, though our approach in this line has been somewhat cautious. The Corporation approved twelve proposals for underwriting of preference and equity issues of Rs. 2.32 crores (as compared to five proposals for Rs. 1.87 crores in the previous year), thereby bringing the total amount of underwriting approved by the Corporation to Rs. 4.30 crores. The ap-

plications for underwriting came from a variety of industries such as cement, glass, pottery, basic metals, basic industrial chemicals, fertilisers, textiles, rubber, etc.

11. As in the case of applications for underwriting, requests for guaranteeing deferred payments to the suppliers of foreign machinery also showed a significant increase over the figures for the previous year. The Corporation received 14 applications for an aggregate amount of Rs. 18.61 crores against 5 applications for Rs. 3.72 crores in the year 1959-60 and approved 9 such proposals to the extent of Rs. 13.29 crores. This brings the total number of proposals approved to 20 and the total amount to Rs. 25.47 crores.

12. It has been our practice to carry out regular inspections of the concerns financed by us and to obtain periodical progress reports from them. These inspections and reports, I am glad to say, show that most of the concerns have done well in the quantum of production as well as sales during the year. Many of them earned sizable profits and were, with our prior approval, able to declare dividends in excess of 8 per cent (subject to tax), which is our standard limit. An overwhelming majority of our borrower concerns met their obligations to us promptly in the course of the year. There has been a further improvement in the position regarding defaults in the repayment of principal and in the payment of interest. The percentage of defaults in the repayment of principal has declined from 4.3 per cent in 1960 to 2.34 per cent in 1961, while that in regard to interest has come down from 1.2 per cent to 0.25 per cent. The industrial review which we have given in an appendix to our Annual Report will give an idea of the progress made by the various industries to which we have advanced loans and it is a matter of satisfaction to us that they have contributed significantly in the rapid industrial progress made by the country.

13. The resources position of the Corporation during the year in regard to rupee finance was quite comfortable and we were able to meet the commitments for disbursement of sanctioned loans largely from our own resources supplemented by a net additional loan of Rs. 2 crores from the Central Government. In view of this we did not have to enter the market during the year for fresh issue of Bonds; but, as and when money market conditions justify our doing so, we shall go in for fresh issues of Bonds in order that we may be able to meet the demands likely to be made on us during the Third Five-Year Plan period. We are also assured of further loans from the Central Government for meeting a part of our requirements during this period. In addition your Board of Directors have under their active consideration the issue of further share capital of Rs. 2 crores by the Corporation, carrying a minimum guaranteed dividend of 4 per cent per annum for which the approval of the Central Government has been obtained. This will enable the Corporation to broaden its capital structure and increase its borrowing powers in terms of Section 21 of the Industrial Finance Corporation Act, in order to meet the growing demands of industry for capital. Having regard to the progress achieved by the Corporation during the last 13 years of its working, I have no doubt that we can count upon your generous support when the issue comes in the market. While we have tried to ensure that the shareholders get an adequate return by way of dividend on the new issue, the question of enhancing the existing rate of dividend on the present paid-up capital will need an amendment to the I.F.C. Act. The Corporation is in correspondence on this subject with the Central Government.

14. In December last, Parliament enacted a bill incorporating certain amendments to the Industrial Finance Corporation Act, for which there was a pressing need in view of the changed conditions including the

growing activities of the Corporation. These amendments now enable the Corporation to guarantee (a) deferred payments to machinery suppliers both within and outside India, (b) loans raised by industrial concerns from scheduled banks or State Co-operative Banks, and (c) loans raised and credit arrangements made in foreign currency by industrial concerns with any bank or financial institution outside India. The Corporation has also been empowered to subscribe directly to the stocks and shares of industrial concerns as also to convert at its option the loans granted or debentures subscribed to by it into stocks or shares. These are useful facilities which have been eagerly sought for by industrial concerns and we have already, in one case, agreed to guarantee a loan of Rs. 1.47 crores in foreign currency. Another amendment of which I might make a specific mention is the deletion of the provision in Section 24 of the Act which required a guarantee of the Central Government in respect of accommodation by the Corporation exceeding rupees one crore to an individual concern. Since in all such cases the Corporation carefully examines the profitability of the project and the security available, the guarantee of the Central Government was hardly necessary. After the amendment, the Corporation is, however, required to obtain the 'prior' approval of the Central Government before sanctioning the accommodation. This gives adequate opportunity to Government to scrutinise the merits of the proposal before any commitment is entered into by the Corporation.

15. As you are probably aware the Finance Bill introduced in the last Budget included an amendment to the Income Tax Act which gives us a welcome relief. The new clause (xiva) of Section 10(2) of the Indian Income Tax Act provides that financial corporations which are engaged in providing long-term finance for industrial development and have been approved by the Central Government can claim rebate in Income-tax in respect of amounts not exceeding 10 per cent of the total income of each year which are transferred to a special reserve fund, so long as the aggregate of the amounts so transferred does not exceed the paid-up share capital of the institutions concerned. I am glad to say that this Corporation has been approved by the Central Government for the purpose of this concession, and we have been permitted this rebate in respect of our accounting year ended the 30th June, 1960, the

assessment in regard to which has been very recently completed. We have, as a result, got a relief of nearly Rs. 5 lakhs in our assessment and we expect to be able to get a somewhat larger relief in respect of the assessment for the accounting year 1960-61.

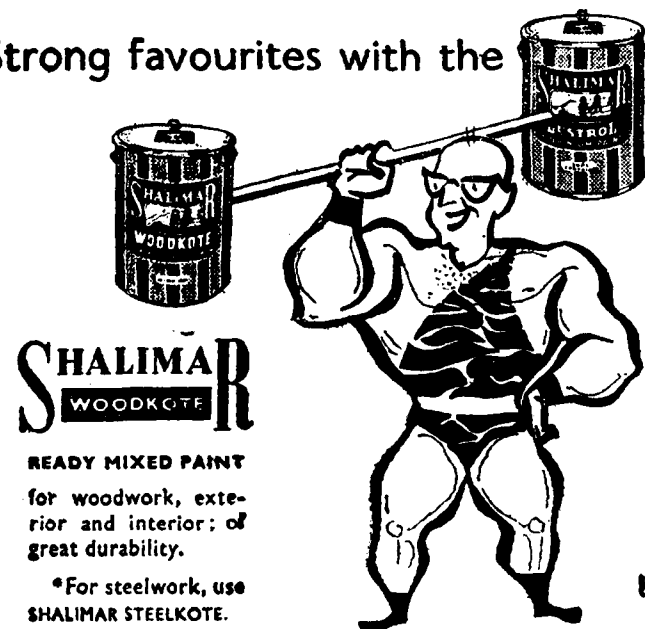
16. Our relations with the various Chambers of Commerce and with our loanee concerns continue to be cordial. We have, during the year, nominated more non-officials on the Boards of our loanee concerns and I wish to thank them on behalf of our Board of Directors for the keen interest they have taken in the work.

17. Shri K. R. K. Menon who held the office of the Chairman of the Corporation since 18th September, 1955 with distinction and was largely responsible for the great strides made by the Corporation in the last six years proceeded on leave with effect from the 1st July, 1961 preparatory to the expiry of his tenure of office. On behalf of the Board of Directors, I should like to express our high appreciation of the valuable services rendered by him to the Corporation.

18. It is with profound regret that I have to report to you the sad demise of Shri H. V. Venkatasubbiah, who was the General Manager of the Corporation for about five and half years and who rendered valuable service to the Corporation. He has been succeeded by Shri D. R. Madhok, Secretary of the Corporation.

19. Before I conclude, you will, I am sure, wish to join me in expressing our warm appreciation of the co-operation and assistance made available to us by the Development Loan Fund and its officials. You would also like me to convey our sincere thanks to the members of our five Advisory Committees—non-officials and officials—for the very able and effective assistance they have rendered to the Corporation. I should also like to thank my colleagues on the Board for their very valuable co-operation and wise counsels, and their generous response to the many calls made on their time. In this connection I should like to make a special reference to our two directors, Shri S. V. Ramamurthy and Shri S. C. Roy, who have been on the Board of Directors for two full consecutive terms and are due to retire this year. Finally, I have great pleasure in conveying the thanks of the Board of Directors, as well as my own, to the General Manager and the entire staff of the Corporation for another year of loyal and devoted work on their part.

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Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Food		Fuel Power		Manufactures		Total	All Commo- dities
	articles & Tobacco	Liquor	Light and Lubricants	Industrial Raw materials	Inter- mediate Products	Finished Products		
1953-54	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1955-56	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61	120.0	110.0	119.6	145.4	130.5	122.8	123.9	124.8
June 1960	120.3	109.5	118.0	139.7	127.2	118.7	119.9	122.9
July	124.0	109.6	119.5	137.2	130.4	119.4	121.0	121.0
August	123.8	106.7	119.7	137.0	131.0	121.1	122.6	125.0
June 1961	119.9	100.1	122.2	148.7	135.2	127.4	125.3	125.6
July	124.3	98.6	121.5	151.3	141.9	124.6	127.0	128.6
August	124.2	99.6	121.6	144.6	140.9	123.4	125.8	127.3
26-8-1961	124.2	100.0	121.6	138.8	141.0	121.7	124.5	126.0
2-9-1961	122.4	100.1	121.5	138.7	140.7	122.5	125.1	125.5
9-9-1961	121.3	100.0	121.5	137.8	141.3	122.7	125.3	124.6
16-9-1961	120.9	99.5	121.5	138.2	140.7	122.7	125.3	124.4
23-9-1961	120.5	99.5	121.5	138.3	140.0	122.8	125.3	124.2

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay		Delhi		Bengal U.P.		Central Provinces		Madras	E.P.	Bihar	
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	All India†
1939 (Aug.-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	217	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	157	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	308	158	384	469	498	163	429	166	173	168
1960	401*	420*	296	158*	397	476	512*	165	467	167	166	171
September	399	418	302	161	403	484	520	163	472	167	168	173
October	402	421	304	162	396	488	517	163	477	171	166	173
November	404	423	300	159	392	498	509	163	484	171	168	171
December	400	419	297	160	385	480	507	163	488	169	167	171
1961 January	400	419	296	161	385	480	495	165	470	171	166	170
February	401	420	296	163	389	488	491*	165	470	171	164	170
March	404	423	296	163	392	483	488*	165*	479	169	167	171
April	409	428	296	165	389	471	490	165*	482	169	166	170
May	412	431	296	166	389	464	490	166*	479	171*	166	171*
June	414	433	302	167	389	474	498	—	478	171*	167	172*
July	418	437	—	171	—	482	498	—	480	—	—	—
August	419	438	—	171	—	491	501	—	181	—	—	—
September	—	—	—	—	—	—	—	—	479	—	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT) WEEK ENDED

	6-10-1961			29-9-1961			22-9-1961			15-9-1961		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	125.00	123.90	124.63	126.00	124.80	125.41	125.90	123.85	125.06	125.25	123.75	124.55
Silver (per kilogram)	206.15	204.90	205.75	206.45	205.25	205.73	205.10	202.55	203.52	203.95	201.90	203.14

RESERVE BANK OF INDIA
ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES				ASSETS					
	Notes in Circulation	Notes Held in Bank	Total Notes Issued (a)	Gold & Bullion (b)	Foreign Securities (c)	Total of (b+c) (b+c)	Percent- age of (a)	Rupee Coin	Rupee Securities	Total Assets
1956-57	1,475.77	18.75	1,494.52	40.02 (117.76)	545.61	585.63 (663.37)	39.95 (44.37)	115.93	755.22	1,494.52
1957-58*	1,529.36	23.18	1,552.53	117.76	329.65	447.41	28.79	1,30.06	975.06	1,552.53
1958-59*	1,593.88	19.34	1,613.21	117.76	182.04	299.80	18.58	133.99	1,179.42	1,613.21
1959-60*	1,730.90	19.86	1,750.77	117.76	167.62	285.38	16.30	131.50	1,333.83	1,750.77
1960-61*	1,863.13	18.94	1,882.07	117.76	134.99	255.75	13.4	126.84	1,502.48	1,882.07
Average of Fridays										
June 1960	1,860.95	26.56	1,887.51	117.76	149.26	267.02	14.14	125.34	1,495.15	1,887.51
July "	1,827.14	25.64	1,852.77	117.70	140.01	257.77	13.91	128.59	1,466.47	1,852.77
August "	1,799.36	19.85	1,819.21	117.76	124.26	242.02	13.30	130.58	1,446.61	1,819.21
June 1961	1,958.79	30.43	1,989.22	117.76	108.01	225.77	11.35	118.54	1,644.92	1,989.22
July "	1,922.49	24.13	1,946.62	117.76	93.01	210.77	10.83	121.31	1,614.55	1,946.62
August "	1,902.77	13.31	1,911.93	117.76	116.86	234.62	12.27	123.85	1,553.46	1,911.93
Week-Ending										
25-8-1961	1,877.39	16.57	1,893.96	117.76	116.86	234.62	12.39	125.79	1,533.55	1,377.39
1-9-1961	1,872.62	21.81	1,894.43	117.76	116.86	234.62	12.38	126.25	1,533.56	1,894.43
8-9-1961	1,898.86	8.93	1,907.79	117.76	116.86	234.62	12.30	124.61	1,548.57	1,907.79
15-9-1961	1,889.46	19.28	1,908.75	117.76	116.86	234.62	12.29	125.48	1,548.65	1,908.75
22-9-1961	1,868.70	21.99	1,890.68	117.76	116.86	234.62	12.41	127.28	1,528.78	1,890.68

BANKING DEPARTMENT

Period	Deposits					Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Gov- ernment	Other Gov- ernments	Banks	Others	Total									
1954-55*	89.13	20.66	55.20	36.29	201.28	23.62	234.90	23.24	6.10	87.53	1.14	26.55	80.52	9.82
1955-56*	60.11	19.85	53.77	18.31	152.04	35.59	197.64	17.21	9.78	66.96	1.73	36.99	49.36	15.61
1956-57*	57.52	14.10	52.46	19.73	143.81	91.21	245.02	18.91	5.69	64.77	4.89	85.34	51.82	13.60
1957-58*	54.61	11.28	81.00	111.38	258.27	84.36	407.63	23.30	4.81	40.47	32.90	77.91	213.92	14.32
1958-59*	57.62	20.80	87.53	118.73	284.67	71.71	441.44	19.41	6.18	25.57	28.23	65.83	284.49	11.73
1959-60*	55.50	23.24	79.61	123.48	281.83	83.18	450.01	19.94	15.54	28.97	25.53	88.92	258.90	12.22
Avr. of Fridays														
June 1960	73.15	13.28	107.89	90.72	285.05	111.02	481.07	26.63	28.14	13.57	45.94	122.56	228.02	16.21
July "	63.54	20.25	120.31	132.35	336.44	73.49	494.94	25.70	13.66	21.03	32.82	125.06	260.19	16.48
August "	60.44	23.00	118.40	120.40	322.25	76.19	483.43	19.92	23.55	21.64	37.69	117.00	251.73	11.89
May 1961	61.61	16.21	78.38	116.50	272.69	145.08	501.78	16.73	41.65	21.40	83.99	125.26	191.55	21.22
June "	64.96	13.54	84.67	123.86	287.04	134.21	506.25	30.47	39.78	14.49	68.97	121.34	208.22	22.97
July "	58.61	18.56	93.24	111.63	282.04	94.38	461.41	24.17	26.26	9.98	40.10	117.43	221.75	21.72
August "	65.40	16.46	88.09	180.22	350.16	89.86	525.02	13.36	15.21	30.98	47.71	116.37	284.51	16.89
Week-Ending														
25-8-1961	64.60	19.93	102.96	158.19	345.67	91.25	521.92	16.62	13.03	26.61	48.75	115.71	284.51	16.69
1-9-1961	52.51	19.38	101.25	158.66	332.25	95.83	513.08	21.87	9.17	19.59	53.32	116.78	275.43	16.93
8-9-1961	63.50	31.95	75.85	159.28	330.58	91.42	507.00	8.98	18.26	18.73	48.11	134.75	261.16	17.01
15-9-1961	73.53	38.16	78.66	158.03	348.38	93.33	526.71	19.34	24.99	17.76	49.45	136.96	261.16	17.05
22-9-1961	55.05	21.36	84.31	172.66	333.38	99.71	518.08	22.04	18.44	18.42	45.33	135.89	260.16	17.14

* Average of Fridays. **Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. †Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1958, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. §Includes cash and short-term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES				Balances (5+6) with Reserve Bank		Advances as per- centage of (4)	Bills Dis- counted as per- centage of (4)	(8+9) Investments in Govern- ment Secur- ities in India
	Demand	Time	Total (2+3)	Cash (Note+Coins)	(6)	(7)	(8)	(9)	(10)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1953-54	526.75	328.26	855.00	31.97	44.48	8.98	442.79	51.40	59.56
1954-55	559.62	351.86	911.55	32.66	53.91	9.50	468.39	84.66	60.68
1955-56	608.64	407.95	1,016.59	34.64	52.52	8.69	514.37	118.08	63.02
1956-57	653.34	453.92	1,107.26	36.94	50.23	7.96	626.08	155.56†	71.39
1957-58	723.89	619.19	1,343.08	39.34	77.55	8.72	723.79	167.32†	66.77
1958-59	735.93	860.33	1,596.26	40.30	83.99	7.74	766.56	133.27†	56.37
1959-60	745.83	1,086.79	1,832.62	44.84	75.81	6.58	842.75	144.49†	53.87
1960-61	794.49	1,155.87	1,950.36	47.04	93.09	7.17	995.75	162.94	59.48
Average of Fridays									
March 1961	820.31	1,074.28	1,894.59	45.14	70.03	6.07	1,107.98	197.93	68.92
April 1961	854.21	1,093.17	1,947.38	47.78	74.18	6.27	1,111.89	205.35	67.64
May 1961	845.27	1,108.21	1,953.48	48.43	73.26	6.23	1,085.24	194.17	65.49
June 1961	837.02	1,119.91	1,956.93	48.46	79.72	6.55	1,102.90	179.40	65.53
July 1961	843.35	1,133.99	1,977.34	46.71	88.73	6.85	1,100.57	156.31	63.56
August 1961	837.73	1,148.50	1,986.23	45.86	83.13	6.49	1,087.85	1,151.04	62.38
Week Ending									
1-9-1961	844.72	1,154.14	1,998.86	45.16	94.00	6.96	1,075.10	152.76	61.43
8-9-1961	835.38	1,138.92	1,974.30	44.60	73.87	6.00	1,088.49	154.77	62.97
15-9-1961	839.17	1,135.53	1,974.70	46.15	77.09	6.24	1,087.42	157.25	63.03
22-9-1961	834.38	1,141.23	1,975.61	44.49	77.41	6.17	1,071.82	163.19	62.51

Deposit Money with the Public

MONEY SUPPLY WITH THE PUBLIC

(Rs. in Lakhs)

Last Friday	Deposit Money with the Public					
	Money supply with the public	Total currency with the public	Total	Demand liabi- lities of banks	Other Depo- sits with Reserve Bank†	Total variation in money supply
(1)	(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1954-55	1,920.63	1,311.77	608.86	599.16	9.71	+126.65
1955-56	2,184.32	1,505.09	679.23	667.22	12.01	+263.69
1956-57	2,312.89	1,556.50	756.39	744.74	11.65	+128.57
1957-58	2,388.83	1,606.60	782.22	762.36	19.87	+75.94
1958-59	2,498.76	1,724.53	774.23	754.98	19.25	+109.92
1960-61	2,900.89	2,027.04	873.85	854.89	18.96	+197.76
November 1960	2,668.68	1,843.44	825.24	804.15	21.09	+7.99
December "	2,737.29	1,898.73	838.56	813.05	25.50	+68.60
January 1961	2,792.66	1,944.99	847.67	821.72	25.94	+55.38
February "	2,816.56	1,966.28	850.28	829.74	20.54	+23.90
March "	2,900.89	2,027.04	873.85	854.89	18.96	+84.33
April "	2,915.44*	2,025.80*	889.64	870.42	19.22	+14.55
May "	2,872.64*	2,010.87*	861.77	841.53	20.24	+42.80
June "	2,873.02*	1,969.64*	903.37*	878.55*	24.82	+38*
July "	2,808.74*	1,936.87*	871.88*	850.72*	21.15	-64.28*

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

STATEWISE SUGAR PRODUCTION IN INDIA

(In terms of Raw Sugar)

(Thousand tons)

State	1948-49	1951-52	1955-56	1956-57	1957-58	1958-59	1959-60
Andhra Pradesh	—	—	516	523	623	712	627
Assam	87	66	66	66	86	97	97
Bihar	256	242	292	367	450	604	653
Maharashtra	)	)	)	)	)	)	)
Gujarat	579	605	553	621	813	800	848
Madhya Pradesh	72	53	115	167	118	114	106
Madras	533	727	342	327	403	384	409
Orissa	120	100	92	94	94	94	73
Punjab	346	456	556	539	674	725	857
Uttar Pradesh	2,454	3,169	2,940	3,497	3,070	3,076	3,203
West Bengal	106	82	129	117	85	117	128
Hyderabad	176	216	—	—	—	—	—
Jammu & Kashmir	—	—	1	1	1	1	1
Madhya Bharat	59	45	—	—	—	—	—
Mysore	92	120	290	313	329	341	384
Pepsu	58	81	—	—	—	—	—
Rajasthan	31	50	45	68	73	43	60
Saurashtra	16	33	—	—	—	—	—
Bhopal	11	5	—	—	—	—	—
Ajmer and Coorg	1	1	—	—	—	—	—
Delhi	5	4	5	7	7	6	8
Himachal Pradesh	1	1	2	2	2	2	2
Kutch	1	1	—	—	—	—	—
Tripura	6	7	6	7	8	7	8
Vindhya Pradesh	4	4	—	—	—	—	—
Kerala	—	—	33	35	35	35	36
TOTAL	4,994	6,068	5,983	6,751	6,871	7,158	7,579

AVERAGE RECOVERY OF SUGAR PER CENT CANE IN INDIA: STATEWISE

State	1948-49	1951-52	1955-56	1956-57	1957-58	1958-59	1959-60
Assam	—	—	—	—	—	7.69	7.34
Bihar	10.33	10.32	9.76	9.36	9.91	9.78	9.43
Maharashtra	)	)	)	)	)	11.50	11.75
Gujarat	11.02	11.07	11.67	11.60	11.15	9.23	10.70
Punjab	9.76	9.41	8.87	9.01	9.42	8.58	9.14
Madras	9.40	8.65	8.85	9.16	8.69	9.07	9.20
Andhra Pradesh	—	—	9.46	9.20	9.70	9.42	9.85
Orissa	10.44	9.02	8.06	7.43	9.45	9.44	9.27
Uttar Pradesh	9.93	9.27	9.70	9.68	9.93	9.60	9.68
Bhopal	8.83	8.41	—	—	—	—	—
Madhya Pradesh	9.29	9.31	9.50	9.76	9.76	9.62	9.72
Pepsu	8.31	8.68	—	—	—	—	—
Mysore	8.57	10.62	10.15	9.10	10.28	10.35	10.60
Rajasthan	8.81	8.50	9.44	9.54	9.37	9.09	8.70
Hyderabad	9.00	9.68	—	—	—	—	—
Kerala	7.37	6.58	9.07	8.87	8.30	8.30	8.29
West Bengal	10.69	10.87	10.46	8.83	9.39	10.26	9.06
All India (Average)	9.97	9.57	9.83	9.73	10.01	9.84	9.91

TRENDS IN SUGARCANE PRODUCTION IN INDIA FROM 1930-31 TO 1960-61

Year	Area Under Sugarcane ('000 Acres)	Total Production of Sugarcane ('000 Tons)	Gross Production Expressed as Gur ('000 Tons)	Yield of Gur Per Acre (Tons)	Yield of Cane Per Acre (Tons)
1930-31	29,05	3,57,80	33,59	1.16	12.32
1931-32	30,77	4,33,16	41,16	1.34	14.08
1932-33	34,25	5,11,29	48,59	1.42	14.93
1933-34	34,22	5,24,55	50,55	1.48	15.33
1934-35	36,02	5,43,46	52,92	1.47	15.09
1935-36	41,54	6,12,02	61,02	1.47	14.73
1936-37	45,82	6,73,22	69,32	1.51	14.69
1937-38	32,95	4,64,50	46,58	1.41	14.09
1938-39	26,63	3,60,66	35,78	1.34	13.54
1939-40	31,25	3,95,11	40,02	1.28	12.64
1940-41	39,96	5,11,57	50,46	1.26	12.80
1941-42	29,56	3,79,06	37,01	1.25	12.82
1942-43	30,73	4,52,78	44,44	1.45	14.73
1943-44	36,17	5,19,08	50,90	1.41	14.35
1944-45	35,47	4,87,75	47,29	1.33	13.75
1945-46	32,04	4,65,26	45,12	1.41	14.52
1946-47	35,28	4,97,69	49,13	1.39	14.11
1947-48	40,47	5,31,70	52,69	1.39	13.13
1948-49	37,91	4,86,90	48,69	1.28	12.84
1949-50	36,24	4,93,80	49,38	1.36	13.63
1950-51	42,14	5,61,60	56,16	1.33	13.33
1951-52	47,92	6,06,80	60,68	1.27	12.67
1952-53	43,76	5,26,00	52,60	1.20	12.02
1953-54	34,98	4,36,73	44,64	1.28	12.54
1954-55	39,94	5,69,23	57,60	1.44	14.25
1955-56	45,64	5,93,17	59,82	1.31	12.98
1956-57	50,57	6,69,98	67,51	1.33	13.24
1957-58	50,80	6,80,19	68,71	1.35	13.39
1958-59	48,36	7,09,15	71,58	1.48	14.66
1959-60	52,20	7,52,01	76,71	1.47	14.41
1960-61	57,34	8,50,45	86,90	1.52	14.83

Note: Figures from 1930-31 to 1936-37 includes those of Pakistan territories also.

Source: Indian Sugar Annual Number 1961.

**QUALITYWISE PRODUCTION OF SUGAR IN INDIA : 1953-54 TO 1958-59
(PERCENTAGES)**

I.S.S. No.	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59
A 29	0.44	1.71	1.79	1.74	1.80	4.56
B 29	3.93	5.35	4.66	4.79	4.87	7.14
C 29	8.84	11.78	9.85	13.65	14.66	18.34
D 29	8.42	27.94	33.16	35.49	33.92	39.64
E 29	3.72	14.82	19.48	22.88	26.23	22.01
Total in 29 colour series	25.35	61.60	68.94	78.55	81.48	91.69
A 28	0.77	0.07	0.23	0.09	0.08	0.21
B 28	1.11	0.78	0.76	0.60	0.50	0.48
C 28	7.19	7.02	7.94	4.45	2.59	0.96
D 28	36.59	15.68	10.00	7.33	7.25	2.39
E 28	16.19	10.10	8.56	7.28	6.82	3.56
Total in 28 colour series	61.85	33.65	27.49	19.75	17.24	7.60
A 27	0.02	..	..	..	..	..
B 27	0.10	0.01	0.01	0.01	..	..
C 27	3.60	0.17	0.23	0.12	0.01	0.01
D 27	3.10	2.34	1.35	0.16	0.12	0.02
E 27	3.16	1.09	0.58	0.36	0.11	0.02
Total in 28 colour series	9.98	3.61	2.17	0.65	0.24	0.05
Total of under crushed, above and below grades and ungraded ..	2.82	1.14	1.40	1.05	1.04	0.66

**PER CAPITA CONSUMPTION OF SUGAR IN DIFFERENT COUNTRIES OF THE WORLD
(Kg. per annum)**

Country	Consumption Per Capita	Country	Consumption Per Capita
Argentina	35.4	Japan	14.7
Australia	53.6	Mexico	29.3
Austria	36.5	Netherlands	50.8
Belgian Congo & Ruanda Urundi ..	16.6	New Zealand	39.5
Brazil	34.8	Nicaragua	25.3
Canada	42.7	Norway	41.3
China (Taiwan)	10.4	Pakistan	2.3
Cuba	46.8	Peru	23.1
Czechoslovakia	34.6	Philippines	11.6
Denmark	53.0	Poland	28.9
Dominican Republic	26.0	Portugal	15.9
Finland	40.0	Spain	13.9
France (Metropolitan)	30.0	Sweden	42.2
Germany (West)	31.3	Switzerland	44.4
Greece	13.4	Turkey	10.5
Haiti	10.1	Union of South Africa	43.7
Hungary	25.9	United Kingdom	52.8
India	5.3	U.S.A.	43.7
Iran	15.9	U.S.S.R.	39.6
Iraq	25.3	Yugoslavia	17.5
Italy	18.3		

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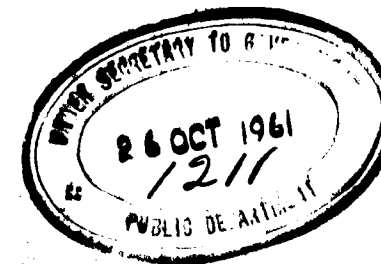
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ONE RUPEE



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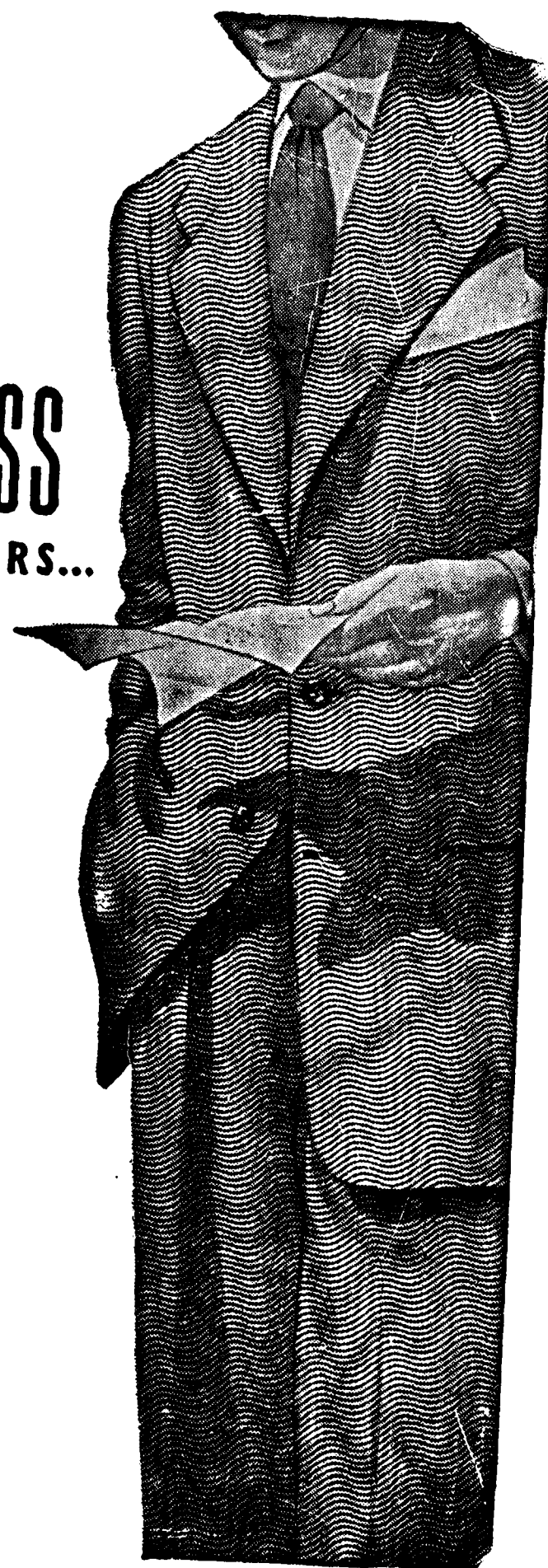
I SMARTNESS THAT MATTERS...

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paper 61

Awakening India's Conscience

FOR long years it has been a standing rebuke against the conscience of the Indian people that they are blind to the inhumanities practised by themselves upon their fellows. The intelligentsia of India have always reacted angrily to such a reproach, believing sincerely that the revolt against poverty and destitution has been great, but that rectification of the terrible inhumanity of widespread destitution which has been imposed on millions of our people was largely out of our power. No such flattering unctious can easily be laid to ourselves at a time when we are constantly impugning the richer for not sharing their wealth with the poorer, implying that wealth shared is itself a potent solution. The report of the Study Group on the Welfare of the Weaker Sections of the Village Community of which Volume I has just emerged, albeit in somewhat unfinished form, must raise a question as to whether our sensitiveness to our national poverty is reflected equally by the sensitiveness of many Indian people to the condition of the weak and destitute of India's own population. Again, after all our resolutions on national integration, are we truly alive to the shocking disparities in the conditions of living in India's countryside?

The current report of the Study Group—over which Mr. Jaya Prakash Narayan presided and which contained several officials and three Members of Parliament—cannot be dismissed as a Utopian exercise associated with the Bhoodan movement. The report itself is a closely argued document, and, while it is possible to differ on assessments here and there, it presents a constructive approach to a problem objectively analysed and, in fact, framed with reference to nationally accepted goals. It is not merely a description of the nation's poverty with a passion for righteousness unbacked by deep and calm analysis of concrete solutions. The report will need to be considered in detail by the country as a whole. If it takes a long time to be published, *The Eastern Economist* will arrange for a Blue Supplement to be published containing its important elements. It is not, therefore, necessary here to go into detail; but it is vital that the country should recognise that it presents a major step forward in assigning to the Indian people their responsibilities and at least an adventurous approach to their solution. The removal of abject poverty and the protection of what the Committee described "the weaker sections" in the rural population cannot be a matter for a decade or two decades only; it is certainly a much longer journey. But at least there is now held before the eyes of the Indian people the long road that it is necessary to travel in order that ordinary human values should be restored by fighting, and not acquiescing in the degradation which rural destitution implies.

The "weakest" sections of the population have been variously defined, but, they are here present-

ed by two tests—those of limitation by land and secondly, by limitation of income. It is stated that 20 per cent of the rural households own no land and 25 per cent hold lands of less than one acre. This is probably reflected in income, because it is stated that 35 to 50 per cent of Indian rural households have an annual income of less than Rs. 500 and about 80 per cent less than Rs. 1,000. The "weaker" sections of the population are defined as those below an income of Rs. 1,000 per annum with three large groups; those below Rs. 250 per annum, who are destitute, need immediate grants from the State to avoid their immediate destitution. A large campaign for employment and all the elements which should go with welfare, such as literacy, rural housing, industrial co-operatives and so on, are laid out with detail and precision which provide their own recommendation. But the central point is the recognition of the need of a State grant by "a means test" to assist the weaker sections. For this purpose the Committee states: "We would suggest a general formula, that families whose income is less than, say, Rs. 1,000 a year would cover cases of chronic economic backwardness. Next, we would suggest, following Gandhiji's concept of 'Antyodaya', that within this low income classification, priority of assistance should be given to those families whose income is less than Rs. 500 a year. We are convinced that a beginning should be made from the lowest rung of the ladder. Lastly, we would regard that families whose income is less than Rs. 250 per annum should be regarded as destitutes. They should be taken care of in the first instance by suitable welfare measures which should be the responsibility of or routed through the Panchayat Raj institutions. These institutions should be assisted by suitable grants-in-aid by the State."

It is possible to resile from the tremendous challenge contained in these proposals. It has always been assumed that the burdens on the Exchequer are so great that it is unthinkable that they should, in the short period, be greatly enhanced. It is also supposed that any grants of this nature will be violently inflationary. These aspects of the matter have to be examined in some detail, but meanwhile a suggestion could easily be made that the Finance Commission in framing its recommendations for grants-in-aid under Article 275 of the Constitution, should bear in mind the respective claims of the States on the basis of this destitution defined within the sense of the Jaya Prakash Narayan Committee. It is not possible for poverty and degradation to be removed by one great stroke of fiscal policy, but a gradual movement in that direction will surely both engender hope and create faith amongst the weaker sections of the population that the socialist pattern of society is contrived for their protection and not merely for the enlargement of the power of those that have the gifts of education and influence.

The World Bank Loan for the Railways

THE World Bank's initial loan of \$50 million (approximately equivalent to Rs. 24 crores) for financing part of the expansion programmes of the railways in the Third Five-Year Plan is not

only in keeping with the tradition of the Bank to assign priority to accommodation for social capital but it is also in keeping with the tradition of eligibility of a high order which the Indian Railways

have established for the Bank's supply of credit. In this loan is to be found further corroboration of the soundness of the case of the railways for credit. Five commercial banks from America have participated in this credit without the guarantee of the World Bank to the extent of the first full half-yearly maturity falling due in February 1965 and part of the second maturity. The terms of the loan are fair. The period of maturity is spread over 20 years, while the rate of interest is fixed at $5\frac{1}{2}$ per cent per annum, inclusive of the surcharge of 1 per cent for the Bank's reserves. The question of strain on the balance of payments hardly arises in this case at all.

The debate is bound to remain inconclusive as to what should be the magnitude of change in the relative positions to be allocated to rail and road transport in development from now onwards. This is an internal issue of the overall transport system of the country. But confining it to the period of the Third Plan, there is no gainsaying the claim that the railways have to play the dominant role in providing transport capacity. In the opinion of *The Eastern Economist*, there has been an error in not casting a heavier responsibility on road transport and making a larger allocation of finance for it. Avoidance of this error would have made the outlook for provision of transport in the Third Plan less precarious than what it threatens to be. But this criticism does not alter the fundamental fact that the provision of outlay on railway development has been inadequate for the purposes of the present Plan. In plain terms, it means that the rupee expenditure as well as the foreign exchange expenditure now estimated for it represent the irreducible minimum.

It is astonishing how the ratios of rupee and foreign exchange outlays on railway development are being radically changed. Here is to be found a vindication of the policy of assigning priority to capital goods producing industries. In this context, the First Five-Year Plan can be conveniently left out of consideration, since the railway component of the Plan did not represent expansion but rehabilitation of the rail system. Development as such was taken in hand in the Second Five-Year Plan. But out of the total outlay of Rs. 1,100 crores in the Second Plan, the rupee component was of the order of Rs. 768 crores and

the foreign exchange component Rs. 332 crores. This gave a ratio of 70:30. In the Third Plan the outlay is fixed at Rs. 1,325 crores, divided into Rs. 1,139 crores for the rupee component and Rs. 186 crores for the foreign exchange component. The ratio has been changed radically to 86:14. No other segment of India's economy has made such remarkable strides towards self-sufficiency. Today India is not only self-sufficient in steam locomotives but she turns out a small exportable surplus. Passenger coaches are supplied domestically. Freight wagons were a chronic headache, but capacity has been expanded at a high rate, particularly in the private sector, to build all the wagons that the Indian railways require in increasing numbers. Only the special type bogie wagons with a high carrying capacity are imported. In a wide range of equipment the need for imports has been eliminated.

The race for cutting down the expenditure of foreign exchange and relieving the strain on the balance of payments has been underscored by a significant synchronism. The agreement for the World Bank's loan was signed on October 13 and immediately the next day the Prime Minister inaugurated the commissioning of the first Indian made electric locomotive. True, the electrical equipment of this loco was imported. But it will not be long before the Bhopal Heavy Electricals will supply it. This is the first in a batch of 21 electric locos to be produced initially at Chittaranjan. Electric and diesel locos, some types of track equipment, electrical signalling apparatus, equipment for railway electrification and special types of steel are the chief items of imports needed in the Third Plan. In their absence, high speed transport, on which accent is now being placed, can hardly be made available.

The World Bank has been generous, but not without technical justification, to the Indian railways. Its loans to them to date (excluding the latest one) add up to about Rs. 160 crores — the largest granted by it to a single enterprise. This aid is roughly equivalent to the balance required to finance imports in the Third Plan. Not all of it ought necessarily to come from the Bank, but the bulk is expected from it. The railways have made out a cogent case for eligibility for assistance of this order.

L. I. C. Valuation : A Mixed Bag

THE with-profit policyholders of the Life Insurance Corporation of India will heave a sigh of relief that the agonising period of suspense about the quantum of bonuses receivable by them is at last over. Not that the results of the latest valuation i.e. the second valuation in respect of the biennial ended 31st December, 1959, are such as to gloat about; what they have got is certainly less than what they were hoping to get. However, they may derive some satisfaction from the fact that the basis of valuation is much more satisfactory, devoid as it is of some of the shortcomings of the provisional valuation. Notwithstanding the lively debate that has been going on, on the merits and demerits of the with-profit policies, the finalization of the scheme of the differential bonus by the LIC and its approval by the Government of India will be welcomed by the with-profit policy holders especially those who were discriminating and prudent enough to have had their lives insured with financially sound and

long established insurers. Whatever may be said about the experience of the with-profit policy holders — and this has been none-too-happy and certainly not as attractive in the event as was indicated to them when they took out their policies — there is no gainsaying the fact that these policies still hold out a charm to a majority of the insuring public. This is obvious from the fact that out of the total number of the policies at the end of 1959 at 69.29 lakhs as many as 52.30 lakhs were with-profit policies. Recent indications, however, are that in view of the past experience in respect of bonus payments many people are seriously to consider whether, after all, they should continue to go in for with-profit policies when in fact they are tending to prove less profitable commensurately with the extra moneys payable by them by way of bonus loading. Unless, therefore, the LIC takes note of this growing concern among the with-profit policy holders and does something to make these policies at least as

attractive as they are purported to be, the demand for abolition of these policies may become too overwhelming for even the LIC to resist. And there is no dearth of advocates of uniformity in everything under the guise of socialism who will add their support to this plea. It is to be hoped that the LIC will strive its utmost to retain the with-profit policies as also to make them sufficiently attractive, of course with its own limitations. This is precisely the interpretation that should be put on this concluding sentence of the second Valuation Report, "The policy holders will be glad to know that further investigations made by us go to show that the Corporation is not only in a position to maintain the present bonuses in the future but also to improve thereon in due course if the present favourable conditions continue". True, this future outlook though promising has been hedged in with qualifications but it is undoubtedly a pointer to the way in which the mind of the LIC — at least the actuarial mind of the LIC — seems to be working.

Before commenting on the valuation results as such it is necessary to record (1) that the second valuation provides the basis for all future valuations and (2) that the scheme of differential bonuses which had only been provisionally accepted following the first valuation has now been definitely accepted. The latter is particularly significant in the context of the assurances given at the time of nationalisation and subsequently that notwithstanding the enabling clause in the Life Insurance Corporation Act, 1956, the with-profit policy holders will not be denied the benefits of bonus as per their contracts with the erstwhile insurers.

A word about the plan of the latest valuation. All the policy holders both of the old companies and the Corporation have been classified under 24 groups and allotted index numbers. It is not clear why when there are only 25 groups one company has been placed in the group index 49 leading one to look for group index numbers 26 to 48 without profit. It would have been better if the serial order of the group index numbers had not been broken thus. Similarly, while one can understand the term "miscellaneous group", one is at a loss to find the term "group index nil" when any one of the numbers 26 to 48 might well have been given to it. But the actuaries might apparently have their own justifications, not excluding that of avoidably confusing the layman!

Strictly speaking it would not be proper to compare the results of the first valuation and the

second valuation. For one thing, the first valuation results when they were released in 1959 were still provisional and have only been finalised now. Secondly, the assets and liabilities of the insurers covered by the first valuation do not pertain to the biennial period; strictly speaking, they range over a period extending from three to seven years, except in the case of a few foreign insurers and the LIC itself. Subject to these qualifications comparison of the two valuation results shows that as against 56.83 lakh policies assuring the sum of Rs. 1,472.81 crores (including bonus and annuity policies) the latest valuation covers 69.29 lakhs policies assuring a sum of Rs. 1,997.15 crores (including bonus and annuity policies). The disclosed profit of the first valuation was Rs. 30.24 crores gross which left an amount of Rs. 27.56 crores net for participating policy holders. As per the second valuation, the disclosed profit was Rs. 26.08 crores gross, leaving a net amount of Rs. 24.47 crores for distribution among the participating policy holders.

The breakdown of the 245 insurers including the LIC from the point of view of their bonus experience is something like this: 23 of these were insolvent insurers; 6 were insurers with only non-participating policies; 26 insurers could not declare any bonus because of absence of surplus. In the second category fall 42 insurers who had no bonuses to offer under the provisional valuation but are giving some bonus now; 119 insurers have raised their rates of bonus under the second valuation as compared to the first. It is only in the case of 26 companies that the latest bonus is less than the provisional one. However, if the total number of policies involved is considered, whereas 31 per cent have got a higher bonus, as many as 69 per cent stand to get a lower bonus. This is more or less the same picture that one gets by comparing the bonus rates during the pre-nationalisation year with those now offered. Even the LIC cannot dispute that the bonus paid by the better managed companies in the pre-nationalisation period were certainly higher. Therefore the LIC has yet to establish that nationalisation of life insurance has benefitted the policy holder. There is no use saying that the LIC has to subserve an ideology that was not there during the pre-nationalisation days. The insured is concerned with the benefits that he gets and it is only from this point of view that he will compare the working of LIC with that of his old insurer. In other words, a commercial undertaking whether in the public or the private sector will be judged and has to be judged only from the point of view of profitability.

A DELHI DIARY

MAGIC IN 101?

TODAY is Vijaydashmi. I am sorely tempted to indulge in the general gaiety, but a high sense of duty — combined with a bad conscience over my absence last week — compels me to attempt hard work, when everyone is playing. It is hard going. There is nothing of interest, and my eager eye scanning the newspapers has had to fall back — or is it a fall forward? — on Moscow and the United Nations. I notice one extraordinarily important new development abroad. This is that the figure of 101 — which I thought was an exclusively Indian lucky number — has been invading the highest councils of the world. The 22nd Soviet Communist Party Congress has chosen 101 slogans in which to surround its general exhortations to its people and the world. At the same time, I notice that the Political Committee of the United Nations, addressed

by Mr. V. K. Krishna Menon on Tuesday, in his first appearance after his operation, has 101 members. We have thus lost our magical monopoly to the auspicious use of the number 101. Or have we, like so much else, given our best to international affairs? In any case, "ek-sau-ek" is now an international symbol just like, in less happy times, our Swastika became in years to be forgotten. May I express the hope that "ek-sau-ek" now adopted in Moscow and in New York will have more peaceful effects on world affairs?

"The Eastern Economist" — largely, I expect, because it has been invaded by the spirit of the Vijaydashmi Day — has no Editorial on the 22nd Soviet Communist Party Congress. I have, therefore, been promoted to the official spokespersonship of the paper on the subject of Mr. Khrushchev's latest proposals on Berlin. I will take no note of the fact that he pre-

faced these proposals with the interesting, but somewhat terrifying, announcement that before the end of the month Russia will have exploded a 50-megaton H-Bomb, equal to 50 million tons of TNT, and that the only reason for not exploding a 100-megaton bomb would be that it would break his own windows. The major interest in Delhi, I expect, is not in either the 100- or 50-megaton bombs, but the sweet reasonableness of the Prime Minister in regard to the signing of a treaty with East Germany. "If", said Mr. Khrushchev, "the Western Powers show readiness to settle the (Berlin) problem, the question of a deadline for the signing of a German peace treaty will not be of such importance". It would be enough if it could be "settled as quickly as possible". Naturally we take this to mean that negotiations have now got no deadline — or D-day — and all that is required is that elusive thing called "goodwill", or, when goodwill is lost, "a change of heart". Apart from General de Gaulle, and possibly Dr. Adenauer, for somewhat different reasons, "the change of heart" can be assumed. I am, therefore, drawing the happy conclusion that the Berlin crisis is thawing, or whatever metaphor describes the relaxation of rigid postures in international cold war affairs.

The Prime Minister has reiterated this week his objection to all nuclear tests. Everyone in India will endorse the appeal made to Mr. Khrushchev not to explode his 50-megaton bomb ever, or at least for some considerable time to come. Nobody doubts that he has a 100-megaton bomb and probably several of the 50-megaton. But the explosion is a wholly unnecessary operation considering that it cannot even be looked at. We have a large fire ball in the sun, if fire ball watching is a worthwhile occupation!

MR. V. K. KRISHNA MENON

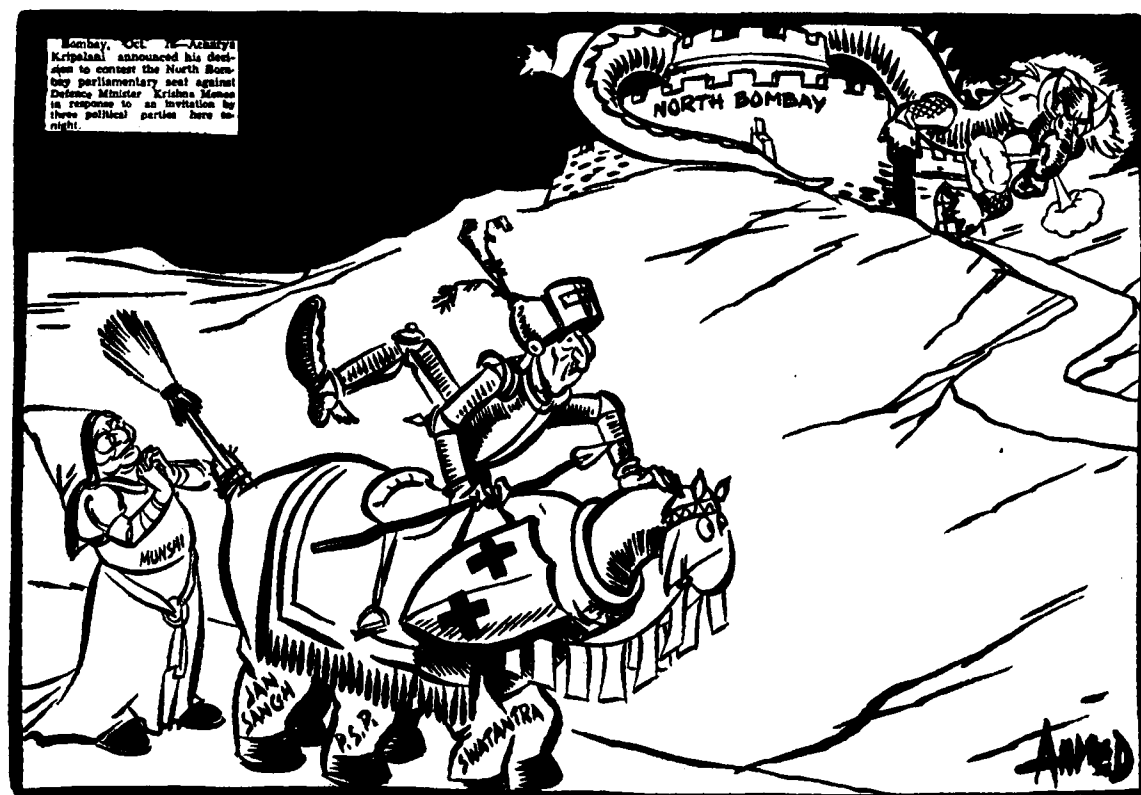
In Delhi what has attracted most attention on the U.N. Political Committee meeting addressed by Mr.

Krishna Menon, is 'the picture of Mr. Krishna Menon after his operation. It was, in many ways, a sad picture, partly because the Defence Minister was without his magnificent hair. Was it absolutely necessary for the operation that his impressive mane should all be removed in one fell sweep? Secondly, there is some feeling of sadness at the ordeal which the Defence Minister has had to undertake, facing not merely the difficult problems of the United Nations, but also considerable ill-health at a time of strain. I have sometimes, in these pages, criticised the Defence Minister in the pursuit of what I like to think is the national interest and the inalienable right of free speech. Let me say here that I am full of admiration for the courage which the Defence Minister shows in the face of repeated obstacles. It is now known that his doctors had advised him not to make the trip to the United States on account of his very high blood pressure, but he insisted on doing it out of a high sense of duty. There are many who will wish — even if they do not desire him as a Defence Minister — that his health should not cause him the current anxiety. There is a further ordeal for him ahead.

THE NORTH BOMBAY ELECTION

During the week Acharya Kripalani announced his candidature for North Bombay and reports from Bombay indicate that an election fever has settled on that distinguished city and a stirring political battle has been joined. I will not, at this moment, suggest any particular course of action, except to say that I am glad that at least in one constituency of the Indian Union a true, and not a sham, battle will be fought. I reproduce, without comment, a cartoon, which is disrespectful to both contestants. This might be described as true (dynamic?) neutrality!

ARGUS.



St. J.B. TO THE RESCUE

Courtesy "The Hindustan Times"

THE WEEK'S NOTES

Kerala

UNEASY COALITION

ONE AND a half years' partnership between the Congress Party and the Praja Socialist Party has not succeeded in bringing home to both of them the supreme need to sink their differences and to hold fast together to offer a powerful front against the Communist Party, which still appears to command the largest influence in the State as a single party. The rift between the PSP Ministers, on the one hand, and the Congress Ministers, on the other, has been a matter of considerable concern to the State and particularly to the Congress High Command. It was obvious that there was great resentment against the manner in which Pattom Thanu Pillai, Chief Minister of Kerala, handled important issues without taking into consultation his Congress colleagues. Mr. Sankar, the Deputy Chief Minister, naturally could not go on tolerating this sort of treatment. The question of filling the vacancy of the Chief Secretary to the Government, caused by the acceptance by the former incumbent of an assignment in the ECAFE, and grave allegations of corruption against Mr. Thanu Pillai's personal secretary brought matters to a head. It would appear that the Congress President, Mr. Sanjiva Reddy, made indiscreet remarks at a public meeting in Trivandrum which alienated the PSP still further. It is true that in a legislature of 126 members (not counting the Speaker) the Congress commands 64 seats as against the PSP's 17. But in a multi-party House, where no single party commands a clear majority to run a stable government, it is the minority party willing to enter into an alliance which holds the balance of power. If the PSP exploited this situation to its own advantage, there is very little which the Congress could do about it.

Two recent developments deserve to be interpreted in the context of the forthcoming elections and of preventing the Communist Party from capturing power in the State again. At a Cabinet meeting specially convened on October 14, all the differences between the two partners were patched up and it was announced that the coalition would run a smooth course. Patching up is only a temporary device, devoid of the virtue of eliminating the causes of discontent and disruption. The fact that the Press was not taken into confidence about the manner in which the outstanding issues were settled is an unfortunate pointer that the so-called compromise is no more than a stop-gap device. Another development of crucial importance is that the negotiations between the two parties for forming an election alliance have broken down—let us hope, for the time being. The hurdles in the way of an alliance are the PSP's dogged attitude to maintain its election alliance with the Muslim League and its demand for the allocation of 5 candidatures for the PSP out of a total 18 for the Lok Sabha as against 3 which the Congress Party is willing to offer. The months that lie ahead will occupy both the parties in the election campaign rather than in running the administration of the State. Both the parties being in office, they will try to use that position of strength for election purposes. But since no election alliance has been forged between the two, they will offer a sorry spectacle of pulling in opposite directions. If a compromise is not arrived at on the question of the election front, it is only the Com-

munist Party which stands to gain by their differences. Here lies a stern warning to both.

Sino-Nepalese Treaty

BORDER SETTLEMENT

THE TREATY signed between China and Nepal at Peking on October 5 for the settlement of the border between the two countries and released on the Peking Radio on October 12, did not involve any vital issues of controversy. But an element of some divergence appears to have been introduced over the interpretations of the treaty in Khatmandu and Peking. The Khatmandu version claimed that Mount Everest was included inside the border of Nepal and as such Nepal's sovereign right over it was acknowledged by China. Subsequent details showed that the situation was different from this version. One of the two basic principles applied in defining the frontier was the principle of accepting the range of mountain ridges as the line of demarcation, defining the territory to the north as belonging to China and the territory to the south as belonging to Nepal. This principle has been applied to the three peaks, namely, Mount Everest, Cho Oyu Lhotse and Makalu. Its meaning is that the sovereignty over the three peaks, among which world interest centres round Mount Everest, rests with China to the north and Nepal to the south. Another principle applied in the settlement of the border was that of the watershed. The watershed was recognized wherever it cut across the rivers flowing over the territories of the two countries. Both these principles are vital for the reason that India has been advocating their application to her own case. There is natural jubilation in Nepal over the conclusion of the treaty and India, too, is glad that Nepal has settled her border question with her giant neighbour.

The protocol defining the details of the border settlement between China and Burma was also signed at Peking. It has been one of the strongest and oft-repeated comments on the Chinese strategy in concluding the border treaties with Burma and Nepal that she wanted to isolate India, hold her out as intransigent in insisting upon her claims and thereby to score the propaganda point that China has no territorial ambitions against her neighbours. This criticism does not hold water. Only 100 square miles were in dispute between China and Nepal, while in the case of Burma, China completely abandoned her "claim" over 25,000 square miles of Burmese territory. In the case of India, China's initial claim was in respect of 12,000 square miles of territory, which, by a stroke of after-thought, was magnified into 50,000 square miles. If China recognizes the reality and abandons her pretence of claim over the Indian territory, as she has done in the case of Burma, the settlement will be quick.

There are two important points which emerge from the Sino-Nepalese Treaty as of great relevance to the dispute between China and India. They justify the stand taken by India. The first and the lesser one is that the two points of tri-junction of the frontiers of China, Nepal and India have been settled in the treaty with Nepal in accordance with the claim put forward by India. But the more important point is that all along the Peking Radio had been carrying on the propaganda that the boundary between China and Nepal had never

been delimited and, therefore, it required thorough delimitation. But as the treaty shows, it has been settled on the basis of custom, usage and the reality of geography, besides other historical evidence. These precisely are the criteria which India is insisting upon as the factors in settling her own border question. There can be no question of India conceding China's fantastic claim of delimitation of the entire boundary running over thousands of miles.

Mysore Congress

THE DEEPENING RIFT

THE RIFT between the organizational and legislative wings of the Mysore Pradesh Congress Committee is unfortunately deepening. This development has been brought above the surface as a result of the initial selection of the Party's candidates for the forthcoming general elections at the Mandal and District Congress Committee levels. An unseemly wrangle is openly being indulged in. Mr. B. D. Jatti, the Chief Minister of Mysore, and his sympathisers have protested vehemently against what they consider the elimination of the supporters of the ministerialist group from the initial selection. They have alleged discrimination in this process and have asked for a drastic revision of the recommendations of the Mandal and District Congress Committees by the Pradesh Election Committee. The Pradesh Congress Chief, Mr. Nijalingappa, has deprecated this practice of washing of the dirty linen in the public and he has expressed his displeasure at the tendency to jump to the Press. The very fact that Mr. Jatti has a grouse against the elimination of the ministerialist group is proof positive of the fact that the differences between the ministerialist and organizational groups are widening and deepening.

Mr. Nijalingappa was perfectly right in maintaining that proper weight must be given to the views of the Mandal and District Congress Committees in the matter of the choice of the candidates and that the Pradesh Election Committee should interfere with them only where there is a strong case for such a course of action. The very fact that the ministerialist group has not received support in the Mandal and District Congress Committees shows that it has lost live contact with the electorate and it does not truly represent the Party members. This precisely is a challenge to which Mr. Jatti and his co-complainants should direct their attention and do a good deal of searching introspection. The truth of the matter is that since Mr. K. C. Reddy was made to shift the venue of his political career from the State to the Centre, aspirants to ministerialist power have been busy aggrandizing their position. There have been several reshuffles in the group alignments inside the Party and, while power might shift from one to the other, the wrangles weaken the Party. It is problematic how far Mr. Nijalingappa's appeal to banish groupism from the Pradesh Congress Committee will be heeded. But the ministerialist group in Mysore would do well to try to emulate the examples of the neighbouring States of Madras and Maharashtra, where the Party's interests are upheld as supreme.

Election Manifestos

CPI AND PSP

IT IS an outstanding characteristic of the election manifestos of the Opposition Parties so far released that they confess to a feeling of utter helplessness in displacing the Congress Party from office and all that they aspire to do is to capture the position as the prin-

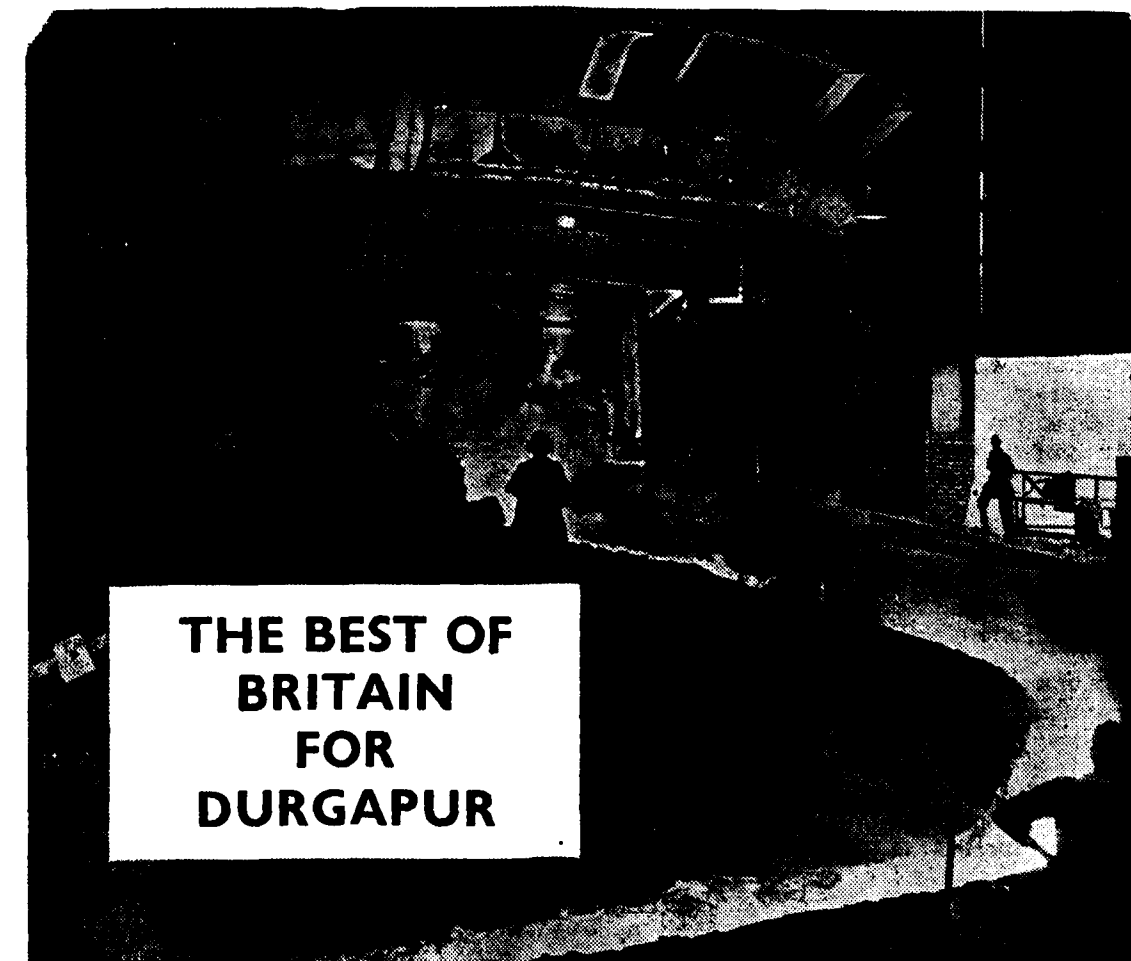
cipal Opposition in the Legislatures. This applies to the Jan Sangh as well as the Communist Party of India and the Praja Socialist Party. Another feature of the CPI manifesto is that it has succumbed to the temptation to play up the feelings of the minorities and woo them apparently for their vote. The CPI speaks blatantly of disabilities and discriminations to which the Muslims are subjected and which they are said to bear silently in a mood of resignation. In the class of minorities, scheduled castes, scheduled tribes and linguistic minorities are clubbed together. The Party gives its tacit support to the Akali demand for a Punjabi Suba.

The CPI is fully conscious that it cannot face the electorate with a clear conscience on the issue of the Chinese aggression and illegal occupation of Indian territory. It refrains from calling a spade a spade and, although internal conflicts in the Party still lie dormant on this question, a facade of unanimity has been raised for public consumption. The CPI comes very near to endorsing the nation's stand on the border dispute with China, but it does not do so in words beyond absolute equivocation. The MacMahon Line is declared as the eastern frontier, but in so far as the western frontier is concerned, the Party refers to tradition and usage as factors determining it. This is vague as China insists upon a delimitation of the entire frontier and it is anybody's guess what constitute tradition, usage and the reality of geography according to the Chinese conception.

The nuclear war is declared to be the greatest threat to world peace, rather to its existence, but the manifesto is silent on Russia's resumption of nuclear tests. As usual, America has been named as the imperialistic war-monger. The manifesto utters a warning against the shift in the Congress Party to the right and makes a fervent appeal to all democratic forces to rally round the banner of a "united front" to safeguard democracy. This trick can now no longer deceive anybody. The "united front" is a ladder by which the Communist Party intends to climb and, having once climbed to the desired point, to kick the ladder at its convenience.

The PSP also speaks of a feeling of deep frustration which has seized the minorities, when, in fact, the Government should inspire faith, trust and hope in them. The implication is that the minorities would receive special care at its hands. It has, in fact, very little economic programme of its own which can be distinguished from that of the Congress Party. There is a promise of work for the employable in the scheduled castes and scheduled tribes in the backward areas and free education for women at all levels through out the country. But when it comes to State revenues it pleads for a more aggressive policy of taxation of the upper income groups, little caring to estimate how far a policy of soaking the rich can sustain an extensive outlay on welfare in a country where the number of high income assesseees as well as the size of their incomes are modest. In fact, there is very little in its manifesto which it can claim as its distinctive promise to the electorate.

It has made the pompous claim that the Party's organisation was never before more trim and its policies more clearly defined than at the present moment. This claim rings quite hollow. The reality of the situation is that during these five years, the PSP has gone on losing heavily in strength and cohesion. If Mr. Asoka Mehta's assertion, that in case the Party does not emerge as the principal Opposition in Parliament, it has no justification to exist, is to be honoured, will it be prepared to impose upon itself the penalty of self-effacement?



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BRITISH COMPANIES WORKING FOR INDIA

DIFFERENTIAL BONUS SCHEME ANNOUNCEMENT

The Differential Bonus Scheme has now been finalised and in exercise of the powers conferred by Section 49 of the Life Insurance Corporation Act, 1956, the Corporation has made Regulations classifying the policies issued by the Corporation, and by the various insurers, whose controlled business has been transferred to and vested in the Corporation, for the purpose of declaring Differential Bonuses. The Regulations have been drawn up in consultation with and approved by the Central Government and notified in the Gazette of India.

2. The Scheme is being implemented under instructions from the Government of India and supersedes the Provisional Scheme framed by the Corporation and published in June 1959. The participating Policies of the erstwhile insurers and of the Corporation are now classified in 25 groups instead of the 6 groups under the superseded Scheme.

3. The rates of bonus now declared are as a result of the valuation as at 31st December, 1957. The business valued included all the policies which were issued by the Life Insurance Corporation or by the erstwhile insurers and were in force as on 31st December, 1957. Out of the gross profits disclosed by the valuation an amount of Rs. 27.56 crores was reserved for distribution to participating policyholders, after providing for the estimated income-tax liability and the Government's share of surplus.

4. The rates of bonus in respect of participating policies issued by the Life Insurance Corporation of India are:

Whole Life—Rs. 16.00 per Rs. thousand sum assured per annum.
Endowment—Rs. 12.80 per Rs. thousand sum assured per annum.

5. As stated earlier the policies of the erstwhile insurers are now classified in 25 different groups.

The policies of the Life Insurance Corporation as well as of certain

insurers included in the same group have been allotted key index No. 10. Each of the other 24 groups has been given an index number and the ratio thereof to 10 indicates the proportion which the bonus rates applicable to the group bear to the bonus rates of the group which has the key index No. 10. The bonus vests immediately.

6. For the purposes of illustration, the bonus rates applicable to policies of some of the erstwhile insurers are shown below:

Name of the Unit	Index No.	Rate of bonus per thousand per annum	Whole Life Rs.	Endowment Rs.
Bombay Mutual	11	17.60	14.08	
Hindusthan Co-op.	10	16.00	12.80	
National Insurance	10	16.00	12.80	
New India	11	17.60	14.08	
Oriental Govt. Sec.	12	19.20	15.36	

7. The classification adopted in the new scheme will also apply to bonus allocations at future valuations. The new scheme will not apply to policies which have resulted into claims by death or maturity after 31st Dec. 1957 but before 15th Oct. 1961. For these policies bonuses are payable on the basis of the Provisional Scheme.

Full details of the L.I.C. Differential Bonus Scheme and names of Units in various groups are being published in the following papers:

Times of India, Bombay/Delhi	14-10-61	Economic Times, Bombay	15-10-61
Statesman, Calcutta/Delhi	14-10-61	Hindustan Times, Delhi	16-10-61
Hindu, Madras	14-10-61		



Life Insurance Corporation of India

The European Scene

BRITAIN'S CHANCES IN EUROPE

From Our Special West European Correspondent

PARIS, October 14.

DESPITE some exaggerated apprehensions, it is quite unlikely (on political grounds alone) that the terms Britain negotiates for her entry into the Common Market will result in any net, uncompensated loss for India. The Dominions producing temperate-zone foodstuffs have more to worry about, but there is little chance that the British and the Continentals will strike a bargain at India's expense, not because they love her particularly but because her vital interests are not at the centre of the debate. Being subsidiary, from the European point of view, they can give rise to compromises that take account of India's development needs—which, it is to be remembered, all the parties to the negotiations are actively supporting in the Aid India Club and elsewhere. If this is correct, India's principal concern remains (as British emissaries to Delhi have said many times) the prospect for expansion that membership of the ECM opens up to India's main trading partner in this region, Great Britain. Now that London has agreed to accept all the rules of the Common Market, that prospect can be tentatively evaluated.

Tentatively only, because much remains to be settled. The competitiveness of individual British industries in the Common Market will depend, for example, on how far any such industry continues to enjoy privileged supplies of raw materials, drawn from cheap Commonwealth producers, or how far it continues to benefit from preferential access to Commonwealth markets denied to its Continental competitors. Yet, all in all, it is clear that British industry as a whole will not enjoy any such benefits; that was the idea of the free-trade zone and by rejecting it and forcing London to seek full membership of the Common Market, the Continentals have ensured that British industry will not be able to win on both tables at once. Either Commonwealth preference on raw materials is shared out between all the West Europeans, whereupon Continental industries will gain from cheaper supplies; or else it is abolished, whereupon Britain loses the advantage. Either way, British industry will pay for entry into the ECM by admitting equality of competition, both as to raw material supplies and preferential export markets. The precise terms of this equality have to be negotiated, but that does not stop us estimating British chances in Europe.

A more serious unknown factor is the value of the pound sterling when Britain joins the ECM. Rightly or wrongly, many Continentals, particularly in West Germany and Holland, are convinced that the pound will be devalued on the eve of Britain's entry, just as the French franc was in December 1958 as the Rome Treaty came into effect. There is no wishful thinking in this, for it is what Continental industrialists fear most; a cheaper pound would revolutionise British chances in Europe, and any estimate of those chances we might make today would be as out of date as gloomy forecasts about France's hopes were in 1958. What follows, then, is written under this reservation.

We need not dwell on the benefits British industry will derive from the bracing atmosphere of freer competition, for this has been stressed by the British Government in making its decision. Less advertised is the hope that membership will restore the pre-eminence of the City as a world financial centre over the new challengers on the Continent. The City indeed could become once again the monetary heart of an economic unit as impressive as its former empire, to the great financial profit of the UK. This point is not lost on the Conti-

nentalists, who regard the admission of the City and of sterling as being just as formidable as the admission of Sheffield, Manchester and their manufactures. That is why they will probably insist on a greater degree of monetary co-operation within the enlarged Common Market. Connected with this, but also with matters of industrial competition, is the prospect of London becoming the Mecca of foreign capital, especially of American investments. Britain's gains could be substantial, and Continental capitals will seek to limit them or to ensure that they are shared. The question of joint monetary policy will become more important than it was in the six-nation association.

Coming to trade, there is first the matter of foodstuffs. Britain imports three-quarters of her food and Paris and The Hague would be willing to see British manufactures gain much wider markets in Europe in return for the right to supply much of these imports. Tempered to suit the agricultural protectionism that rules in Britain and West Germany, this solution would be acceptable to all Europeans, but it would seriously indispose the Australasians and North Americans. What concerns us is that it would suit India perfectly well; she supplies no temperate-zone food to Britain and would benefit from more intense industrial activity in West Europe, and especially in Britain, which called upon her to provide more raw materials and semi-manufactures.

As for the outlook for British industrial goods, one turns first to capital equipment, which constitutes 25 per cent of British exports and is the largest entry in her commercial accounts (\$3,000 million yearly). A substantial amount is already exported to the Continent (most of the rest to the Commonwealth) and this amount could easily be increased when tariff barriers fall, for British prices are competitive thanks to the larger size of British manufactures. The outlook is especially bright for machine tools, and electric and electronic equipment. However, the use of the Anglo-Saxon system of measures and standards is a hurdle that is not suppressed by simply joining the Common Market. The metric system would have to be adopted and standards made uniform throughout the enlarged Common Market (trick specifications are a simple means of evading free trade in this department, and can be practised by trade associations as well as by governments). As import duties on British capital goods fall from 16 per cent to zero, British industry will find immense opportunities on the Continent, but competition will be rough and there will be no easy victories. The West German capital goods industry can, of course, look after itself and the French firms after their recent spectacular progress will provide stiffer opposition than three years ago.

British mechanical industries (automobiles and the like) have most to gain. They have invested very heavily in recent years, they are fully modernised, are considerably bigger than the equivalent French and Italian industries, and their productive capacity is at present in excess. Faced with import tariffs of 29 per cent on the Continent, they have cut their export prices in order to keep their plant as fully employed as possible. Moreover, and this is what the Continentals are most afraid of, these industries are in fact largely in American hands and American investment will perhaps increase further once Britain is in the Common Market. The Continentals realise that they are being asked to take on Detroit "by proxy". In this sector, Britain is regarded as an American colony, whose introduction into the Common Market is sometimes seen as a Trojan

horse operation, designed to carry American competition into the home-ground of the Continental mechanical industries, whose rapid progress has caused some alarm on the other side of the Atlantic. This might be exaggerated, but it is true that the struggle will be between American methods, as represented by the British, and the Continental reliance on cheaper labour and more inventive engineers.

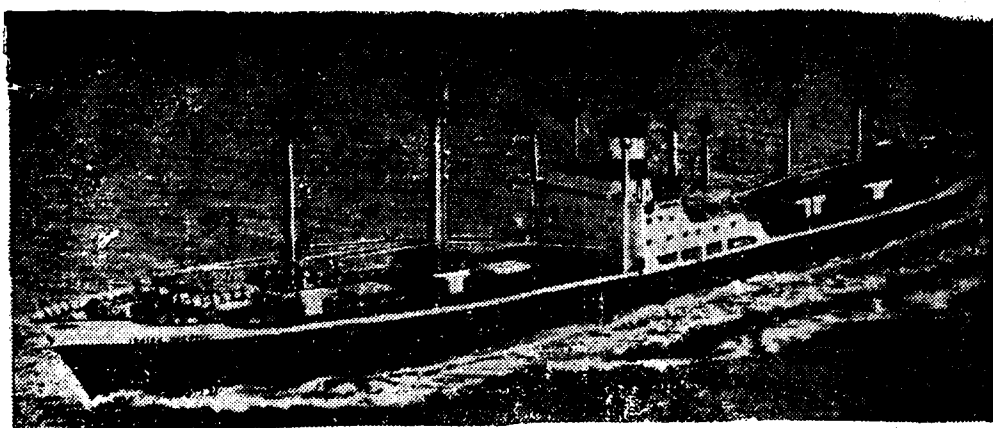
The struggle will be no less keen in the electrical industries and aeronautics. Some Continental manufacturers in this field would like to impose conditions on free competition with the British; specifically, equal access to Commonwealth raw materials and to Commonwealth markets, a controlled share-out of American licences and capital between Britain and the Six, and harmonisation of tax and labour laws. In general, these conditions are thought necessary by many Continental industries but the demand is quite formal in this department because it is felt that Britain's advantage is most marked here. This attitude suggests that the people best informed give Britain an excellent chance of making serious inroads into the Continental market for these goods.

In chemicals (8 per cent of British exports), the outlook is more obscure because the amount of protection varies widely from product to product and no one will really know how the British, German and French industries will fare until the gloves are off. All of the national industries are solidly established in basic lines (sulphuric acid, fertilisers, plastics) and competition will centre on several products where the economies of producing for a really big, mass market are greatest: synthetic rubber (hence tyres), moulded plastics and derivatives of natural gas. Summarily, the question is how big an impact ICI will make when import duties of 18 and 20 per cent are removed on both sides. After watching the reorganisation of the Continental chemicals industries inside the Common Market, one has the impression that this is a field where specialisation agreements, exchange of licences, market-splitting pacts, formation of common subsidiaries, etc. are readily resorted to, in preference to prolonged competition. The West German and Italian chemicals industries were already heavily concentrated and the French industry

has become so since 1958, so ICI will find boys its own size when it crosses the Channel.

In textiles, Britain is more protectionist than the Continentals and she has been buying more from them than she can sell them, which would suggest that her mills will find it rough going in a unified market. But many types of British cloth benefit from considerable prestige on the Continent, and when import duties fall from the present level of 9 to 15 per cent to zero an expansion of sales of woollen goods is probable. Finally, in basic industries (coal and steel) import duties are small and their abolition might not seem to make much difference. Yet certain types of English coal find a wider market on the Continent, especially to Channel ports where they benefit from the lower cost of sea carriage. However, this problem concerns Britain's entry into the CECA (Coal and Steel Pool) rather than the Common Market, which will be negotiated separately if the current talks succeed. The prospect of an equal encounter with the more warmly protected British steel industry does not perturb the industries of the Pool, it being understood that Britain would have to conform to the rules of that association after an initial period of transition.

This survey cannot be neatly summed up because balance of advantage does not tilt markedly one way or the other. There are spheres where British industry will have vast opportunities, and others where they will find the competition quite hot. It is clear that Britain would have been very much better off if she had joined the Common Market from the start. The lost years were spent in sterile opposition and half-baked adventures like EFTA, while British industry made little progress and the Continentals reorganised themselves to face a unified market, thereby increasing their capacity to stand up to bigger British industry. ICI, for example, will find things quite different in the concentrated and specialised French chemicals industry to the fragmented opposition it would have encountered in 1957. Nevertheless, the scope that remains for British conquests on the Continent is impressive especially if, in spite of promises now being given, Britain eventually sacrifices some of the interests of the food-producing Dominions in order to draw more of her food from her partners of tomorrow.

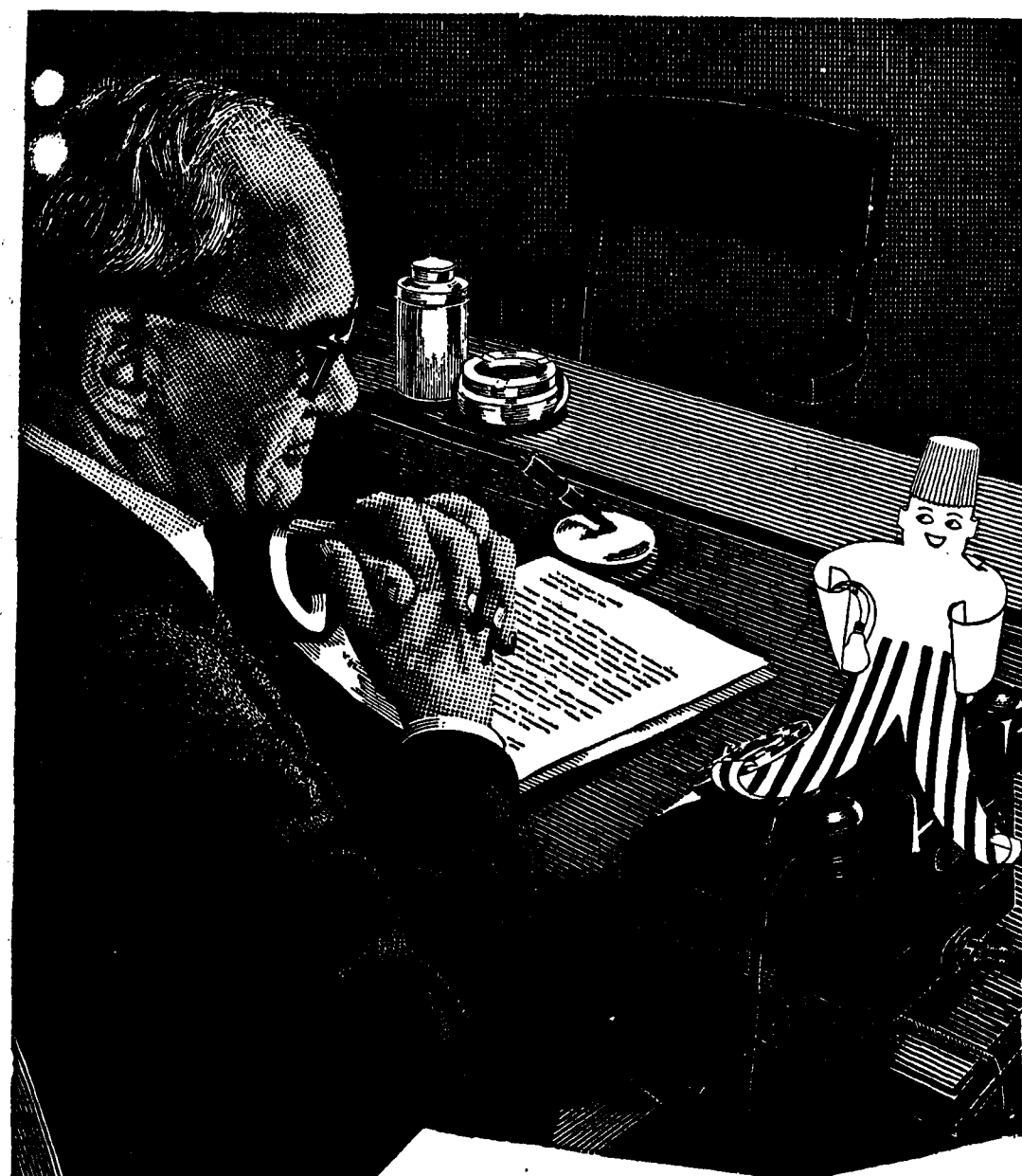


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VIENNA: THE COCKPIT OF POWER

By WILLIAM REES-MOGG

VIENNA is a strange, beautiful, consciously neutral City, scattered with palaces. Apart from Berlin it is the capital City of Europe which is closest to the frontier of the cold war. In Vienna one cannot fail to be conscious of the frontier posts of the Red Army only 25 miles away. Inevitably the Russians are for the moment relieved to have contracted out of the conflict; yet at the same time they are in another sense the most anti-Communist people in Europe. "There are no Communists in Austria," they say, "we have been occupied by the Russians".

This atmosphere was particularly appropriate for this year's meeting of the International Monetary Fund which seemed itself to be a cockpit of power. The theme round which the discussions turned was the enlargement of the Fund itself: the real issue was the Challenge to American economic power which was made by France, acting as a kind of representative of Europe.

Certainly the French, very ably led by M. Baumgartner set out to cut everyone else down to size—and they very largely succeeded. They established first of all the simple but important rule that no alteration to the Fund's organisation can be made which is not acceptable to the powers which are in fact going to make the loans.

This for the present knocks out the more ambitious plans for a radical solution to the world exchange problem. At Bretton Woods, as at any time up to a couple of years ago, the I.M.F. powers would have passed a Bernstein or a Triffin plan on the nod if the Americans had wanted it. They would have done so because it would have been the United States which would have had to put up the cash to finance either plan.

Now the situation is quite different. Any reform of the International Monetary Fund must now depend on the willingness of the European powers to put up more money. Indeed the problem of world exchange rates is now the problem of the reserve currencies, sterling and the dollar. The question that was discussed at Vienna was how far the European powers, with their big surpluses, would be willing to support these two widely held currencies, which many European bankers believe to be overvalued.

The weakness of both currencies has now reached the point at which it seems to be virtually impossible for both to be strong at the same time. In 1960 the pressure was on the dollar and, despite an unfavourable balance of payments, sterling was strong. In 1961 sterling came under pressure and the dollar enjoyed a momentary revival of confidence. Now sterling is again recuperating and already the outflow of dollars has begun. It seems that there is little real world confidence in either currency, but that each is supported by people getting out of the other.

In these circumstances it is inevitable that the powers with strong currencies should be in a very strong bargaining position. America is of course still the country with the big reserve of economic capacity. It is still American aid on which the world depends, and it would be disastrous if balance of payments difficulties forced her to reduce it. Nevertheless, as Vienna showed, it is the marginal balance on which the bargain-

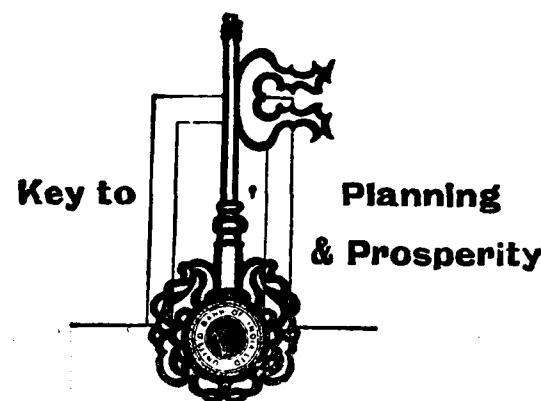
ing position depends. A man worth £100,000 can make his terms with a man worth £1,000,000 if the millionaire has to come to him to borrow cash.

The improvement in Europe's bargaining position comes at the point when Europe is in any case beginning to reassert its political and economic power. Before 1939 Europe had three of the six effective world powers. The effect of the war was to reduce the number of world powers effectively to two. In 1939 however it would have been taken for granted that the combination of Germany, France and Britain would outweigh either Russia or the United States.

It is again becoming obvious, not that Europe can outweigh the other world powers, but that Europe is claiming the position of a world power and will claim it successfully. In defence and international affairs the Berlin crisis shows that Europe is not yet powerful enough to speak for herself, but in exchange and financial matters Europe has successfully reasserted her independence already.

Inevitably this process will lead to strain between Europe and the United States. The Americans have behaved with remarkable restraint and generosity towards the Common Market, but they will have to be trained out of the habit of unquestioned leadership. Here the vigour of General de Gaulle's independence, which has so often seemed to be a weakness of Europe does in fact serve a useful purpose.

On the other hand, as Vienna also showed, Europe is insisting upon being independent, but not on being unreasonable. The I.M.F. is not being given all the new funds it would like, but it will be given very substantial sums all the same—Europe is claiming independence and is also accepting responsibility.



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Economic Report from the U.S.

FOREIGN AID PROGRAMMES

By GUY SIMS FITCH

WASHINGTON, Oct. 11.

FOREIGN aid programmes, both national and international, are being re-examined, re-defined and re-oriented as never before. It is apparent that the experts who are taking a close look at this subject see a clear need for new approaches to the economic advancement and modernization of developing lands. These new approaches can be summarized briefly as increasing emphasis on long-term, easy-payment loans geared to realistic and soundly based programmes, combined with a determined effort on the part of developing nations to mobilize their own resources, public and private, and to effect necessary reforms in their own economies. Implicit in this is the recognition that government-to-government capital, no matter how large the flow, cannot of itself engender the kind of progress required to set developing nations squarely on the road to self-sustaining growth and effective economic and social modernization. As put by World Bank chief Eugene Black, there must be stress on quality as well as quantity in aid programmes.

It is especially heartening, then, that the U.S. foreign aid programme finally voted by Congress and signed into law by President Kennedy goes far toward meeting both these criteria—quality and quantity. One can safely make this statement despite the fact that the Kennedy Administration did not receive from Congress all it wanted, either in new authority or new funds. The act places primary emphasis—where, according to current thinking, it properly belongs—on long-range assistance programmes to support the self-help efforts of the developing countries and to promote their economic and social advancement. It establishes a new organization—the Agency for International Development (A.I.D.)—to administer the programme, with authority stretching over five years to make long-term loans, of as much as 50 years' maturity, generally repayable in dollars but at little or no interest. It is true that Congress reserved to itself its time-honoured prerogative of voting annual appropriations for these

loans, instead of giving the administration the right to withdraw the funds from the Treasury as requested. But the important point is that Congress appropriated more than \$1,000 million for these development loans this year, compared with \$550 million last year, and authorized another \$1,500 million a year for the succeeding four years.

In addition to the more than \$1,100 million for long-term development loans, Congress this year has appropriated \$296 million for "Point Four" technical co-operation grants, \$275 million for the President's fund to meet special emergencies, and \$425 million economic aid to free nations whose economies may be exceedingly strained by the need to maintain large defence establishments. Including all these, the total foreign aid appropriation for the current fiscal year that began July 1 comes to slightly more than \$4,000 million. Much is being made of the fact that this sum falls about \$800 million short of President's Kennedy's original request. It is, nevertheless, the largest annual foreign aid appropriation voted in a number of years. Also to be borne in mind is the fact that this \$4,000 million does not include the \$600 million voted earlier this year in special economic and social development assistance for Latin America under President Kennedy's Alliance for Progress programme. All in all, then, the total voted this year for economic and social assistance to other countries emerges as far more generous than it is sometimes supposed.

It is obvious that detailed organization of a new agency for as large and as complex an aid is a time-consuming task. Significant progress is being made, however, and aid should be reaching the operative stage within a matter of weeks. Fowler Hamilton, who has been appointed by President Kennedy to head the new agency, firmly believes that aid has been given the authority and the tools with which to lay the basis for a sound and successful "decade of development"—the term which President Kennedy often has applied to these years of the 1960's.

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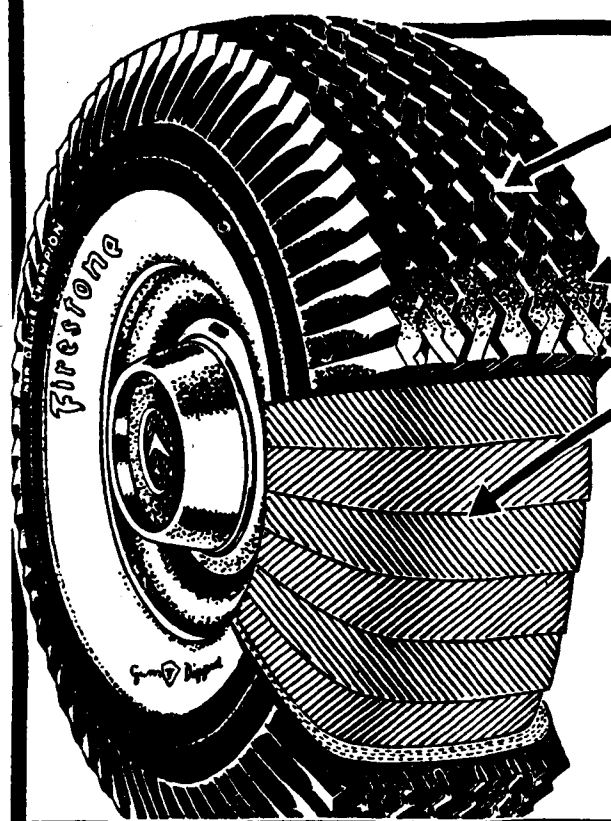
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Special Article

INDIAN ADMINISTRATION: THE INVENTORY

By C. S. VENKATACHAR

[This is the second of a series of three articles by Mr. C. S. Venkatachar, a distinguished member of the Indian Civil Service. Mr. Venkatachar has been Secretary to the Government of India and Secretary to the President. He was recently a member of the Expert Committee to recommend changes in the Secretariat of the United Nations.]

WHAT happened to the prophets of doom when the British withdrew? Why did not the machinery of administration collapse? The British forgot for once their own historic contribution. Prof. Stewart's scholarly study on the part played by Bentham and the Mills — father and son — on the shaping of the Indian Administration, has established its solid Victorian foundations. That through legislation many ills and defects of society could be remedied was one of the earliest of the administrative philosophies advocated by the Benthamites. The habit of detailed study of social, administrative and legislative problems through investigation and public enquiry, objective reporting, official rectitude, and so on were moulded by their rationalism. Hence "the importance of inductive evidence, of statistics, blue books and regional reports." Laws were codified, rules and regulations framed and a panoply of law courts instituted. Thus foundations were laid for the concept of an Indian State, administrative efficiency and unity in diversity. It was through an administrative state, with all its failures and shortcomings and with no claim for democracy as its handiworks, did India emerge into freedom.

A signal contribution, which continues to give strength and stability to our administration was made by injecting a strong dose of centralisation and by providing a hierarchy of officialdom to which a substantial underpinning was given at different levels. Without such a structural design, the machinery would have been weak, as the Indonesians experienced when the Dutch withdrew, or would have vanished into thin air as the Congolese found it to their cost. Further, a chain of responsibility was run through the staff line with freedom to act and take initiative. A corollary to this arrangement was the supervisory nature of the administration and a system of checks and of reporting backwards and forwards.

The alarming concentration of political and economic power in the Central Government inhibits the delegation of power in a more democratic society which, consequently, tends to become more bureaucratic. Professor Wheare's description of the Government in England as a parliamentary bureaucracy draws attention to this changing aspect. The civil administration in India was long accustomed to delegation of authority, particularly at the district level. This delegated authority was habitually combined with the ability to assume responsibility, a feature which was markedly absent in French or Dutch colonialism. The Frenchman, Victor Jacquemont, travelling in India in 1830's noticed with amazement, there was only one Englishman where there would have been twenty Frenchmen to perform the same job.

As elsewhere, in India too, the concept of the State is changing but the mechanism of the State has not changed. The Indian administration maintains its two original component parts — one the district administration and the other the Secretariat. The problem of interlocking the functions of a Welfare State with the district executive machinery was haphazardly attempted. That task awaits accomplishment. The Secretariat,

once thoroughly British in character — the citadel of the Imperialists' imperious Will and Power as well as of 'Imperial bumbledom' — is now fully democratised, though politicians still complain that governmental technocrats cunningly manipulate power behind the ministers. Politics must be weak somewhere, not that the Secretariat has managed to retain or acquire power.

An oddity of the administration was that it was functionally equipped to serve the requirement of what is now termed as State Socialism. In spite of the notions of liberalism and attachment to the philosophy of laissez-faire and governmental non-interference, even John Stuart Mill had to admit that Government must necessarily do many things in India which in the West would be left to private enterprise. Such activities related to what the present day economists term the infra-structure of the Government machinery, the overheads necessary for industrialisation and economic growth. Curiously enough, Lord Lawrence complained that private enterprise in India meant looting the Government. The public sector presented no novelty to the Indian administrator when innovated in 1950's.

The Indian administration possesses remarkable uniformity of procedure, forms, technique and thought. Over this is superimposed a tradition, of what may be conveniently termed as the 'Rule of rule'. This has standardised the norms specially applicable to the complexities of a vast administration and has induced a habit of work and many small traditions which are not easily discarded even under the impact of democratic forces at the top. Lift any corner of an 'administrative blanket': "the things we know are the things that work; the things that work are the things we know."

Constancy of methods and reliance on precedents were the other aspects of the same tradition. These in a way gave rise to the double reproach of the administration, of exorbitant writing and of unpardonable delay. The Indian system went beyond the nature of work of bureaucrats — their fussiness for details and the habit imposed by tradition on the Civil Service of recording every detail. These together with a chronic disinclination to take decisions except under stress of grave emergency, and the habit of making every question from the smallest to the highest, the subject matter of written memorandum by officials of every grade — resulted in the asphyxiation of initiative and more currently the shirking of responsibility. These older reproaches have, since Independence, not only been accentuated but carried forward by the bureaucracy, reinforced by Parkinson's law. Case files continue their leisurely journey once they are launched on their way. "Round and round, like the diurnal revolution of the earth went the file, stately, solemn, sure and slow; and now in due season it has completed its orbit". So wrote Curzon at the beginning of this century. They still orbit in this space age, but with the same ancient tempo, except when they choose to disappear underground in the rabbit-warrens of the under secretaries. The system has hardened into an ossified shell of the administration's soul.

The norm of the I.C.S. was that of a general purposes man, never an expert in any branch of the administration. This type conformed to the national traits of the British who dislike expertise, preferring it to common sense and pragmatism; to the class origin of the British Civil Servants and the educational system through which they emerged. One is left to wonder what purpose it served in perpetrating this kind of a general purposes type in the I.A.S., at a time when the Scientist, the Technician and the managerial man are becoming as indispensable as an administrator. The old tradition, retained by India, undoubtedly at its best, attains a notability for honesty, industry and competency, but has little capacity to generate the right type of leadership for a democratic scientific, welfare world. Since we adhere to the British type, it is interesting that Mr. C. A. R. Crossland has recently charged the British Civil Services of failing to "adapt to a world which requires the long rather than short view, active planning rather than passive administration, novel rather than traditional ideas. The typical Whitehall attitude of mind — thorough and precise, but pedantic and unadventurous — is in part a reflection of the Oxford and Cambridge background from which most Civil Servants come".

The vast apparatus of officialdom was contained within it, an impressive manpower in some depth, more so at the provincial-state level. Transfer of power left the State Civil Services and the State Secretariats practically intact. In the Central Government, the Indian element in the ranks of the Higher Civil Service con-

siderably thinned out. In 1947, about 450 I.C.S. Officers remained to serve the Indian Government, of whom just about half the number were available to the Centre. At present there are perhaps 200 of them. This small, progressively dwindling group has proved to be an extremely valuable key element, at the apex of an organisation of nearly seven hundred thousand officials at the national level.

This agglomeration of vast numbers has undoubtedly maintained the continuity of administration but mere numbers do not mean everything. The body of the Civil Service is not homogeneous, is not broad-based and has no common binding ethos. Instead of functional differentiation arising out of work and responsibility there is in it a distinctive class division.

This lack of cohesion is part of the wider problem of national integration. Government servants in India are essentially an economic and not a social and cultural category. They are a self-isolating group because of their mechanistic attachment to governmental work. They tend to be a class apart though they are a segment of the elite which includes the politician, the journalist and the professional classes. An interesting question for the future is whether the ethos of the Indian upper stratum, will extend to the ruling elite component no less than to the managerial and the bureaucratic, now that it is certain that there will neither be an aristocratic class of any kind nor the Indian version of an Establishment.

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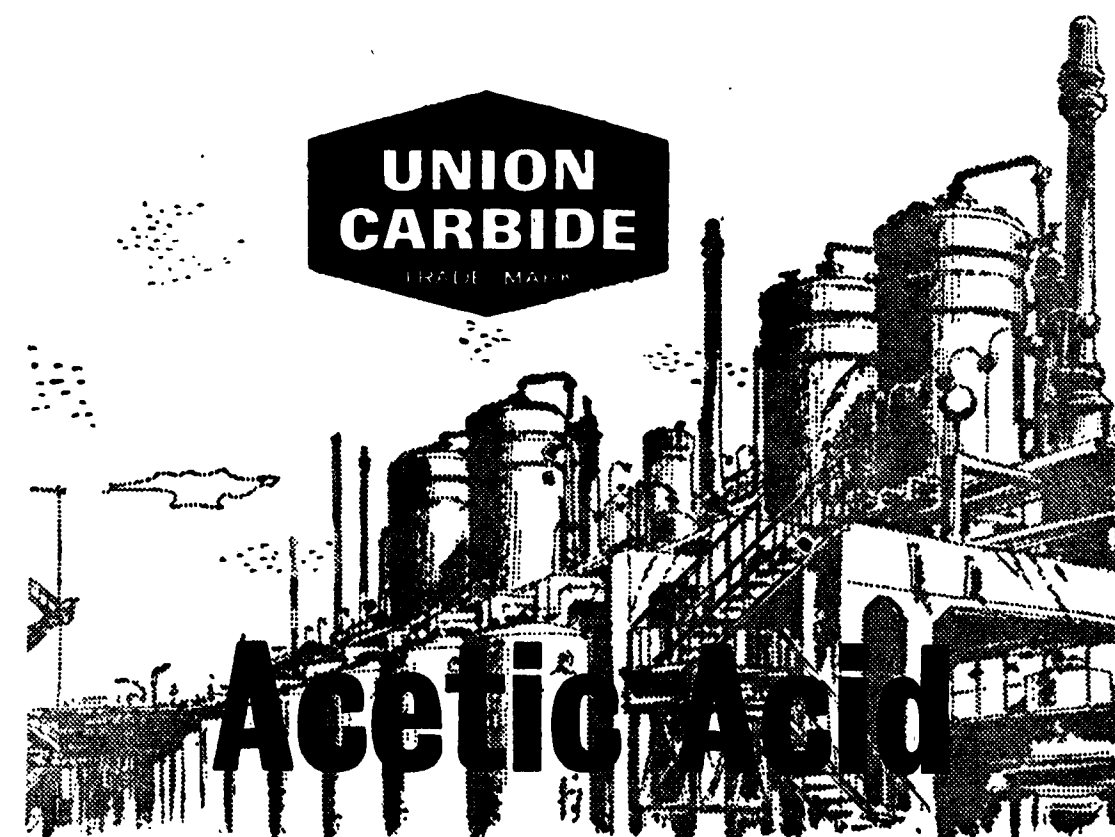
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THE BUSINESS WORLD

Vietnam Economy: Recent Trends

VIETNAM'S economy, like the economies of many other Asian countries, is showing signs of rapid growth. The recent trends in the industrial output as well as foreign trade reveal clearly the fact that new vistas are being explored to raise the country's productive capacity.

In the first four months of 1961 alone, 12 large industrial projects received approval of the Government for import of equipment under the commercial import programme. The most important development was in respect of textile industry. The cotton spinning and weaving mill belonging to Vietnam Textile Company (VINTEXCO), which has 20,000 spindles and 400 looms already installed and which began three shift production in September 1960, received approval for imports of machinery to double its capacity by adding 20,000 spindles and 400 looms. Another important company, the Vietnam Textile Finishing Company, designed for dyeing and finishing, is likely to be operative in October 1961. The cotton mill of Vietnam American Textile Company (VIMTYEX) having 17,200 spindles began operation in January 1961 and by April reached 3 shift capacity. It has American equity participation and is planning to expand its plant further. VIMTYEX and VINATEXCO were able to sell their entire yarn output advantageously which was partly due to the imposition in December of restrictions on yarn imports. Financing of equipment was also approved for International Textile Company, a new cotton weaving mill with an annual planned capacity of 2.8 million linear meters.

Another important section of the industry which received special attention during the recent months was bicycle tyre industry. Construction began of a new French-owned bicycle tyre and tube plant. Although certain delays were reported in the delivery of equipment, the operations are likely to start in about 1962. Production of this company together with that of another company which was scheduled to begin production this July, were likely to meet all Vietnam's bicycle tyre requirements. Construction of paper mill controlled by the Government-owned Credit Commercial of Vietnam, which includes minority Italian interests, was also reported to be progressing and the production was expected by the middle of September. With its present capacity rated at about 8,400 tons a year, the mill initially will produce brown kraft wrapping paper, although it is designed for a flexible production of several kinds of standard paper. A long delayed paper mill project promoted by American interests also appears to be on its way. All equipment is expected to be delivered by February 1962 and production may begin by October.

Other industrial projects which are to move ahead include three tea processing plants, a synthetic fibre fabrics weaving mill, an iron pipe foundry and an asbestos cement sheet factory. Above all, the negotiations continued for construction of a multi-million dollar petroleum refinery of Standard Oil Company and Shell Petroleum Company. This industrial dynamism during the recent months complements the commencement of production at the glass plant in October 1960 and the ordering of equipment for expansion of a plant

producing gunny bags. All this leads us to the conclusion that Vietnamese industry is entering into a new phase.

In the field of foreign trade too this dynamism is observed. Two major items of export — rubber and rice — have been well received in the foreign market; which is a sign of expansion in the internal economy. The exports of rubber were higher during the recent months in spite of the fact that there was a sharp fall in rubber prices which wiped out to some extent the gains arising from substantial increases in the first quarter of 1961 to 21,774 metric tons as against 13,320 metric tons in the same period last year. The fall in rubber prices which occurred in the later part of the 1960 and continued till the first part of 1961 reflects in a way that demand has declined partly on account of the increased use of synthetic rubber.

Rice shipments increased considerably in the early part of the year, over the same period of 1960. Despite the precarious situation in the countryside as on April 30, exports for the four months totalled 116,900 tons compared with 88,705 tons during the same period of previous year. It was reported that there was considerable uncertainty about the volume of exports in the remaining part of the year. The estimated production of 5.4 million tons of paddy in the 1960-61 crop year matched output in 1959-60, and normally would permit exports of between 450,000 and 500,000 tons of rice. Nonetheless, the Government has suspended the licensing of rice exports in order to maintain an emergency stock in Saigon to guard against further price rises.

Although rubber and rice still make up the bulk of the country's exports, shift in the relative mass of some secondary exports reflects the growth of the economy. Shipments of live hogs to Hong Kong which began in June 1960 ranked third as export earner in 1960 and maintained that position in the first quarter of this year too. Development of new commodities for exports was further evidenced in Vietnam's first commercial export of keanaf yarn during this quarter. Fish exports which have gone to Singapore for some time were resumed to Thailand in 1961.

The imports also reflect the rising trend of the economy. One very important development has been that the stress under the new programme of imports is more on producers goods and there has been a consequent reduction in the imports of consumer goods. Total imports amounted to \$41.3 million in the first two months of 1961, which is at the rate of \$61.8 million for the quarter. It compares well with \$59.8 million in the same period of 1961. Thus there is not much change in the total imports, while change is witnessed as far as the composition is concerned. Principle commodities imported were textile fabrics yarn and thread, machinery, petroleum products, motor cars and accessories and tobacco. Japan retained its position as the principal supplier and the United States ranked second followed by France, West Germany and Indonesia. The rising trend of industrialisation is likely to affect the composition and direction of the country's imports further.

Business Notes

Industry

IDLE CAPACITY: A BOGEY?

DURING THE First and the Second Plan periods, the increase in national income has been considerable, having gone up by 18.4 per cent and 19.5 per cent, respectively. And it is estimated that the national income would further go up considerably as a result of the total investment envisaged in the current Plan, which is twice as much as the investment on the first two Plans put together. Even so, the rate of economic progress during the last decade does not compare favourably even with that in less-developed countries in Asia, let alone the industrially advanced countries, such as Japan and West Germany, observed Mr. G. V. Puranik, Chairman of the All-India Manufacturers' Organisation at the second quarterly meeting of the central committee of the Organisation. In support of this observation, he referred to a recent economic survey brought out by the United Nations according to which many under-developed countries have recorded greater economic progress than India not only in the rate of investment but also in the rate of increase in national income.

Mr. Manubhai Shah, Union Minister for Industries, who was the chief guest on the occasion, however, disputed the correctness of this finding and observed that his own study had shown him that the findings of this survey were not in accordance with the actual progress and, at times, even grossly miscalculated. On the contrary, he maintained: "I can say that our rate of growth is the highest without any fear of contradiction from any quarter." This is indeed a challenging challenge, but, even if one grants it, for argument's sake, if only to salve our conscience, the incontrovertible fact remains that we could certainly have fared very much better, had our rate of productivity been better and had there been enough drive and proper co-ordination of efforts in the implementation of all our developmental programmes, whether in the public sector or in the private sector. The absence of these is glaringly reflected in the inordinate delays in the execution of many an urgent project. In this connection, Mr. Puranik did well to recall the pertinent and impartial observation of none other than Mr. V. T. Krishnamachari, ex-Deputy Chairman of the Planning Commission, that "our administrative personnel have not proved themselves equal to the responsibilities entailed by plans of such vast magnitude."

Mr. Manubhai Shah was also not prepared to accept the generally universal complaint about idle capacity in our industries. To the complaint of the A.I.M.O. Chief that this unfortunate situation had not only been causing constant national loss but also greater pressure on fresh capital investment, — incidentally, this view is shared by many others, including Dr. P. S. Lokanathan, at the last meeting of the Import Advisory Council—Mr. Shah's reaction was: "The sooner this bogey of under-utilization of industrial capacity is buried, the better it will be for the rapid industrialization of the country". He went so far as to declare that the complaint was divorced from realities, though he was prepared to concede that it applied to but one per cent of the entire industrial sector. Important industries like cement and chemicals and 63 per cent of the 498 mills, he added, had been operating round the clock. Notwithstanding this categorical assertion of the Minister, the feeling persists, even in most responsible busi-

ness circles, that the problem is there and certainly in a greater degree than Mr. Shah is prepared to concede. Not only is there considerable idle capacity in our industries still, but it bids fair to be with us for several years to come. In any case, if only because of the existence of a genuine difference of opinion on the subject, it seems to us that the suggestion of Mr. Puranik that the concerned Development Councils should be entrusted with the task of ascertaining the extent of, and reasons for, the idle capacity, as also of recommending appropriate remedial measures, deserves to be more carefully considered.

C.A.I. Seminar

CONSUMER'S PROBLEMS

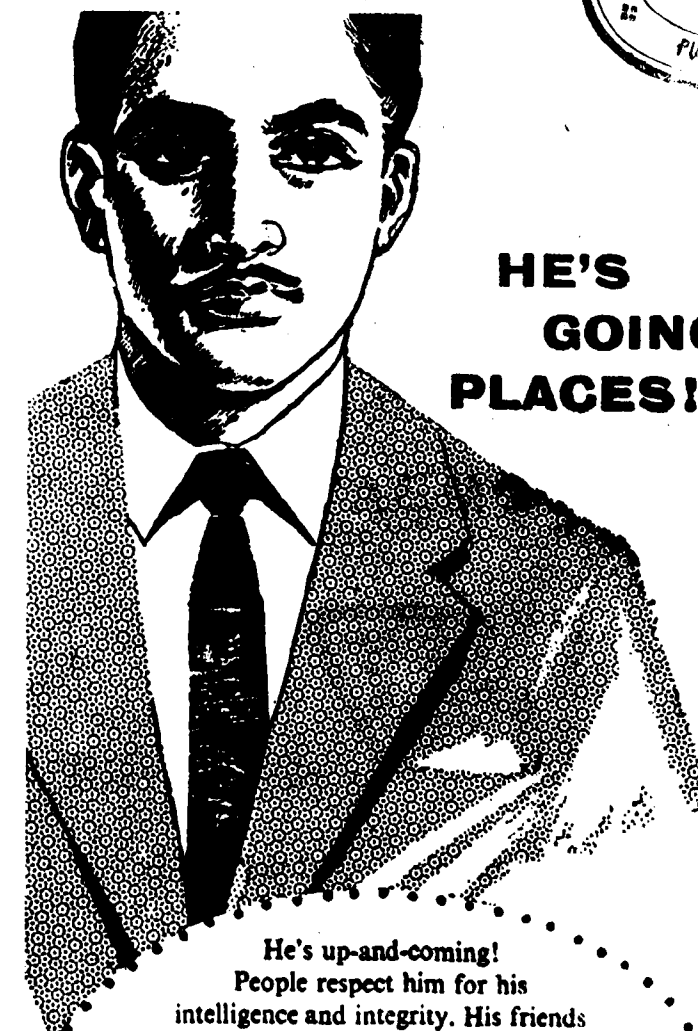
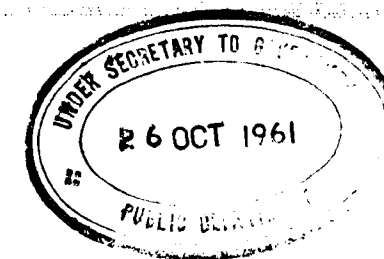
IT NEEDS to be emphasized that the interests of the consumer must be protected for he has all along suffered from rising prices. Happily their case was taken up at the All-India Seminar on consumers problems. The Consumers Association of India urged upon the Government that a high-power commission headed by a non-official to enquire thoroughly into all factors affecting the consumer interests should be appointed. The other suggestions made by the CAI are that accredited representatives of the CAI should be associated with Government agencies in helping to detect and report malpractices; the CAI should be given adequate representation on various committees and boards formulating rules, regulations and standards for consumer products; home science colleges should provide leadership on consumer education work and instruction in consumer education be given more emphasis in the curricula of schools and colleges. The CAI also recommended that shopkeepers should be obliged to display price lists and that the Government should impose some kind of price control. Consumer co-operatives should be opened to act as buffers against rising prices and suitable steps should be taken against spurious advertisements. The role of women was stressed for resisting malpractices.

The suggestions made by the CAI are thought-provoking and, if implemented, can go a long way in setting the state of affairs right. So far as consumers co-operatives are concerned, they can, of course, be an effective means to protect the consumers if only properly organized and co-ordinated. They have proved to be of great value in the West and there is no reason why they should not be a success here. Time is ripe for their experiment; just possible, as the CAI has stressed, they might act as buffer and help in holding the price line.

Small-Scale Industries

MECHANISATION OF SMALL UNITS

IF THE small-scale industry is to play an effective role in the changing economic set up, it is essential that the small units should be mechanised. And for speedy mechanisation, it is imperative that inducements such as easy credit, tax concessions and consultative services should be offered to the small-scale industries. Happily, due note of it was taken at a recent meeting of the Technical Committee of the International Labour Office which came out frankly in support of these points. The meeting recommended that measures be taken to modify and adapt existing machinery to meet new needs



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and consideration should be given to the utilisation of second-hand machines provided these were suitable. Pilot projects should be started initially in geographical areas with a favourable environment in regard to capital, skill, power supply, market etc., as an effective means of promoting mechanisation.

On the organization and management of small industries, the Technical Meeting of the International Labour Office was of the view that the co-operative method was one of the most effective means. But this, of course, has got to be recognized that the scope for co-operative organization is limited in the case of small undertakings engaged in complex production. It, therefore, recommended that in such cases, joint action should be taken to a limited extent in operations like processing, finishing and provision of other common facilities.

As regards technical services to the small industry, the meeting suggested the provision of services in respect of finance, raw materials, marketing, production, labour, management, organization, economic and social research, information services and designs and teaching of packaging techniques. Since the experience of other countries can be a valuable guide, it was emphasized that tours be organized for small entrepreneurs to go abroad to give them an opportunity to visit small units. The suggestions are of far-reaching importance and need to be looked into carefully.

Trade

GUJARAT CHAMBER'S MEMORANDUM

IN A lengthy memorandum submitted to the Import Export Policy Committee, the Gujarat Chamber of Commerce has raised a number of pertinent points in regard to the export import policies. The Chamber is of the view that import policy should not be changed during the currency of a licensing period because the change in between can cause uncertainty and result in gluts or shortages of some of the goods. The Chamber favours the repeat licensing scheme and has suggested that repeat licensing should be extended to cover as many items as possible. There is much scope for the decentralisation of licensing of imports and it is, therefore, urged that licensing authorities at the ports should be delegated with the licensing work to the maximum possible extent.

As regards exports, the Chamber calls for a dynamic approach with a view to achieve the desired results. So that exports may have a quicker tempo, a review of the activities of the export promotion councils is called for and it is suggested that their recommendations should be implemented to the maximum extent.

Encouraged by the success of some of the export promotion councils, the Chamber has requested the Committee to examine the feasibility of establishing export promotion councils to cover commodities like oils, oil-seeds, oil-cakes, raw wool, minerals, sugar, salt etc. The establishment of an organization on the lines of the British Export Research Organization and the Japan Export Trade Recovery Organization is suggested from the point of view of developing exports of other commodities for which there is fairly good scope in the foreign markets, and for which export promotion councils are not yet formed. In all, the approach is that export policy as such must move with the changing trends. Since our trade missions can be an effective means in the export drive, there is a logical feeling that trade commissioners' offices abroad must be better

staffed and well equipped. In view of the paramount need to stimulate exports, the Chamber considers that export duty should either be reduced or completely removed, wherever feasible.

New Issues

TRIVENI ENGINEERING WORKS LTD.

THE TRIVENI ENGINEERING WORKS LTD. is offering at par for public subscription 1,04,125 equity shares of Rs. 10 each. The entire issue of 87,500 preference shares has been under-written by the Life Insurance Corporation and M/s. Harbans Singh Mehta & Co., New Delhi.

The authorized capital of the Company is Rs. 1 crore divided into 800,000 equity shares and 200,000, 9.3 per cent cumulative redeemable preference shares of Rs. 10 each. The issued capital is of Rs. 60,00,000 divided into 4,25,000 equity shares and 1,75,000, 9.3 per cent cumulative redeemable preference shares. Out of the above issue, 1,08,375 equity shares at par are reserved for issue to the Indian promoters, the Directors, the companies with which they are associated and the employees of the Company and 2,12,500 equity shares and 87,500 9.3 per cent cumulative redeemable preference shares have been issued and subscribed for cash at par by the collaborator concern to be utilized for import of plant and machinery required for the project. The subscription list of the new issue will open on 30th October, 1961, and will close on 5th November, 1961, or earlier at the discretion of the Directors, but not before November 1, 1961.

The Company was incorporated in January 1961 for the purposes of manufacture and production of sugar machinery, steam turbines and other heavy industrial plant and machinery. So far as technical collaboration is concerned, Bookers Sugar Machinery Group Ltd., George Fletcher & Co. Ltd., and Duncan Stewart & Co. Ltd., have agreed to act as the technical consultants to the Triveni Engineering Works Ltd. For the manufacture of turbines and air compressors, Peter Brotherhood & Co. Ltd. of Peterborough, England, has entered into an agreement to give full and continued technical collaboration. The site chosen by the Company is ideal. Raw materials can be found in plenty nearby and the Government of U.P. have promised the utmost help for the early supply of Government hydro-electric power.

Since the Triveni Engineering Works Ltd. is a sound concern, the favourable response of the public to the new issue is a foregone conclusion.

INDIAN CAMPHOR TO RAISE RS. 70 LAKHS

INDIAN CAMPHOR LIMITED, a new Company sponsored by Mr. Popatlal N. Shah, Mr. Pravin P. Shah, Mr. Hasmukh J. Amin and some others, to undertake the manufacture of camphor and turpentine derivatives, is expected to enter the capital market in December to raise Rs. 70 lakhs, out of the Rs. one crore authorised capital of the Company, divided into 1,00,000 equity shares of Rs. 100 each. The Company was registered in Maharashtra State recently.

Technical collaboration for the project has been secured from an American firm, Glidden International C.A., manufacturers of turpentine. Its production will be of the order of 1,000 tons per annum. The plant will be located at Kalyan, near Bombay. Production is expected to start towards the end of the next year.

This is the second company going in for manufacture of camphor and turpentine derivatives in the country, the first being Camphor and Allied Products Limited, which was floated a few months ago, to undertake the manufacture of synthetic camphor to the tune of 900 tons per annum. At present, all the requirements of camphor are being met through imports. The demand for the commodity is increasing because of its use in the production of drugs and pharmaceuticals.

Mysore

STATE'S THIRD PLAN OUTLAY

THE THIRD PLAN outlay for Mysore State has been fixed at Rs. 250 crores, out of which Rs. 110 crores are expected to be provided by the State Government from its own resources. This has been described by the State's Chief Minister, Mr. B. D. Jatti, as "the most comprehensive programme of development" for the new State of Mysore. Per capita outlay is estimated to be Rs. 98.89 crores, recording an increase of 54 per cent over the Second Plan. In regard to the creation of employment opportunities, it is envisaged that overall additional employment might be found for about 567,000 people.

The Plan outlay is distributed as follows: Power Rs. 70 crores; Social Services Rs. 48 crores; Agriculture, Minor Irrigation, etc., Rs. 41 crores; Major and Medium Irrigation Rs. 41 crores; Community Development and Co-operation Rs. 21 crores; Transport and Communications Rs. 13 crores; Village and Small Industries Rs. 8 crores; Major and Medium Industries and Minerals Rs. 8 crores. The area that benefitted from the additional irrigational facilities provided during the first two Plans had been of the order of 18.5 million acres. A target of 12.8 million acres to be brought under additional irrigation has been set during the Third Plan.

The overall foreign exchange component of the expenditure envisaged under the Plan is only about 9.4 per cent. An investment of the order of Rs. 57.11 crores by the Central Government has been anticipated.

The Plan expects a tremendous progress in the electric power sector, stepping up of the installed capacity from 208 MW to 977 MW, or a net increase of 370 cent.

The participation by the State in the share capital of private sector industries has been set at Rs. 2 crores. A fertilizer unit and an aluminium factory are proposed to be established. The other industrial development schemes include the stepping up of the Kolar and Hatti gold mines, expansion of the Bhadravati Steelworks, manufacture of stainless steel, setting up of an electric pig iron furnace, development of Mangalore port, etc.

Social services account for about Rs. 48 crores in the Plan. The provision of free and compulsory education for the age-group 6 to 11 is the highlight of the General Education Programme. Under technical education, the establishment of a polytechnic for women, two junior technical schools and an arts and crafts school is planned.

Economy

TECHNO-ECONOMIC SURVEY OF KERALA

LIKE MANY other techno-economic surveys conducted by the National Council of Applied Economic Research, the survey of Kerala also follows the same pattern.

The survey covers as usual every aspect of the economy. Agriculture, plantations, animal husbandry, forests, fisheries, minerals, power, transport and industry are dealt with exhaustively.

Investment suggested by the Council in its preliminary economic report in various spheres in the State is to the tune of Rs. 1,001.7 crores during the ten-year period from 1961 to 1971. On the industrial front, the suggestion of the Council is that there should be established a large number of engineering industries and for establishing industries the loan policy of the Government should be made more flexible and the procedure of granting loans should be made quicker than it is at present. An Investment Trust and a Corporation for State industries is suggested with a view to reducing the risk of industrial investment by spreading it out over a number of concerns. The function of the corporation will be to make day to day running of the State Government concerns independent of the Industries Department.

As far as financial resources are concerned, the report says that there is not much scope for the introduction of new taxes. However, encouragement be provided to the tourist traffic in order to earn more revenue. The rates of the existing taxes may also be raised.

Since the cost of generation of electricity in Kerala is much lower than in the neighbouring States, it has suggested that the price at which electricity is exported to the neighbouring States should be such as to yield a net profit to the Kerala State. To achieve this, it is underlined that the installed capacity be raised from the present level of 120 MW to 400 MW and 800 MW by 1966 and 1971 respectively. The investment required for the purpose over the next decade is expected to be Rs. 105 crores. Among the many other recommendations made, extension of the area under sea island cotton, tobacco, sugarcane, ginger, oilseeds, lemon-grass, bananas and pine-apple is quite prominent.

The main problem confronting the State at the present moment is that of unemployment. The report has estimated that 24.3 lakhs of persons would be looking for jobs during 1961 and 1971, including the backlog of unemployment and the growth of labour force during the period. Although the investment programme in the report would help in mitigating the unemployment problem, it is feared that there will still be a backlog of 9 lakhs unemployed by 1971.

Madras

DISTRICT INDUSTRIAL ESTATES

THE INTENTION of the Government of Madras to have an industrial estate unit in every district was disclosed by the State's Minister for Finance and Education, Mr. C. Subramaniam, while inaugurating the Small Industries Management Association at Madras recently. In addition to the district units, the Minister added, it was the intention of the Government to have smaller units in various semi-urban areas like taluk headquarters, which had already been registered. It was necessary, therefore, that small-scale industrialists should know the methods of industrialisation for making speedy progress.

Emphasizing the importance of small industries the Minister said that a large number of small ancillary industries in the U.S.A. were feeding the big industry,

which often functioned only as an assembling unit. The high standard of quality was imperative in order to market them to a wide region of large units.

In Japan, Mr. Subramaniam pointed out, highly specialized metallic parts and instruments of high standard were produced by the small-scale industry. About 30 per cent of the condenser requirements of Japanese industry, he said, was turned out by a single unit in the small-scale sector.

Presiding over the inaugural ceremony, Mr. Easwaran, Director of the Easun Engineering Co. Ltd., said that problems of management were the same in small and big industries except that their fact of ownership was different.

Explaining the objects of the Association, Mr. S. Ramalingam, President of the Association, said the Association intended to help the small industries by providing them all assistance in the matter of their management needs and problems.

Labour Conference

CODE OF EFFICIENCY AND WELFARE

OF THE many problems discussed at the Indian Labour Conference at Bangalore last week, Code of Industrial Welfare and Efficiency figured prominently. And rightly too since productivity on which hinges the success of planning, must of necessity be given the highest possible priority, incentive for which should be sought through an equitable guarantee of welfare. The new code is designed to maintain a cordial atmosphere so that production can progress unimpeded and thereby bring about conditions for the maximum utilisation of the installed capacity of the industrial units. According to a study made by a work study expert, Mr. Solomon, utilised licensed capacity in our best private enterprise factories in Calcutta area is only 50 per cent of the capacity. In other words, the average is less than 50 per cent in respect of all the factories in respect of every single group of machine.

The Code has been committed to scrutiny by a tripartite committee for it is considered that any commitment in the implementation of the code should not be made until the fullest thought is given to all its implications. The case for caution is valid as undue haste can lead to disastrous consequences. It is by now well known that very often vested interests try to spoil the game in between.

Now that the Code is before the Committee, it is to be hoped that a thorough probe in every aspect would be carried out. More than anything else would be required a specific machinery to work it. Works Committees and Joint Management Councils would just not be sufficient to implement it.

Carbon Black

NEW PROJECT

ANOTHER PLANT to manufacture furnace type carbon black is to be set up near Bombay in the near future. The project is being sponsored by Mr. C. H. Bhabha, the noted Bombay banker and a former Commerce Minister of the Government of India, in collaboration with Messrs. United Carbon Company of U.S.A. A formal agreement on the collaboration arrangements is expected to be signed when Mr. Bhabha returns from his European tour.

The issued capital of the Company to be formed to undertake the project will be of the order of Rs. 162.50

lakhs. The foreign collaborators will be subscribing to shares worth Rs. 50 lakhs, mainly to meet the cost of import of machinery and equipment for the project. In addition to these Rs. 50 lakhs worth shares, the U.S. company will get shares worth Rs. 15 lakhs for its patent rights, technical know-how and for collaboration in the marketing of the Company's products. In all, thus, 40 per cent of the capital of the new Company will be held by the foreign collaborators. The balance will come from the shareholders resident in India. The capacity of the plant is envisaged to be 13,600 tons per annum.

The petroleum feed stock, the principal raw material to be used at the plant, will be obtained from within the country itself. The foreign collaborators are said to have indicated to the Government of India that after the plant goes into full production, efforts will be made to build a sizeable export market for the Company's products in the neighbouring countries.

Coffee

ACCUMULATION OF STOCKS

IT HAS been voiced in recent months that there is need for a change in the methods of marketing by the Coffee Board and also a different system is required in exporting, particularly the better qualities of Arabica coffee. In the year 1960-61 when the industry witnessed a peak crop, there were accumulated stocks of about 30,000 tons which, however, were of inferior varieties of coffee. Some of the planters believe that if they had the freedom to sell the output in the overseas market, they could fetch higher prices for their better grades of coffee. They believe that in bulking the coffee, it is difficult for the companies to secure better price for superior grades. They add that so long as the industry was experiencing easy markets, certain handicaps did not influence the sales, but the recent fall in prices is being felt by the growers and the demand for freedom to the individual estates to sell at least a part of their output directly both in the internal and overseas markets is growing. It is pointed out that at times a situation comes when the average price realized is much below the cost of production for a good number of estates and naturally the profits at the previous levels are not maintained even with larger crops. In fact, the present conditions will only be reflected in the company results when they are published next year. Several company chairmen have also voiced that a new procedure should be devised so that periods of waiting between the actual realisation of returns are reduced, which in turn will reduce their interest charges.

Village Industries

RURAL INDUSTRIALISATION COMMISSION

AT A recent meeting of the Co-ordination Committee of the representatives of Khadi and Village Industries Commission, State Boards and of the Khadi Samiti of the Sarva Seva Sangh held at Ahmedabad, it was decided to accord general approval to the proposal put forward at the Sarvodaya Sammelan for the formation of a rural industrialisation commission. The Committee believed that it was mainly through the expansion of all forms of non-agricultural production in rural areas that an improvement could be brought about in the rural economy. Thus far it seems to be a sound proposition because in the rural regions, unless we generate a sense of industrialisation, real progressive attitude cannot develop among our villages. But the attitude taken by the Co-ordination Committee to disavow the State Governments' granting of more capa-

city for spinning mills seems to be quite baseless. The Committee pointed out that the existing spinning capacity was enough to meet needs of an expanding handloom weaving industry during the next few years. The Committee also expressed its disapproval of the approval granted by the State Governments to expand the sphere of powerlooms. This view again is not very correct because the Government's attitude has never been to replace handlooms but allow expansion of powerloom sector which is certainly going to provide more weaving capacity which is very necessary in view of the rising demand of cloth as a sequel to the rising standards in the rural areas.

NAPE

NAPE IN THE NEWS

THE NATIONAL ASSOCIATION OF PURCHASING EXECUTIVES, started in October last year and formally inaugurated by Dr. C. D. Deshmukh in July, 1961, sponsored a six-day instructional course in conjunction with the "Eastern Purchasing Journal", New Delhi. The course was conducted in Bombay from September 25 to September 30, 1961, and covered modern methods of Purchasing, Store-keeping and Materials Management. Not only Purchase and Stores Officers but also those connected with Purchasing and Materials Management in one way or another participated in the course.

Inaugurating the course, Mr. G. V. Puranik, President of the All-India Manufacturers' Organisation, congratulated the NAPE for its valuable contribution to the important field of Management by extending opportunities of training for Purchasing Personnel in the country.

The course was conducted by Mr. A. R. Palit, Editor, "Eastern Purchasing Journal", which is the official organ of the Association, and certificates for the course were distributed to the participants by Dr. K. S. Basu, President, Bombay Management Association.

The NAPE hopes to organise another advanced Instructional Course, consisting of 20 lectures, some time during the first quarter of 1962.

Warehousing

ALL ROUND PROGRESS

THAT WAREHOUSING is making steady, though not spectacular, progress and has created a general con-

sciousness of the need for good storage, is evident from the annual report and accounts of the Central Warehousing Corporation adopted at the fourth annual general meeting of the Corporation held in New Delhi recently. It may, for instance, be noted that the number of Central Warehouses rose from 27 to 40 fulfilling thereby the Second Plan target. The number of warehouses opened by the State Corporations increased to 266 as against 148 at the end of 1959-60. The storage capacity of Central Warehouses rose from 44,040 tons at the end of 1959-60 to 79,020 tons at the end of 1960-61. The revenue collected from storage charge increased from Rs. 3,81,198 during 1959-60 to Rs. 7,87,505 during the year under report.

It is also encouraging to find that the Corporation has approved project reports for the construction of warehouses at 34 centres with a total storage capacity of 1,63,400 tons at an estimated cost of Rs. 231.27 lakhs. Warehouse buildings with a storage capacity of nearly 27,00 tons have been completed so far at Amravat and Sangli (Maharashtra), Warangal (Andhra Pradesh), Davangere (Mysore), Srirangapatna and Kotah (Rajasthan) and Morena (Madhya Pradesh). The Corporation has taken steps to accelerate its construction programme so that warehouses at present located in hired accommodation may be shifted to new buildings constructed on modern and scientific lines. The State Corporations have also undertaken the construction of their own buildings at more than 20 centres in the country so far.

The warehouses of the Central and State Warehousing Corporations have a storage capacity of about 3,50,000 tons; this is to be increased to over 1.6 million tons in the Third Five-Year Plan. In the Third Plan Rs. 8 crores have been allotted for warehousing programmes. Since the provision of storage capacity is a vital step in the implementation of price policies, every step is being taken to execute the programme successfully. It is now to be hoped that in designing new warehouses, the need for specialised types of storages for certain commodities would be kept in view.

AN OMISSION

The statistical tables appearing on pages 576 to 578 of our journal dated September 22, 1961, were taken from the August Bulletin of the Reserve Bank of India. The omission to acknowledge the source is regretted.—Ed.

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FROM THE CAPITAL'S CORRIDORS

U.S. BUSINESS MEN IN DELHI

ABOUT 50 top U.S. business executives, representing over 35 companies, will meet in New Delhi from October 22 to 27 to discuss with the representatives of Indian Government and industry the possibilities of greater collaboration between them in the field of industrial development in India. The meeting, which has been organised by Business International of the U.S.A., is an annual event. The last meeting was held at Brussels. The Prime Minister, Mr. Nehru, and the Central Ministers in charge of Finance, Commerce and Industry, Planning, Steel, Mines and Fuel, and Irrigation and Power, are among those who are expected to speak to the U.S. business men about the scope and possibilities of American investment in India.

The Vice-President and Editor of Business International, Mr. E. Haynes, indicated recently that the fact that they had decided to hold the conference in New Delhi did not mean that the U.S. business executives were coming with specific proposals for investment in India. He added, they were coming "to learn", exchange views with representatives of the Government and industry and to see for themselves the possibilities of "direct private investment". He explained that they were interested in putting in their own capital and imparting skills and technical know-how in productive enterprises rather than in giving loans for developments. Mr. Haynes added that many of the U.S. business men, who will be attending the New Delhi meeting, represent "blue chip" companies, that is those with stature and reputation. Mr. Haynes disclosed that some of these companies already had "involvements" in India.

COAL IN THE PUBLIC SECTOR

The National Coal Development Corporation has succeeded in persuading the British Coal Board and the Technical Co-operation Mission of America to step up the quantum of their aid for the implementation of the public sector programme of coal raising during the Third Plan. The T.C.M. has agreed to undertake the development of Singrauli coalfields in addition to Ramgarh for which an American team of experts visited India sometime back.

As a result of the discussion between the British team of experts, which recently came to India, and the N.C.D.C., it has been decided that not only Jarandih deep pit but also Kathara and Swang deep pits should be entrusted to them. The British experts are to develop these mines up to the stage of full production after which they will be handed over to the N.C.D.C. as running mines. Since no production can be expected from deep shaft mines at either of these sites before the next 7 or 8 years, it is proposed to develop open cast mines at Jarandih and Swang for an initial production of about one million tons a year which would subsequently be replaced by deep shaft mines. The British Coal Board is likely to send out a specialist open-cast engineer to co-ordinate the open cast mines to fit in with the deep shaft mines at both Jarandih and Swang.

The programme for developing the steeply inclined thick seam of Karanpura mines has also been chalked out in consultation with French experts. A team of French experts is expected to visit India to prepare

the project report for the "depillaring" of the mines in Karanpura.

WORLD BANK LOAN FOR RAILWAYS

The International Bank for Reconstruction and Development has granted a loan of \$50 million (Rs. 23.9 crores) for the development programme of Indian railways during the current and the coming year. The loan is repayable in 20 years and carries interest at the rate of 5½ per cent, including the one per cent commission which is allocated by the Bank to its Special Reserve.

Five U.S. commercial banks are participating in the loan, without the World Bank's guarantee, for a total of \$10,75,000, covering the entire first maturity due in February, 1965, and a part of the second maturity due in August, 1965. The participating banks are: the Bank of America, N.T. & S.A., San Francisco; First National City Bank, New York; Manufacturers Hanover Trust Company, New York; Fidelity Philadelphia Trust Company, Philadelphia; and the First Pennsylvania Banking and Trust Company, Philadelphia.

The foreign exchange component of the Railways' Rs. 1,325 crores Third Plan is estimated at Rs. 186 crores. Further loans from the World Bank for this development programme are, therefore, expected to be available in course of time. The World Bank has been assisting the Indian Railways with loans for a number of years now. Up to the end of the Second Plan period, the Indian Railways received from the World Bank loans totalling \$329 million.

The development programme of the Railways has a very important place in the Third Five-Year Plan of the country which was launched in April last. Railways in India are today the largest carriers of long-distance freight and passenger traffic. Large investments, therefore, are required if they are to keep pace with the requirements of the Third Plan, whose production targets imply a 75 per cent increase in freight traffic (mostly bulk commodities, such as coal, iron ore, steel and cement) and a 15 per cent increase in passenger traffic.

Emphasis over the next few years will be placed on increasing traffic capacity by equipping the existing Railway System to run heavier trains at higher speeds. To this end, more diesel locomotives will be bought, about 1,300 route-miles of track will be electrified, large capacity freight cars will be acquired, and heavier track will be laid. Over the next five years, a total of over 1,800 new locomotives (steam, diesel and electric), nearly 7,900 passenger cars and 117,000 freight cars are to be brought into service. At the same time, large sums will be spent on workshops, track, bridges, traffic and signalling works and equipment, electrification and the addition of about 1,200 miles of new lines to the Railway System.

COLLABORATION WITH MONTECATINI

Indo-Italian collaboration for the industrial development of this country is envisaged to be taken a step further by the Italian firm Montecatini which is prepared to collaborate with Indian industrialists for the manufacture of various goods, such as polypropylene plastics, industrial and mining explosives, methanol

and formaldehyde and polystyrene resin. The four projects will involve a total capital outlay of about Rs. 30 crores. Applications for securing industrial licences for the first three projects have already been made to the Government of India. The sanction for the fourth one is to be sought shortly.

The Italian firm will participate in the equity capital of the new companies to be formed to undertake these project. Its participation will range from 25 to 50 per cent of the share capital of these companies. Montecatini will provide technical know-how and also supply the necessary machinery and equipment. It will as well arrange loans from Italian banks, if necessary.

The polypropylene plastics plant is likely to be located in Bombay, where the required raw material propylene would be available in sufficient quantities. The project will involve capital investment to the tune of Rs. 10 crores in the first stage which would be stepped up to Rs. 15 crores in the final stage. To begin with, the plant will have a capacity of 7,000 tons per annum. The capacity would be raised in the final stage to 15,000 tons per year.

The industrial and mining explosives project is proposed to be undertaken somewhere in Madhya Pradesh. It will also involve an investment of Rs. 10 crores.

The methanol project is proposed to be undertaken in Gujarat where it would be linked up with the new oil refinery to be set up there. It will involve an outlay of Rs. 6 crores. The capacity of the plant would be 10 tons of methanol per day, which would yield 40 tons of urea formaldehyde.

The polystyrene resin plant is envisaged to be set up either in Maharashtra or in Gujarat and will involve an outlay of about Rs. 5 crores. Its capacity is proposed to be 5 tons a day.

Montecatini is already collaborating with India Dye-stuff Industries and Amar Dye Chemicals for the manufacture of dyestuffs and with Madras Aluminium Company for the manufacture of aluminium. It has also designed the urea plant to be set up at Neyveli. The current capital investments of this Italian firm in India are placed round Rs. 3 crores.

INDO-GERMAN COLLABORATION

The Government of India, it is understood, has under consideration a scheme for the manufacture of pharmaceuticals in collaboration with Messrs. Farbenfabriken Bayer, Leverkusen, Germany. The German firm will be providing technical know-how and also the necessary foreign exchange required for the import of plant and equipment. Its holdings in the Indian company will amount to 56.25 per cent. The imported plant and equipment will cost Rs. 37.80 lakhs. Some raw materials will also have to be imported, their cost being Rs. 3.85 lakhs. The equipment to be procured indigenously is estimated to cost Rs. 28.70 lakhs.

The official circles are said to be of the view that the scheme should be subject to the condition that it would be based on the intermediates metachloro Aniline and Diamine and that the programme would be so phased as to replace Diamine with Diethylamine when the latter becomes available from the Synthetic Drugs Plant in three or four years' time. As regards the formulation activity, the firm should base them on basic drugs produced in its undertaking and/or utilising other indigenous raw materials.

The choice of raw material for the manufacture of Parathion has also been discussed. It is expected that the manufacture of Parathion from Thiophosphoryl Chloride will be taken up in the shortest possible time.

The question of permitting manufacture of synthetic anti-malarials was considered at the meeting convened by the Ministry of Health in Delhi on May 23, 1961, when representatives of the State Governments of Madras, West Bengal, the Development Wing (Drugs and Pharmaceuticals Directorate), Malaria Institute of India, etc., were present. The consensus of opinion on this point was that there need not be a total ban on production of synthetic anti-malarials which were quite useful for treatment of diseases other than malaria, provided the production was gradual and adequate to meet the requirements of the country.

The scheme of Messrs. Bayer Agrochem envisages manufacture of chloroquin diphosphate with a capacity of 4,000 kgs. per annum. This drug is used for the treatment of malaria, amoebosis, rheumatoid arthritis, tapeworm infestations etc. For some time, the shortage of this drug has been keenly felt in the country in view of the restrictions imposed on the import of synthetic anti-malarials to protect the local quinine industry. It has, however, now been recognised that this is superior to quinine in certain respects even in the treatment of malaria, and the cost of treatment is also lower as compared to quinine. It is now being increasingly used for the treatment of other diseases also.

RE-ROLLING MILLS FOR ANDHRA

The Government of India, it is understood, is giving its most favourable consideration to the recommendations of the Andhra Pradesh Government for setting up three re-rolling mills in the State. The Andhra Pradesh Government had written to the Central Government that since there was very little re-rolling capacity in the State at present, sufficient capacity should be set up in its various industrially backward regions. It had named Telengana, Rayalaseema and the Circars as the possible sites for establishment of re-rolling units. The State Government had further

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recommended that it would be advantageous if the capacity to be set up in these regions were to be a minimum of 5,000 tons per unit, working on two shift basis. Along with this recommendation, the State Government had forwarded the applications of the following three parties to set up 5,000 tons capacity re-rolling units in the State: (1) The Andhra Re-rolling Works, Hyderabad, (2) The Rayalaseema Steel Re-rolling Mills, Guntak, and (3) The Venketeswara Steel Products Ltd., Anaparthi.

All these three applications, it is expected, will be accepted by the Union Government. The Union Government's decision will be in line with the Re-rolling Mills Committee's recommendations which have already been accepted by it.

BRICK-MAKING

A beginning will shortly be made in the manufacture of some common materials, such as bricks, through mechanical methods. The Government of India recently had made a study in this regard, which showed that supplies of bricks from the existing sources were inadequate and, consequently, the prices were very high. The existing small-scale brick kilns, the study revealed, employed migratory labour and changed their working sites after depletion of clay deposits at a particular place. Further, the manufacture of bricks was being carried on only for 5 months in a year when rains did not come. The study reiterated the need for setting up mechanised brick-making plants for meeting the growing demands of cities like Delhi, Bombay, Calcutta and Madras.

The first application considered for setting up a mechanised brick-making plant has been that of Messrs. K.T. Kosalam. Messrs Kosalam's plans envisage manufacture of three crores bricks per year, which will meet the requirements of the Madras Government for implementation of its Third Plan projects. The Madras Government, it is understood, proposes to participate in the share capital of this company. The entire equipment and plant will be imported from Czechoslovakia against rupee payment. It will cost nearly Rs. 7.2 lakhs.

L.I.C.'S FINAL BONUS FOR 1958-59

The Life Insurance Corporation has announced, for the two-year period ending December 1959, a bonus of Rs. 16 per Rs. 1,000 per annum on whole life policies and Rs. 12.89 on endowment policies issued after the nationalisation of Insurance. Bonuses ranging from Rs. 78.40 to Rs. 1.60 for whole life and Rs. 32 to Rs. 1.28 for endowment have been declared on policies of 185 companies taken over by the Corporation. No bonus has been declared in respect of 53 companies. The total number of with-profit policies entitled to bonus is 52.30 lakhs. The Corporation has announced this in its second valuation report on the differential bonus scheme. This scheme supersedes the provisional one framed by the Corporation and announced in June 1959.

As regards the second valuation as at December 31, 1959, the allocation of profit to the Central Government was Rs. 1.28 crores, Rs. 33 lakhs were paid as interim bonus to policy holders and Rs. 24.47 crores were reserved for the participating policy-holders. The profit totalled Rs. 28.08 crores for the inter-valuation period of two years.

It was revealed by the Managing Director of the Life Insurance Corporation, Mr. S. D. Srinivasan, that the final bonus in respect of 119 insurers was greater than the provisional bonus. In the case of 26 insurers, the final bonus was less than the provisional one. The break-up of the other insurers was as follows: Insolvent 23, purely non-participating 6, no provisional and

final bonus 26, and no provisional bonus and some final bonus 42.

The Managing Director pointed out that the next valuation covering the two-year period ending December 1961 was hoped to be completed by October 1962. Regulations with regard to the classifications of policies for differential bonus which come into effect from October 15, 1961, will not apply to policies which have resulted in claims by death or maturity before that date.

EXPORT DRIVE

The Government of India, it is understood, will be finalising various incentive schemes for export promotion, including a wide range of tax concessions and legislation to set aside a part of industrial production for exports, before the Lok Sabha's next session starts on November 20. A final announcement in this regard is expected to be made during the Parliament Session.

A Committee of Finance Ministry officials, headed by Mr. K. S. Sundara Rajan, Joint Secretary, Department of Economic Affairs, which has been studying the implications of income-tax and other concessions demanded by the export trade, is expected to finalise its proposals in the near future. Its recommendations, it is envisaged, will include concessions in income-tax and excise and custom duties as also in respect of evolving a simple formula for determining on a rough and ready basis the quantum of drawback of duties paid on the manufacture of export products.

While the proposed enabling legislation for compulsory exports might take more time to be finalised in consultation with affected industrial and trade interests, the scheme for short-term credits for exports as also other forms of export credit assistance recommended by an official Committee, are in the process of being finalised by the Union Commerce and Industry Ministry.

The suggestion for setting up a Refinance Corporation for exports on the lines of the Refinance Corporation for assisting industrial development, it is understood, has not found favour with official circles mainly due to practical difficulties. It is said that the suggestion made by the Federation of Indian Chambers of Commerce and Industry could be seriously examined only if there was an assurance that the huge funds that would be required to finance exports would be forthcoming.

INDIA TO PARTICIPATE IN LEIPZIG FAIR

India will be participating in the forthcoming Leipzig Spring Fair in East Germany, scheduled to be held from March 4 to 13, 1962. The object of the participation is to publicise India-made goods and merchandise, both traditional and non-traditional, and thus expand the market for Indian goods in East Germany and the adjoining countries. The last date for sending lists of articles for exhibition at this fair to the Union Ministry of Commerce and Industry has been fixed as November 25, 1961.

INDO-CEYLONESE TRADE

Talks have started here between an 8-member delegation from Ceylon and the Government of India for fostering trade between the two countries. India today has a favourable balance of trade with Ceylon of about Rs. 14 crores per year (exports Rs. 18 crores, imports Rs. 3.9 crores) and imports from there mainly copra and coconut oil. Ceylon desires fewer restrictions on the entry of these items into India. She would also like to export rubber to this country. India on her

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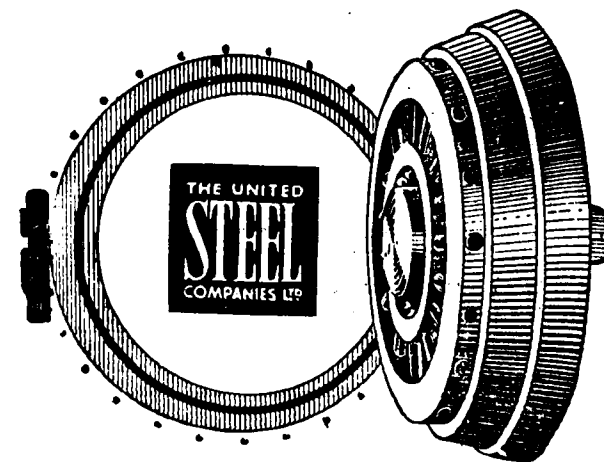
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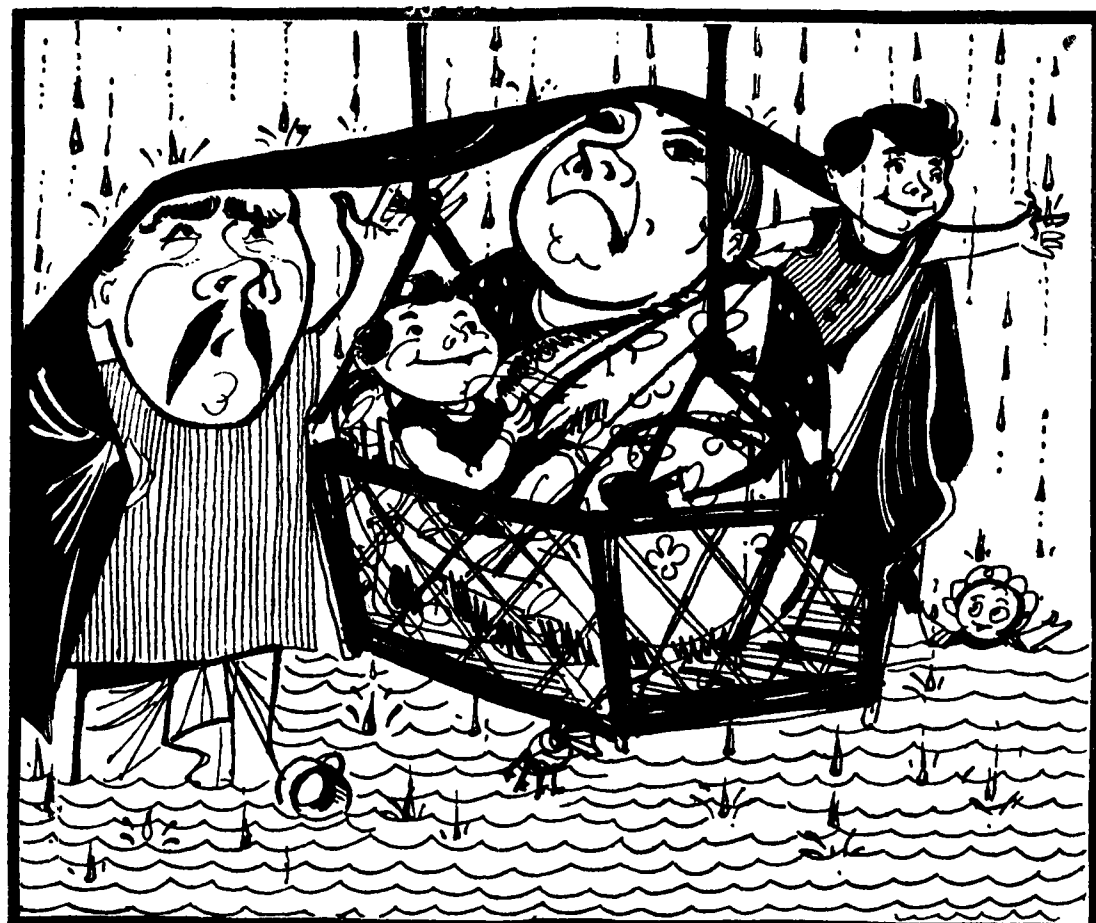
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part is anxious to find a market in Ceylon for her light engineering goods and would like to see liberalisation of restrictions imposed by Ceylon on import of Indian textile and dried fish.

MR. CURRAN IN DELHI

Mr. George Curran, vice-president in-charge of Bank of America's Far East division, is arriving in New Delhi on Saturday, October 21, on an extended tour of several Asian cities and countries where the bank has branches and representative offices. During two months of his tour, Mr. Curran will study the economies of the region and will meet business and industrial leaders, government and central bank officials, correspondent bankers, and resident Bank of America officers. Included in the bank executive's itinerary are India, Pakistan, Thailand, Hong Kong, Formosa, Okinawa and Japan. Mr. Curran will return to San Francisco from Tokyo on December 21.

CENTRAL REVENUE

The revenue realised from items on which duties are levied and collected by the Central Government in the first five months of the current financial year amounted to Rs. 338.86 crores. Of this, Rs. 68.37 crores were collected during August. The corresponding figures for the first five months of the last financial year and for the month of August, 1960, were Rs. 291.93 crores and Rs. 60.39 crores respectively.

Alongside are details for the revenue realised under various heads:

Revenue Head	(Rs. lakhs)			
	August		April to August	
	1961	1960	1961-62	1960-61
1. Customs	1,705	1,485	7,829	6,421
2. Union excise duties, excluding coal cess and salt cess	3,823	3,166	19,033	16,208
3. Corporation Tax	353	323	2,770	2,237
4. Income Tax	853	849	3,801	3,346
5. Estate Duty	14	22	95	68
6. Taxes on Wealth	24*	25	106*	120
7. Expenditure Tax	3	3	11	10
8. Gift Tax	5	4	19	17
9. Railway Passenger Fare Tax	—	113	—	584
10. Opium	57	49	222	182
TOTAL	6,837	6,039	33,886	29,193

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BOOK REVIEWS

NOT WITHOUT BLOSSOMS

Blossoms in the Dust: By Kusum Nair: Published by Duckworth: Pp. 201: Price 21s.

"Blossoms in the Dust" by Kusum Nair deals with rural India. As described in its introduction by Gunnar Myrdal, "It is primarily a literary work." Its substance has not got the glamour of its style. The book proves that a good writer can articulate life into fiction and give the fiction a stir and tremble of life. That is what Pasternak did with a greater finesse in Dr. Zhivago. The ailing doctor of the novel did not see one streak of nobility in the whole Russian Revolution which in less than 40 years turned Russia into a big power. Dr. Zhivago only saw the ugly spots on the face of the Revolution and spat it. On a smaller scale, Kusum Nair tried the same technique but with lesser success. Her book is replete with half-truths which are more dangerous than blatant lies when told in a fascinating style. This technique, however, can turn out a good seller.

For over a year and a half, Kusum Nair toured the countryside and all that met her eyes is a saga of a people sunk in apathy. With a few exceptions, the country bore no signs of change or colour. It is all dull, drab, arid and dry, with dust blowing all over.

She is horror struck by the circumscribed limits of people's aspirations and their psychological unwillingness to work. She laments on the limitation of man's desire for land and goods forgetting that a starving man asks for a loaf of bread and not for the whole bakery. The author is sad to recall Ballapa one among her numerous apathetic characters who refused to work in the afternoon since he has to get grass for his cow. In Ballapa's life, cow is indeed an economic factor and for her sustenance he has to get grass. Maintenance of the cow is, economically and psychologically as important a job for Ballapa as to earn through physical labour. It is difficult to concede to the author's insinuation that Ballapa is disinterested in earning more. Her sweeping generalisations based on casual impressions reveal that her observations are the outcome of a hypothesis already formed than of facts. Perhaps with a little deeper probe, Kusum Nair could have easily appreciated that men would not labour unless the fruit of their labour is assured to them.

Economic growth is the cumulative result of numerous factors and each has its own set of theories. No one factor is the key to its realisation. Confusion is inevitable when one single factor is exaggerated out of context. Kusum Nair has tried to dismember a part from the whole.

In finding faults with individuals and groups of individuals, Kusum Nair completely fails to see that the people she has interviewed are socially conditioned and are working in a social context. Their relative efficiency or lack of it is conditioned by the levels of social conditions in which they operate. The suggestion that rural India has no future without streamlining of value system, is nothing but naivety.

Differences in human beliefs and behaviour do, partially, influence economic growth. But should not we enquire as to what causes a people to have one set of beliefs rather than another? Are these differences accidental or is there a socio-economic reason behind them? How do beliefs and institutions change? Why do they affect growth or stagnation? How does growth

itself react upon them? Is growth not cumulative in the sense that beliefs and institutions get fashioned to facilitate further growth. In not facing the implications of any of these posers, she has consciously or otherwise deviated from reality.

Many changes have taken place in rural India and many more will follow. It is true that the lines of the past are still too deep to be easily erased. In a society like ours where classes and castes exist, obstacles are not removed overnight. Phantoms of traditions still haunt the environments. Impatience in this regard is never rewarded. India today is not a national park from where blossoms could be picked at random. It is a barricaded race course of human development which is full of pitfalls and obstacles. Yet it is not without blossoms.

H. U. SAIN.

MONETARY POLICY

The Problems of Monetary Policy in an Under-developed Country with Special Reference to India: By Dr. J. D. Sethi: Published by Asia Publishing House, Bombay: Pp. 336: Price Rs. 15.

The monetary history of the Indian Union for the last two decades is full of interest because it has passed through new phases of economic expansion, sometimes under severe strains. The debate has been carried on between the fiscal and monetary policy experts regarding the relative importance of the two in keeping certain harmful effects of expansion under control. The Governor of the Reserve Bank of India, Mr. H. V. R. Iengar, has more than once openly criticised the fiscal policy of the Government of India which has resulted in price inflation and has repeatedly expressed the central banking authority's inability to regulate prices with monetary measures in the absence of appropriate co-ordination between the two policies. He is of the opinion that the monetary policy can only be of marginal efficacy and unless both the fiscal and the monetary measures are made to supplement each other, the harmful effects of inflation now witnessed may never be eliminated.

Dr. J. D. Sethi has made an attempt in the present volume to study this problem from every angle and he has in fact X-rayed all the developments during the last two decades. Every Finance Minister of the Union Government and every Governor of the Reserve Bank has been closely studied in this volume to throw light on the historical experiences of the past two decades, so as to seek guidance for formulating a policy for the Third and Fourth Five-Year Plans. Instead of jumping headlong into the application of monetary principles to the Indian economy, Dr. Sethi has rightly devoted about 100 pages to setting out the theoretical frame-work, for practice without theory is like an edifice without a foundation. After setting out in broad outline modern thinking on monetary policy, he has traced the history of monetary policy in an objective and analytical manner to piece together all the available evidence on the relative merits of all measures so far taken for shaping the Indian economy.

Dr. Sethi goes all out in praise of Mr. T. T. Krishnamachari's aggressive fiscal policy for expanding the Indian economy. He believes that it was Mr. Krishnamachari who really laid the fiscal foundation for economic development in India while his predecessor, Mr. C. D. Deshmukh only tinkered with the problem. Dr.

(Continued on page 763)

HINDUSTAN SHIPYARD AT VISAKHAPATNAM

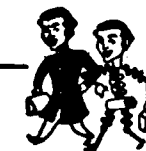


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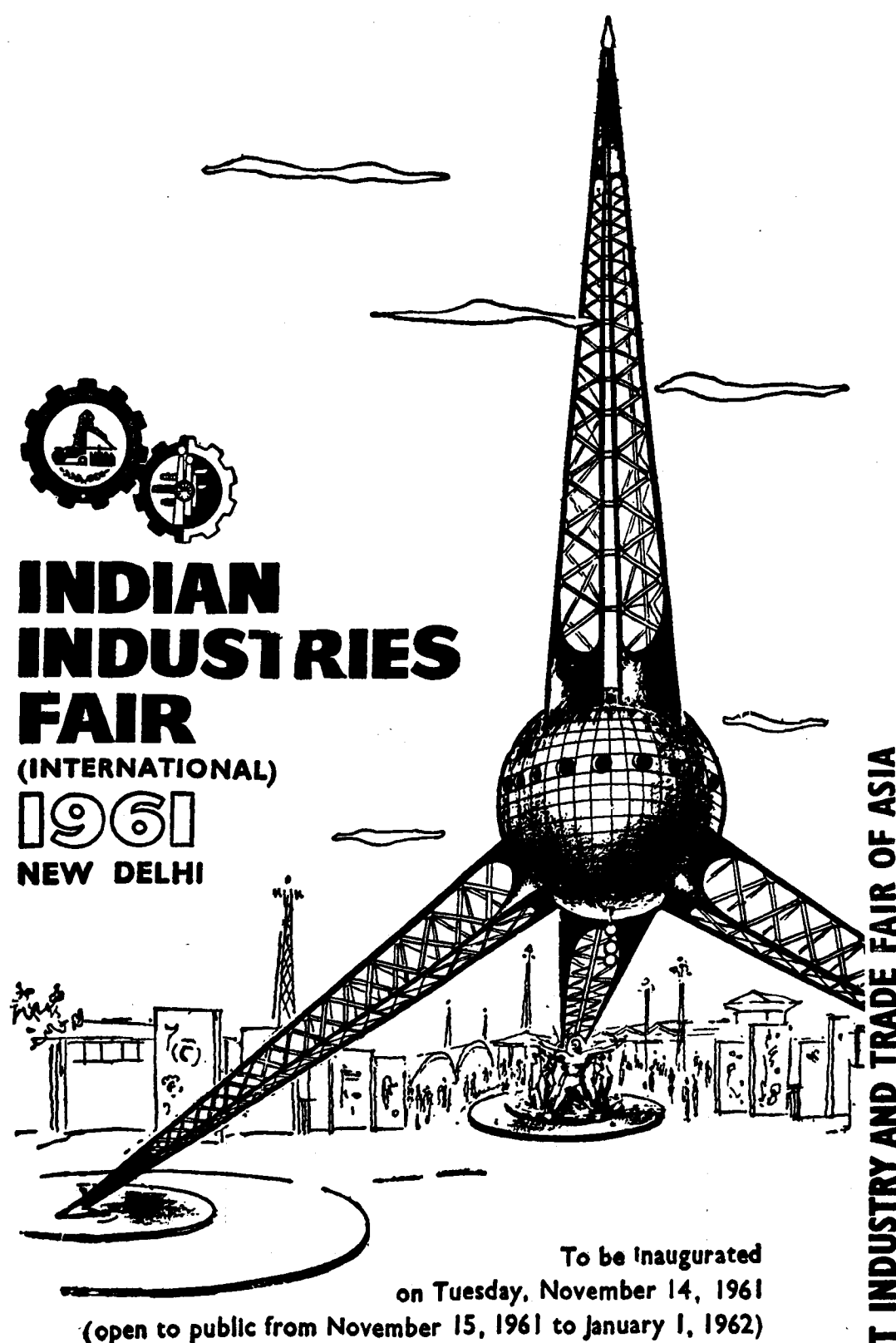
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NEW CAPITAL ISSUES

The Controller of Capital Issues has granted consent to six companies for the issue of a total capital of Rs. 3.14 crores. The consent is valid for 12 months in each case.

Messrs. India Carbon Limited, a new company registered in Assam, has been granted consent to the issue of capital of Rs. 50 lakhs divided into 10,000 cumulative redeemable preference shares of Rs. 100 each and 4 lakh equity shares of Rs. 10 each. The company will manufacture calcined petroleum coke and graphite paste etc. for which a licence has been obtained under the Industries (Development and Regulation) Act. The factory will be established at Gauhati. Foreign collaboration will be supplied by Great Lakes Carbon Corporation of the U.S., which will also invest in the equity capital of the company to the extent of about Rs. 16 lakhs. The Assam Government will subscribe to the preference shares; 49 per cent of the equity capital to be issued in India will be offered for public subscription.

Messrs. Kirloskar-Asea Ltd., Bangalore, has been granted consent to the issue of capital of Rs. 25 lakhs in equity shares of Rs. 10 each for cash at par. Out of this, shares worth Rs. 7.5 lakhs will be issued to the foreign collaborator — Messrs. Asea of Sweden. The proceeds will be utilized for the manufacture of switch-gear and motor starters.

Jayanti Shipping Company Private Ltd., New Delhi, engaged in the business as shipowners has been granted consent to issue capital of Rs. 1.5 crores divided into equity shares of Rs. 100 each for cash at par. The proceeds would be utilised for the purpose of acquisition of ships.

The Mandya National Paper Mills Limited, Bangalore, have been granted consent to the issue of capital of Rs. 80 lakhs in equity shares of Rs. 10 each for cash at par. Out of this, shares of the value of Rs. 10 lakhs will be issued to the existing non-resident shareholders — M/s. Parsons and Whittemore. The proceeds will be utilized for financing the expansion in the company's existing business of manufacturing paper. The present subscribed capital of the Company is Rs. 2 crores.

National Buildings Construction Corporation Limited, a Government undertaking having a paid-up capital of Rs. 13,00,000, have been accorded consent to issue further capital of Rs. 6,00,000 divided into equity shares of Rs. 1,000/- each for cash at par.

Canara Bank Limited, Bangalore, has been granted consent to the issue of further capital of Rs. 25 lakhs divided into 50,000 equity shares of Rs. 50 each to be fully paid-up for cash at a premium of Rs. 15 per share. The proceeds will be utilized for strengthening the banking company's capital base.

AIR-INDIA: NEW HORIZONS

In the annual report of Air-India International, Mr. J. R. D. Tata, Chairman, indicates that the year 1960-61 marks the beginning of a new chapter in the history of the airline characterised by the introduction

of Boeing 707 jet aircraft in April 1960 and Corporation's entry into the North Atlantic market on the extension of the Bombay-London service to New York in May 1960. Air-India thus became the first ocean carrier to operate across the North Atlantic. Boeing services were also introduced on the India-Japan route in 1961 and on the India-East Africa route in May 1961.

The financial results for the year 1960-61 show an increase of operating revenue of Rs. 6.59 crores — from Rs. 12.58 crores in 1959-60 to Rs. 19.17 crores — or by 52 per cent over those of the previous year. Operating profit for the year came to Rs. 117.41 lakhs, considerably higher than the previous year when the figure was Rs. 18.26 lakhs. After making provisions for various expenses, the Board decided to set apart Rs. 32.8 lakhs towards writing off development expenditure, Rs. 32.90 lakhs towards insurance fund, Rs. 4.25 lakhs towards equipment renewal reserve, Rs. 6.50 lakhs towards reserve fund and the remaining sums of Rs. 6.55 lakhs was to be carried forward.

The total capacity offered during the year recorded an increase of 72.7 per cent over the capacity offered in the previous year. The traffic actually carried, however, could not keep pace with this increase, and increased by only 41.2 per cent. One of the more important events for Air-India was its entry into pool partnership with Aeroflot on the Delhi-Moscow sector and with the Czech airlines on Bombay-Prague sector. More recently a major partnership agreement was arrived at with BOAC and Quantas on all the routes of the Corporation from New York to Tokyo and Sydney. The basic principle of revenue pools is sharing of common traffic rights between two points.

HASTINGS MILL

The Hastings Mill Ltd. during its operations for the year to March 31, 1961 recorded a profit of Rs. 29.20 lakhs which was higher as compared to the previous year. This improvement was partly because some purchases of jute were made by the Company prior to the steep rise in prices. The trading conditions otherwise remained difficult during the year. The jute crop of 1959-60 was not sufficient to meet the requirements of industry and the situation was further aggravated by the disappointing jute crop of 1960-61 with the result that the prices of raw jute became exorbitant and due to wide disparity between the prices of raw materials and finished products the work of the most of the jute mills was adversely affected. After making provisions for depreciation and taxation, a sum of Rs. 2.71 lakhs were transferred to development rebate reserve, and Rs. 6 lakhs towards general reserve. The directors have made the payment of a dividend on 25,000, 6 per cent cumulative preference shares at the rate of Rs. 1.80 per share for the year to March 31, 1960. For the present year dividend at the rate of 6 per cent on cumulative preference shares (at the rate of 7.80 per share) will absorb Rs. 1.95 lakhs. Dividend on 40,000 ordinary shares at the rate of Rs. 6 per share will absorb Rs. 2.40 lakhs.

BOOK REVIEWS—Contd. from page 760

Sethi has particularly analysed the problem of raising resources for India's Five-Year Plans and has categorically asserted that "if more than one half of the resources for development are to come from deficit financing and from foreign aid, then our future planning become precarious. These are crutches, and no foundation on which the growing system is made to stand." While there can be no disagreement on the warning he has uttered in regard to deficit financing, he is far less convincing on foreign aid, the more so because he does not demonstrate a fully effective alternative to it.

Dr. Sethi has made a detailed study of the limita-

tions under which the Reserve Bank is obliged to operate. He has also deprecated the selective credit control policy and the blanket restrictions on the volume of credit by the Reserve Bank. These are all harmful techniques which may show some results in the short period, but are likely to harm the economy in the long run. The likely flight from equity capital will certainly distort and damage the capital structure of the companies.

The present volume is based on the author's thesis for his doctorate and was prepared at the London School of Economics under the guidance of Mr. Ralph Turvey and Dr. Vera Anstey.

THIS IS ONLY AN ANNOUNCEMENT — NOT A PROSPECTUS

Consent of the Government of India has been obtained to this issue by an order of which a complete copy is open to public inspection at the registered office of the Company. It must be distinctly understood that in giving this consent the Government of India do not take any responsibility for the financial soundness of any scheme or for the correctness of any of the statements made or opinions expressed with regard to them.

A copy of this Prospectus having attached thereto the documents specified in Section 60 of the Companies Act, 1956, has been delivered to the Registrar of Companies, Delhi, for registration.

A licence under the Industries (Development & Regulation) Act, 1951, has been obtained from the Government of India for the establishment of this new industrial undertaking at Naini, District Allahabad, of which a copy is open to public inspection at the registered office of the Company. It must be distinctly understood that in granting this licence the Government of India do not undertake any responsibility for the financial soundness of this undertaking or for the correctness of any of the statements made or opinions expressed in regard to it.

Applications have been made to the Delhi, Bombay and Calcutta Stock Exchanges for permission to deal in and for an official quotation of the shares of the Company.

The subscription list will open at the commencement of banking hours on 30th October, 1961 and will close at the close of banking hours on 5th November, 1961, or earlier at the discretion of the Directors, but not before the close of banking hours on 1st November, 1961.

THE TRIVENI ENGINEERING WORKS LTD.

(Incorporated under the Companies Act, 1956, on 7th January, 1961)

SHARE CAPITAL

AUTHORISED :

Rs. 1,00,00,000/- divided into 8,00,000 Equity Shares and 2,00,000 9.3% Cumulative Redeemable Preference Shares of Rs. 10/- each.

ISSUED :

Rs. 60,00,000/- divided into 4,25,000 Equity Shares and 1,75,000—9.3% Cumulative Redeemable Preference Shares of Rs. 10/- each.

The issued capital is payable as follows :—

- Along with application at the rate of Rs. 2/- per share—whether Equity or Preference.
- The balance Rs. 8/- per share—whether Equity or Preference, on allotment.

PREFERENTIAL ALLOTMENTS AND RESERVATIONS

Out of the above issue of Rs. 42,50,000/- worth Equity Shares and Rs. 17,50,000/- worth 9.3% Cumulative Redeemable Preference Shares of Rs. 10/- each at par amounting to Rs. 60,00,000/- :—

- 1,08,375 Equity Shares of Rs. 10/- each at par are reserved for issue to the Indian Promoters, the Directors, the companies with which they are associated, and the employees of the company Rs. 10,83,750
- 2,12,500 Equity Shares and 87,500—9.3% Cumulative Redeemable Preference shares of Rs. 10/- each have been issued and subscribed for cash at par by the collaborator concern to be utilized for import of plant and machinery required for the Project Rs. 30,00,000

The balance 1,04,125 Equity Shares and 87,500 — 9.3% Cumulative Redeemable Preference Shares of Rs. 10/- each will be issued to the public at par.

RIGHTS OF PREFERENCE SHARES

The Preference Shareholders will be entitled to a fixed dividend of 9.3% per annum, payable in priority to the Equity Shares, free of company's income-tax but subject to deduction of tax at source at the prescribed rates. In the event of winding up Preference Shareholders will be entitled, in priority to Equity Shareholders, to repayment of the capital paid-up at par

plus all accrued dividends—whether earned, declared or not declared and also declared but not paid.

The Preference Shares are redeemable at par on expiry of seven years at the option of the Company on giving three months' notice but shall definitely be redeemed on or before expiry of ten years from the date of issue.

The voting rights of the Preference Shares will be as per Section 87 of the Companies Act.

VOTING RIGHTS

On a show of hands every member present in person has one vote and every person present either as a general proxy, as defined in the Articles of Association, or as a duly authorised representative of a body corporate has one vote. On a poll the voting rights of a member are in proportion to his share of the paid-up equity capital of the Company. A member holding Preference Shares is entitled to vote in respect of such shares only when the dividend due on such shares or any part thereof is two years in arrear or on a resolution which directly affects the rights attached to the Preference Shares.

PRESENT ISSUE

The balance capital will be issued at par to the public as follows :—

- 1,04,125 Equity Shares of Rs. 10 each:
- 87,500 9.3% Cumulative Redeemable Preference Shares of Rs. 10 each.

The entire issue of 87,500 Preference Shares has been underwritten by (1) Life Insurance Corporation of India, 60,000 shares (subject to firm allotment of 40,000 shares to them) and (2) M/s. Harbans Singh Mehta & Co., New Delhi 27,500 shares.

PROSPECTUS, APPLICATION FORM AND ALLOTMENT OF SHARES

Copies of the Prospectus, on the basis of which alone applications will be considered, and Application Forms may be obtained from the Registered Office of the Company or offices of the Company's Bankers and their branches mentioned in the Application Form, or Brokers and Underwriters.

Applications have to be made for a minimum of 50 shares, or multiple thereof in the case of Equity Shares and 100 shares or multiple thereof in the case of Preference Shares, and in all cases these must be accompanied by remittance of the amount payable on application.

Applications must be completed in accordance with the directions contained therein and delivered before

October 20, 1961.

THE EASTERN ECONOMIST

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the closing of the subscription list to the bankers or brokers, but not to the registered office of the Company.

If no allotment will be made, the application money will be returned in full, and where the number of shares allotted is less than the number applied for then the balance amount, if any, left after adjustment of allotment money on the shares allotted will be returned to the applicants by cheques either through the post or otherwise within two months from the date of allotment.

The Share Certificates will be ready for issue by the Company within four months from the date of allotment of shares.

LOAN CAPITAL

The Company has no Loan Capital at present but intends to raise at an early date Rs. 22½ lakhs by means of a debenture loan.

FINANCIAL REQUIREMENTS

The financial requirements of the Company are comprised of :

Cost of land and factory and office buildings	Rs. 12,00,000
Cost of imported plant and machinery	Rs. 39,75,000
Cost of indigenous machinery and Drawing Office equipment etc.	Rs. 13,00,000
Freight, insurance, custom duty, transport charges, erection and technical service etc.	Rs. 8,60,000
Motor Cars, furniture, Administrative contingent and miscellaneous expenses	Rs. 7,50,000
Preliminary Expenses	Rs. 1,65,000
TOTAL	Rs. 82,50,000

FINANCIAL RESOURCES

By capital subscription from Equity Shares	Rs. 42,50,000
By capital subscription from Preference Shares	Rs. 17,50,000
By Debentures Loan	Rs. 22,50,000
TOTAL	Rs. 82,50,000

DIRECTORS

Name and Address	Occupation & Description
1. Shri Balmokand Shah Sawhney, 20, Prithviraj Road, New Delhi.	Businessman and Industrialist.
2. Shri C. W. Murray, F.C.A., Bucklersbury House, 83, Cannon Street, London, E.C.4.	Director, Booker Brothers McConnell & Co., Ltd. Chairman, Bookers Engineering Holdings Ltd., Director, Bookers Sugar Machinery Group Ltd.
3. Shri Mehr Chand Mahajan, 47, Friends Colony, New Delhi.	Retd. Chief Justice of Supreme Court of India.
4. Shri C. W. Murray, D.F.C., D.L., M.I. Mech.E., Masson Works, Litchurch Lane, Derby, England.	Director, Booker Engineering Holdings Ltd., Chairman :— Booker Sugar Machinery Group Ltd., George Fletcher & Co., Ltd., Duncan Stewart & Co., Ltd.

5. Shri Kanhaya Lal Sawhney, Businessman and Industrialist.
Rookwood, Simla.

6. Shri Puran Chand Sawhney, Businessman and Industrialist.
1, South End Road, New Delhi.

7. Shri T. P. Houghton, A.C.A., Director, Bookers Engineering Holdings Ltd., Director, Bookers Sugar Machinery Group Ltd.
Bucklersbury House, 83, Cannon Street, London, E.C.4.

8. Shri Devi Chand Sawhney, Businessman and Industrialist.
19, Prithviraj Road, New Delhi.

REGISTERED OFFICE

National Insurance Building (1st Floor),
5, Parliament Street,
New Delhi.

BANKERS

1. State Bank of India, Parliament Street, New Delhi.
2. The Punjab National Bank Ltd., Parliament Street, New Delhi.
3. The Central Bank of India Ltd., Parliament Street, New Delhi.

AUDITORS

A. F. Ferguson & Co., Chartered Accountants,
Scindia House, Curzon Road, New Delhi-1.

MANAGING BROKERS

1. Place Siddons & Gough Pvt. Ltd., 6, Lyons Range, Post Box No. 592, Calcutta-1.
2. Harbans Singh Mehta & Co., 33, Regal Building, Post Box No. 300, New Delhi-1.

BROKERS

Merwanjee Bomanjee Dalal,
Allahabad Bank Buildings,
Apollo Street, Fort,
Bombay-1.

CONSENTS

The consents in writing of the directors, auditors, managing brokers, brokers, bankers, and solicitors to the Company to act in their respective capacities have been obtained and filed with the Registrar of Companies, New Delhi, and none of them has withdrawn the consent so given.

MINIMUM SUBSCRIPTION

The directors will not proceed to allotment until the whole of the present issue has been subscribed.

HISTORY AND OBJECTS

The Company was incorporated on 7th January, 1961, for the purposes stated in its Memorandum of Association. The immediate object in particular is to carry on the business of Engineering and to that end to erect and establish at Naini, District Allahabad, U.P., a plant for the purposes of manufacture and production of sugar machinery, steam turbines, and other heavy industrial plant and machinery.

Amongst the main objects of the Company, as contained in its Memorandum of Association, are:—

1. To carry on the business of general manufacturing engineers, manufacturers and repairers of heavy machinery of all kinds and component parts thereof as well as complete factories and plants and in particular for the following industries:—
Sugar, paper, ice-making, flour, steel rolling, rubber processing textiles, power plants.
2. To carry on the business of iron-founders, millwrights, boiler makers, electricians, machinists, coppersmiths, makers of motors, accumulators, generators, builders of all kinds of property, shippers, shipowners, brokers and general merchants in all the branches thereof, and
3. To carry on the business or businesses of manufacture of agricultural and other implements of all kinds and other machinery, bridge builders, brass founders, metal works, iron and steel converters, smiths, wood workers, builders, metallurgists, etc. etc. and water work engineers, tool makers, water supply engineers, gas makers, farmers, printers, carriers, and to buy, sell, manufacture, repair, convert, alter, let on hire and deal in machinery, implements, rolling stock and hardware of all kinds and to carry on any other business (manufacturing or otherwise) which may seem to the Company capable of being conveniently carried on in connection with the above or otherwise calculated directly or indirectly to enhance the value of the Company's property and rights for the time being.

SCOPE AND PROSPECTS

As the Second Five-Year Plan could be called a Steel Plan, so might the Third Five-Year Plan, which operates from early 1961, well be called India's Machinery Plan, since under it the production of machinery in the country is designed to rise nearly three-fold.

The Sugar Industry is the second largest and one of the first to be established in the country. With a rapidly rising population and with the improvement of living standards, this industry has expanded from a production of 10 lakh tons in 1953-54 to 29.8 lakh tons for the season 1960-61 and this production is scheduled to rise to 35 lakh tons at the end of the Third Five-Year Plan.

To take full advantage of the experience and knowledge in the Sugar Industry of the Indian and United Kingdom promoters, the production programme of the Triveni Engineering Works Ltd. will be based on the manufacture of sugar machinery. However, to avoid possible seasonal declines in demand and to be able to select the most profitable business available, the Works are being designed for general manufacture of heavy engineering lines, including industrial process turbines for which the Company is the first to be licensed in the Private Sector.

SITE FOR THE WORKS

The site for the Works has been chosen at Naini, on the outskirts of Allahabad, near the physical centre of India. Its location is in the middle of Uttar Pradesh-Bihar Sugar belt and six railway systems meet at or converge on Allahabad. Moreover, it is well placed for the supply of raw materials from India's Steel Industry and the Government Foundry Forge Development at Ranchi.

Approximately 26 Acres of almost level land for the Company's Works has been acquired by the Uttar Pradesh Government and possession given to the Com-

pany. This is near the Naini Station, adjacent to the proposed Rihand Power Sub-station and bordered by two roads, one of which is the Grand Trunk Road.

POWER, MACHINERY AND EQUIPMENT

Government of U.P. have promised the utmost help for the early supply of Government "Hydro Electric Power." In the meantime arrangements have been made for generation by the company of electricity by Diesel Engines at site.

Major portion of the plant and machinery—both imported and indigenous, has reached the site and is under installation. It is hoped that the production will commence early in 1962.

TECHNICAL COLLABORATION

As may as one-quarter of the sugar plants in operation in India today have been manufactured either by George Fletcher and Co., Ltd., of Derby, England, and/or by Duncan Stewart & Co., Ltd. of Glasgow, Scotland, and there is hardly a sugar factory in India which does not contain some items of equipment supplied by one or other of these companies. Both companies are subsidiaries of Booker Brothers McConnell & Co., Ltd. which company has taken up for cash 50% of the Equity and Preference Shares to be issued by the Triveni Engineering Works Ltd.

COLLABORATION FEE

Under an agreement Bookers Sugar Machinery Group Ltd., George Fletcher & Co. Ltd., and Duncan Stewart & Co. Ltd. agreed to act as the Technical Consultants and sell outright in London to the Company at a consideration of £50,000 sterling the technical know-how to be in the exclusive use of the Company in India and they have also agreed to advance to the Company a loan of £50,000/- sterling free of interest and repayable by the Company within a period of ten years and tax liability thereon, if any, would be borne by the Company.

For Turbines and Air Compressors, Peter Brotherhood & Co. Ltd. of Peterborough, England, whose products are well-known throughout the world, has entered into an agreement to give full and continuing technical collaboration and have agreed to sell in London for a consideration of £40,000 sterling the technical know-how to be in the exclusive use of the Company in India. They have also similarly agreed to advance to the Company a loan of £40,000 sterling free of interest and repayable by the Company within a period of ten years and tax liability thereon, if any, would be borne by the Company.

IMPORT LICENCES

Import Licences No. 997663/60/HQ/CE/I dated 1-2-61 and 997664/60/HQ/CE/II dated 1-2-61 have been received from Government of India for import of nearly Rs. 30 lakhs worth of capital equipment from the U.K. and Italy, against the foreign investment. In addition, Rs. 12 lakhs worth of capital equipment will be imported from U.S.A. against a D.L.F. Loan, sanctioned vide Government of India Letter No. 41(43)/61-DLF dated 21st February, 1961.

PROFITABILITY

Annual production on one shift working is estimated at about Rs. 1 crore. This is expected to rise to between Rs. 2 and 2.5 crores on three shift working, which, it is hoped to attain in two to three years. The

experience of similar engineering concerns in India, catering to specialised markets for industrial plant, shows that the Company's estimated rates of production could return a satisfactory profit.

SPECIAL BENEFITS

The Company will enjoy the special benefits under the "Indian Income-Tax Act" inasmuch as:—

1. Development Rebate equal to 20% of the cost of machinery installed will be allowed.
2. Under Sec. 15C the profits upto 6% of the employed capital will be exempt from tax for the first five years of production. The shareholders will also enjoy relief on the dividends received by them in accordance with this section of the Income-Tax Act in respect of any dividend paid as is attributable to that part of the profits of the Company, which obtained the foregoing exemption, and
3. Under Sec. 56A of the Income-Tax Act, Super-Tax will not be payable on dividends received by the Company holding shares in this company.

BROKERAGE

Brokerage will be paid to the brokers, banks and underwriters at 10 nP. per Equity and Preference Share of Rs. 10 each offered to the public in respect of shares allotted on applications bearing their stamps. In addition, brokerage at 7 nP. per share will be paid to the Managing Brokers only in respect of 1,04,125 Equity Shares being offered to the public.

UNDERWRITING COMMISSION

Underwriting Commission of 2½% will be paid to the Life Insurance Corporation of India and M/s. Harbans Singh Mehta & Co.—the underwriters in respect of Cumulative Redeemable Preference Shares of Rs. 8,75,000 underwritten by them.

PRELIMINARY EXPENSES

The Preliminary Expenses and the expenses of the Issue including Underwriting Commission and Brokerage are estimated at Rs. 1,85,000/- and are payable by the Company.

INTEREST OF PROMOTERS

The Promoters of the Company are Booker Brothers McConnell & Co. Ltd. and R. B. L. Tirath Ram Shah (India) Ltd. The Promoters are receiving no remuneration for their services as such but the latter company is entitled to be reimbursed for expenses borne by them. Bookers Sugar Machinery Group Ltd., George Fletcher & Co. Ltd., and Duncan Stewart & Co. Ltd., are subsidiaries of Booker Brothers McConnell Co. Ltd. The Promoters are interested to the extent of the shares allotted to them.

DIRECTORS' INTEREST

All the Directors will be interested in the remuneration payable to them as fee for the meetings attended and travelling expenses, if any, for the purpose.

Shri Balmokand Shah Sawhney, Shri Kanhaya Lal Sawhney, Shri Puran Chand Sawhney and Shri Devi Chand Sawhney are Directors or Members of R. B. L. Tirath Ram Shah (India) Ltd., promoters of the Company. Each of them is also a director or member of The Ganga Sugar Corporation Ltd. The Upper India Sugar Mills Ltd., The Mahalakshmi Sugar Mills Co. Ltd., and The Ramkola Sugar Mills Co. Ltd., and are in-

terested to the extent of the shares to be allotted to each of these companies and to themselves.

Shri C. W. Tyrrell is a director and member and Shri C. W. Murray is a member of Booker Brothers McConnell & Co. Ltd., one of the promoters of the Company. Shri C. W. Murray is Chairman and Shri T. P. Houghton a Director of Bookers Sugar Machinery Group Ltd. and Shri Murray is also Chairman of George Fletcher & Co. Ltd. and of Duncan Stewart & Co. Ltd.

BORROWING POWERS

The Directors may from time to time raise or borrow and secure the payment of any sums of money for the purposes of the Company provided that the amount borrowed and outstanding (apart from temporary Bank Loans obtained in the ordinary course of trading) shall not at any time exceed the aggregate of the paid-up capital of the Company and its free reserves, except with the consent of the Company in general meeting.

POWERS OF THE DIRECTORS

No restrictions are imposed by the Articles of Association on the Board's powers of the management and the control of the Company's affairs is vested in the Board and save in so far as provided by the Companies Act, 1956.

AUDITORS' REPORT

In accordance with Clause 24 of Para II of Schedule II of the Companies Act, 1956, we report that the Triveni Engineering Works Ltd., have not made up accounts for the period from the incorporation of the Company (7th January, 1961) to three months before the issue of the Prospectus.

ALLAHABAD BANK LIMITED

Established: 1865

Affiliated to The Chartered Bank

Registered Office:

14, India Exchange Place, Calcutta-1.

Authorised Capital	Rs. 1,00,00,000
Subscribed Capital	Rs. 60,00,000
Paid-up Capital	Rs. 45,50,000
Reserve Fund	Rs. 1,08,00,000

BANKING BUSINESS OF
EVERY DESCRIPTION TRANSACTED

FIXED AND SHORT TERM DEPOSITS
RECEIVED ON FAVOURABLE TERMS

Branches and correspondents throughout
India and in all principal cities of
the world.

M. J. MACLAREN,
GENERAL MANAGER.

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Suiting

In tune with fashion.

They help you to step out in style and
enjoy the grace of a well-dressed man

Every piece a master-piece

Gwalior Rayon

SILK MFG. (WVG.) CO. LTD.
Birlanagar - Gwalior (India)

Hall-mark



of satisfaction

NPS/GR/140

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Food articles & Tobacco	Liquor	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures			All Commo- dities
						Inter- mediate Products	Finished Products	Total	
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61	..	120.0	110.0	119.6	145.4	130.5	122.8	123.9	124.8
June 1960	..	120.3	109.5	118.0	139.7	127.2	118.7	119.9	122.9
July	"	124.0	109.6	119.5	137.2	130.4	119.4	121.0	121.0
August	"	123.8	106.7	119.7	137.0	131.0	121.1	122.6	125.0
June 1961	..	119.9	100.1	122.2	148.7	135.2	127.4	125.3	125.6
July	"	124.3	98.6	121.5	151.3	141.9	124.6	127.0	128.6
August	"	124.2	99.6	121.6	144.6	140.9	123.4	125.8	127.3
26-8-1961	..	124.2	100.0	121.6	138.8	141.0	121.7	124.5	126.0
2-9-1961	..	122.4	100.1	121.5	138.7	140.7	122.5	125.1	125.5
9-9-1961	..	121.3	100.0	121.5	137.8	141.3	122.7	125.3	124.6
16-9-1961	..	120.9	99.5	121.5	138.2	140.7	122.7	125.3	124.4
23-9-1961	..	120.5	99.5	121.5	138.3	140.0	122.8	125.3	124.2

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS
(August 1939 = 100)

Period	Bombay			Delhi Bengal U.P.			Central Provinces		Madras	E.P.	Bihar	
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	All India†
1939 (Aug.-Dec.)	..	103	—	—	—	105	104	—	106	—	—	—
1954	..	342	359	244	138	327	408	373	139	341	148	140
1955	..	322	338	217	130	321	371	364	133	321	134	135
1956	..	336	352	244	142	347	424	397	151	358	152	146
1957	..	352	368	259	150	364	448	422	162	374	157	157
1958	..	376	394	274	150	384	468	447	165	401	157	169
1959	..	393	412	308	158	384	469	498	163	429	166	173
1960	..	401*	420*	296	158*	397	476	512*	165	467	167	166
September	..	399	418	302	161	403	484	520	163	472	167	168
October	..	402	421	304	162	396	488	517	163	477	171	166
November	..	404	423	300	159	392	498	509	163	484	171	168
December	..	400	419	297	160	385	480	507	163	488	169	167
1961 January	..	400	419	296	161	385	480	495	165	470	171	166
February	..	401	420	296	163	389	488	491*	165	470	171	164
March	..	404	423	296	163	392	483	488*	165*	479	169	167
April	..	409	428	296	165	389	471	490	165*	482	169	166
May	..	412	431	296	166	389	464	490	166*	479	171*	166
June	..	414	433	302	167	389	474	498	—	478	171*	167
July	..	418	437	—	171	—	482	498	—	480	—	—
August	..	419	438	—	171	—	491	501	—	181	—	—
September	..	—	—	—	169	—	—	—	—	479	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)
WEEK ENDED

	6-10-1961			29-9-1961			22-9-1961			15-9-1961		
	High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age
Gold (per 10 grams)	125.00	123.90	124.63	126.00	124.80	125.41	125.90	123.85	125.06	125.25	123.75	124.55
Silver (per kilogram)	206.15	204.90	205.75	206.45	205.25	205.73	205.10	202.55	203.52	203.95	201.90	203.14

**RESERVE BANK OF INDIA
ISSUE DEPARTMENT**

(Rs. Lakhs)

Period	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Dept.	Total Notes Issued (a)	Gold & Bullion (b)	Coin & Securities (c)	Foreign Securities (c)	Total of (b+c) as (b+c) Percent- age of (a)	Rupee Coin	Rupee Securities	Total Assets
1956-57	1,475.77	18.75	1,494.52	40.02 (117.76)	545.61	585.63 (663.37)	39.95 (44.37)	115.93	755.22	1,494.52
1957-58*	1,529.36	23.18	1,552.53	117.76	329.65	447.41	28.79	1,30.06	975.06	1,552.53
1958-59*	1,593.88	19.34	1,613.21	117.76	182.04	299.80	18.58	133.99	1,179.42	1,613.21
1959-60*	1,730.90	19.86	1,750.77	117.76	167.62	285.38	16.30	131.50	1,333.83	1,750.77
1960-61*	1,863.13	18.94	1,882.07	117.76	134.99	255.75	13.4	126.84	1,502.48	1,882.07
Average of Fridays										
July 1960	1,827.14	25.64	1,852.77	117.70	140.01	257.77	13.91	128.59	1,466.47	1,852.77
August "	1,799.36	19.85	1,819.21	117.76	124.26	242.02	13.30	130.58	1,446.61	1,819.21
Sept. "	1,794.03	16.23	1,810.26	117.76	123.01	240.77	13.3	131.80	1,437.70	1,810.26
July 1961	1,922.49	24.13	1,946.62	117.76	93.01	210.77	10.83	121.31	1,614.55	1,946.62
August "	1,902.77	13.31	1,916.08	117.76	116.86	234.62	12.27	123.85	1,553.46	1,916.08
Sept. "	1,877.38	21.36	1,898.74	117.76	116.86	234.62	12.36	126.45	1,537.67	1,898.74
Week-Ending										
1-9-1961	1,872.62	21.81	1,894.43	117.76	116.86	234.62	12.38	126.25	1,533.56	1,894.43
8-9-1961	1,898.86	8.93	1,907.79	117.76	116.86	234.62	12.30	124.61	1,548.57	1,907.79
15-9-1961	1,889.46	19.28	1,908.75	117.76	116.86	234.62	12.29	125.48	1,548.65	1,908.75
22-9-1961	1,868.70	21.99	1,890.68	117.76	116.86	234.62	12.41	127.28	1,528.78	1,890.68
29-9-1961	1,857.24	34.80	1,892.04	117.76	116.86	234.62	12.40	128.61	1,528.80	1,892.04

BANKING DEPARTMENT

Period	Deposits					Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad§	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Gov- ernment	Other Gov- ernments	Banks	Others	Total									
1954-55*	89.13	20.66	55.20	36.29	201.28	23.62	234.90	23.24	6.10	87.53	1.14	26.55	80.52	9.82
1955-56*	60.11	19.85	53.77	18.31	152.04	35.59	197.64	17.21	9.78	66.96	1.73	36.99	49.36	15.61
1956-57*	57.52	14.10	52.48	19.73	143.81	91.21	245.02	18.91	5.89	64.77	4.89	85.34	51.82	13.60
1957-58*	54.61	11.28	81.00	111.38	258.27	84.36	407.63	23.30	4.81	40.47	32.90	77.91	213.92	14.32
1958-59*	57.62	20.80	87.53	118.73	284.67	71.71	441.44	19.41	6.18	25.57	28.23	65.83	284.49	11.73
1959-60*	55.50	23.24	79.61	123.48	281.83	83.18	450.01	19.94	15.54	28.97	25.53	88.92	258.90	12.22
Average of Fridays														
July 1960	63.54	20.25	120.31	132.35	336.44	73.49	494.94	25.70	13.66	21.03	32.82	125.06	260.19	16.48
August "	60.44	23.00	118.40	120.40	322.25	76.19	483.43	19.92	23.55	21.64	37.69	117.00	251.73	11.89
Sept. "	67.44	30.27	108.27	92.64	298.61	78.01	461.63	16.32	18.76	20.71	28.88	142.08	222.85	12.03
July 1961	58.61	18.56	93.24	111.63	282.04	94.38	461.41	24.17	26.26	9.98	40.10	117.43	221.75	21.72
August "	65.40	16.46	88.09	180.22	350.16	89.86	525.02	13.36	15.21	30.98	47.71	116.37	284.51	16.89
Sept. "	60.81	26.67	83.71	159.06	330.34	96.02	511.36	21.42	16.73	17.47	49.11	131.54	257.83	17.12
Week-Ending														
1-9-1961	52.51	19.38	101.25	158.66	332.25	95.83	513.08	21.87	9.17	19.59	53.32	116.78	275.43	16.93
8-9-1961	63.50	31.95	75.85	159.28	330.58	91.42	507.00	8.98	18.26	18.73	48.11	134.75	261.16	17.01
15-9-1961	73.53	38.16	78.66	158.03	348.38	93.33	526.71	19.34	24.99	17.76	49.45	136.96	261.16	17.05
22-9-1961	55.05	21.36	84.31	172.66	333.38	99.71	518.08	22.04	18.44	18.42	45.33	135.89	260.16	17.14
29-9-1961	59.46	22.49	78.47	146.69	307.12	99.80	419.92	34.86	12.77	12.87	49.36	133.33	231.24	17.49

* Average of Fridays. **Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. †Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1958, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1958 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. §Includes cash and short-term securities

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (2+3) (Note+Coins)	Balances with Reserve Bank		Advances as per-centage of (4)	Bills Dis- counted as per-centage of (4)	(8+9) Investments in Govern-ment Secur-ities in India
	Demand	Time	Total		(5)	(6)	(7)	(8)	(9)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1953-54	526.75	328.26	855.00	31.97	44.48	8.98	442.79	51.40	59.56
1954-55	559.62	351.86	911.55	32.66	53.91	9.50	468.39	84.66	60.68
1955-56	608.64	407.95	1,016.59	34.64	52.52	8.69	514.37	118.08	63.02
1956-57	653.34	453.92	1,107.26	36.94	50.23	7.96	626.08	155.56†	71.39
1957-58	723.89	619.19	1,343.08	39.34	77.55	8.72	723.79	167.32†	66.77
1958-59	735.93	860.33	1,596.26	40.30	83.99	7.74	766.56	133.27†	56.37
1959-60	745.83	1,086.79	1,832.62	44.84	75.81	6.58	842.75	144.49†	53.87
1960-61	794.49	1,155.87	1,950.36	47.04	93.09	7.17	995.75	162.94	59.48
Average of Fridays									
April 1961	854.21	1,093.17	1,947.38	47.78	74.18	6.27	1,111.89	205.35	67.64
May 1961	845.27	1,108.21	1,953.48	48.43	73.26	6.23	1,085.24	194.17	65.49
June 1961	837.02	1,119.91	1,956.93	48.46	79.72	6.55	1,102.90	179.40	65.53
July 1961	843.35	1,133.99	1,977.34	46.71	88.73	6.85	1,100.57	156.31	63.56
August 1961	837.73	1,148.50	1,986.23	45.86	83.13	6.49	1,087.85	1,151.04	62.38
Sept. 1961	839.19	1,142.64	1,981.83	44.78	79.11	6.25	1,076.93	159.71	62.00
Week Ending									
8-9-1961	835.38	1,138.92	1,974.30	44.60	73.87	6.00	1,088.49	154.77	62.97
15-9-1961	839.17	1,135.53	1,974.70	46.15	77.09	6.24	1,087.42	157.25	63.03
22-9-1961	834.38	1,141.23	1,975.61	44.49	77.41	6.17	1,071.82	163.19	62.51
29-9-1961	842.30	1,143.40	1,985.70	43.48	73.20	5.88	1,061.82	170.59	62.06

Deposit Money with the Public

MONEY SUPPLY WITH THE PUBLIC

(Rs. in Lakhs)

Last Friday	Deposit Money with the Public			Total variation in money supply		
	Money supply with the public	Total currency with the public	Total	Demand liabilities of banks	Other Deposits with Reserve Bank†	Total
(1)	(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1954-55	1,920.63	1,311.77	608.86	599.16	9.71	+126.65
1955-56	2,184.32	1,505.09	679.23	667.22	12.01	+263.69
1956-57	2,312.89	1,556.50	756.39	744.74	11.65	+128.57
1957-58	2,388.83	1,606.60	782.22	762.36	19.87	+75.94
1958-59	2,498.76	1,724.53	774.23	754.98	19.25	+109.92
1960-61	2,900.89	2,027.04	873.85	854.89	18.96	+197.76
November 1960	2,662.68	1,843.44	825.24	804.15	21.09	+7.99
December "	2,737.29	1,898.73	838.56	813.05	25.50	+68.60
January 1961	2,792.66	1,944.99	847.67	821.72	25.94	+55.38
February "	2,816.56	1,966.28	850.28	829.74	20.54	+23.90
March "	2,900.89	2,027.04	873.85	854.89	18.96	+84.33
April "	2,915.44*	2,025.80*	889.64	870.42	19.22	+14.55
May "	2,872.64*	2,010.87*	861.77	841.53	20.24	-42.80
June "	2,873.02*	1,969.64*	903.37*	878.55*	24.82	+38*
July "	2,808.74*	1,936.87*	871.83*	850.72*	21.15	-64.28*

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

PER CAPITA CONSUMPTION OF FOOD IN SELECTED COUNTRIES

(In Kilograms per year)

Country	Period	Cereals	Starchy roots	Sugar	Pulses	Vegetables	Meat	Milk	Fats
Western Europe									
Germany, Western	1948-50	114	209	24	4	51	29	166	16
	1959-60	85	139	27	4	40	54	220	25
France	1948-50	121	133	23	6	110	56	142	14
	1959-60	107	100	32	7	128	74	208	17
United Kingdom	1948-50	106	115	39	5	61	50	204	21
	1959-60	84	88	50	6	59	71	235	22
Sweden	1948-50	88	120	44	4	25	49	..	20
	1959-60	75	99	39	4	27	52	320	21
Switzerland	1948-50	117	89	38	8	73	44	319	15
	1959-60	83	73	41	9	76	54	300	20
Denmark	1948-50	104	141	36	7	72	62	272	18
	1959-60	79	128	47	4	63	73	291	27
Netherlands	1948-50	98	159	36	4	68	28	262	23
	1959-60	86	90	40	4	62	44	291	25
Italy	1948-50	149	38	12	13	81	15	93	10
	1959-60	142	53	20	13	138	27	134	16
Yugoslavia	1952-53	190	64	88	8	32	20	104	8
	1959	183	73	14	10	50	27	149	11
North America									
United States	1948-50	77	52	41	8	105	82	296	20
	1959	66	47	6	41	97	94	307	21
Canada	1948-50	75	75	47	7	70	70	263	20
	1959-60	71	63	45	5	77	82	274	19
Latin America									
Argentina	1948	126	88	35	2	40	116	145	16
	1959	120	85	31	3	43	100	126	16
Brazil	1948	79	123	30	26	24	39*	73	6
	1958	90	73	33	26	..	29	58	..
Chile	1948	134	80	25	6	54	38	65	6
	1958	125	64	33	13	..	..	92	7
Venezuela	1952-53	82	89	33	15	10	19	95	6
	1959	82	92	37	15	16	25	141	9
Far East									
Ceylon	1952-53	118	35	16	32	42	3	15	4
	1959	132	21	20	28	42	3	15	4
India	1949-50	112	8	12	23	16	1	47	3**
	1958-59	143	12	14	30	..	2	50	4**
Pakistan	1949-50	161	..	12	8	18	4	55	3**
	1958-59	147	6	16	7	19	4	47	3**
Japan	1948-50	157	62	4	7†	61	2	4	1
	1959	151	66	14	18†	72	6	20	4
Africa									
Southern Rhodesia	1951-53	184	12	13	14	26	30	36	2
	1953	201	10	12	16	26	29	37	2
South Africa	1948-50	156	16	39	3	4	42	79	5
	1959	140	20	41	5	36	43	82	6
Morocco	1952-55	147	9	34	4	62	20	168	4
Oceania									
Australia	1948-50	97	50	53	5	66	110	203	15
	1959-60	92	52	53	5	57	116	209	18
New Zealand	1948-50	90	51	50	4	79	103	253	18
	1959	86	55	42	5	68	107	276	20

** Excluding butter.

† Including "miso" and "shoyu" (soybean preparations) in terms of soybean.

* Not Comparable with subsequent years as a different method of determination has been used.

CALORIE AND PROTEIN CONTENT OF AVERAGE FOOD SUPPLIES

Country	Period	Calories	Total protein (grams)	Animal protein (grams)
Western Europe				
(Per capita per day)				
Germany Western	1948-50	2730	79	32
	1959-60	2890	78	46
France	1948-50	2800	92	40
	1959-60	2940	98	52
United Kingdom	1948-50	3130	90	45
	1959-60	3290	87	52
Sweden	1948-50	3110	87	52
	1959-60	2920	82	54
Switzerland	1948-50	3170	96	51
	1959-60	2980	85	51
Denmark	1948-50	3240	105	60
	1959-60	3340	94	59
Netherlands	1948-50	2930	82	39
	1959-60	2970	80	45
Italy	1948-50	2350	70	19
	1959-60	2710	79	27
Yugoslavia	1952-53	2690	87	20
	1959	2980	96	26
North America				
United States	1948-50	3180	91	61
	1959	3130	93	66
Canada	1948-50	3110	93	57
	1959-60	3150	96	64
Latin America				
Argentina	1948	3240	110	66
	1959	3040	95	52
Brazil	1948	2360	63	24
	1958	2500	62	20
Chile	1948	2370	73	23
	1958	2450	78	27
Paraguay	1957-59	2500	68	26
Uruguay	1949	2920	93	59
	1958	3110	100	65
Venezuela	1952-53	2010	54	20
	1959	2300	64	27
Far East				
Ceylon	1952-53	1990	41	6
	1959	2100	43	7
India	1949-50	1640	44	5
	1958-59	2080	56	6
Pakistan	1949-50	2030	49	7
	1958-59	1930	45	7
Japan	1948-50	1900	49	9
	1959	2210	68	18
Africa				
Southern Rhodesia	1951-53	2450	75	16
	1953	2630	81	16
South Africa	1948-50	2640	73	27
	1959	2580	73	30
Morocco (former French Zone)	1952-55	2350	72	18
Mauritius	1955-56	2290	47	11
	1959	2250	46	11
Oceania				
Australia	1948-50	3220	97	66
	1959-60	3330	94	61
New Zealand	1948-50	3360	100	67
	1959	3430	105	72

Source: The State of Food and Agriculture, 1961.

INDIAN UNION

EXPORTS OF PRINCIPAL COMMODITIES

(Rs. lakhs)			
Commodities	1959-60	1960-61	1961-62 (April-June)
FOOD, DRINKS, AND TOBACCO			
Tea	12909	12359	1368
Coffee	633	722	384
Cashew kernels	1600	1891	491
Other fruits and vegetables	567	717	180
Pepper	817	850	177
Other spices	629	814	193
Tobacco	1454	1574	664
Sugar	171	334	194
Fish and Fish preparations	583	462	117

RAW MATERIALS

Cotton raw other than linters	1006	867	624
Cotton waste (soft waste)	360	216	135
Wool and other animal hair	1221	774	237
Lac	625	633	84
Mica	1003	1015	241
Manganese Ore	1149	1329	253
Iron Ore	1458	1678	409
Hides & skins raw and fur skins undressed	1158	1002	185
Coal	457	313	59
Oil seeds and oil nuts & oil kernels	254	513	93
Iron and steel scrap	499	557	210

PROCESSED ARTICLES

Groundnut oil (crude, refined or purified)	516	21	@
Linseed Oil (crude, refined or purified or oxidised)	254	98	3
Castor Oil (crude, refined or purified)	661	671	201
Oil seed cake & meal and other vegetable oils residues	2103	1430	273
Leather and leather manufactures, n.e.s. and fur skins and dressed	3060	2497	712
Pig and sponge iron	116	241	29
Cement	93	64	34

MANUFACTURES

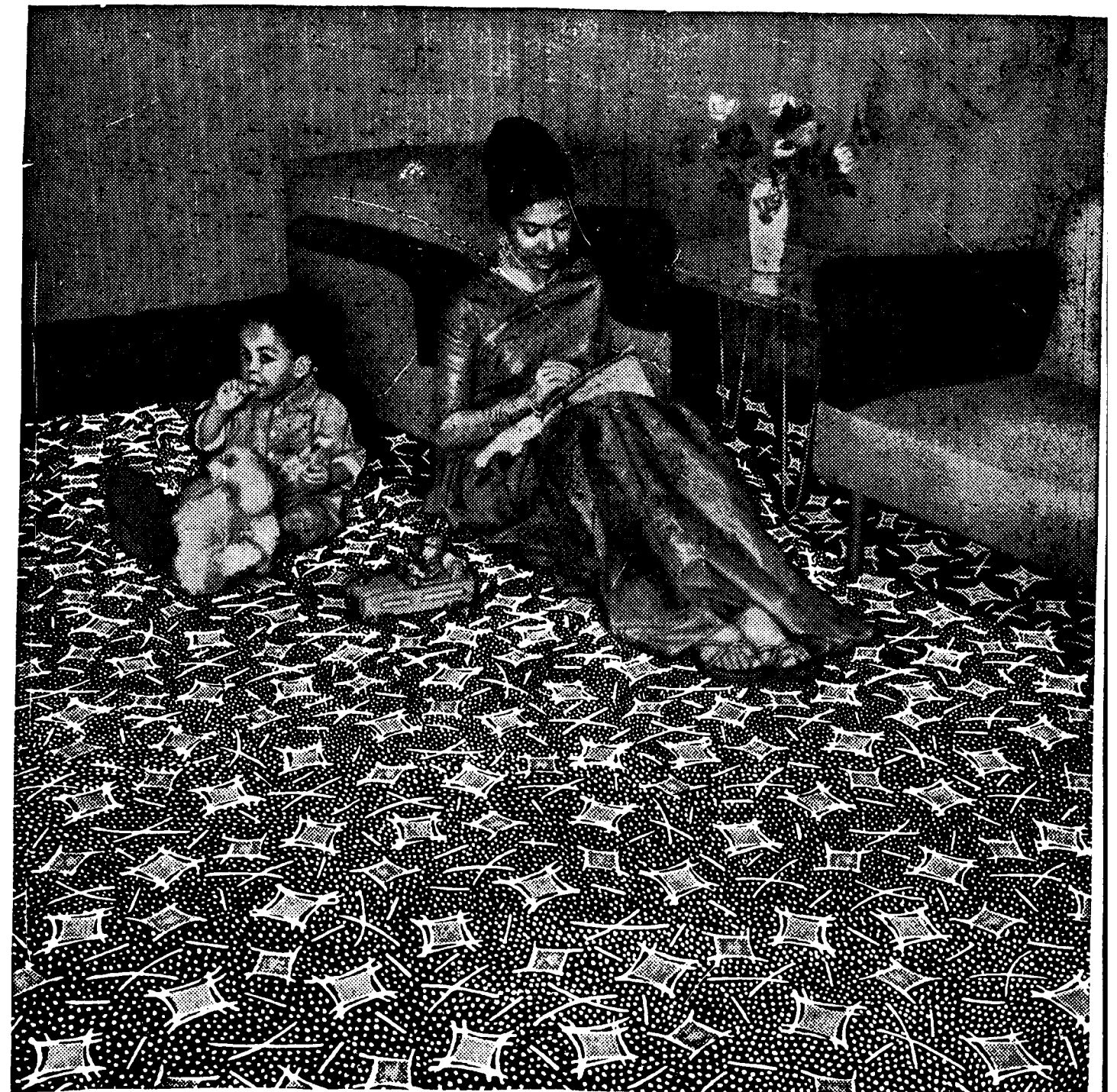
Cotton piecegoods	6329	5736	1330
Coir yarn manufactures	877	867	217
Jute manufactures	11033	13513	3968
Electric fans	59	81	15
Diesel engines	13	29	8
Bicycles and other kinds of cycles	11	5	11
Sewing machines	29	22	8
Fabrics of synthetic fibre and spun glass	330	460	155
Other type of manufactured goods	3536	3746	1069
Engineering goods (other than already shown separately)	615	1009	299
Other miscellaneous	4802	4179	1096
Total	62990	63289	15726
Re-exports	986	990	130
GRAND TOTAL	63976	64279	15856

THE BREAK UP OF IMPORTS INTO CAPITAL GOODS, INDUSTRIAL GOODS AND CONSUMER GOODS

(Rs. crores)						
Items	1959-60		1960-61		1961-62 (April-May, '61)	
	Value	%	Value	%	Value	%
1. Capital goods	126.26	13.52	153.24	14.38	33.85	19.82
2. Industrial goods	567.05	60.71	668.55	62.73	112.59	65.93
3. Consumer goods:						
(i) Food grains (wheat and rice)	146.12	15.64	140.05	13.14	7.72	4.52
(ii) Others	94.67	10.13	103.96	9.75	16.62	9.73
Total of 3	240.79	25.77	244.01	22.89	24.34	14.25
Total 1 to 3	934.10	100.00	1,065.80	100.00	170.78	100.00
4. Returned goods and special transactions	2.37		4.36		0.48	
Grand Total	936.47		1,070.16		171.26	

Note: The latest import figures for the year 1959-60 are Rs. 960.77 crores, the detailed break-up of which is not available.
Figures are provisional and subject to revision.

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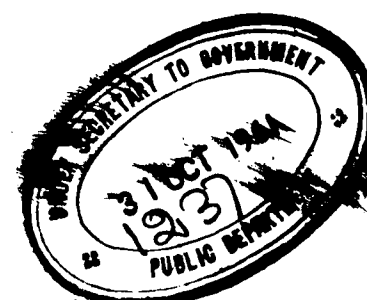
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ONE RUPEE



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THE EASTERN ECONOMIST

OCTOBER 27, 1961.

Portuguese Colonies: The Boomerang

THERE can be few conferences, seemingly routine in character, which have created so tense an atmosphere and so embarrassing a challenge to the hosts as has the Delhi-Bombay Conference on Portuguese Colonies. The Council for Africa, whose new-found enthusiasm has certainly been rewarded by the passionate interest in every hour of the Conference both in its Delhi and Bombay sessions, has unfortunately brought to India not peace but a sword. Whether this is a good or a bad thing, history alone can say. The immediate difficulty of resisting a call for military action on Goa was bitterly revealed by the ambivalent statements of the Prime Minister that India was never committed to a non-military approach, and had certainly not ruled out military action on Goa. The Finance Minister, in his "personal" capacity, attempted on the succeeding day to argue the case for a Gandhian approach, only to be heavily and agrily outvoted in every speech that followed. The Prime Minister himself at the concluding session denied Gandhian teaching and indicated, at least so it seemed, a willingness to employ military force. In the end, Goa was made by our visitors the acid test of the Indian Government's protestations on Colonialism in general.

Rarely, if ever, have we thus been hoist with our own petard. It would be foolish to deny that the results of the Conference, satisfying as they have been in the enthusiasm aroused amongst all the delegates against the cruelties practised by the Portuguese administration, particularly in the African colonies, have left the Government of India with a very difficult decision. Our visitors from Africa left us in doubt whether they expected India to give a lead. In private, they did not conceal their feeling that India's passion against Colonialism had undergone a substantial watering down in the years of freedom, and that, in the wide spectrum of dislike of Colonialism, India was the most passive hater in the Conference. Undoubtedly it was this atmosphere of criticism, unspoken but real, which prompted the Prime Minister to proceed somewhat beyond the immediate purpose of the Conference to argue that India was never committed to the non-use of military methods.

What this implies is, presumably, that Satyagraha belongs only to conditions where its success is likely; that, in other matters, pragmatism is the only real test; moral or soul force has serious limitations. If this is true, surely Mahatma Gandhi's doctrine has suffered a grievous blow at the hands of his disciples.

Although his was a lone voice in a Conference which was eager for military action and not moral indignation, Mr. Morarji Desai proved a much better Gandhian than the Prime Minister on this occasion. It would be foolish, however, to deny that Indian opinion on the conflict would be much more on the Prime Minister's side than on that of the Finance Minister. If this were sufficient to prove to our friends in Africa that we are not necessarily acquiescing supinely in the wrongs being perpetrated upon them, it might be salutary. Again, there is something to be said for a threat of military force against Goa, Daman and Diu, if it would impound Portuguese military forces on Indian territory and thereby release pressure on the gallant men and women fighting for their freedom in Africa. In the last analysis, however, action means action, and not a threat of action. More than one delegate privately pointed out that time was running out, and it would not be possible for the whole of Africa to wait on India's judgment as to what time was appropriate for military action to be employed. In other words, the urgency of taking action on military lines cannot be regulated by India's convenience alone.

While Indian public opinion is excited, and rightly so, at the wrongs perpetrated on our subject friends in Africa, it would be difficult to say that a military adventure of this kind would not greatly affect our capacity to argue a case for peace and non-violence elsewhere. And thus the seminar on Portuguese colonies has left us on the horns of an acute dilemma. All eyes will now be on the Prime Minister. How will he face the dual choice which he himself has raised and the dread consequences of any decision which he can make? He will almost certainly have the support of the Indian people in military action; but will he and India not lose stature in the world as a whole?

Industrial Performance of the Public Sector : 1960-61

IN a Special Article in *The Eastern Economist* dated March 17, 1961 it was shown that the working results of the public sector undertakings for the year 1959-60 exhibited a very bleak picture. The return on "capital employed" in these undertakings was not equal to even the bank rate. Preliminary financial results have now been made available for ten leading public sector undertakings such as Hindustan Machine Tools, Hindustan Cables, Nahan Foundry, Praga Tools, Hindustan Salt Company, Sindri, National Instruments, Hindustan Antibiotics, National Newsprint, and Hindustan Insecticides. The combined paid-up capital for all these ten units works out to only Rs. 34.16 crores as against the total paid-up capital of all public sector industrial undertakings of

Rs. 604.66 crores. This works out to nearly 6 per cent of the total public sector paid-up capital. The results of this analysis must be read against this background. On the basis of these preliminary results, it is revealed that the net profits for these 10 units, after providing for depreciation, taxation and interest for loans, were Rs. 4.52 crores or 13.23 per cent of the total paid-up capital. In order to get a comparison with the performance of the private sector units, it is necessary to find out the total net worth or the total capital employed in these units. Unfortunately, it is not possible to do so on the basis of the information made available so far. A rough estimate based on 1001 companies shows that the ratio of paid-up capital to net worth is about 60 per cent. On the

assumption that the same ratio might prevail in the case of these undertakings, it has been computed that the yield on net worth is not more than 7.97 per cent. This compares very unfavourably with the private sector performance as revealed by the recent analysis of the Reserve Bank of India for 1001 companies. The analysis shows that the private sector had a rate of return of 10.5 per cent in relation to net worth.

The performance of these ten units is also of an extremely unrepresentative character. The Hindustan Salt Company is the only unit showing a loss, after providing for depreciation and taxation. Except for Sindri Fertilizers, Hindustan Machine Tools and Hindustan Antibiotics, the profits are of a marginal nature. The total profit from these three units alone add up to Rs. 3.71 crores—nearly 80 per cent of the total profits of all these ten units. In all these three cases production has shown a steep rise. In the case of Hindustan Machine Tools the total value of production rose by 39.1 per cent from Rs. 237.27 lakhs in 1959-60 to Rs. 330.04 lakhs in 1960-61. Similarly in the case of Hindustan Antibiotics, the production of finished penicillin during 1960-61 was 42.76 million Mega Units as against the target of 35 million M. Units for the year and against actual production of 33.15 million M. Units in 1959-60. Sindri also showed a small rise of 5.4 per cent in 1959-60.

The Third Five-Year Plan has envisaged ploughing back from public sector undertakings of Rs. 450 crores as financial resources during the Third Plan period. Even though the units under discussion form a very small portion of the public industrial sector, yet it is clear that except for a few units, such as Hindustan Antibiotics, Sindri,

Hindustan Machine Tools and Hindustan Cables, the working results are not so encouraging as to warrant great enthusiasm. On the other hand, 1960-61 is clearly better than the previous year. And it may be that, as the opportunities of the Third Plan are exploited, all these companies will show steadily better performance in the years to come. It is necessary to remember that private sector units have had a much longer time to improve this working. It is premature to underestimate the public sector; it is unwise, however, to make excessive claims for its current performance. What is good for both sectors is that there is greater competition; let the crown rest each year where it should, on merit, not ideology, lie.

WORKING RESULTS OF TEN PUBLIC SECTOR UNDERTAKINGS

(For the year ended 1960-61)

	(Rs. Crores)	
	Paid-Up Capital	Net Profits
Hindustan Machine Tools	5.31	0.74
Hindustan Cables	1.25	0.16
Nahan Foundry	0.40	0.05**
Praga Tools Corporation	1.36	0.03
Hindustan Salt Company	0.24	-0.06†
Sindri Fertilizers	17.00	1.51***
National Instruments	0.91	0.08
Hindustan Antibiotics	2.47	1.46
National Newsprint and Paper Mills	4.25	0.38†
Hindustan Insecticides	0.97	0.17
TOTAL	34.16	4.52

† Relates to 1959-60.

** Gross Profits.

The Coalition in Turkey

NINE days after the indecisive general elections of October 15, came the announcement from Ankara on Tuesday this week that the stalemate had been broken and a coalition government composed of all the four parties had been formed. This was precisely what was demanded by General Gursel and the military junta on whose support his power hangs. The National Front Government which is now announced consists of heterogeneous political parties and the two numerically strong parties—the Republican People's Party and the Justice Party—will find it hard to reconcile their political philosophies. It was no more than a matter of formality that, after acceding to the army junta's proposal for an all-party government, their leaders announced that complete agreement was reached between them.

How the sharp differences between the parties were eliminated and what was the common ground of the political programme on which the policies of the coalition were to be based has not been disclosed. The fact of the situation appears to be that such a disclosure could not be made for obvious reasons. A National Front Government inclusive of all the parties is indispensable to tide over a national emergency and the implication is that it is to be co-extensive with the emergency. But it looks odd when constituted for the duration of a newly elected legislature. The saving grace in the Turkish expedient, however, is that General Gursel who assumes the supreme office of President in the new set-up is the best available choice among the army officers. And no civilian could have been acceptable to the military junta.

Nearly one and a half year of the military regime has not succeeded either in purifying political life (which was probably the major justification for the overthrow of the Democratic Government of Mr. Menderes) or in unifying the country. It must be said to the credit of General Gursel that he resisted the army pressure to resort to extreme measures in running the government during the interregnum. The referendum on the constitution held in July this year was free and fair or else a forty per cent vote against it under the organized influence of the Justice Party could not have been recorded. The elections were held without any change in the schedule on October 15, and, while there was great hesitation for over a week after the electorate's verdict was known, the civil rule has been restored, although it is arguable that it can hardly maintain complete freedom from the influence of the army officers.

When this is said, the fundamental fact cannot be denied that General Gursel took it almost as an absolute certainty that the Republican People's Party and Mr. Ismet Inonu, political heir to Kemal Ataturk, would be securely installed in power. Although the Republican People's Party bore no responsibility for the doings of the army junta, its association with it turned to be a heavy liability for it at the elections. But of basic importance is the fact that this party is now a house sharply divided against itself and the halo around Mr. Inonu has worn out. If the Republican People's Party has been unable to command a clear majority, it is primarily due to its internal weaknesses.

In retrospect it would appear that the enthusiastic demonstrations of May last year in the city streets, demanding a take-over by the army, represented the mood of the urban population and in particular of the intelligentsia. The Justice Party, which to all intents and purposes is a successor to Mr. Menderes' Democratic Party, draws its strength and sustenance essentially from the country-side. And this is not without a powerful socio-religious impetus. Kemal Ataturk's Europeanisation of Turkey and his philosophy of secularism did not succeed over the past four decades in taking root in the rural soil. The urge for the revival of the Islamic way of life was a powerful motive force behind the Justice Party and the all-party election pledge under the inspiration of the junta not to make an issue of Ataturk's reforms was hardly observed in spirit. Mr. Menderes had already provided a stimulus to revivalism by his religious concessions in Anatolia.

The second unanimous election pledge was not to allow the Yasslada trial and the executions and sentences of long-term imprisonment to pre-

judice the voter. This was observed in open breach for the propaganda literature of the successor party bore the emblem of the gallows. The execution of Mr. Menderes and his two colleagues was an act of the greatest political unwisdom committed by the junta. It became the strongest asset to the Justice Party. General Gumushpala who leads this party had to resign his office as Chief of Army Staff on the occasion of the military purge of August last year and many of the 2,000 personnel who were relieved of their army posts have swelled its ranks. The composite revivalist and army element in the Justice Party is a factor that can hardly be ignored.

None of the four members of the National Front Government—the minority ones are the New Turkish Party and the Peasants and Nation Party—has a distinct political programme of its own, but their sharp differences threaten to prevent full accord. The best that the Front can do to obviate a relapse into a military regime is to address itself to the problems of economic reform—land tenures and industrialisation.

Sugar: A Rude Awakening

THE U.S. Agriculture Department's decision to reduce the ad hoc quota of sugar imports from India from 2,25,000 short tons to 1,75,000 short tons for the current year has virtually come as a bolt from the blue. The sugar mill industry in this country has hardly got some respite from excessive production this year through restoration of trade channels for the distribution of the commodity which has helped to some extent in lightening the burden of unprecedented stocks. The industry had been taking special pains to ship the entire U.S. quota well before December-end in the hope that it would be allotted a supplementary quota. Not only these expectations have been dashed to the ground but the cut has posed a special problem in as much as bulk of exports under the original quota have either already been shipped or contracts have been signed for their shipment.

Some consolation, however, might be derived from the other news which has reached Delhi almost simultaneously with the advice of cut in the U.S. quota—though seemingly accidental. The International Sugar Council has authorised India to export 20,000 metric tonnes of sugar to the world market in addition to the quota already granted. The Council's decision, which has been prompted by taking cognizance of the recent floods in Bihar, would offset partly the difficulties that the industry would encounter on account of the cut in U.S. quota. But this solace can only be meagre since India has to export to the international market sugar at a loss of about Rs. 350 to Rs. 400 per ton. India has been keen to step up sugar export to the United States for the latter pays a premium to the tune of 60 per cent over the international price. One result of the cut in sugar exports to the United States will obviously be the increase in loss to the industry, which might again start clamouring for some device to be evolved to meet the increased loss on exports.

The Government of India's recent approach to the British Government for allocation of a quota for export of sugar from this country under the Commonwealth Sugar Agreement in the circumstances assumes added significance. The Commonwealth market also pays a price about 35 per cent higher than the international price and

if India is successful in obtaining a quota from Britain, it would help in ironing out the difficulties here. There should be little difficulty in the British Government's acceding to India's request since South Africa, which was one of the countries exporting sugar to Britain under this agreement, has already withdrawn from the Commonwealth. Its continuing to receive preference in the British sugar market obviously cannot be justified. The South African quota can be conveniently diverted to India which at present has got huge surplus of sugar to export.

Along with the efforts to secure a quota for sugar exports to Britain, attempts must be continued to secure a permanent quota from the United States. Only then will India be in a position to successfully embark upon sugar exports on a permanent basis. It is heartening that the various interests concerned with import of sugar in the United States are favourably inclined to include India amongst the U.S. quota countries. This interest can be capitalised for our benefit if the Government of India refrains from display of anger in its proposed representation to the U.S. Government on the issue of cut in the ad hoc quota. The U.S. authorities' step has apparently been prompted by their anxiety to safeguard the interest of sugar producers in that country. And that is their legitimate right. The indication that special efforts will be made by the U.S. Government to restore the cut in the Indian quota, as also in the quotas of Brazil and Formosa—their quotas have been cut by 30,000 tons and 20,000 tons respectively—during the first half of 1962, points to the fact that Tuesday's measure is only a temporary expedient. An appreciation of the U.S. Government's difficulties will undoubtedly lead to good results at a later date.

In the meantime, the Government of India will do well to bestow some thought on the confectionary industry's plea to make available to it sugar at a concession price by reducing the excise duty. Indian confectionary can have a good market in the neighbouring countries provided its cost is reduced. The one sure way to do so is to lower the price of its basic raw material, that is sugar.

A DELHI DIARY

AN EXPLOSIVE WEEK

THIS has been an explosive week; I refer not only to the explosion of the U.S.S.R. 50-megaton nuclear bomb in the Arctic, but also the explosive character of the seminar on Portuguese Colonies conducted in Delhi and Bombay. I have no doubt that I shall be considered perverse by equating the explosive character of the two events as though any conference can produce the equivalent of million tons of T.N.T. I would, however, ask my indignant friends who will question my equating great intangibles with something extremely accurately measured, what the explosive character of the October 1917 Revolution was. Was it greater than or less than that of Mr. Khrushchev's 50-megaton bomb? If less, how much less was Lenin's non-nuclear explosion? My scientist friends tell me that the fallout from Mr. Khrushchev's effort will probably be finished within a year. Most of the danger apparently is next spring, but there is no serious danger likely to result to life or limb even after twelve months, and currently there has not been a single life lost. Can the October 1917 Revolution not claim that, at any rate, it was much more violent in its first impact on humanity; of its second and third round, discretion requires me to be moderate. But from the evidence adduced in the 22nd Congress on the Leningrad affair, may I say that the continued explosion of Marxism-Leninism was seen as late as 1950? Thus it is that explosions within the mind are as powerful as "controlled" nuclear explosions. I make no predictions on nuclear explosions of the uncontrolled kind or an all-out nuclear war. I am assuming, from what my experts tell me, that there will be no human race left to enjoy the spectacle of victory.

FALLOUT WITH INDIA?

The immediate consequence of the 50-megaton bomb has been greatly to shock the Indian mind. The grand canvas which Mr. Khrushchev unrolled on the future achievements of the U.S.S.R. socialist paradise with all the wonders that are to come (with full employment in a thirty-hour week and no taxes!) has been completely offset by this display of nuclear might which, in my view, was totally unnecessary. The Prime Minister and the Defence Minister have both expressed themselves violently against Soviet policy. So far as the Defence Minister is concerned, it is the first occasion on which there has been strong criticism of a major Soviet policy decision. Wicked friends of mine are saying that such are the beneficial consequences of the North Bombay elections!

Meanwhile, it seems a just judgment of Providence that most of the immediate fallout is over the U.S.S.R., but it would seem that some of flying geese visiting other portions of the world have already acquired a high degree of radioactivity. Will we have a campaign for eradication of radioactive geese as we have a campaign for the extermination of locusts? To what Ministry should one appeal for protection against radioactive geese? I fear, the distribution of portfolios in the Indian Union has not made it clear whether it is the Ministry of Defence or the Ministry of Food and Agriculture which we have to approach. I, therefore, (with my continued dynamic neutrality) make my petition to both.

THE COUNCIL FOR AFRICA: LEAP TO FAME

The Council for Africa, of whose existence very few people in Delhi were aware three months ago, has shot itself into prominence by a powerful, though somewhat embarrassing, shot at Portuguese colonialism. No one can deny that the shot was immensely powerful; how else could the recoil have been so great?

The Conference was well organised both at Bombay and at Delhi; only the Government of India was unprepared for the recoil, with our distinguished visitors demanding immediate action on Goa, which the Executive Committee of the Council for Africa had apparently not expected with such force. In the end a nice debate has arisen: Is India Gandhian or non Gandhian on Colonialism?

The Prime Minister wishes to have the best of both the worlds and argues that the Congress Party is by no means committed to the abandonment of military methods. He has certainly given a suggestion that our Goa policy is being reconsidered with the object of employing the aforesaid military methods which, for a decade have somehow or another, laid in cold storage. Many inconvenient questions are now being asked. If the Government of India wishes to employ these military methods in Goa, what becomes of the great Gandhian heritage? Again, if military methods are employed in Goa, cannot they be employed in Ladakh to free our own territories from an aggressor? The Portuguese are aggressors in a far more technical sense than are the Chinese who are, in fact, in possession of soil which is, according to the Constitution, a portion of India. Goa, Daman, Diu are not currently Indian territories in the same sense. Can the Prime Minister be strong on Goa and weak on China, or are we to prevaricate on both? The current position in which we are "ready" to invoke military methods, but never in fact do, seems to be a little disappointing to those who want action and is probably helping Acharya Kripalani not a little in his election campaign.

WHAT IS NON-VIOLENCE?

I will not enter into a philosophical discussion about non-violence. But I have had discussions with some of the distinguished delegates at the Seminar and it is difficult to believe that our somewhat ambivalent view has any admirers. In regard to the nice debate about violence and non-violence I may perhaps quote a view presented by Dr. Clovis Maksoud the distinguished representative of the Council for Arab States, who holds that the pattern of Colonialism is violent and the exercise of self-defence, even if it should take military form, is really not a departure from non-violence as such. Even Gandhians would admit that one is justified in defending oneself by the use of force. Mahatma Gandhi was against the use of force aggressively in the pursuit of political objects. But apparently, according to Dr. Maksoud the colonial peoples are practising only self-defence and are not bound by the doctrine of Satyagraha since the original imposition on them is a violent exercise of military power. Every nation militarily attacked can defend itself militarily. So far as other delegates are concerned, I fear the African delegates from Angola and Mozambique are extremely dubious about India's willingness to take up arms in order to liberate Goa, Daman, and Diu. In this they are probably as good judges as the temper of Indian feeling at the present time. The Indian Government is far too cagey about its commitments on military operations on Goa. It can advertise the export of soldiers and aircraft to the Congo to maintain independence there. Does it dare to put a date on the liberation of Goa? That was one of the inconvenient questions which two delegates from the Portuguese colonies in Africa addressed to me. I pointed out, with not a little happiness, that I enjoyed no responsibility in this matter. Their questions should be addressed to the Prime Minister!

ARGUS.

THE WEEK'S NOTES

General de Gaulle

TENSION OVER ALGERIA

THE ALGERIAN problem is getting more and more complicated as acts of violence are being resorted to on an increasing scale. As the Algerian insurgents intensified their activities in Paris and chose policemen as one of their principal targets of attack, as a measure of safety, an effective curfew was imposed upon the Algerian Muslim population in Paris and the suburbs. Obviously, incensed by this curtailment of their freedom of movement, the Algerians took to mass activity and spectacular demonstrations, regardless of the curfew. The demonstrations in which not less than 1,500 Algerians were arrested, could not remain peaceful and in the police action three persons were killed, while, as a result of the combined action of the police and the counter-action of the demonstrators, 77 persons were injured, among them 64 being Algerians and 13 policemen. The arrested ones are to be deported from France. As if this was not sufficient to add to the conflagration over Algeria, the European mob in Oran took to the lynching of Algerian Muslims. This bout of violence, which, so far, had not entered the precincts of Paris, has given a critical turn to the developments in this thorny issue.

But it is not merely overt acts of violence that are adding to the mounting tension over Algeria. President de Gaulle's emphatic declaration that he would consider the end of 1961 as the deadline for settling the Algerian issue on the basis of independence for the colony has aroused bitter hostility on the part of practically all the opposition parties in France and there are whispers going round of effective action before the President abides by his deadline. Shadow cabinets are said to have been set up in the hope that an emergency may have to be faced—emergency arising from any cause, ranging from President de Gaulle's overthrow to an off-chance of an assassin's successful attack in a desperate and fanatic mood.

The Press

PARLIAMENTARY PRIVILEGE

IN THE light of the proceedings instituted against "Blitz" and "Madras Mail" recently in respect of breach of the privilege of the legislature and the decisions taken thereon, it was but inevitable that this question should be one of those uppermost in the mind of the Standing Committee of the All-India Newspaper Editors' Conference which met at Nainital the other day. Experience has brought home to the Press the bitter truth that the present undefined position of the privileges, immunities and powers of the legislature has created problems and upsets for which a genuine cause cannot necessarily be found in every single case. The Standing Committee adopted a resolution asking for a clear definition by law of these powers, privileges and immunities and in this context it emphasized that this definition should take full note of democratic practices and the Code of Ethics passed by the AINEC. This was necessary in order to obviate conflicts between the two sides and to pave the way for healthy and fruitful co-operation. In particular, the Press in India earnestly desires the recognition of the position that in case of any likely conflict between the privilege of the legislature and the right of the Press to the freedom of expression, the privilege should yield ground to the extent that it affects this right. This is particularly sought after in order to secure recognition of the position that no privilege of the House should stifle press comment based on faithful and correct reporting of the proceedings of the legislature.

The Chief Minister of Uttar Pradesh, in effect, vigorously argued the case for maintaining the present fluid position by emphasizing that the parliamentary privileges in India were the same as those of the House of Commons. He dilated on the virtues of not committing this issue to precise definition under the law and posed the question: What guarantee is there that more privileges than those enjoyed by the House of Commons cannot be added once they are codified? This question in fact does not arise. Mr. C. B. Gupta also placed accent on the fact that the freedom of the Press cannot be more or less than the freedom of expression granted to the citizen as a fundamental right under the Constitution, subject, of course, to the rational limitations incorporated in it. This precisely is the view insisted upon in the resolution of the Standing Committee. It says that the privilege should not subtract from the right of freedom of expression which the Press possesses. Although it is arguable that an undefined position is in several ways conducive to the benefit of both the parties, there has been considerable display of sensitiveness—a few might be tempted to observe, supersensitiveness—by some legislatures on occasions and the Press has found itself in a difficult position. Sooner rather than later the question of codification of parliamentary privilege ought to be taken in hand.

Rajasthan

PRINCES AND POLITICS

WHILE CONSIDERABLE latitude in the criticism of the opposition party candidates is quite a common feature at the hustings, it would appear that in running down the candidatures of Maharani Gayatri Devi and the Maharawal of Dungarpur, particularly the former, Mr. Sukhadia, Chief Minister of Rajasthan, revealed some perturbation of mind. He was right in reminding the two candidates that the rapid economic and social revolution which has been overtaking this country since Independence and the concrete results of the development programmes, especially through the medium of community development, have brought home to the people of the State the realisation of what a government run on the principles of democracy means and what a world of difference it makes with conditions under the former princely regimes. The average voter in India, as in many other countries with a low percentage of literacy, has shown a robust common-sense and maturity of judgment in deciding who would be his representative in the legislature and who is wooing merely for his vote.

In criticising the candidature of Maharani Gayatri Devi, Mr. Sukhadia appears to have lost the full sense of perspective. In particular, her election appeal to her former subjects ought not to have been construed as a calculated attempt to hold up the march towards progress and modernisation. In going a step further and imputing motives of reviving the old princely and feudatory order, Mr. Sukhadia has given reason to believe that he has strong misgivings that the Maharani may come out victorious in the Jaipur constituency inflicting heavy defeat on her Congress opponent. Does the inference legitimately arise that the candidatures of the former princely rulers are tantamount to a bid at revivalism? An inconvenient question may be posed whether the Congress Party itself has not awarded tickets to members of the bygone order to contest elections? The correct view to take is that those who belong to this class should not be estranged and alienated by being excluded from policies. Rather, as the Congress Party seems purposefully to have chosen to do, the best elements among them should be en-

couraged to participate in the legislatures and wipe out the gulf which they might feel between their way of life before and now. On the whole, their entry in the legislatures and other fields of politics will facilitate their assimilation in the new democratic order.

Apartheid

THE RENEWED "MANDATE"

THE RESULT of the premature general election fixed by Dr. Verwoerd for October 18 was never in doubt. It was taken as an immutable fact that the Nationalist Party would be returned to power. What was in doubt were the relative changes in the strengths of the opposition parties. But the wide gap between the Nationalist Party and even the United Party which is the main opposition has taken away any real interest in the accession or loss of strength of the opposition parties in Parliament.

In due course, after the last general election of 1958, the next one ought to have been held in 1963. Dr. Verwoerd's rising influence among the white population was carried to another climax by South Africa's withdrawal from the Commonwealth. Fears of a flight of capital from South Africa turned to be exaggerated and the drastic exchange controls imposed by the Nationalist Government proved effective in preventing the emergence of a crisis. Since then the foreign reserves position of South Africa has improved. Why then was it that Dr. Verwoerd found it necessary to hold a mid-term election? Emboldened by victory after victory, Dr. Verwoerd wants a clear fresh term of five years to "consolidate" the gains achieved by apartheid. In fact the Nationalist Party is not the only one that subscribes to the philosophy of apartheid and a renewed mandate was superfluous. But Dr. Verwoerd's ambitions are now soaring higher. Apartheid is to be entrenched more strongly than ever before by the contemplated partition of South Africa into the white areas, where the non-whites will have no rights whatsoever, and the "Bantu" states, where the Africans will be totally segregated and given crumbs of local autonomy with the sight of the mirage of independence. This, in effect, is the meaning of "consolidation" for which the mandate was sought. But it has been criticised by the opposition supporters of apartheid as a dream and an impracticable policy as millions of Africans have settled in the cities and to uproot them from the projected white areas would be to invite a catastrophe of an impendable magnitude. Apparently, Dr. Verwoerd is unmindful of the tide of freedom for the Africans that has begun to surge forcefully everywhere else in Africa.

Police Centenary

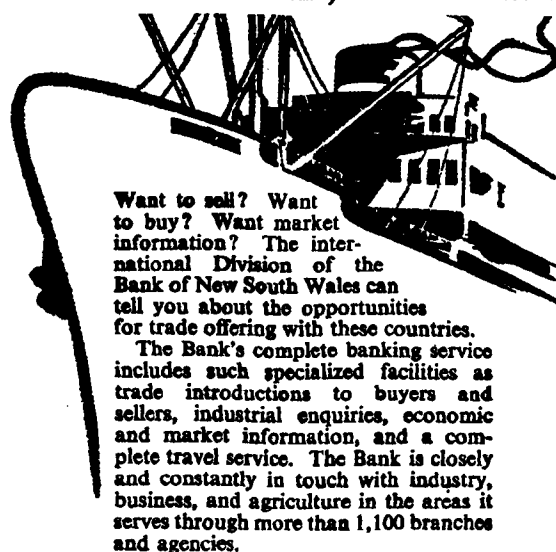
TRADITION AND TRANSITION

IT WAS under the Police Act of 1861 that the Indian Police force took its birth. The centenary which was celebrated on October 21 is important for two reasons. Apart from the fact that it is an important landmark in the onward march of this wing of the executive, there comes also the reminder that exactly two years back, on October 21, 1959, the Indian police showed their spirit of heroism and dedication in far away Ladakh when a party of 19 fought against the Chinese aggressors and 10 of them laid down their lives. This indeed is a supreme and shining example of the spirit of dedication to duty. But the Police Martyrs Memorial which was unveiled by Mr. Lal Bahadur Shastri in the capital city on October 21 commemorates the immortal example of still another heroic 24 members of the force, who, after Independence, sacrificed their lives in the discharge of their duty. The police force,

constituted four years after the Mutiny, has built tradition after tradition of service in maintaining law and order. But maintenance of law and order had been its almost exclusive task until Independence. Today this remains no doubt an integral and basic part of its functions, but the tradition of holding it supreme above any other duties must fade away in the post-independence set-up.

The police force thus is called upon to face the new challenge of the transition in the character of its service and of the problems of adaptation it raises. This period of transition is no doubt one of trial and difficulty, but it has been rendered still more so by certain evils which have crept into the police force. Lack of integrity, efficiency and the temptation to succumb to practices of corruption are evils which are so rampant in the police force today. To mention this is not to run down the force as a national asset nor to minimise the importance of the valuable services it continues to render and shall always continue to render to society. But in this hour of joy and pride, the police force needs to do a good deal of introspection. Corruption is by no means a vice peculiar to the police force, but in different degrees it is to be found in the various branches of administration. The Bihar Police Commission's report, published the other day, lays emphasis on the prevalence of malpractices whether in the investigation of crime or otherwise and the same condition obtains more or less in the other States too. An increase in the police staff, rationalisation of their methods of recruitment and promotion, improvement in their working conditions and liberalisation of their pay scales have been recommended by this Commission. They are undoubtedly badly needed. But the police has to adapt itself to the transition towards democratic methods of operation. The persisting tradition in which the police is looked upon with awe, rather than as a guide, must disappear and it is for the police to hasten its disappearance.

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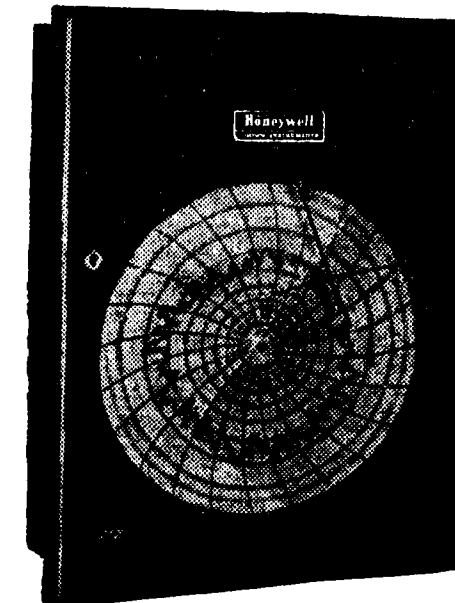
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The European Scene

PLANNING AFFLUENCE

From Our Special West European Correspondent

PARIS, October 22.

WHATEVER the virtues and shortcomings of voluntary, "indicative" planning in a free economy, the mere collaboration of capitalists, trade unionists and officials in the writing of a national plan provides the occasion for philosophical reflection on the meaning and purpose of economic progress. Even if many of the predictions of such a plan fail to be realised, the confrontation of various views about the sort of economy that is desirable will have been salutary. Admittedly, in a free society there are always moralists and a few (rare) academic economists who worry about such questions and who seek to correct public engrossment with the standard of life by pointing out that an economy also determines a way of life. Yet their conclusions generally find little echo; most economic agents continue to conceive progress in terms of producing more of no matter what or (on the Left) of employing more and better-paid men to do no matter what. This can lead to the gadget-society where men work hard to get high wages in order to buy the latest annual model refrigerator for a wife who is mortified because she is still using last year's model electric mixer. A democratic attempt to plan affluence, in a society that is already fully employed, provides an opportunity to decide whether one really wants that sort of economy. Since most people find it ridiculous, there is then the chance of re-directing investment toward activities that will produce a more acceptable way of living and perhaps no lower a standard of living.

This has been done in the fourth French Four-Year Plan, which is being finalised this month. The introductory expose sets out the "philosophy" of the plan; I recall that this is not decreed by an oligarchy of planners but is the joint work of various talents drawn from the producers' associations, the workers' movement, the university and the administration. It bears the mark of the thinking of one of those economic moralists I have mentioned, Ambassador Galbraith, for it argues that Western industrial society tends to support production by creating more and more artificial needs for private enterprise to satisfy, while public wants are neglected. It adds, "The consumption-economy, which is foreshadowed in certain aspects of American life and which has found its most penetrating critics in the United States themselves, eventually leads to futile satisfactions which simply generate discontent. No doubt it would be better to place the increasing abundance that is promised us to the service of a less restricted conception of Man." M. Pierre Masse, Commissioner-General of the French plan, thinks that to the consumption-economy should be preferred the "solidarity-economy," which seeks to eliminate inequalities produced by economic progress itself. This is not the familiar Leftist notion of levelling up incomes between classes because the inequalities between the traditional classes are not especially shocking today in prosperous West Europe, and could only be reduced at the price of hampering further production of wealth. The inequalities that now cause concern affect age-groups (the growing number of inactive old people, of whatever "class," inspire more solicitude than the lowest-paid wage-earners) and regions. The polarisation between active industrial centres and backward or retrogressing regions sets up more tensions in European societies than the class-struggle which now exists mainly in communist rhetoric only. The new plan, more earnestly than its predecessors, sets out to remedy some of these inequalities. It is realised, of course, that there can be no once-for-all equality such

as was imagined by the socialist egalitarians; any progressive industrial economy is forever generating new imbalances.

However, beyond the solidarity-economy, says M. Masse, is the "creation-economy," and it is the outlines of this that appear in the new French plan. Here the aim is no longer to improve living standards, whether of the average of all citizens or of certain under-privileged sections, but to supply the materials for a way of life whose attractions cannot be measured in index numbers or monetary terms. Granted that the market-mechanism will ensure that, as effective demand increases, private enterprise will manufacture the personal instruments for many satisfactions (in the shape of durable consumer goods for individual use), what requires public planning is the social equipment for a better way of life. That is why the outstanding feature of the new French plan is an increase of 50 per cent between 1962 and 1965 of investments by the State and local authorities in town-planning, slum-clearance, the beautification of resorts, schools, universities, scientific research, hospitals, and sports facilities. A 50 per cent increase in outlays of this sort is substantial (the concurrent rise in productive investments will be 28 per cent), but it must be remembered that in France, as in most other industrialised countries, the point of comparison is pretty low; social investments have been long neglected in favour of the restoration and expansion of industry.

Nevertheless, the rise is significant for it will mean that expenditure on social equipment will be 3.5 per cent of gross national product in 1965, against only 2.5 per cent in 1961. Thus it marks a sharp change of direction, toward that creation-economy which, says M. Masse, "bears the same relation to the consumption-economy as the civilization of cathedrals does to the civilization of gadgets." Europeans have an irritating habit of contrasting "their" cathedrals with the Americans' gadgets, forgetting to add that no cathedrals have been built in Europe these many centuries. If at last Europeans set out to build community amenities, at the expense of less chromium on their motor cars, they will have more right to point out the contrast. Some people will think that the French are beginning to worry about this too soon; their living standards are still very far below American and many of them lack decent housing (which presumably is not a mere gadget) whereas in the USA today, according to the Census Bureau, 7.6 per cent of all rented accommodation is vacant—that is, there are two million vacancies. A number of Frenchmen will think that the switch from the solidarity-economy to the creation-economy is premature, for they are keenly aware of their limited share in current prosperity; and a very large number that are intent on Americanising their way of life as fast as possible will feel that they are being cheated. But, on present indications, France will attain 1961 American income per head before the next decade is out, and if forward planning means anything it must look ahead to situations within that range.

Already, at the degree of prosperity attained in West Europe, there are examples of wasteful expenditure and superfluous consumption which no one dares reduce because so much industry and employment depend on them. The private automobile is an evident example. Continental cars have not become the hideous and stupid waste of metal seen in the "insolent chariots of Detroit" and their production has not been financed at the expense of public transport—the French have more motor cars per thousand of population than any

country except the USA, but they also have the best railways bar none. Yet they have chosen to motorise themselves before housing themselves, with the absurd result that they are more comfortable on wheels than at the fireside. Worse, they have so many cars on the road that a growing proportion of public expenditure risks going to the construction of dual-carriage motorways, road tunnels and parking lots, leaving less State funds for other community amenities. This is the sort of vicious circle that voluntary democratic planning could try to avoid: the consumer chooses a car at the expense of other necessities and thus obliges the State to build the expensive infra-structure for his car, again at the expense of other social necessities, more roads allow more cars to circulate, and so on. The problem of wasteful consumption is indeed a rich nation's problem but it appears well before American standards are attained and it has to be tackled well in advance if it is to be solved. If they look ahead, free men will voluntarily agree to re-direct investment in order to avoid a certain situation, but by the time that situation has arisen there are too many interests involved for it to be remedied otherwise than by the undemocratic method of prohibitions and penal taxation.

The preference for community amenities over individual consumer goods can readily be exaggerated into the demagogic flourish that covers up the fact that personal freedom is being limited: the State undertakes to provide, perhaps free of cost, various services whether or not you want them, while the range of goods on offer to the multitude of personal tastes is consequently restricted. There is much of this in the Russian plan now approved; everyone, including bald men, will have the right to a free socialist haircut but combs will be of one colour and on the ration. Mr. Khrushchev assures us that Russians prefer public transport to the bourgeois pleasures of a private car, but one would need to have their own opinion on this. Seeing that you have to wait up to 24 hours on a railway station to make a connection in Russia today, no doubt any reasonable Russian would like to see public transport improved before an automobile industry is created, supposing that one can only be done at the expense of the other. But the arbitrary decree that community assets are to be preferred to individual equipment produces situation infinitely more absurd and unsatisfying than sole reliance on the expression of effective demand in a "free" market dominated by advertising men. The change in emphasis in French plans toward social assets takes place, it must be remembered, in an economy where consumers' choice in the free market still determines the main lines of economic development, while the social correctives are voluntarily agreed upon by the representatives of all classes and activities.

This new concern with qualitative investment comes after a long period of production-at-any-price obsession in West Europe, a period in which the industrial production index number was thought to tell the whole story of economic advance. The new attitude shows up not only in plans for public expenditures but in the private manufacturing sector too, in the form of a greater concentration on quality. It is well known that the gadget civilization depends, not simply on a fascination for superfluous luxuries, but on the phenomenon of artificial obsolescence—which is a big name for the production of shoddy goods. It is not only to acquire a yearly model in electrical household equipment; it is necessary, because the machine is so poorly made that it probably will not last beyond a year. (Until some months ago, U.S. cars were being sold with a warranty of only six months.) The consumption-economy sees the marketing of an incredible quantity of gimcrack produce, and the maker of sound, durable goods could come to be regarded as an uneconomic force, holding back the rise of the sacred production index number.

There was a good deal of this in West Europe after the war, but the change that began to take place two years ago is striking. I expect that it was in part due to the increased competition brought about by the Common Market, less because it reduced tariffs than because it opened quotas: even token imports of high-priced foreign goods suffice to show the consumer what quality is possible in a given line, while, conversely, the exporter of high-quality goods has an earlier chance of getting across tariff barriers than the ordinary manufacturer.

However, there are more general causes. It just seems to be a characteristic reaction of the Continental to use higher personal revenues by buying better quality goods of the same type as he has always bought, and buying no more of them, rather than buying new products. This is an aspect of his greater conservatism, as compared with the more open and restless temperaments of the USA. The fourth French Plan allows for this, in foreseeing a shift toward quality production rather than as big a rise in the volume of production as one might expect as personal revenues approach American levels. The point is to be borne in mind, incidentally, by Indian exporters to Europe, especially if current pressure secures bigger quotas for textiles. Hard-won custom in more particular European markets might be seriously damaged by allegations of defective exports such as have been made lately.

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THE WILD ONES

By ANDREW BOYD

I HAPPENED, this week, to run into one of the involuntary lords who now form one of the stranger features of the British political scene. On inheriting a peerage, he had found himself dragged, kicking and screaming into the fifteenth century, deprived not only of any prospect of making an honest political career for himself but even of his right to vote, and installed as a reluctant baron in the Upper House of the Parliament of the United Kingdom. Over lunch, we talked of the debate on world affairs which was about to occupy both Houses for two days, and in which he duly took a modest but intelligent part. As a result of our talk, I paid more attention than usual to the Lords' share of the proceedings, reading the verbatim record of the debate instead of being content with summarised versions in the press. And the effect was, frankly, horrifying.

There are "wild men" in all parliaments—except for parliaments that have been "tamed" to the point of absurdity, like those in Moscow and Lisbon. But a sprinkling of wild men is not enough to reduce a major debate in the House of Commons to near-insanity; and the Lords, according to the theory of the British constitution, is supposed to be a body of grave elders, detached from partisan emotion and qualified to pass calm judgment on the great issues of the day. Sometimes it does so. But the debate to which chance had drawn my particular attention was of a very different kind.

This debate had arisen from anxiety about two principal matters: the crisis over Berlin, and the clash between the United Nations and Katanga forces in September. The Lords' discussion of the Berlin crisis had its moments of distinction, with the former Anthony Eden making his first appearance in his new incarnation as Lord Avon, and a bravura performance by Field Marshal Montgomery, fresh from his much publicised and doubtless enjoyable swimming picnic with Mao Tse-tung. But the second day of the debate was mainly devoted to the Congo problem; and a hair-raising affair it proved.

Apart from the Ministers who opened and closed the day's debate, and two speakers from the Labour Opposition benches, there were only six speeches on the Congo: from Lords Salisbury, Clitheroe, Astor, Winterton, and Milverton, and the Duke of Montrose. A single chord vibrated through all their orations. The Marquess of Salisbury started them off with a comparatively quiet twang on the tuning fork; but by the time the others had finished, the pitch had risen to a shriek.

In the "state of Katanga", according to Lord Salisbury (this Congolese province was repeatedly named as a "state"), Mr. Tshombe had been successfully applying the principle of "partnership" between races. "One might have expected the United Nations to give a vote of thanks to President Tshombe on the success of his multi-racial experiment". Instead, "peaceful" Katanga had become a battleground because the UN had itself carried out "a military coup" there. In Lord Clitheroe's eyes, this was an "act of aggression". In Lord Milverton's, it was "a cynical and unscrupulous armed attack", and a "sudden experiment in international thuggery".

Lord Salisbury deplored the use of the term "mercenaries" to describe the collection of white soldiers of fortune who have been leading Mr. Tshombe's private army (and who led it into battle against the UN force in Katanga even after Tshombe himself had ordered a cease-fire). His lordship equally deplored the efforts made by the United Nations—in accordance with resolutions passed by the General Assembly and Security Council, resolutions which the British government had supported—to get these men out of the Congo. To Lord Salisbury, they were "the white partners in this multi-racial state", and they ought to be allowed to carry on with their good work.

Lord Milverton thought that in the Congo the United Nations had been "a disastrous liability", and that "if the United Nations were determined to force a political solution on an unwilling group of tribal areas, it would have been far more sensible to base it on Elisabethville, not on Leopoldville". Lord Astor pooh-poohed the idea of any real armed clash between the forces of the Congo government and Mr. Tshombe's. "War can take place between the central government and Katanga only if the United Nations facilitates it".

Earl Winterton described the chief United Nations official in Katanga as "the almost unbelievable Mr. O'Brien, who is the worst type of filibustering braggard"—a remark which revealed a total lack of acquaintance with the scholarly, modest and humorous character of that highly intelligent diplomat, Dr. Conor Cruise O'Brien, as well as a shrewd ability to take advantage of parliamentary privilege in showering personal abuse upon people who are unable to reply in kind. But then the earl moves in a world of his own. "There is in this country", he said, "what I would describe as a Negrophile press and a Negrophile element in the population... The Negrophile press and the Negrophile elements have done their best to blanket the truth about the atrocities committed in the name of the United Nations and by UN troops and officials". Lord Winterton was baffled by a report that his own Prime Minister had described these "outrages" as "unsubstantiated". He was doubtless equally baffled when Lord Lansdowne, the Joint Parliamentary Under-Secretary in the Foreign Office, said in this same debate that he had concluded that "many of the apparently more outrageous aspects of the United Nations' action as we had seen them in London were inaccurate or exaggerated".

Their lordships, once their blood was up, easily strayed across the Congo border into Angola. Lord Astor called for sympathy for the Portuguese "rather than criticism". The Angola rising had been "a carefully laid plot" organised from outside. Lord Milverton spoke of "the invading forces" as having behaved with "bestial savagery", and, after assuring his fellow peers that tribal Africans in Portuguese territories "have voting rights", went on to ask: "What is the alternative to Portuguese control in Angola? Is it handing over the territory to murderous thugs?"

Borders were less than nothing to the Duke of Montrose. As befits a man who has lived in Africa for thirty years, he saw Africa, if not steadily, at any rate whole, and generalised fervently about its entire (non-

white) population. "If you permit this policy to spread", he warned his peers, "and these big amalgamations of African nations take place, and there is an African army, officered perhaps by Russians or Chinese, fighting their way down through Africa, trying to go perhaps from Cairo to the Cape, what is going to happen?"

Should one read too much unconscious revelation into the duke's statement that "the final thing the African feels that the white man has held back from him has been the white woman"? The sexual undertones in this remarkable debate were ominously strong. Their lordships kept reverting to tales of rape. A good doctrinaire Marxist would presumably insist that the reasons for the attitudes adopted by British die-hards to African issues are explainable in strictly economic terms. It is true that on this occasion several of their lordships carefully declared their financial interest—taking warning from the way Lord Salisbury had been chastised for not doing so in another recent African debate. But one cannot help wondering whether there is not something deeper here.

Bernard Shaw once remarked that the Lords are much more representative of the country than the Commons, because they are not professional politicians but ordinary men. Happily, I do not think the Lords' performance this time was anything like as representative as all that. But it did reflect, in the same way as much that was said at the time of the Suez conflict,

the emergence of a recognisable Freudian "id" under the strain of "disimperialism". There may be a case for deliberately using the House of Lords as a kind of safety-valve, a device through which the wild ones can be permitted to blow off steam without doing any serious damage (nobody normally takes much account of the utterances of its die-hard backbenchers). If so, there are quite a few people about whom I should like to see have peerages thrust upon them; and, as other countries have a very similar problem with their wild men, a systematic British development of this idea might attract worldwide attention.

The difficulty, of course, is to give these men a satisfactory feeling that they have given vent properly, without letting their extravagances actually affect matters at all. Under the present British system, they must get considerable satisfaction from the fact that Ministers duly sit and listen to what they say, and at the end of the day contradict them with the utmost courtesy and respect. And, of course, when the Commons is in simultaneous debate, there is little risk of the peerage getting more publicity than its utterances deserve. All the same, reading the record of this particular debate, and reflecting on the alarming possibility of these particular voices being heard in any part of the world and taken to represent British opinion and the standard of British parliamentary life, I gave thanks to Mr. Khrushchev for perpetrating another marathon speech on the same day, and thereby helping to drown them out.

Economic Report from the U.S.

O.E.C.D. MEETING

By GUY SIMS FITCH

WASHINGTON, October 17.

THE international conference now under way here provides ample evidence of the extent to which concepts of economic developments have broadened. The conference is sponsored by the Organization for Economic Co-operation and Development (OECD), which is composed of Western European nations, Canada and the United States, and which has as one of its principal endeavours the effective extension of economic aid to developing areas by its member nations. Interestingly enough, however, this OECD meeting is not devoted to an assessment of capital assistance as such, but rather to the role that investment in education can play in helping to advance economic growth. Here is a frank recognition that ample modernization efforts apply to the whole of society, and are not confined to the narrow proliferation of industrial projects which in the long run may or may not add to the essential well-being of a nation or its citizens.

Modernization in this sense must in the final analysis embrace a broad spectrum of social as well as economic programmes. It requires the development of human as well as material resources. It rests not only on the infusion of external capital assistance, but also on the intelligent and determined efforts of the developing nations to help themselves—to mobilize their own resources, to institute needed internal reforms, to preserve their national integrity. These are not idle preachments, and should not be so taken. They are rather, in the words of Mr. Adlai Stevenson, "new truths" which have been learned—laboriously and painfully, at time—in the 15 years or so since the United States became the world's pioneer in the extension of large-scale economic assistance to other countries. What we have learned, according to Mr. Stevenson, is that "it was impossible to build a modern economy on the foundations of massive poverty, illiteracy, feudalism, tax avoidance and social injustice." The U.S. Ambassador to the United Nations was speaking at the opening in New York of the General Assembly of the Inter-American Press Association. What he had to say, therefore, was applied particularly to President Kennedy's Alliance for Progress, that joint Western hemisphere venture under which the United States in little more than six months already has made available more than \$700 million to 16 Latin American countries for social and economic development. But his words are equally applicable to all countries in all parts of the world that are dedicated to modernizing their societies and raising the living standards of their people.

None of this is desired to minimize the essential role of capital. In supporting sound development programmes, if anything, this kind of an ambitious appraisal of modernization requirements underscores the need to mobilize capital from all fruitful sources—from within as well as from without, from private industry and investments as well as from governments. Some cogent thoughts on this subject were offered recently by Mr. Philip Klutznick, U.S. representative to the UN's Economic Committee, now meeting in New York. In calling for strengthening and expanding U.S. programmes in the field of economic development, he emphasized not only the amount of capital to be provided, but also the need for careful development planning, for sound national programmes, for the training of skilled personnel, and for the exchange of useful knowledge and ideas.

Nor did Mr. Klutznick overlook the importance of bilateral aid, which he held to be as necessary as UN assistance in providing resources needed to promote economic growth.

He also cited "the exciting possibilities of private capital" as without foreseeable limit and as embracing the largest aggregate pool of skills available. While there has been a tendency to talk about those contributions which governments rather than private enterprise can make to economic development, Mr. Klutznick took the occasion to point to the other side of the coin—to the "customary capacity of private enterprise to indulge in imaginative business adventures which involve risks that governments are reluctant or unable to take." In all this one can detect a shift of emphasis from the quantity of money available to the quality of the use to which it will be put. Capital, after all, is in great demand everywhere, and its supply is not unlimited. No matter how much money may be available for specific development purposes, there always seem to be others for which it might also have been used. The idea, then, is to ascertain those uses which will best contribute to economic and social development—which will best fit in with soundly drawn long-range programmes to speed the modernization of developing societies.

The new Director of the U.S. Foreign Assistance Programme apparently has these thoughts very much in mind. In taking over his new post as head of the U.S. agency for international development, Mr. Fowler Hamilton observed that "in the administration of this programme we will regard it as our first duty to help those of the less-developed friendly countries that make efforts to help themselves." He went on to characterize the \$4,000 million in foreign aid voted by the U.S. Congress this year as "seed money"—money that may be small in quantity when compared with the potential demand, but "effective in consequences."

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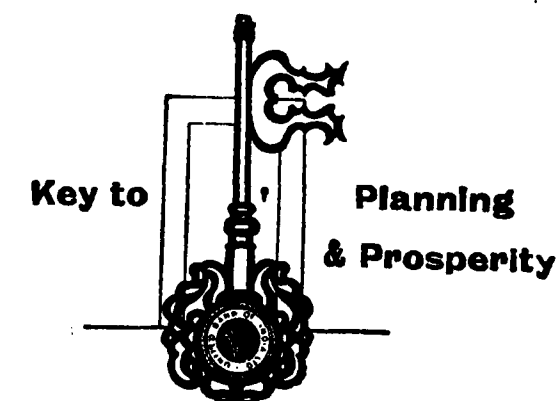
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per thousand per annum	per thousand per annum

The Life Insurance Corporation has pleasure in declaring the above rates of bonus as a result of the second Valuation of its liabilities and assets as at 31st December 1959. These bonus rates are applicable to with-profits policies issued by the Corporation and in force as at the date of Valuation.

As regards the bonuses on with-profits policies issued by former insurers, these have been declared proportionately in accordance with the Scheme of Differential Bonuses approved by the Central Government and published in the Gazette of India dated 14th October, 1961.

The bonus rates applicable to all the policies are the same as those declared on the basis of the preceding Valuation as at 31st December 1957.

As at the date of the present Valuation the total sum assured under the policies was Rs 1,997 crores, including bonuses, and Rs. 105 lakhs per annum under Annuities. Out of the gross profits disclosed by the Valuation, a sum of Rs. 24.47 crores has been utilised for allotting bonuses at the above rates to policy-holders, after providing for income-tax liability amounting to Rs. 4.58 crores and Government's share of Surplus amounting to Rs. 1.28 crores.

As already announced, bonus intimations in respect of both the first and second Valuations will be sent out to the policy-holders as soon as possible.



Life Insurance Corporation of India

Special Article

INDIAN ADMINISTRATION: WHAT IS THE NEW LOOK?

By C. S. VENKATACHAR

WOODROW WILSON, as a professor at Princeton, wrote that the French Revolution had removed all the foundations of French politics but scarcely any of the foundations of French administration. Something similar has occurred in India. The conjunction of a democratic government with the foundations of bureaucratic administration presently marks the political system of India.

At the district level and below very far-reaching democratisation of the administration has yet to be carried out. The administration here is only modern in external appearances; its spirit and outlook is traditional and in that sense reactionary. The essence of re-organization is to infuse a democratic spirit into the machinery, change its entire outlook, completely modernize the obscurantist traditionalism, exorcise the banal mentality of the functionaries at the lowest echelons and cut down the diseased and the dead roots. Let there be a distinction between two types of administration in the districts. One will be the power of active administration exercised individually; the other the power of deliberative administration belonging to democratic bodies, such as panchayats, co-operative societies and developmental councils. In the case of deliberative administration there may be a further subdivision; one may relate to the action to be taken and other advice to be given. Deliberative administration comes in wherever it is necessary, to secure the active co-operation of the people. On the other hand, where, for example, law and order is concerned, the question of deliberative administration does not arise. The officer responsible of the State government will exercise this power according to law. There should be no gap between the government official and the society in which he functions, socially and culturally. Only the fullest measure of democratisation will remove the psychological barrier between the rural society and the local administrative machinery.

Till the second World War, the Secretariat was a small compact body, authoritarian, nimble with pen and worked in a blissful state of 'aloofness, conscious rectitude and confidence in itself'. It has on the whole, been successfully integrated into the parliamentary system of government. On the organizational side, efforts are being made to secure maximum of effectiveness of work and the rational use of available resources. A working adjustment has been achieved but long-term developments will be conditioned by national politics.

In a parliamentary democracy, a question often posed is how to attain efficiency in a system which is a joint enterprise between the political chief and the trained civil servant. Much depends on the working relationship between the Minister and his senior officers. More attention should be paid to the transaction of work by oral or personal discussions; in other words transact business by conversation. The old familiar style of business on files, fitted as it is into the interstices of the day, is not the substantial work of the Minister or even of the higher staff. This kind of work requires a high degree of mutual confidence between the Minister and the Civil Servant.

Should there be a creed for Civil Servants? The answer would be in the affirmative but it would be difficult to lay down any positive creed. The substance of a creed may be compressed into five propositions none of which may be novel.

First, the Civil Servants form a composite body which includes scientists, technocrats and managerial men; second, they shall not be status-seekers and in order to safeguard their prestige, which in fact does not exist, they shall not isolate themselves from the generality of the people; third, they should think and act as belonging to a corporate body of national civil servants; fourth, there is much to be said for both sides on any complicated question and in the modern world, nearly all serious questions are complicated. There is, therefore, limit to the application of pure reason. Action, even imperfect at times, is always preferable to endless examination and reasoning; fifth, in an expanding society, grave social, economic and political changes cannot be made without arousing opposition, much of it natural and reasonable. A Civil Servant should not have a neutral attitude towards the executive and legislative programmes of the government of the day.

The inter-relation between the ruling elite and government officials is not one of a conventional formality. It is deeper than any conventionality. What is involved is the role of the intelligentsia, consisting of persons of professional and special skills, needed to run a modern government. So far no positive thought has been bestowed on this crucial question. No doubt the intelligentsia is needed in the stage of economic growth as specialists and sometimes as scapegoats. The old order continues with some obvious and necessary changes. The Civil Servants have been comparatively well paid and worked in decent material conditions. On occasions they are openly distrusted and often contemptuously tolerated. At the district level and below, the subordinate officialdom, if not strictly supervised, is disconcertingly shadowed by partymen of orthodox ideological quality. There are distinct signs of antagonism growing in all political parties against the English speaking 'Neo-Brahmins'.

The issue really concerns the nature of the upper stratum of Indian society which may be a spectrum of the old and new, but it has to have some blending. Or to use a more current phrase, there should be a national emotional integration. At least three obstructions towards this consummation may be readily recognized. They are the absence of a common bourgeoisie 'ethos', the conundrum of the language question and the spirit of casteism.

The last of these is capable of being attacked vigorously. The entire system comprising the lowest grade of menial and clerical workers is outmoded, anachronistic, feudal, positively disgraceful. Mechanisation is the principal answer for the elimination of this reproach on all government establishments. Casteism should be systematically attacked at all levels from the grass roots upwards. "No perceptive foreigner can help being struck by the ironic contrast between the socialistic opinion voiced by many Indian leaders and the fact they seem to find it quite natural to be surrounded by under-fed servants, sweepers, bearers and low-caste men", is the acid comment of a recent western observer. The ruling elite should practise that which they preach to the toad beneath the administrative harrow.

A cleansing process will not mean much, unless there is a clear evolution of a common bourgeoisie ethos. The intelligentsia has to merge itself with other groups like skilled working classes and the new middle-

classes to form an upper class with 'a unifying ethos of its own'. This means a process of absorption of the greatest political importance, marking the transition from a static agrarian society to a modern urban industrial society.

But indications are that the dichotomy between the elites and the masses will continue to exist in the absence of an all inclusive Indian culture acting as a dissolvent of separatist cultural and social trends. One sees Bengali, Hindi or Tamil, culture emphasized. Linguism accentuates this separatism. The controversy over the language raises the doubt whether there would at all be an Indian culture spreading commonness and a oneness. Religion and culture bind social groups, but they seem hardly germane to the State which in fact is faced with the threat of disruption by them.

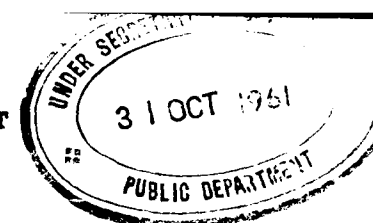
What is to be done? It is outside the purpose of this article to provide a blue-print of reform and changes. Let us at any rate be clear on one point. Let us not look for scapegoats. There is no earthly use in blaming the rules and procedures left behind by the British. They are quite irrelevant. You can have any rules and procedures you like. Why blame the men behind the administrative mechanism for being incompetent and corrupt? If so, eliminate them and open up the dazzling prospects to the young, even to the very young. Then there is a demand to overhaul the administrative machinery as though this will be enough to put things right. Here, the ruling party is showing blindness to its own shortcomings. It is smugly content to assume the role of the critic as if it is still engaged in criticising the shortcomings of an alien rule. Its relation with the administration is as tenuous

as its contact with the rural masses. Then it puts a pathetic faith in the idea that pan-Indian services forge national unity. How can a piece of mechanism—that is all a service cadre is—achieve it, when the men in the cadre have no unity of common culture and language?

It is the function of democracy to apply self-introspection, to examine at intervals its own defects and to remedy the deficiencies by objective examination. A commission may be a long-term remedy but it is inevitable. As a first step to get over the disinclination of the idea of a parliamentary commission, Parliament should have a representative standing committee and come to close grips with the realities of the administrative problems in the 1960's and not with past iniquities, omissions and shortcomings and all those horrid memories of a vanishing past.

As a short-term policy, the Planning Commission should have a unit of its own, reinforced if necessary by foreign expertise, to enforce administrative procedures, methods and practice in relation to the wide range of planning activities. In other words, have a Five-Year Plan, at each stage of the successive plans for the re-vamping of the administrative machinery. Then dovetail the short-term plans into long-term national objectives. The changes call for daring adventure in ideas, purposeful thinking on the objectives and the search for a broad-base on which future developments could be anchored. Of one thing it is certain. There are no heroic measures, no easy remedies for India's so-called administrative ills.

(Concluded)



THE BUSINESS WORLD

The Progress of Alkali Industries

It appears from the annual report of the Development Council for Alkali and Allied Industries that the production of calcium carbide, soda ash, caustic soda and chlorine had all increased substantially during 1960 and were expected to increase still further in 1961. This encouraging progress was achieved, it is pointed out, by the commissioning of additional units and substantial expansion of the existing factories. At the end of the Second Plan period, a production level of 1½ lakh tons of soda ash, one lakh tons of caustic soda, 32,000 tons of liquid chlorine and 10,000 tons of calcium carbide has been reached. Though this was less than the target visualised at the beginning of the Second Plan, the Council noted that 1961 level of production was likely to increase to 2 lakh tons of soda ash, 1.25 lakh tons of caustic soda and 20,000 tons of calcium carbide. The shortfall, it was indicated, was essentially due to foreign exchange shortage for obtaining the capital goods for the industry.

The Council outlined the schemes that commenced trial runs during the year 1960-61 and some of which went into regular production in addition. These are given in Table I below:

TABLE I.

1. Soda Ash	Tata Chemicals Ltd.—expansion partly completed.
2. Caustic Soda	(i) Alkali Chemical Corporation of India Ltd.—completed. (ii) Travancore-Cochin Chemicals Ltd.—completed. (iii) Mettur Chemicals & Industrial Corporation Ltd.—not yet completed.
3. Hydrogen peroxide	National Peroxide Ltd.—expansion completed.
4. Calcium Carbide	(i) Industrial Chemicals Ltd.—completed. (ii) Calico Mills (Chemicals Div.)—trial run commenced.
5. Potassium Chlorate	Mettur Chemicals & Industrial Corporation Ltd.—completed.
6. Bleaching Powder (Stable)	Mettur Chemicals & Industrial Corporation Ltd.—completed.
7. Calcium Carbonate (precipitated)	Tribeni Tissues Ltd.—completed.

The following schemes are under construction or machinery have been ordered:

1. Soda Ash	Tata Chemicals Ltd.—balance of expansion.
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2. Caustic Soda	(i) Atul Products Ltd. (ii) Andhra Sugars Ltd. (iii) Mettur Chemicals Ltd.—expansion. (iv) Sirpur Paper Mills Ltd.—expansion. (v) Hindustan Heavy Chemicals Ltd.—expansion. (vi) Tata Chemicals Ltd.—expansion. (vii) D.C.M. Chemical Works—balance expansion—machinery ordered. (viii) Calico Mills (Chemical Div.)—expansion—machinery ordered. (ix) Dharangdhara Chemicals Works—expansion—machinery ordered.
3. Caustic Potash	(i) Atul Products Ltd. (ii) Tata Chemicals Ltd.
4. Sodium Sulphide (Iron Free)	(i) Atul Products Ltd. (ii) Travancore-Cochin Chemicals Ltd.
5. Sodium Hydro-sulphite	Indian Electro-Chemical Ltd.
6. Calcium Carbide	Travancore Electro-Chemicals Ltd.—machinery ordered.

Further licensing for expansion was in progress with a view to meeting the target laid down in the Third Plan. The Council, however, expressed its desire that along with licensing of further capacity, active steps had to be taken to issue capital goods licences for the machinery progressively, so that the increase in annual demand would be regularly met by increase in the installed capacity. It was pointed out that installed capacity for soda ash at present was satisfactory to meet internal demand but active steps had to be taken to see that the expansion and new schemes were implemented soon. It was noted that beginning was being made to produce heavy soda ash. Regarding caustic soda, the Council noted that the capacity installed was not yet enough to meet the internal demand. The annual installed capacity on April 1, 1961 was a little below 1.2½ lakh tons against a demand of 1.50 lakh tons. It was added that 61,170 tons annual capacity was expected to be added when schemes under construction were completed by 1962. Thus the demand was likely to be around 1.80 lakh tons as against the probable installed capacity of 1.86 lakh tons. At this rate, it was likely that the present shortages would be wiped out. But naturally licensing authorities had to take special measures to eliminate any possible delays.

The Council further pointed out that enough production capacity for calcium carbide, potassium chlorate

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and calcium carbonate had been built up and capacity for new items such as caustic potash, iron-free sodium sulphide were being created for the first time. The Council desired speedy production of sodium hydrosulphite at rated capacity from the factories installed for achieving targets under the Third Plan. It was noted that already development licences have been given for

substantial additions to almost all the commodities as indicated in Table II. It appears from the report that by the end of the Third Plan, this important section of Indian industry would be producing enough for the expanding home market. But enough care has to be taken to eliminate any hurdles in the way of achieving these targets.

TABLE II.

(All data in tons per year)

Sr. No.	Name of the Chemical	II Plan Target	Existing Installed Capacity	Additional Licensed Capacity	III Plan Target	Percentage of Total Capacity Against III Plan Target
1.	Soda Ash	2,53,000	2,68,000	2,08,000	5,30,000	90
2.	Caustic Soda	1,50,400	1,24,500	2,05,800	4,00,000	83
3.	Calcium Carbide	26,200	34,500	24,000	67,000	87
4.	Potassium Chlorate	4,000	4,250	600	9,500	51
5.	Hydro-sulphite and Rangolite	5,000	3,900	10,000	12,000	116
6.	Hydrogen Peroxide (35%)	3,000	3,000	10,300	9,500	140

Business Notes

Gujarat

NEED FOR A MAJOR HEAVY INDUSTRY

WHEN COMPARED with many other States in India, Gujarat may be said to have relatively more organised industries, such as textiles, chemicals, pharmaceuticals, cement, etc. Even so, when the industrial structure of the region as a whole is considered, it will be seen that the development has been lopsided and lacks diversification. Highlighting this fact, Mr. Jayakrishna Hari-vallabhdas, President of the Gujarat Chamber of Commerce (G.C.C.), observed at that body's last annual general meeting at Ahmedabad, a few days ago, that the solution for this anomalous situation would be to have a major industrial plant set up in the State. In his view, this will ensure a proper nucleus for integrated development and generation of a suitable climate. In this connection, he referred to the State-wise distribution of the seven major heavy industrial projects—the Heavy Electric Plant, the Heavy Electrical Equipment Plant, the High Pressure Boiler Plant, the two Precision Instrument Plants, the Machine Tool Plant and the Heavy Plate and Vessel Works—none of which, he said, had been given to Gujarat. This, Mr. Hari-vallabhdas observed, was unfortunate and complained that, in taking a decision on this subject, the legitimate claims of Gujarat had not been given due consideration. He appealed to the Union Government to lose no time in locating a major industrial plant in the State.

Speaking at the same meeting, the Vice-President of the Chamber, Mr. Sarabhai Chhotalal Kashiparekh, observed that, in view of the backwardness of agriculture in the State, it was imperative to have the sanctioned Ukai and Narmada projects implemented speedily so as to bring prosperity to Gujarat. He also made an appeal to the Union Government to establish in the State petro-chemical industries by reason of the successful exploration of oil in Cambay and Ankleshwar. At the same time, he urged the Gujarat University to introduce degree courses in petroleum engineering, as also to establish a Petroleum Research Institute in the State.

The subject that attracted the undivided attention of all those present was the deteriorating coal situation in Gujarat. Mr. Kashiparekh attributed this to the

absence of a realistic and imaginative policy on the part of both the Ministries of Steel, Mines and Fuel, and the Railways. A more realistic policy in respect of coal transportation as much as of coal production, according to him, is the supreme need of the hour.

Plastics

NEEDED MODERNISATION

IT IS gratifying to note that during the short span of fifteen years, the plastics industry has become an established one, well able to achieve the Second Plan target of 11,500 tons. During the Third Plan period, its further expansion involving a total production of 74,000 tons is envisaged. The Plastics Panel of the Development Council has planned to enlarge the production capacity of the industry to 133,000 tons by the end of the current Plan period, which, in its view, would be sufficient to meet the estimated requirements of 125,000 tons. The industry also feels confident of reaching the set target of the Third Plan, but to achieve this, it was made clear that some of the hardships facing this industry needed to be removed. As Mr. Pratap Bhogilal, who presided over the 14th All-India Plastics Manufacturers' Conference (AIPMC), held last week in Bombay, noted, it is not only the availability of raw materials in abundance that can achieve the set targets but also the installed machinery and its efficiency. With its old and worn out machinery, the industry was not able to compete profitably with the other advanced countries. But to renovate and modernise the plants, it is imperative, Mr. Bhogilal observed, to import the necessary machinery which would, in turn, call for lifting of some of the import restrictions.

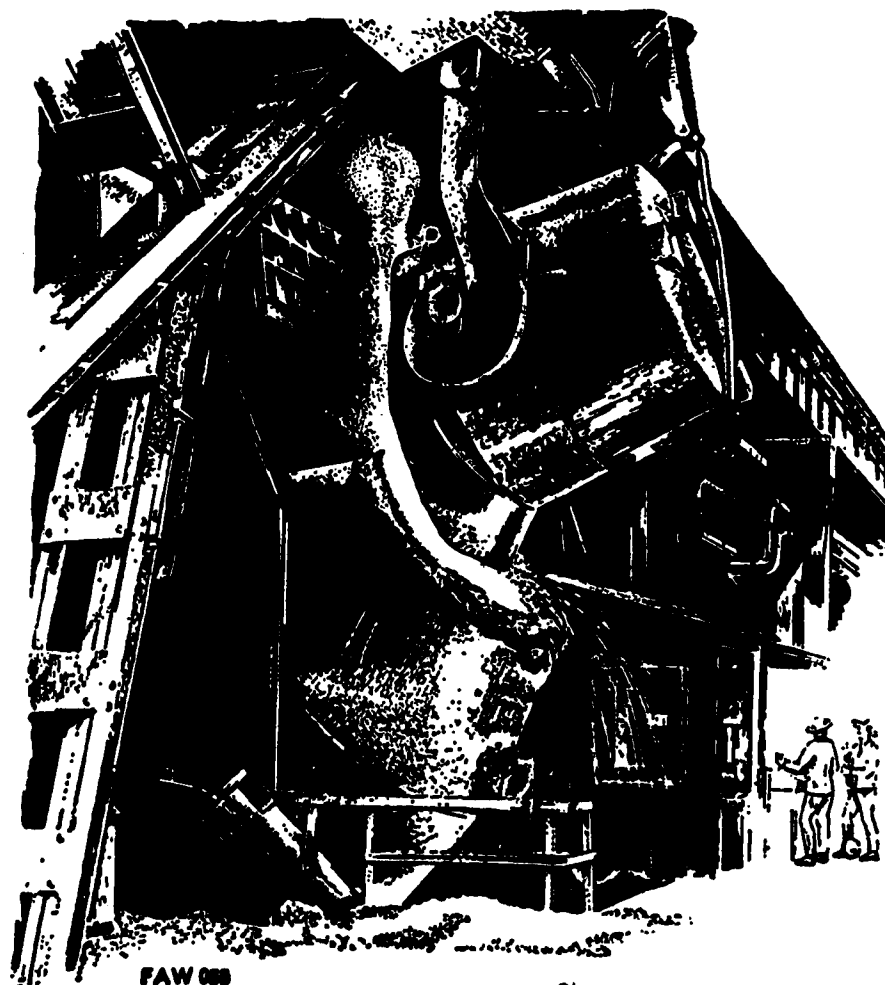
Earlier the Chairman of the Reception Committee, Mr. Shantilal I. Parekh, expressing a similar view said that, while it was necessary, in the present circumstances, to import the needed machinery, this problem could only be solved permanently by resorting to our own manufacture. It is gratifying to note that India at present has been manufacturing some of the badly needed machines like small capacity injection machines, extruders and compression processes. But this should not veneer the fact that, when compared to some of the advanced countries, we still lag very much behind.

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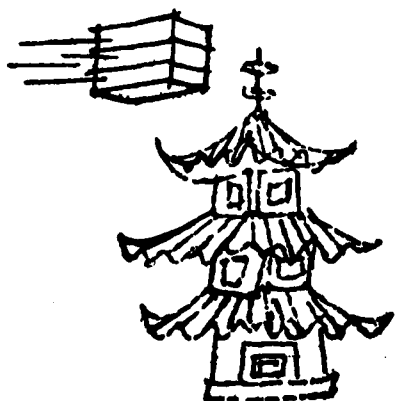
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AIR-INDIA

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It is common knowledge that the Government has been levying an excise duty, since March 1, 1961, of as much as 20 per cent 'ad velorem' which the industry considers to be out of all proportion vis-a-vis its capacity to bear. All the deputations by the Association to the Finance Minister to remedy the situation have borne no fruit. To realise a revenue of Rs. 40 lakhs, as estimated in the Budget, Mr. Parikh reiterated, an excise duty of 5 per cent would have sufficed; the present taxation, however, is estimated by the industry to deprive it of as much as Rs. 150 lakhs. Accordingly, he pleaded for the reduction of the present 20 per cent duty to 5 per cent.

Referring to exports, Mr. Parikh pointed out that with its old and worn out machines, the non-availability of essential raw materials at international prices and the excessive taxation, the export performance of the industry failed to come up to expectations. Although exports in 1960 had improved to Rs. 72.84 lakhs from Rs. 67.45 lakhs in 1959, the figures available for the first half year of this year have been disappointing, the total exports for this period amounting to only Rs. 34.85 lakhs, as against Rs. 35.34 lakhs for the corresponding period of last year. Attributing this squarely to the present export policy of the Government, Mr. Parikh said, "It is hardly necessary for me to state that the present export policy of the Government is deficient in various respects and many export promotion measures are required to push the export trade."

Automobiles

RECENT TRENDS

IN THE light of the recent controversy about the manufacture of small car in the public sector, the report of the Development Council for the Automobile Ancillary Industries and Transport Vehicle Industries for the year 1960-61 could be read with sufficient interest. There are certain important observations about the factor that influences the further expansion of automobile industry—the requirement of foreign exchange—after considering the recommendations of the ad hoc Committee which went into the details of demand and capacity for the production of important and special components for the automobile industry. The ad hoc Committee indicated that "foreign" exchange requirements of any new production programme of automobiles must rank in priority below the requirements of the maintenance of existing production programmes. For new capacity expenditure of foreign exchange should be limited to capital goods for the project and imports of components as a recurring feature should be virtually eliminated." Thus the foreign exchange requirements and the setting up of new units of automobiles have to rank in priority below the needs of maintenance of the existing vehicles. The establishment of small car presupposes a drain on extra foreign exchange which will influence indirectly the programme of development and expansion of the existing units. The Council's endorsement of these views is of significance. It seems the automobile industry established at the moment has the capacity to produce more and it can expand its production capacity with comparatively minor changes.

The ad hoc Committee also recommended that Government should inspect the industry to introduce an adequate system of cost accounting. The Tariff Commission, too, made a similar recommendation. There should be no two opinions on the existence of proper cost accounting system. It has pointed out that the manufacturers have technical tie up with different foreign manufacturers and data were being maintained on the advice of the respective foreign collaborators consistent with their requirements. It was proposed that the Government's cost accountants may have dis-

cussions with manufacturers' cost accountants so that the best manners of cost accounting could be evolved.

Another important point that the ad hoc Committee considered was in respect of price control under different classes of vehicles. It recommended that control on cars, diesel engines supply to the vehicle manufacturers should continue while it recommended decontrol on commercial vehicles. One would agree with the Council that time was not opportune for another period of two years for decontrol, after which sufficient competitive capacity would have developed and volume of production should have increased.

Raw Film

RAW FILM FACTORY IN MADRAS

ON AN area of 250 acres near Ootacamund in Madras State, India's first raw film factory is fast coming up to its final shape. It is expected to be commissioned by the end of 1962 and will produce a large variety of photographic sensitized material, including cinematograph film, roll and sheet film, photographic paper, materials for graphic arts etc. The total investment on the project will be of the order of Rs. 7 crores — Rs. 4 crores in foreign exchange and Rs. 3 crores in Indian currency. The project will meet bulk of the requirements of photographic materials and help in saving annually nearly Rs. 5 crores in foreign exchange by 1965-66.

The factory will also manufacture X-Ray films. Their output will not only meet the entire requirements of the domestic market but will leave some surplus as well for exports. Considering the complex processes of production and the necessity of ensuring high quality of the products, the Government of India has secured technical collaboration from the well-known French firm Messrs. Baughet. The designs for the different sections of the factory have been completed, and while a large part of the equipment will be fabricated in France, certain specialised items will be supplied from the U.S.A., West Germany, Switzerland and Austria. Shipments will be made as each item is completed and tested. It is expected that the first consignment will reach India by March, 1962. Import of the necessary equipment for the factory will be financed under the French Government's Export Credit Scheme. Payments for the equipment are due to start only after the factory has gone to production, and will be spread over five years. The factory will, thus, be able to save the foreign exchange needed to pay for the imported equipment.

A special feature of this project is that from the very outset it will be manned and operated by Indian personnel. A number of scientists and engineers have already been recruited from all parts of India and sent to France to get training in the factories of the Technical Consultants.

Arrangements have been made for production of necessary raw materials within the country. For a number of these materials such as cellulose, triacetate, plasticisers, solvents and photographic gelatine, the Government has already granted manufacturing licences to units in private sector. Some of the materials like silver nitrate, will be manufactured in the film factory itself. It is planned that from the beginning the value of raw materials to be imported will be only a small fraction of the price of the finished product and that by the end of the Plan period practically 99 per cent out of the raw materials will be produced in this country.

The project is being executed by the recently formed Hindustan Photo Film Manufacturing Company Limited.

New Issue

USHA SPINNING AND WEAVING

THE USHA SPINNING AND WEAVING MILLS LTD. will enter the market to raise capital by the issue of equity shares to the extent of Rs. 25 lakhs and preference shares to the extent of Rs. 10 lakhs. Out of the present issue, the promoters, directors and their friends have subscribed for in cash at par 1,27,500 equity shares of Rs. 10 each and the remaining 1,22,500 equity shares are being offered to the public for subscription in cash along with 10,000 9.3 per cent, free of company tax, cumulative redeemable preference shares of Rs. 10 each valued at Rs. 10 lakhs. The subscription list will open on October 30, 1961 and will close on November 6, 1961 or earlier, but not before November 1, 1961.

The estimated total cost of the undertaking will be nearly Rs. 97 lakhs, made up of nearly Rs. 2 lakhs for land, Rs. 11 lakhs for buildings, Rs. 47 lakhs for plant and machinery and the remaining for working capital. This amount is to be raised to the extent of Rs. 35 lakhs by the issue of shares, Rs. 30 lakhs through loans from the Industrial Finance Corporation and Rs. 24 lakhs from banks against securities. The Industrial Finance Corporation has agreed to grant the loan. Major part of the equipment is to be supplied by M/s. Tweedele & Smalley Ltd. and various other important equipment producers of England. Some Indian firms like Machinery Manufacturers Corporation of Calcutta, are also supplying a considerable part of the machinery. The proposed project is economically quite sound and naturally the new issues are bound to receive a ready response in the market.

The Company was incorporated last April to carry on the business of cotton spinners and manufacturers. A cotton spinning mill at Badarpur near Delhi is to be installed with a capacity of 1200 spindles to produce 40 lakh tons of yarn per year. The medium yarn which the company will produce has considerable demand in the adjoining areas of Delhi, Punjab, Rajasthan etc. It will be suitable to feed the vast handloom, powerloom and hosiery industries which are developing rapidly in these areas. The company, it seems, will have the advantage of raw material and its requirement of nearly 4.68 million lbs. of cotton will be available in Punjab.

Assam Sillimanite Ltd.

INCREASED SALES AND PRODUCTION

IT WAS revealed by Mr. S. M. Wahi, the Chairman of the Assam Sillimanite Ltd., at the annual general meeting of the company that in spite of the stresses and strains, Assam Sillimanite was able to achieve increased production during 1960-61. While the production in 1959-60 was 6957.80 tons in 1960-61 it was 7540.01 tons. And the expectations are that in 1962 the company may be able to reach a production of 9,000 tons.

Progress on the sales side has been equally satisfactory and in 1960-61 sales increased to Rs. 25,26,344.09. Presently, orders in hand are for 9,374 tons valued at Rs. 33.75 lakhs. This does not include the 4,368 tons already supplied up to August, 1961.

Emphasis is now being placed on increasing production of sawn blocks and additional capital expenditure has been incurred for developing the facilities for Diamond Saw Plant at Pahrpur in Calcutta to meet the growing demand of sillimanite blocks and shapes for glass and ceramic industries. It has also been decided to double the capacity of the existing plant so that the orders in hand can be completely executed by the end of 1962 or early 1963, and the company may

be in a position to satisfy the growing demand of the industry by accepting fresh orders for sawn blocks, cut to shape and size, from the individual clients. In regard to progress of the refractory plant at Ramgarh, it was stated that the plant has gone into production and is producing sillimanite blocks and shapes, fireclay bricks and shapes. Crucibles and some quantities of thermocouple sheaths have also been successfully experimented. The interesting feature about this plant is that it has been entirely constructed from machinery indigenously procured. It has an installed capacity of 5,500 tons.

Development of mines of fireclays, both plastic and non-plastic is taking a proper shape and with their development it is hoped the refractory plant would be able to have largely its own sources of raw material supplies. Efforts are being directed to develop production of these mines at a rapid pace so that some of the existing plant and other refractory works could get supplies and avail themselves of the company's services.

Shipping

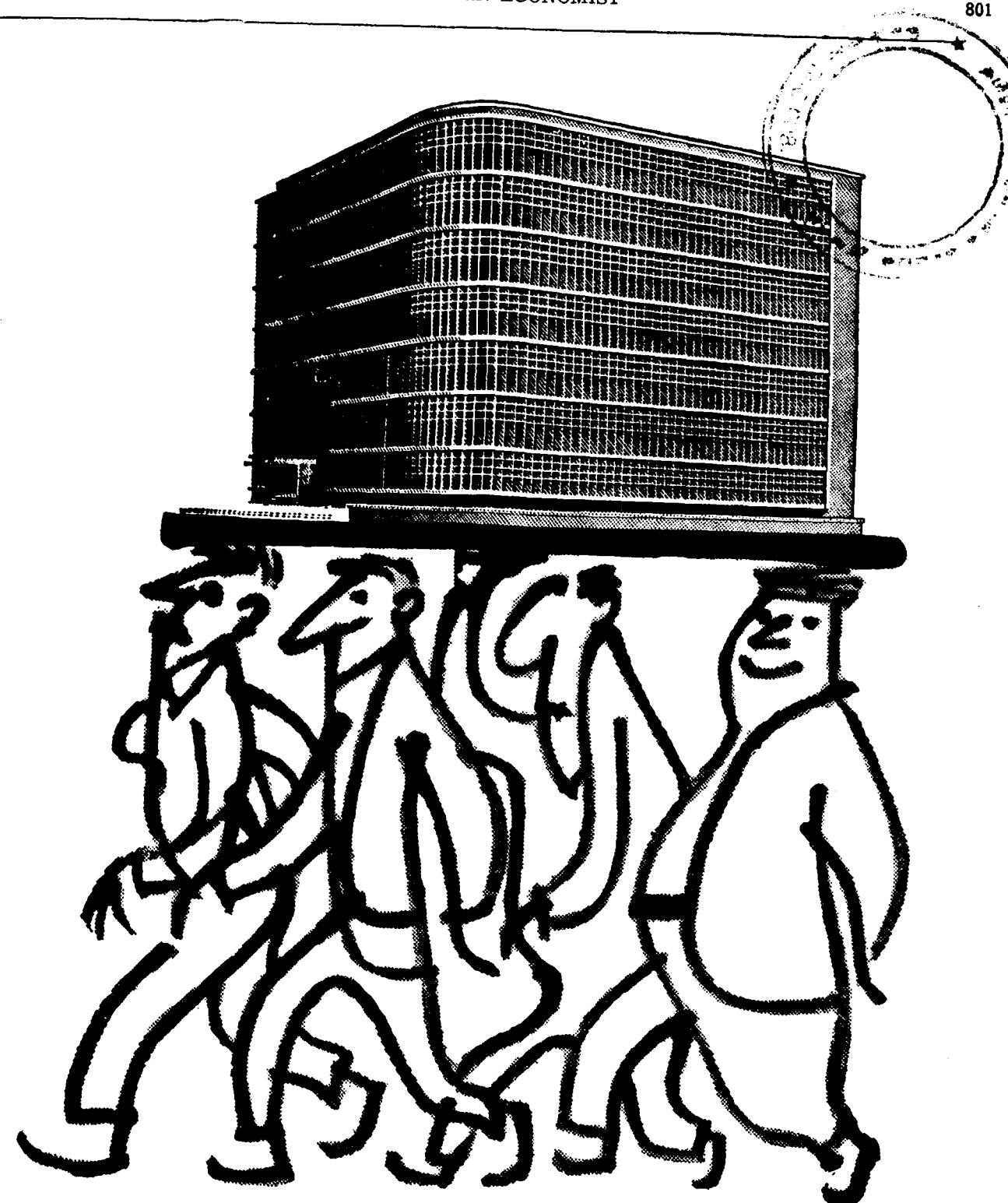
BOMBAY-KONKAN STEAMER SERVICE CLOSURE

IT IS unfortunate that the Bombay-Konkan Steamer Service, operated by the Bombay Steam Navigation Company (BSN), which has subserved the travel needs of the population of this region for more than 100 years is to be closed from December 1, 1961. Disclosing this news as also the impelling reasons for such an action, Mr. Dharmsey M. Khatau, The Scindia Chairman, and Mr. Jahengir P. Patel, the B. S. N. Chairman, told a Press Conference at Bombay last week, that it has become practically impossible to run the service as the loss that has accrued to the company since 1950 has by far wiped off the share capital of Rs. 30 lakhs of the B.N.S. While it is inevitable to raise the fares to keep the service running, the persistent refusal of the Maharashtra State Government to do so has left no other choice but to close it down, Mr. Khatau observed. Further, he said, in spite of the fact that the Rau Committee's recommendations were unsatisfactory and unfavourable to the company, yet the B.S.N. was prepared to continue the service. The Rau Committee, headed by Mr. P. S. Rau, which was appointed in 1959, had gone fully into the working of the company and had recommended:-

1. An 8 per cent increase in fares with immediate effect.
2. The scrapping of the old ships and acquisition of three new ships.
3. An interest free loan by the Central Government yielding an annual concessions of Rs. 1.89 lakhs on an average.
4. An annual subsidy from the Maharashtra Government equivalent to the concession amount.
5. A further increase of 7 per cent in fares after the acquisition of the new ships.

However, the Central Government accepted only the recommendations insofar as it agreed to give the company an interest-free loan of Rs. 1.20 crores to meet the cost of construction of three ships, while the State Government agreed in principle to grant a matching subsidy equivalent to the interest foregone by the Centre on its loan subject to a maximum of Rs. 1.89 lakhs per annum. But, Mr. Khatau stated that the Maharashtra Government was not in favour of any immediate increase in fares.

Besides the loss of more than Rs. 30 lakhs, Mr. Khatau noted that three out of five steamers and two launches have gone out of order. They can be recommissioned



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sioned into service after repairs only at a cost of about Rs. 15.50 lakhs. Under these changed circumstances, after the Committee's Report, Mr. Khatau observed, that even the 8 per cent increase in fares was insufficient to cover fully the increased cost of operation, not to speak of yielding a return of 4½ per cent on the subscribed capital as estimated by the Committee. Similarly, the construction cost of the new ships has swelled since that time to Rs. 1.62 crores or Rs. 42 lakhs more than was estimated by the Rau Committee. However, it has to be kept in mind that more than a million passengers who utilize the service round the year would be put to inconvenience for no fault of theirs.

Foreign Trade

TRADE BETWEEN INDIA AND INDONESIA

WITH ONLY a few days left for the Indonesian economic fact-finding mission to arrive in this country, it is time to have a look at the trade between the two countries and to probe further in what fields economic co-operation can be brought about. Ostensibly, the purpose of this mission will be to study the planning structure of India and how she has developed under the two Plans. Indonesia has an eight-year development plan in mind and the feeling is that the experience of India could be of valuable assistance to Indonesia. The economic mission will also be discussing the revision of the trade agreement.

While the favourable balance of trade for India in 1955 was to the tune of Rs. 9.68 crores, it became negative in 1958. In 1959 imports and exports balanced each other and in 1960, there was again a small rise and the favourable trade balance was Rs. 0.35 crores. The fall in exports can be attributed to many causes. The main one appears to be that Indonesia has started importing from countries like China and Russia who are offering deferred payment facilities to that country. It is gathered that the Soviet Union is prepared to supply Indonesia 60 million yards and China about 90 million yards of textile fabrics against payment at a later date. Indonesia is also prepared to buy textile fabrics from India provided she is given deferred payment facilities as have been meted out to her by Russia and China.

During the first 8 months of the current year, India exported to that country about 8.5 million yards of textile fabrics, the items being shirting, bleached long cloth and drills and grey sheetings. India's main exports to Indonesia constitute jute goods, cotton yarn, cotton piecegoods, linseed oil, paper, paper-board and stationery, animal and vegetable oils, fats, greases and derivatives and machinery other than electric. Imports on the other hand consist of palm oil, essential oil, textile yarn, fabrics, make-up articles and related products, mineral fuels, lubricants and related materials.

As exports at the present moment are very essential for the economic development of this country, it is imperative that an all out drive be launched to capture markets abroad. Possibilities ought to be borne in mind for extending deferred payment facilities to a country which is prepared to buy textile fabrics to the extent of about 30 to 50 million yards. For India any amount of foreign exchange earned could be of help in easing her balance of payments difficulties.

EXPORT OF DIESEL ENGINES

WITH INCREASED production of diesel engines in the Third Five-Year Plan, there is every likelihood that its exports may also increase. The production target for diesel engines in the Third Plan is 100,000, against the Second Plan target of 20,500. During the last year

of the Second Plan, production was over 42,000 diesel engines. Keeping in view the progress maintained, it seems that the production targets of the Third Plan could well be achieved. Expectations are that the exports of diesel engines during the Third Plan might be round about 1,000, but that, of course, would depend on the inducements that are provided to the manufacturers to overcome many of their difficulties in the export market.

The firms that are likely to figure in this export plan will be Kirloskar Oil Engines, Rustons and Hornsby and Cooper Engineering Company. A fact, however, to be borne in mind is that the earlier proposal to form an export pool may not materialise because the number of manufacturers who can export and sustain the exports rendering the necessary after-sale service is very few. Some of the foreign collaborators have also not been in favour of such a pool. Then there is the difference of quality of diesel engines manufactured by various firms.

The demand of the manufacturers is that they should be permitted to import more capital goods and there should not be any restrictions on the use of the 30 per cent import entitlement. They like to be left free to utilise it in any manner they think fit. Under the existing scheme of concession, 30 per cent of the foreign exchange earned by way of exports is given to the manufacturers, of which they can import replacement machinery up to 10 per cent only, the rest being used for the import of raw materials.

The heartening feature is that there has been a steady increase in the value of exports of diesel engines. In 1960, diesel engines worth Rs. 30 lakhs were exported. If encouragement is given to the manufacturers, it is just possible that the country might be able to export even more than 1,000 engines during the Third Plan period.

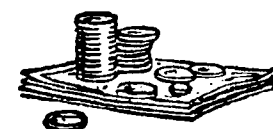


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FROM THE CAPITAL'S CORRIDORS

CENTRAL ADVISORY COUNCIL OF INDUSTRIES

The Central Advisory Council of Industries is meeting here on October 28. It will consider primarily the problems relating to industrial development of the country and export promotion.

Devising of measures to step up exports has assumed special significance at the present juncture in view of the rapidly deteriorating foreign exchange reserves of the country. In 1960-61 the foreign exchange reserves were drawn down by Rs. 59 crores, apart from the utilization of various loans and grants provided by friendly countries and world financial institutions. The rate of decline in our foreign assets has gone up during the current financial year. In spite of borrowing a sum of Rs. 58 crores from the International Monetary Fund, foreign assets of the Reserve Bank of India on September 29, 1961, stood at Rs. 129.73 crores, which sum is less than the value of imports for two months.

Under the circumstances, it has been found necessary to adopt a cautious policy with regard to allocation of foreign exchange for imports even of some of the essential items. The broad policy that is being followed at present is that imports of capital goods for setting up new units or for effecting substantial improvements in the existing units are approved only against suitable methods of financing such as foreign private investment, loans from foreign governments or world financial institutions to the Government of India, long-term foreign exchange loans secured by private parties from financing institutions abroad etc. Special priority is being accorded to imports of plant and equipment for industries which are of special importance from the point of view of exports. Imports of raw materials, components and spare parts are being primarily financed from export earnings and through some untied credits being supplied by the Aid-India Club members. Part of the imports of components and raw materials, popularly known as maintenance imports, are envisaged to be effected from these loans.

Since this mode of financing the maintenance imports can have only a limited scope, India has to step up her exports if the tempo of industrial activity is to be maintained. The deliberations of the Central Advisory Council of Industries this week-end will, therefore, be watched with interest.

PUBLIC SECTOR ENTERPRISES

According to the statistics now available, ten public sector industrial enterprises recorded further rise in production in 1960-61. Net profits in most cases were also higher as compared with the previous year.

The HMT at Bangalore manufactured 1,002 machines worth Rs. 3.3 crores in 1960-61, as compared with 702 machines valued at Rs. 2.37 crores in the previous year. The Hindustan Cable Factory at Roopnainpur achieved an output of over Rs. 1.6 crores, as against Rs. 1.1 crores. In the case of the National Instruments Factory at Calcutta, the rise in production was from Rs. 53.7 lakhs to Rs. 59.3 lakhs.

The Nahan Foundry turned out over 3,172 tons of equipment valued at Rs. 25 lakhs, as against 3,067 tons of the value of Rs. 22.05 lakhs. The Praga Tools Corporation recorded a rise of Rs. 8 lakhs to Rs. 48.32 lakhs of machine tools' output in 1960-61.

Both the factories under the Hindustan Insecticides improved on their past year's performance and together produced over 2800 tons of DDT. Comparatively, the rise in the case of Hindustan Antibiotic Factory was much higher and amounted to 42.76 million mega units of finished penicillin, as against 33.15 mmu in the previous year.

The National Newsprint and Paper Mills at Nepalnagar, the only one of its kind so far in the country; manufactured 23,029 tons of newsprint in 1960-61, showing a small rise over the previous year.

In the case of Sindri Fertiliser Factory, the rise in production in 1960-61 was of the order of about 15,000 tons of ammonium sulphate, the output in 1960-61 being 3,00,411 metric tons. The Nangal Fertiliser Factory went into production in February, 1961, and from a monthly production of 1,185 tons in that month, production had risen to nearly 19,000 tons by August.

The Heavy Electrical Factory at Bhopal also commenced production during 1960-61.

The net profit in 1960-61, after allowing depreciation, taxation, interest on loans, etc., was also substantially higher in the case of almost all these public sector enterprises. The HMT nearly doubled its net profits to Rs. 74 lakhs. For the first time, a dividend of 10 per cent was also declared during this year. The Hindustan Cable Factory also doubled its profits to Rs. 16 lakhs.

The net profit in 1960-61 in the case of the National Instruments Factory is expected to be about Rs. 8 lakhs, as against Rs. 6.7 lakhs in the previous year. While the figures relating to net profits of the Nahan Foundry are not available, the gross profits in 1960-61 were higher at Rs. 5.23 lakhs than in the previous year (Rs. 4.5 lakhs). The Praga Tools Corporation, however, is estimated to have made a slightly lower net profit, Rs. 3.2 lakhs, as against Rs. 3.5 lakh in 1959-60.

The financial results of Hindustan Insecticides show that the net profits amounting Rs. 17 lakhs were made by the DDT factories in 1960-61. The Penicillin Factory at Pimpri made a net profit of Rs. 79 lakhs, and the Nepa Newsprint Factory Rs. 37.8 lakhs, slightly higher than in the previous year.

The working of the Fertiliser Factory at Sindri, showed a profit of Rs. 1.51 crores for 1959-60; the accounts for 1960-61 have not been finalised so far. In the case of the Nangal Fertiliser Factory and the Heavy Electrical Factory at Bhopal, production being in the early stages, it is not time as yet to compute the profitability of these enterprises.

EXPANSION PROGRAMMES

Nearly all these enterprises have taken up in hand programmes of expansion and diversification of their output. The HMT, for example, has entered into two technical collaboration agreements with M/s. Renaults for production of special purpose machines and M/s. Limex of East Germany for setting up a new machine tool unit at Pinjaur in Punjab. The HMT has also put up a second unit adjacent to the present factory much ahead of schedule. A unique feature of this venture was that this was built entirely from the internal resources of the HMT.

The expansion programme of the Hindustan Cable Factory centres round the manufacture of 2,250 miles of dry core cables annually, plastic insulated telecommunication cables valued at Rs. 48 lakhs per annum and the installation of a wire drawing plant with a capacity of 1500 tons annually. The total expenditure on these expansion projects will be Rs. 3.6 crores. In addition to these expansion schemes, the factory also plans to take up the manufacture of small tube co-axial, paper insulated power cables etc.

The National Instruments Factory at Calcutta proposes to manufacture in collaboration with a Hungarian firm of micro-optic theodolite. It has also entered into arrangements with two Japanese firms for manufacturing clinical thermometers and cameras. Recently, the ophthalmic glass project, to be built with Russian collaboration at Durgapur, has also been transferred to this company from the Heavy Engineering Corporation.

The Nahan Foundry, which is mainly engaged in the manufacture of sugarcane crushers, has now taken up manufacture of integral electric motors up to 10 H.P., centrifugal pumps, etc. In order to meet the demand for metric weights, the factory has completed arrangements for mass production of various denominations of cast iron metric weights. The factory also proposes to take up the manufacture of agricultural implements during the Third Plan period.

The Praga Tools Corporation at Hyderabad has undertaken a big expansion programme for the manufacture of drill chucks, tool and cutter grinders and lathe chucks. The factory also proposes to manufacture Polish type of machine tools of light and medium variety. It is expected that the value of production in the factory, expected to be Rs. 80 lakhs in 1961-62, will be doubled by 1964-65.

The production of DDT is to be doubled at both the units of the Hindustan Insecticides. The Hindustan Antibiotics has undertaken a programme for the production of streptomycin and tetracyclines. The streptomycin project, costing about Rs. 2 crores, is expected to commence production before the end of the current financial year. Trial production in respect of the latter has already started. The Pimpri Factory also proposes to take up another project for the manufacture of 50 tons of vitamin C annually. All these expansion programmes will altogether cost Rs. 3.4 crores, which will be entirely found from out of its own resources.

The Newsprint Factory at Nepanagar proposes to double its output during the Third Plan period. In order to overcome the difficulty in the procurement of chlorine, an essential ingredient, the factory has decided to instal its own plant for this purpose. In the case of Sindri Fertiliser Factory, a scheme to expand production by about 60 per cent at a cost of about Rs. 15 crores has been completed. The Sindri Factory has now developed into an important training centre for engineers and technicians, a factor of considerable importance in the context of our development programme for fertilizer production, during the Third Plan period.

MANUFACTURE OF PHOSPHORUS

A phosphorus manufacturing plant is proposed to be set up at Mangalore in Mysore State. It will have a capacity of 6,000 tons per annum, and will cost, apart from the rupee expenditure, Rs. 1.05 crores in foreign exchange. On a conservative estimate, demand for phosphorus will be of the order of 1,200 tons per year by 1965-66. The net foreign exchange saving, after the plant goes into production, will thus be to the tune of Rs. 42.8 lakhs per annum.

The plant is proposed to be set up in the public sector, within the financial ceiling of Rs. 1,528 crores

fixed for industries and minerals, out of which Rs. 20 crores are likely to be provided for the activities of the National Industrial Development Corporation. While a greater portion of the allocation earmarked for the N.I.D.C. will be devoted to the modernisation of the cotton and jute textiles industries, the Corporation, it is suggested, should spend a part of its allocation on projects considered essential for the country's economy. The proposed phosphorus project is one of these.

The tentative decision to locate the project at Mangalore follows the offer of the Mysore Government to supply power from the Sharavati project at Rs. 125 per kWYr. If adequate power supply is not available from the Sharavati project, alternative sites for locating the plant will be explored. Among these are included the Koyana area, Trombay and Alwaye.

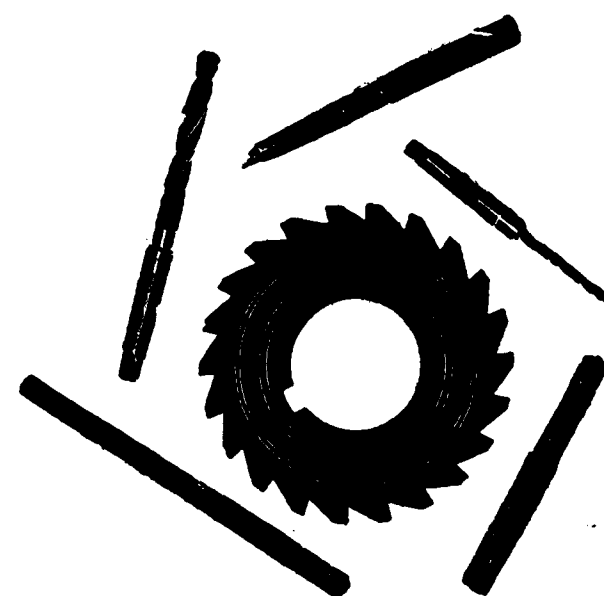
Meanwhile, three private sector companies have applied to the Government of India for grant of permission to set up phosphorus manufacturing plants of varying capacities. One application is from Messrs. Star Chemicals, Bombay, for putting up a plant to manufacture 1,500 tons of yellow phosphorus a year. The second applicant is Bharat Phosphorus Works, Calcutta, who wants to go in for manufacture of yellow phosphorus to the extent of 3,000 tons per annum. The third party which has applied for a license is Konoria General Dealers (Private) Ltd., Calcutta, who desires to set up a plant to manufacture 1,500 tons of yellow phosphorus per year. All these three applications, informed sources suggest, are likely to be rejected in view of the Estimates Committee's opinion expressed recently that the private sector companies put up schemes for production of some essential materials just at the time when a public sector project for the same becomes ripe for consideration.

The phosphorus project has been under active consideration of the Government since the early stages of the Second Plan. Due to complicated nature of the project and the difficulty in obtaining technical collaboration, it could not take a concrete shape until recently when a Technical Team was sent abroad to explore the prospects of setting up this project in the public sector.

The requirements of phosphorus at present are mainly met by imports in the shape of yellow phosphorus, red phosphorus and some phosphorus chemicals. The indigenous production is only small. In 1960, the total demand based on actual imports and indigenous production amounted to an equivalent of 500.5 tons of yellow phosphorus, made up of 214 tons red phosphorus (equivalent to 235.4 tons yellow phosphorus), 431 tons phosphorus pentoxide (equal to 187.5 tons yellow phosphorus) and 250 tons phosphorus trichloride, phosphorus oxychloride and phosphorus pentachloride (77.6 tons yellow phosphorus). The Third Plan estimate of yellow phosphorus consumption is considered to be rather on the lower side, taking into consideration the rapidly increasing habit of smoking and greater use of town gas and LPG gas as domestic fuel. During the ten years to 1960, production of match boxes (of 60 sticks each) went up from 3,100 million to 5,400 million boxes. Another factor that is likely to lead to a spurt in demand for phosphorus and phosphorus compounds is the availability of steel for engineering industries which will raise the demand for phosphates used in bonderizing compounds. Some consumers who use phosphorus compounds derived from wet process phosphoric acid have indicated their preference for similar compounds derived from electro-thermal phosphoric acid because of its greater purity.

MANUFACTURE OF SULPHURIC ACID

To produce sulphuric acid at a cost comparable to international prices, the minimum size of a sulphuric acid manufacturing unit, it is suggested, should be 50



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tons per day capacity. Licences for the new units to be installed during the Third Plan period, therefore, may not be for less than this minimum economic size, except under special circumstances.

The requirements of sulphuric acid at the end of the Third Plan period are estimated to be around 1.25 million tons per annum. The present requirements are estimated at 6 lakh tons a year. The following table gives the requirement of sulphuric acid industry-wise.

('000 tons)

Industry	Estimated Sulphuric Acid Requirements in 1960-61	Estimated Requirement of Sulphuric Acid in 1965-66
1. Superphosphate / Amm. Phosphate (in terms of P ₂ O ₅)	180.0	580.0
2. Amm. Sulphate (acid process)	115.0	147.0
3. Pickling of Iron & finished steel	47.0	83.0
4. Rayon Yarn & Staple Fibre	93.0	190.0
5. Aluminium Sulphate	20.0	40.0
6. Petroleum Refining	8.0	20.0
7. Titanium Dioxide	9.0	27.0
8. Bichromates	3.2	6.5
9. Phosphoric Acid	2.0	8.0
10. Alum	2.5	8.5
11. Hydrochloric Acid / Sodium Sulphate	2.0	4.0
12. Nitric Acid	2.1	4.2
13. Magnesium Sulphate	1.7	2.0
14. Copper Sulphate & Ferrous Sulphate	2.0	4.0
15. Miscellaneous (Tanning, Dye-stuffs & Intermediates, Dyeing, Chromic, Acid, Drying of Chlorine, Industrial Explosives	110.0	120.0
TOTAL	597.5	1243.2
Say	600.0	1250.0

In order to achieve a production of 1.25 million tons of sulphuric acid, installed capacity of 1.5 million tons is envisaged to be set up. This will necessitate setting up an additional capacity to the tune of 7.2 lakh tons. The additional capacity is proposed to be achieved by expansion of the existing units by 2.25 lakh tons and setting up of new units with a total capacity of nearly 4.95 lakh tons.

The investment requirements of setting up the additional capacity are envisaged as under:

(Rs. million)

	Total Investment	Machinery Component	Foreign Exchange Component
30 new units (each of 50 tons/day)	54.4	39.6	19.8
Expansions	18.0	13.5	6.8
TOTAL	72.4	53.1	26.6

Current consumption of sulphur is about 2 lakh tons. This is expected to go up to a little more than 5 lakh tons by 1965-66. If the sulphuric acid production target is raised to 1.65 million tons, the requirements of sulphur will amount to 677,500 tons.

HEAVY ELECTRICALS

In its annual review, the Development Council for Heavy Electrical Industries has expressed the view that the difficulties mostly experienced by the heavy electrical industries are in respect of foreign exchange for the import of necessary capital goods, replacement plant and machinery. Shortage of essential raw materials, it says, also continues to handicap these industries. Particularly in short supply is steel, certain sections of which are not freely available. For instance, the supply position of electric sheet steel and high tensile galvanised steel wire continues to be tight despite issuing of licences for their import somewhat freely under the Development Loan Fund Scheme. The high prices of these two materials under the present arrangement of imports, it is feared, will add considerably to the cost of the finished products. The Council has, therefore, recommended that licences for the import of these two items may be granted for import from sources other than those allowed under the Development Loan Fund Scheme.

To relieve the situation in regard to supply of non-ferrous and extruded sections, consequent upon the indigenous capacity not being adequate, the Council has recommended that licences should be granted for import of such of those sections which are not available in the country itself.

For other raw materials, such as ball bearings, insulating materials, small and semi-finished components etc., it has been recommended by the Council that these basic ancillary industries should be developed quickly in order that the electrical industries may become self-sufficient in regard to these and that imports may be substantially reduced. Insofar as ball bearings are concerned, the Council thinks that early efforts should be made to establish more capacity.

The Council reiterates its earlier recommendation that the duty anomaly on the import of aluminium ingots/bars and rods for the manufacture of ACSR conductors and for the manufacture of all-aluminium conductors should be removed early. Also lower rates of duty should be made applicable to the aluminium used in the manufacture of various types of cables and wires under the scheme of 'substitution of aluminium for copper'.

The Council feels that there is not enough tool-making capacity in the country. It therefore recommends:

(a) Adequate supply of tool steel in large quantity should be made available and steps should be taken for proper distribution at reasonable prices;

(b) It is necessary to train a very large number of tool-makers. A special and intensive course in tool-making at Technical High School level is required to be encouraged with adequate facilities and scholarships;

(c) Present tool-making establishments should be encouraged to expand and further steps should be taken to encourage formation of new tool making shops;

(d) Import of equipment required for tool making should be liberalised. Special machine tools, Heat treatment plants, Testing equipment etc. should be licensed freely.

(e) Various training schemes in different countries abroad are formulated for training of Indian engineers. In all such schemes, special arrangements should be made for training engineers in tool-making techniques.



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TWA. G. 237.

MANUFACTURE OF GLASS WOOL AND GLASS FIBRE

Messrs. Fibreglass Pilkington Limited propose to set up a plant in Bombay for the manufacture of 2,500 tons of insulated wool, 600 tons of glass textiles and 75 tons of staple tissue per annum. The programme is to be spread over three stages. In the first stage, the company will go in for the production of 833 tons of insulated wool and 200 tons of glass textiles. The second stage envisages stepping up of production of these two items to 1,666 tons and 400 tons respectively. The third stage will see the completion of the project.

Technical collaboration is being secured from two foreign companies: (1) Owen-Corning of USA and (2) Fibreglass Limited of UK, which will also be participating in the equity capital of the venture to the extent of 27.5 per cent each. Both the collaborating companies enjoy a world-wide reputation in the field and are in turn tied up with a French firm, S.O.D.E.F.I.V.E., for making use of the latter's centrifugal process of manufacture of glass wool. The foreign exchange component of the project is estimated around Rs. 32 lakhs.

The company has given an assurance to the Government that it would participate in the country's export drive as soon as production is started.

MANUFACTURE OF RADIO COMPONENTS

Messrs. P. A. Bhatt and Company of Bombay propose to set up a new undertaking in Maharashtra State for manufacturing 12 million pieces of crack carbon resistors and 7.2 million pieces of styroflex capacitors used in radio assembling. The foreign exchange requirements of the scheme are placed at Rs. 6 lakhs.

It is proposed to import machinery, equipment and technical know-how from Poland on rupee payment basis. Some raw materials are also envisaged to be imported from Poland in the initial stages. After one year of commencement of production, it is proposed to undertake the manufacture of ceramic bodies required for resistors.

MANUFACTURE OF SALT

After careful review of the existing capacity in the country and requirements of salt for industrial and edible purposes during the Third Plan period, the Government has decided to permit setting up of new units for the manufacture of salt. The target fixed for production of salt during the Second Plan period having been exceeded, the Government had decided in November, 1958, not to issue new licences so as to avoid any difficulties in marketing the surplus output. The latest estimates of demand reveal that an additional production of about 25 lakh tons, mostly of industrial quality, salt would be necessary. The licences for setting up the new units will be issued by the Salt Commissioner on the recommendation of the State Governments.

CEMENT INDUSTRY

The Government of India has set up a nine-member Panel under the Chairmanship of Dr. G. P. Kane, Senior Industrial Adviser in the Ministry of Commerce and Industry, to examine the various matters relating to the cement industry and make suitable recommendations.

The Panel will consider 'inter alia' the availability of limestone and other calcareous minerals suitable for making cement, possible utilisation of alternate raw materials, availability of suitable quantities and quality

of fuels like coal and furnace oil, requirements of spares, balancing equipment and capital machinery for industry, diversification of production to manufacture special cements like slag cement, pozzolan cement, low heat and high early strength cements etc., bulk transport of cement, training programme for the industry and research and development.

Besides Dr. Kane, the members of the Panel are: Mr. K. N. Sinha, of the State Trading Corporation of India; Dr. R. R. Hattiangadi, Technical Director, Associated Cement Companies Limited, Bombay; Mr. V. Ramakrishna, Chairman, Messrs. K.C.P. Limited, Madras; Mr. T. S. Narayanaswami, Director, India Cement Limited, Madras; Mr. N. C. Roy, Director, Messrs. Orissa Cement Limited, Calcutta, Seth V. Podder, Works Director, Messrs. Rohtas Industries Limited, Dalmianagar; Mr. G. R. Tongonkar, Deputy Managing Director, ACC-Vickers-Babcock Limited, Bombay and Dr. S. P. Verma, Development Officer, Ministry of Commerce and Industry, New Delhi.

TRADE PACTS

A number of trade delegations from foreign countries are expected here in the near future to negotiate new trade agreements or trade plans for the current year. One such delegation from Ceylon is already here and is having discussions with the Union Government. A delegation from Indonesia is expected during the current week, so also a trade mission from Poland. Four delegations are scheduled to arrive in November, one from East Germany (November 4), another from Uganda (November 11), the third one from Nigeria (November 15) and the fourth one from Czechoslovakia (November 20). A delegation from Yugoslavia is due on December 4 and another from Rumania on December 15. A trade mission from Bulgaria is expected to arrive on January 4 next year.

An Indian trade mission is due to leave for Burma on October 23 and another for Pakistan on November 26. Trade plan for the current year in regard to imports to Hungary is also scheduled for discussion in the next few weeks. The protocol in this regard will be signed in Budapest.

METALLURGICAL COAL — NEW FIND

Rich deposits of metallurgical coal have been recently discovered by the Indian Bureau of Mines in the vicinity of North Karanpura coalfields, in Bihar. Exposed in a Nala cutting in Chano-Rikha area, the seams occurring are said to be of 10 to 12 feet thickness. They have been proved to extend over a large area in the Chano-Rikha and contiguous areas.

The present estimates of these reserves are placed at 50 million tons of coking coal, but with a high ash content. The ash content, however, is likely to decrease with the depth of the seam.

BRIEFS

Messrs. Devidayal Metal Industries Private Limited have started exporting copper and brass semis in the form of sheets, strips, circles and sheathings on a fairly large scale to most of the South-East Asian countries.

The United States has made a gift to India of 2.5 million lbs. of dried milk for distribution in the flood-affected areas.

The question of including India in the list of countries from where the United States imports sugar is likely to be taken up in June next, when the U.S. Congress would review the country's sugar policy.

BOOK REVIEWS

RIISING EXPECTATIONS

The Rich and the Poor: By Robert Theobald: Published by the New American Library of World Literature, Inc., 501, Madison Avenue, New York 22, New York: Pages 160: Price 50 cents.

The developing countries of the world are currently undergoing a revolution — popularly described as the revolution of rising expectations — which has created a desire among the masses in these countries for more goods and better education. Mr. Theobald has illustrated this rising desire by citing the example of a popular Ghanese song which says — ideal man to marry is one with "car-ful, fridge-ful and been-to" — that is, one who has a car and a refrigerator and has also been abroad.

The Governments in these countries are giving new purchasing power in the hands of the people as a result of the vast developmental expenditure. The objective is to accelerate the pace of economic growth with the simultaneous purpose of keeping price inflation under check — an objective which has not been realised in any marked degree in any one of these countries. It has now become obvious that economic growth 'must' lead to price inflation in the developing countries because people living below the poverty line tend to "consume" new increments in income instead of "saving" them.

It is a mistaken belief that the problems of all the developing countries are similar. In the words of Mr. Robert Theobald, "problems of each country are unique and must be tailored to the real size in each country". Under-developed countries will have to charter new paths which will not be based upon any precedents.

These are some of the basic ideas expounded in this paperback which makes a forceful plea for generous aid by the rich countries to the poor countries so as to provide higher standard of living and a better world — for one and all.

INDIAN INCOME TAX LAWS FOR FOREIGNERS

Indian Tax Laws & Foreigners Having Investment in India or Having Business Connections in or With India: Prepared by the Editorial Board consisting of G. Basu (Chairman), S. K. Ganguli, A. K. Basu and B. Mitra: Published by Oxford Book and Stationery Co., 17 Park Street, Calcutta-16: Pp. 40.

Income-tax laws all the world over are complicated and the Indian Income-tax laws are no exception. The foreigners in particular have in recent years been very much intrigued about the frequent changes which have taken place in our income-tax laws and have always been anxious to know the essential details about the laws which are particularly applicable to them. This small pamphlet of 40 pages only, prepared by able chartered accountants and income-tax law experts under the chairmanship of Mr. G. Basu, who was until recently Chairman of the Institute of Cost Accountants, sets out the essential details for the foreign executives. For intricate details a reference, of course, will have to be made to comprehensive publications but any one who wants to have a rapid look at the income-tax laws as applicable to foreigners will find all his questions answered in this pamphlet. It deals not only with the taxation laws applicable to individuals but also to corporate bodies with copious notes on capital gains tax, company bonus shares, wealth tax and ex-

penditure tax. The authors have taken great pains to explain the incentives provided for foreign investments in India with a passing reference to the tax convention with other countries for avoidance of double taxation. The chief merit of the pamphlet lies in its brevity.

THE SUGAR INDUSTRY

The Indian Sugar Industry (1959-60 Annual): By M. P. Gandhi: Published by M. P. Gandhi & Co., Publishers, Nanabhay Mansion, Sir Phirozeshah Mehta Road, Bombay-1: Price Rs. 6/-.

The Indian sugar industry is very much in the news these days. The surplus in production recorded in the last two seasons has created acute problems. Whereas the Second Plan had set the target of production of refined sugar at 2.25 million tons the actual production is estimated around 3.25 million tons which is almost the target for the Third Five-Year Plan. Recently measures have been taken by the Central Government to reduce the output of sugar and all controls on prices have been removed. In order to understand completely the pressures which have operated in this important industry in the Indian Union since 1931-32, the Annual under review will be found of considerable use. Even though it is called the annual for the year 1959-60, the statistical section has been revised upto July 15, 1961.

The annuals published by Mr. M. P. Gandhi have carved out a unique place for themselves in this country and the present volume will be found of immense use to all those administrators, planners, students, industrialists, retailers, wholesalers, and other distributors, who are associated with this industry in one way or the other or who want to make a thorough study of this industry.

INVESTOR'S GUIDE

C.J.D. Investor's Guide, 1961: Edited and compiled by Waman P. Kabadi: Pp. 1150: Price Rs. 15: Bombay: Chimanlal J. Dalal & Company, 2nd Floor, Agakhan Building, 9, Dalal Street, Bombay 1.

Messrs. Chimanlal J. Dalal & Company, the well-known firm of share-brokers of Bombay, deserve to be complimented on the second edition of their Investor's Guide, which they have just brought out. That their primary purpose in bringing out an enlarged and up-to-date edition of their already popular publication is to serve their clientele in particular and the investing public generally is amply borne out by the fact that, despite the inclusion of particulars of more than 100 companies and the increase in the number of pages by about 400, they have not raised the price even in these years of rising prices. They have certainly enhanced the value of the latest edition by adding a number of new features, such as transfer details, year's working, and activities and objects, among others, of every company. The thoughtful inclusion of the quotations of some important scrips on all the stock exchanges in the country as on certain dates which the income-tax authorities insist upon at the time of assessment is bound to be appreciated by the investors; so also the articles relating to Company Law and Taxation by well-known authorities on the subject. There are other articles, besides, of general interest, on not a few of the outstanding economic issues of the day. All in all,

the C.J.D. Investor's Guide is well worth investing on by all those interested in investing in stocks and shares.

ECONOMIC THEORY

Modern Economic Theory (2nd Edition) Vol. I and Vol. II: By Prof. J. D. Khatri, M.A.: Publishers Kitab Mahal, Allahabad: Pages 612: Price for Vol I — Rs. 10 and for Vol. II — Rs. 7.

It is only once a while that one comes across a really good text book for university students; this book falls in the category of such few books. Volume I deals with theories of consumer's behaviour, production, partial equilibrium and distribution. Volume II covers money, banking, income and employment, inter-regional trade, foreign exchange, and economic activities of the state.

The author has rightly stressed the significance of the laws of returns in the attainment of the objective of maximum production. Eight chapters devoted to the analysis of partial equilibrium cover the important market forms and welfare implications of each of them are brought out. The integrated approach which characterises these chapters as well as chapters on production distinguishes this book from other books available on the subject. It is gratifying to note that a special endeavour has been made to bring home to the

readers some basic economic truths — e.g. that national output, national income and national expenditure are equal, or that capital formation is the key to economic progress, or that knowledge of elasticity of demand is essential for so many economic decisions etc. etc.

Discussion of the problems of money and banking in the early chapters of Volume II lays due stress on the importance of liquidity ratio. Comparison of banking practice in India and England is interesting. The discussion of weapons of credit control is as illuminating as it is comprehensive, but questions of inflation and I.M.F. have been rather summarily disposed of. Keynesian theory of income and employment has been well summarised. The theoretical discussion of inter-regional and international trade is followed by relevant conclusions for policy regarding balance of payments. The chapter on planning, though elementary, is clear and emphasises the special need for planning in under-developed areas.

Though the book purports to deal with economic theory, yet it is highly illuminating from the point of view of practical policy. The author's claim that "the discussion of various doctrines and generalisations is policy-oriented so that the reader will feel throughout that his feet are on the ground and that he is not soaring in ethereal regions" seems to be justified.

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COMPANY AFFAIRS

CAPITAL ISSUES

The Asiatic Oxygen, a new company formed recently, has been authorised to raise capital to the extent of Rs. 160 lakhs by the Controller of Capital Issues. Four existing companies have also been given consent by the Controller for the issue of new capital to finance their expansion programmes. The consent in all the five cases is valid for a year.

The Asiatic Oxygen, issue will consist of 12,50,000 equity shares of Rs. 10 each and 35,000 cumulative redeemable preference shares of Rs. 100 each. Of these 9,84,000 equity shares and the preference shares will be issued for cash at par and 2,66,000 equity shares for consideration other than cash to be allotted as fully paid-up to shareholders of the Asiatic Oxygen and Acetylene Co. Ltd. Messrs. Air Products Inc., USA will subscribe to the equity share capital of the company to the extent of Rs. 25 lakhs. The Company has been formed to undertake the manufacture of oxygen, acetylene, electrodes, oxy-acetylene welding and cutting machines, arc welding transformers and generators for which six factories will be established at Bombay, Madras, Rourkela, Durgapur, Patna and Gauhati.

West India Chemicals Private Limited, Bombay has been granted consent to issue capital of Rs. 40 lakhs—after the conversion of the company into a public company—divided into 40,000 equity shares of Rs. 100 each for cash at par. The proceeds of the issue will be utilised for financing the expansion programme for the manufacture of sulphuric acid and superphosphate. The Company's present paid-up capital is Rs. 10 lakhs.

Messrs. Kores (India) Ltd., Bombay has been granted consent to issue bonus shares of Rs. 5,00,000 in ordinary shares of Re. 1 each to be made in the ratio of one bonus share for every equity share held. The company is engaged in the manufacture of duplicating stencils, ink-tablets, stamp pads, inks, duplicating accessories etc. The present paid-up capital of the company is Rs. 5,00,000.

The Sirpur Paper Mills Ltd. has been granted consent to the issue of capital of Rs. 1,09,27,620 divided into 10,92,762 equity shares of Rs. 10 each for cash at par. Of this, shares of the value of Rs. 54,63,810 will be offered to M/s. Mimerley-Clark Corporation of the U.S. The proceeds will be utilised for effecting substantial expansion to the company's existing business of manufacturing different varieties of paper. The present paid-up capital of Rs. 2,89,47,840 consists of 21,85,524 ordinary shares of Rs. 10 each and 70,926 six per cent (tax-free) preference shares of Rs. 100 each.

The Bisra Stone Lime Company Limited, Calcutta has been granted consent to the issue of three lakh equity shares of Rs. 10 each as fully paid-up bonus shares on capitalisation of its reserves to the extent of Rs. 30 lakhs. The company which was established in 1910 is engaged in business in the raising of limestone and dolomite. The company's existing paid-up capital is Rs. 10 lakhs.

PANYAM CEMENTS

There was an improvement in the clinker production of Panyam Cements and Mineral Industries Ltd. during the year to August 31, 1961 which is evident from the figures of two years:

	Year 1960-61 (Metric Tonnes)	Year 1959-60 (Metric Tonnes)
Production of Clinker ..	65,297	60,808
Production of Cement ..	71,385	78,242

The chairman reported that the backlog of clinker available for cement grinding at the beginning of the

year was less than available at the commencement of the previous year which was on account of lower output of cement during the 1960-61. This shortage was due to the coal shortage which resulted in a loss of production for about 30 days in all. The demand for cement, however, continues to be encouraging.

During the year under review there was a net profit of Rs. 11.79 lakhs after meeting the expenses of operation and administration and after providing for depreciation of Rs. 10.20 lakhs. After setting off a loss of Rs. 7.51 lakh brought forward from the previous years, the Directors have recommended payment of arrears of dividend of 6 per cent tax-free cumulative preference shares up to August 31, 1960 which will absorb Rs. 3.73 lakhs.

The company made steady progress with regard to its expansion programme. Orders were placed for the supply of mechanical equipment for a 300 ton per day cement plant which is expected to go into regular commercial production during the second part of 1963. The total capital outlay estimated for the project is about Rs. 120 lakhs which will be financed by the issue of further share capital, long-term borrowings and internal resources. The Company has obtained the consent of Controller of Capital Issues for the further issue of share capital to the tune of Rs. 46.46 lakhs and will be approaching the shareholders in the near future.

MORARJI GOKULDAS

During the year to June 30, 1961, the Morarji Gokuldas Spinning and Weaving Company Limited recorded a profit of Rs. 61.35 lakhs. After making a provision for depreciation to the extent of Rs. 15.91 lakhs, the directors have proposed to transfer Rs. 4.50 lakhs to development rebate, Rs. 5.50 lakhs to general reserve and Rs. 16.50 lakhs to taxation. Dividend at the rate of Rs. 5.85 per cent per 4½ per cent free of income-tax, cumulative preference share will absorb Rs. 1.01 lakhs. Dividend at the rate of Rs. 24 per equity share of Rs. 100 will absorb Rs. 12.42 lakh.

The sales of the company were higher at Rs. 4.98 lakhs against Rs. 3.94 lakhs during the previous year. This improvement is naturally reflected in the profits. Additions to the plant and machinery, too, were made to the extent of Rs. 22 lakhs under the expansion and modernisation programme undertaken by the company. Further orders for the new machinery to the extent of Rs. 27.50 lakhs were placed during the year under review.

ORIENTAL'S YEAR OF PROGRESS

The 1960 accounts of the Oriental Fire and General Insurance Co. Ltd., which have been just published, disclose a remarkable progress. The net premiums rose by as much as 73.7 per cent from Rs. 108.66 lakhs in 1959 to Rs. 188.74 lakhs in 1960 and the funds registered a further accretion of Rs. 39.31 lakhs, rising from Rs. 158.31 lakhs in 1959 to Rs. 198.22 lakhs in 1960. In line with the present trends, claims also have recorded an increase of 3.5 per cent at 51.4 per cent in 1960, against 47.9 per cent in 1959. On the other hand, the net commission cost has been only 6 per cent while the management expenses have dropped by 4.1 per cent being 23.9 per cent of the net premium in 1960, as against 28.0 per cent in 1959.

Departmentwise, the growth has been most marked in the Miscellaneous Department, with a premium increase of 109.7 per cent over the previous year. The increases in the other departments were 34.5 per cent in Fire and 36.50 per cent in Marine. Consequently, the reserve strain has been the severest in the case of Miscellaneous Department at 20.2 per cent, as against 13.2 per cent and 14.9 per cent in the Fire and Marine Departments, respectively. The dividend has been

Company Meeting

ASSAM SILLIMANITE LTD. GROWING INTERNAL DEMAND: STEPS TO DIVERSIFY ACTIVITY

Mr. S. M. Wahi's Statement

The Tenth Annual General Meeting of Assam Sillimanite Ltd., was held on October 14, 1961, at the Registered Office at Gauhati, Assam. Mr. S. M. Wahi, the Chairman, in the course of his statement said:

Gentlemen,

This year has been a period of great stress and strain—stress, because, while our production, even though increased from the previous years, was not found to be enough to meet the growing demand for sillimanite the world over as also the increased requirement from within the country; and strain, since our valued clients in Europe—most of the large refractory works—got a shock to find the Government of India's policy announced early in 1961 restricting exports to one third of the best year's export. These works had switched over their production to sillimanite products on account of the good quality as well as continuity of supplies being maintained by your Company during the last couple of years. Thanks to the efforts of your Managing Agents, export market for sillimanite had been well established in Europe, Japan and several other countries.

With certain adjustments we had to make for meeting the immediate but reasonable needs of the indigenous industries, the Government of India was good enough to approve of the export of the quantities, for which we had entered into a firm commitment for export during 1961. So, while some of our customers abroad had some difficulties in receiving supplies expected by them, the position of meeting their orders for 1961 has been resolved. To frame the programme for 1962, the Ministry of Commerce and Industry, Government of India, has issued circulars to all indigenous refractory works to submit to us their requirements for 1962. We had also asked our overseas buyers to place their firm requirements in our hands at an early date so that we may be able to finalise arrangements for 1962. As in 1961, we expect some sort of satisfactory formula for export would be worked out on the basis of firm commitments after keeping a reasonable quantity for indigenous industries. It would be a pity to lose the world market and the foreign exchange so earned out of the export of sillimanite. To restrict indiscriminate buying we had to ask for one third advance with orders, so that our old and genuine buyers continue to get their genuine needs met.

ISING PRODUCTION

The gradual increase in production as anticipated is working out despite heavy odds under which the mine has to be operated. Larger sums of money had to be expended in the maintenance and improvement of the Company's 22 miles of hill section road. New approach roads and bridges had to be made to reach new deposits. The transport and excavation machinery has had rough beating, resulting in heavy depreciation.

The production, however, was 7,540.01 tons in 1960-61 as against 6,957.80 tons in 1959-60. In 1962 we expect to reach a production of 9,000 tons. The sales had also increased to Rs. 25,26,344.09 in the year under review. Presently orders in hand are for 9,374 tons

valued at Rs. 33.75 lakhs. This does not include the 4,366 tons already supplied up to August 1961.

Emphasis has been laid on increasing production of sawn blocks and additional capital expenditure was incurred for developing the facilities for Diamond Saw Plant at Paharpur in Calcutta to meet the growing demand of sillimanite blocks and shapes for the glass and ceramic industries. While quite a number of backlog orders have been completed during the year, we have received fresh orders valuing Rs. 7.04 lakhs which, with the present installed capacity could only be completed by 1964. It has, therefore, been decided to double capacity of the existing plant so that the orders in hand could be completely executed by the end of 1962 or early 1963 and we may be in a position to satisfy the growing demand of the industry by accepting fresh orders for sawn blocks, but to size and shape, from the individual clients. It is expected that the import licence, which has been recommended by the Industry Ministry for this additional plant, would be in our hands and additional capacity set up early in 1962.

RAMGARH PLANT

I am glad to report that the progress of work on the initial Refractory Plant at Ramgarh has been quite satisfactory. The Plant has gone into production and is producing sillimanite blocks and shapes, fireclay bricks and shapes, crucibles and some quantities of thermocouple sheaths have also been successfully experimented. The present Plant has been erected entirely from machinery indigenously procured and has an installed capacity of 5,500 tons. We have in hand firm inquiries awaiting confirmation by us for 3,076 tons valuing Rs. 22.00 lakhs. It is proposed to concentrate on the production of sillimanite shapes and tank blocks to meet the requirement of our existing customers, by adding a couple more of machines. In the meantime the legal and other technical obstacles to International Finance Corporation's investment of Rs. 65.00 lakhs in the Company for the import of the 46,000 tons main plant have been resolved. According to the Companies Act, certain resolutions have to be passed by the shareholders to implement the Investment Agreement. There are being placed before you at the Extraordinary General Meeting for approval.

Last year I had mentioned to you about the development of the mines of fireclays, both plastic and non-plastic, near Ramgarh. For the manufacture of refractories, both plastic and non-plastic fireclays, kyanite, chrome and magnesite are essential raw materials. Excellent deposits of fireclays have been located near about our Ramgarh Refractory Plant. Lease and other formalities for some of these deposits have been completed with the Government of Bihar, while for certain others the formalities are still to be completed. Operations on one of these plastic fireclay deposits have commenced. A prospecting licence and

the relative lease agreement have also been signed with the Bihar Government for some kyanite deposits in Chybassa District. Work on these mines would be started soon after the rains are over. With the mines of some of these raw materials gradually developed, the refractory plant would have largely its own sources of raw material supplies. It is intended to develop sufficient production of these mines so that some of the existing plants and other refractory works could also get supplies and avail themselves of our services.

CONTINUOUS EXPANSION

It may be of interest to the shareholders to know that it has been your Company's general policy to continually expand and invest in developing the properties and assets of the Company. This continuous process during the past few years has taken away some of your liquid resources, which otherwise could have built general reserves. This has resulted in greatly increasing the value of your property and assets. Furthermore, this diversification of the activity to cover the refractory field, from out of the existing resources of the Company, has opened the vast potential for your mining Company to serve the refractory needs of the country and obtain its fair share of business.

Once again, this year, I would like to thank our workers for the devotion to duty and service rendered especially at the mines in Assam, where working conditions have been extremely difficult and, during the rains, even hazardous. Major MacLeod has kept up the team spirit of the personnel and maintained good relations with the people of the area, which is an important aspect of any business operation in the present day. The Company has also to recognize the endeavours of Mr. N. C. Whiter, Project Manager, who along with Mr. K. G. R. Nayar, our Refractory Engineer, have been responsible for erecting and putting the present Ramgarh Plant in operation. A good team of technicians and workers at Ramgarh is being built up and trained and their experience would greatly assist in the successful and economical operation of the main plant. This promises an excellent future for the Company in its service to the refractory industry in India, which is the basis of the industrial and the relative economic development of a country.

Note: The above statement is not a report of the proceedings of the Annual General Meeting referred to.



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DALMIA ENTERPRISES IN THE NATION'S SERVICE

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Food articles & Tobacco	Liquor	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures			All Commo- dities
						Inter- mediate Products	Finished Products	Total	
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1957-58	..	108.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61	..	120.0	110.0	119.6	145.4	130.5	122.8	123.9	124.8
July	1960	124.0	109.6	119.5	137.2	130.4	119.4	121.0	121.0
August	"	123.8	106.7	119.7	137.0	131.0	121.1	122.6	125.0
September	"	123.9	104.5	119.3	138.7	129.5	121.6	122.7	125.3
July	1961	124.3	98.6	121.5	151.3	141.9	124.6	127.0	128.6
August	"	124.2	99.6	121.6	144.6	140.9	123.4	125.8	127.3
September	"	121.1	99.7	121.5	138.1	140.6	122.9	125.4	124.5
9-9-1961	..	121.3	100.0	121.5	137.8	141.3	122.7	125.3	124.6
16-9-1961	..	120.9	99.5	121.5	138.2	140.7	122.7	125.3	124.4
23-9-1961	..	120.5	99.5	121.5	138.3	140.0	122.8	125.3	124.2
30-9-1961	..	120.7	99.5	121.4	137.6	140.5	123.5	125.9	124.4

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS (August 1939 = 100)

Period	Bombay			Delhi Bengal U.P.			Central Provinces		Madras	E.P.	Bihar	
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi	Calcutta	Kanpur	Nagpur	Jubbulpur	Madras June 1936=100	Ludhiana	Jamshedpur	All India
1939 (Aug.-Dec.)	103	—	—	—	—	105	194	—	106	—	—	—
1955	322	338	217	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	157	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	308	158	384	469	498	163	429	166	173	168
1960	401	420	296	158	397	476	512	165	467	167	166	171
1961 January	400	419	296	161	385	480	495	165	470	171	166	170
February	401	420	296	163	389	488	491*	165	470	171	164	170
March	404	423	296	163	392	483	488*	165*	479	169	167	171
April	409	428	296	165	389	471	490	165*	482	169	166	170
May	412	431	296	166	389	464	490	166*	479	171*	166	171*
June	414	433	302	167	389	474	498	—	478	171*	167	172*
July	418	437	—	171	407*	482	498	—	480	172*	168*	173*
August	419	438	—	171	—	491	501	—	181	—	—	—
September	—	—	—	169	—	—	—	—	479	—	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT) WEEK ENDED

	13-10-1961			6-10-1961			29-9-1961			22-9-1961		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	125.50	124.60	125.05	125.00	123.90	124.63	126.00	124.80	125.41	125.90	123.85	125.06
Silver (per kilogram)	206.30	205.30	205.90	206.15	204.90	205.75	206.45	205.25	205.73	205.10	202.55	203.52

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Dept.	Total Notes Issued (a)	Gold & Bullion (b)	Coin & Securities (c)	Foreign Total of (b+c)	(b+c) as Percent- age of (a)	Rupee Coin	Rupee Securities	Total Assets
1956-57	1,475,77	18,75	1,494,52	40.02	545,98	586,00	39.21	115,93	755,22	1,494,52
1957-58	1,529,36	23,18	1,552,53	(117,76)	329,65	(663,37)	(44.37)	1,30,06	975,06	1,552,53
1958-59	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
1959-60	1,730,90	19,86	1,750,77	117,76	167,62	285,38	16.30	131,50	1,333,83	1,750,77
1960-61	1,863,13	18,94	1,882,07	117,76	134,99	255,75	13.4	126,84	1,502,48	1,882,07
Average of Fridays										
July 1960	1,827,14	25,64	1,852,77	117,70	140,01	257,77	13.91	128,59	1,466,47	1,852,77
August "	1,799,36	19,85	1,819,21	117,76	124,26	242,02	13.30	130,58	1,446,61	1,819,21
Sept. "	1,794,03	16,23	1,810,26	117,76	123,01	240,77	13.3	131,80	1,437,70	1,810,26
July 1961	1,922,49	24,13	1,946,62	117,76	93,01	210,77	10.83	121,31	1,614,55	1,946,62
August "	1,902,77	13,31	1,911,93	117,76	116,86	234,62	12.27	123,85	1,553,46	1,911,93
Sept. "	1,877,38	21,36	1,898,74	117,76	116,86	234,62	12.36	126,45	1,537,67	1,898,74
Week-Ending										
8-9-1961	1,898,86	8,93	1,907,79	117,76	116,86	234,62	12.30	124,61	1,548,57	1,907,79
15-9-1961	1,889,46	19,28	1,908,75	117,76	116,86	234,62	12.29	125,48	1,548,65	1,908,75
22-9-1961	1,868,70	21,99	1,890,68	117,76	116,86	234,62	12.41	127,28	1,528,78	1,890,68
29-9-1961	1,857,24	34,80	1,892,04	117,76	116,86	234,62	12.40	128,61	1,528,80	1,892,04
6-10-1961	1,891,49	18,09	1,909,58	117,76	116,86	234,62	12.28	126,15	1,548,80	1,909,58

BANKING DEPARTMENT

Period	Deposits					Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad‡	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Gov- ernment	Other Gov- ernments	Banks	Others	Total									
1956-57	57,52	14,10	52,46	19,73	143,81	91,21	245,02	18,91	5,69	64,77	4,89	85,34	51,82	13,60
1957-58	54,61	11,28	81,00	111,38	258,27	84,36	407,63	23,30	4,81	40,47	32,90	77,91	213,92	14,32
1958-59	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,18	25,57	28,23	65,83	284,49	11,73
1959-60	55,50	23,24	79,61	123,48	281,83	83,18	450,01	19,94	15,54	28,97	25,53	88,92	258,90	12,22
1960-61	61,73	21,27	97,30	98,76	279,06	100,33	464,39	19,02	28,71	20,74	38,19	132,78	209,56	15,38
Avr. of Fridays														
July 1960	63,54	20,25	120,31	132,35	336,44	73,49	494,94	25,70	13,66	21,03	32,82	125,06	260,19	16,48
August "	60,44	23,00	118,40	120,40	322,25	76,19	483,43	19,92	23,55	21,64	37,69	117,00	251,73	11,89
Sept. "	67,44	30,27	108,27	92,64	298,61	78,01	461,63	16,32	18,76	20,71	28,88	142,08	222,85	12,03
July 1961	58,61	18,56	93,24	111,63	282,04	94,38	461,41	24,17	26,26	9,98	40,10	117,43	221,75	21,72
August "	65,40	16,46	88,09	180,22	350,16	89,86	525,02	13,36	15,21	30,98	47,71	116,37	284,51	16,89
Sept. "	60,81	26,67	83,71	159,06	330,34	96,02	511,36	21,42	16,73	17,47	49,11	131,54	257,83	17,12
Week-Ending														
8-9-1961	63,50	31,95	75,85	159,28	330,58	91,42	507,00	8,98	18,26	18,73	48,11	134,75	261,16	17,01
15-9-1961	73,53	38,16	78,66	158,03	348,38	93,33	526,71	19,34	24,99	17,76	49,45	136,96	261,16	17,05
22-9-1961	55,05	21,36	84,31	172,66	333,38	99,71	518,08	22,04	18,44	18,42	45,33	135,89	260,16	17,14
29-9-1961	59,46	22,49	78,47	146,69	307,12	99,80	419,92	34,86	12,77	12,87	49,36	133,33	231,24	17,49
6-10-1961	65,15	4,68	72,47	149,17	291,47	95,56	472,03	18,16	34,69	13,60	57,04	139,14	191,59	17,82

* Average of Fridays. **Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. †Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. ‡Includes cash and short-term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Note+Coins)	Balances (5+6) with Reserve Bank as per-centage of (4)		Advances (8)	Bills Dis- counted as per-centage of (4)		Investments in Govern-ment Secur-ities in India
	Demand	Time	Total (2+3)		(6)	(7)		(9)	(10)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1954-55	559,62	351,86	911,55	32,66	53,91	9.50	468,39	84,66	60.68	339,74
1955-56	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	63.02	370,71
1956-57	653,34	453,92	1,107,26	36,94	50,23	7.96	626,08	155,56†	71.39	359,35
1957-58	723,89	619,19	1,343,08	39,34	77,55	8.72	723,79	167,32†	66.77	385,54
1958-59	735,93	860,33	1,596,26	40,30	83,99	7.74	766,56	133,27†	56.37	565,14
1959-60	745,83	1,086,79	1,832,62	44,84	75,81	6.58	842,75	144,49†	53.87	725,20
1960-61	794,49	1,155,87	1,950,36	47,04	93,09	7.17	995,75	162,94	59.48	688,52
Average of Fridays										
April 1961	854,21	1,093,17	1,947,38	47,78	74,18	6.27	1,111,89	205,35	67.64	553,13
May 1961	845,27	1,108,21	1,953,48	48,43	73,26	6.23	1,085,24	194,17	65.49	548,23
June 1961	837,02	1,119,91	1,956,93	48,46	79,72	6.55	1,102,90	179,40	65.53	542,17
July 1961	843,35	1,133,99	1,977,34	46,71	88,73	6.85	1,100,57	156,31	63.56	562,78
August 1961	837,73	1,148,50	1,986,23	45,86	83,13	6.49	1,087,85	1,151,04	62.38	589,50
Sept. 1961	839,19	1,142,64	1,981,83	44,78	79,11	6.25	1,076,93	159,71	62.00	609,85
Week Ending										
15-9-1961	839,17	1,135,53	1,974,70	46,15	77,09	6.24	1,087,42	157,25	63.03	605,61
22-9-1961	834,38	1,141,23	1,975,61	44,49	77,41	6.17	1,071,82	163,19	62.51	607,28
29-9-1961	842,30	1,143,40	1,985,70	43,48	73,20	5.88	1,061,82	170,59	62.06	617,84
6-10-1961	838,16	1,138,73	1,976,89	45,62	74,92	6.09	1,068,15	177,31	63.00	611,65

MONEY SUPPLY WITH THE PUBLIC

(Rs. in Lakhs)

Last Friday	Deposit Money with the Public					
	Money supply with the public	Total currency with the public	Total	Demand liabi- lities of banks	Other Depo- sits with Reserve Bank†	Total variation in money supply
(1)	(2) = (3)+(4)	(3)	(4)	(5)	(6)	(7)
1954-55	1,920,63	1,311,77	608,86	599,16	9,71	+126,65
1955-56	2,184,32	1,505,09	679,23	667,22	12,01	+263,69
1956-57	2,312,89	1,556,50	756,39	744,74	11,65	+128,57
1957-58	2,388,83	1,606,60	782,22	762,36	19,87	+ 75,94
1958-59	2,498,76	1,724,53	774,23	754,98	19,25	+109,92
1960-61	2,900,89	2,027,04	873,85	854,89	18,96	+197,76
January 1961	2,792,66	1,944,99	847,67	821,72	25,94	+ 55,38
February "	2,816,56	1,966,28	850,28	829,74	20,54	+ 23,90
March "	2,900,89	2,027,04	873,85	854,89	18,96	+ 84,33
April "	2,915,44*	2,025,80*	889,64	870,42	19,22	+ 14,55
May "	2,872,64*	2,010,87*	861,77	841,53	20,24	- 42,80
June "	2,873,02*	1,969,64*	903,37*	878,55*	24,82	+ 38*
July "	2,808,74*	1,936,87*	871,88*	850,72*	21,15	- 64,28*
August "	2,798,36*	1,920,34	878,03	857,54*	21,49*	- 9,71*

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.
Source: Monthly Bulletin of Reserve Bank.

GROWTH OF THE COMPANY SECTOR

(Based on 1001 Public Limited Companies)

(Rs. crores)

	1955	1956	1957	1958	1959	Percentage change of			
						1959 over 1955	1959 over 1958	1958 over 1957	1956 over 1955
Paid-up capital plus free reserves (net worth) at the end of the year	747	818	868	912	976	30.6	7.0	5.0	9.5
Gross fixed assets at the end of the year	939	1,076	1,253	1,401	1,505	60.3	7.5	11.8	14.6
Net fixed assets at the end of the year	535	635	766	862	912	70.5	5.7	12.6	18.7
Inventory at the end of the year	421	512	565	570	585	39.0	2.7	0.9	21.7
Total assets (net) at the end of the year	1,434	1,661	1,857	1,973	2,072	44.5	5.0	6.2	15.8
Total income during the year	1,624	1,859	2,040	2,126	2,293	41.2	7.8	4.3	14.4
Sales (main income) during the year	1,407	1,586	1,737	1,832	2,002	42.3	9.8	5.4	12.7
Profits before tax during the year	118	131	108	121	161	37.2	33.5	12.2	11.2
Profits after tax during the year	68	72	56	65	102	51.4	57.6	15.1	7.0
Dividends during the year	39	43	43	47	64	65.0	36.7	10.2	9.6
Retained profits during the year	29	30	14	18	38	33.0	111.4	30.3	3.5

GROSS PROFITS† AS PERCENTAGE OF TOTAL CAPITAL EMPLOYED**

Industry	750 Companies			1001 Companies					1956-59 Average
	No. of Companies	1951-55 Average	No. of Companies	1955	1956	1957	1958	1959	
1. Cotton textiles	145	8.2	202	11.6	9.9	3.3	4.5	8.2	6.5
2. Jute textiles	44	9.1	44	3.9*§	—0.2	4.7	8.1	11.4	6.0
3. Silk and woollen textiles	14	5.1	11	8.0	8.1	6.7	9.9	19.3	11.0
4. Iron and steel	2	15.1	2	16.2	11.7	6.8	6.0	8.0	8.1
5. Engineering*	57	7.3	84	9.7	9.6	8.9	9.3	10.6	9.6
6. Mineral oils	—	—	2	13.9	20.9	16.3	13.8	14.8	16.5
7. Cement	7	13.8	12	13.5	10.0	7.5	7.5	7.9	8.2
8. Sugar	52	9.8	73	8.5	9.3	9.4	9.2	10.2	9.5
9. Paper	12	12.2	14	11.9	10.4	9.4	12.2	12.0	11.0
10. Vegetable oil	16	2.5	14	7.6	4.9	2.6	7.1	10.1	6.2
11. Chemicals‡	37	4.8	45	7.0	7.0	7.7	7.6	10.7	8.3
12. Matches	4	14.1	4	11.9	10.8	8.9	12.2	18.3	12.6
13. Coal	38	8.3	47	8.9	6.2	8.5	9.3	7.5	7.9
14. Electricity generation and supply†	20	7.9	22	7.5	6.4	6.9	7.3	7.7	7.1
15. Shipping	10	5.1	10	5.3	9.0	8.7	4.4	1.7	6.0
16. Tea plantations	113	16.9	166	9.1	14.5	7.3	9.4	13.2	11.1
17. Coffee and rubber plantations	26	15.9	43	16.4	18.3	13.3	13.6	11.2	14.1
18. Trading	23	4.9	41	5.7	5.8	6.4	7.4	8.0	6.9
Total (including others)	750	9.2	1,001	10.1	9.6	7.5	8.0	9.8	8.7

* (1) Non-ferrous metals, (2) Transport equipment (3) Electrical machinery and (4) Machinery (other than transport and electrical).

‡ (1) Basic industrial chemicals, (2) Medicines and pharmaceuticals and (3) other chemicals.

** Total net assets.

† Depreciation deducted as per conditions stipulated in Electricity (Supply) Amendment Act, 1948.

*§ For 23 companies, accounts relating to twelve months ended March 1956 are used instead of those for twelve months ended September 1955 used earlier.

† Including managing agents' remuneration, interest charges and provision for tax but excluding depreciation.

Source: Reserve Bank of India.

PROFITS AFTER TAX AS PERCENTAGE OF NET WORTH†

Industry	750 Companies			1001 Companies					1956-59 Average
	No. of Companies	1951-55 Average	No. of Companies	1955	1956	1957	1958§	1959§	
1. Cotton textiles	145	5.6	202	9.6	8.3	—1.2	0.3	7.1	3.6
2. Jute textiles	44	5.9	44	0.8§§	—4.2	3.3	7.8	12.6	4.9
3. Silk and woollen textiles	14	3.7	11	9.3	9.6	7.6	8.4	21.9	11.9
4. Iron and steel	2	17.6	2	21.9	14.6	11.2	11.9	14.1	13.2
5. Engineering*	57	6.4	84	10.3	9.7	9.5	9.3	11.4	10.0
6. Mineral oils	—	—	2	14.7	28.8	16.7	14.7	15.5	18.9
7. Cement	7	11.0	12	11.3	10.4	7.3	5.3	8.1	7.8
8. Sugar	52	10.0	73	8.1	10.1	9.6	8.3	11.8	10.0
9. Paper	12	10.6	14	10.2	6.2	7.2	10.7	12.3	9.1
10. Vegetable oil	16	—1.3	14	9.4	4.0	—3.5	6.2	15.8	5.6
11. Chemicals (a)	37	3.0	45	6.2	6.3	5.3	6.6	11.3	7.4
12. Matches	4	11.0	4	9.1	8.0	3.5	9.5	14.7	8.9
13. Coal	38	6.5	47	6.6	3.1	5.6	6.7	6.1	5.4
14. Electricity Generation and Supply	20	7.3	22	7.3	6.8	7.9	8.1	8.4	7.8
15. Shipping	10	5.1	10	5.3	12.6	13.4	6.2	0.7	8.2
16. Tea plantations	113	14.3	166	5.4	11.2	3.8	6.0	10.3	7.8
17. Coffee and Rubber Plantations	26	14.0	43	12.8	13.8	9.1	9.8	7.4	10.0
18. Trading	23	4.9	41	5.9	6.8	5.1	7.4	10.1	7.4
Total (including others)	750	7.9	1,001	9.1	8.8	6.5	7.1	10.5	8.2

† Paid-up capital plus all reserves (other than taxation and depreciation reserves) and balance of profit.

@ (1) Basic Industrial chemicals, (2) Medicines and pharmaceuticals and (3) other chemicals.

* (1) Non-ferrous metals, (2) Transport equipment, (3) Electrical machinery and (4) Machinery other than transport and electrical).

§§ For 23 companies, accounts relating to twelve months ended March 1956 are used instead of those for twelve months ended September 1955, used earlier.

§ Tax cut at source on dividend income of shareholders is included in 'Dividends' and not in 'Tax provision' in respect of companies closing their accounts subsequent to 31st March, 1959.

Source: Reserve Bank of India.

GROSS PROFITS† AS PERCENTAGE OF SALES / MAIN INCOME

Industry	750 Companies		1001 Companies							
	No. of Com- panies	1951-55 Average	No. of Compa- nies	1955	1956	1957	1958	1959	1956-59 Average	
1. Cotton textiles	145	6.5	202	8.3	7.9	2.8	3.6	6.3	5.2	
2. Jute textiles	44	5.7	44	2.8*§	-0.1	3.2	6.2	9.0	4.6	
3. Silk and woollen textiles ..	14	8.8	11	14.6	16.0	11.9	12.0	23.1	15.8	
4. Iron and steel	2	20.6	2	25.6	22.9	18.0	15.2	15.6	17.9	
5. Engineering*	57	8.6	84	9.6	9.3	8.4	9.2	10.2	9.3	
6. Mineral oils	—	—	2	21.5	28.9	22.7	20.9	20.8	23.3	
7. Cement	7	20.3	12	20.5	17.1	13.0	11.9	11.5	13.4	
8. Sugar	52	10.4	73	10.8	10.0	8.7	7.5	8.9	8.8	
9. Paper	12	18.3	14	16.5	13.9	12.9	15.8	14.7	14.3	
10. Vegetable oil	16	1.3	14	3.8	2.3	1.1	3.2	4.2	2.7	
11. Chemicals§	37	6.7	45	8.2	8.0	8.8	9.7	13.9	10.1	
12. Matches	4	7.6	4	7.7	7.0	5.2	5.7	7.5	6.4	
13. Coal	38	9.0	47	10.5	7.3	9.1	10.1	8.1	8.7	
14. Electricity generation & supply@§	20	33.2	22	29.5	25.6	24.4	25.1	24.9	25.0	
15. Shipping	10	11.2	10	12.4	21.4	21.9	11.0	4.2	14.6	
16. Tea plantations	113	26.8	166	15.3	23.6	12.0	15.2	20.6	17.9	
17. Coffee and rubber plantations ..	26	39.8	43	44.1	41.8	29.3	30.5	25.1	31.7	
18. Trading	23	1.7	41	2.3	2.7	3.0	3.8	4.6	3.5	
19. Total (including others) ..	750	9.2	1001	10.3	10.0	8.0	8.6	10.1	9.2	

* (1) Non-ferrous metals (2) Transport equipment (3) Electrical machinery and (4) Machinery (other than transport and electrical).

§ (1) Basic Industrial chemicals (2) Medicines and pharmaceuticals and (3) other chemicals.

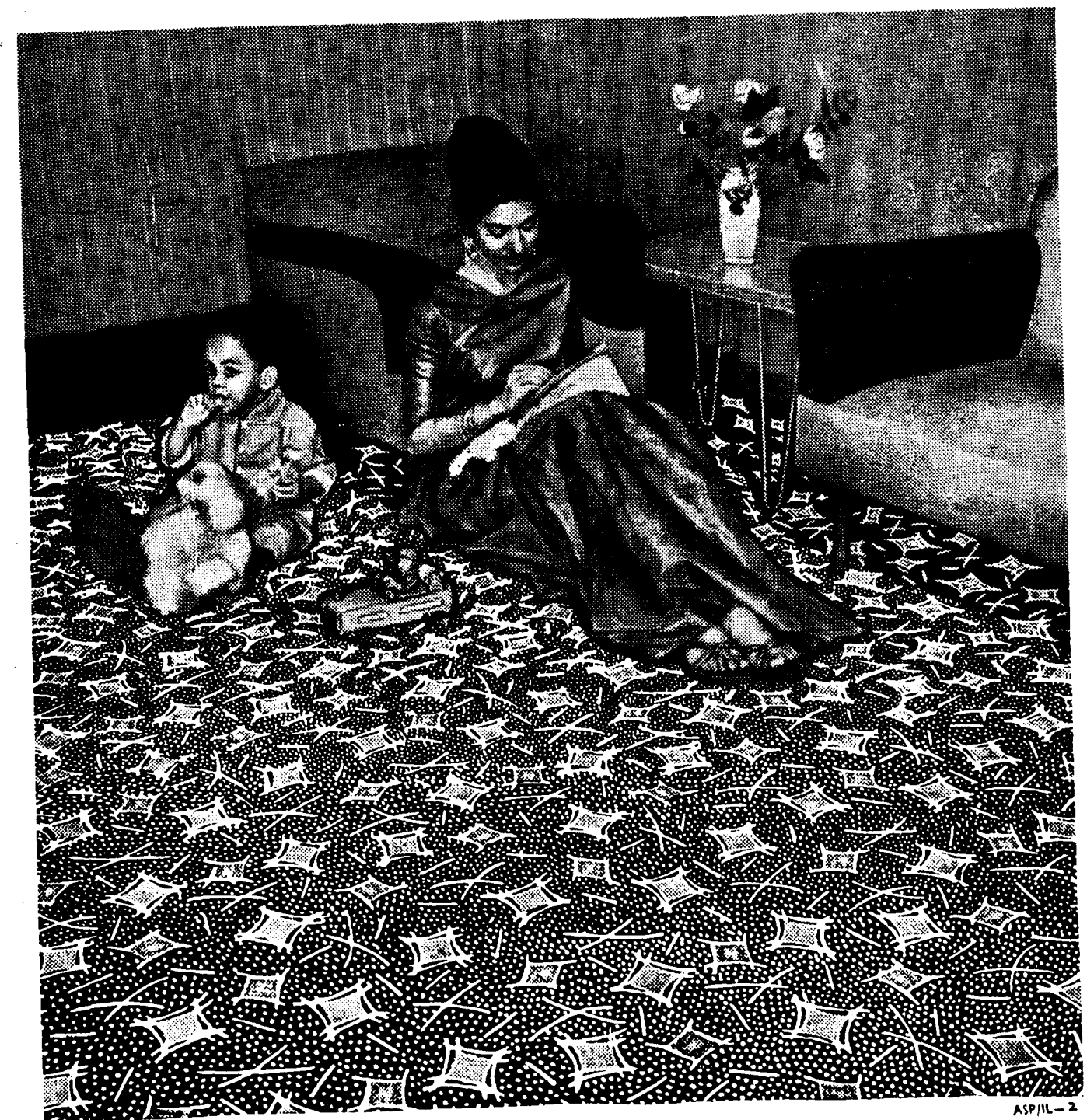
*§For 23 companies, accounts relating to twelve months ended March 1956 are used instead of those for twelve months ended September 1955, used earlier.

† Including managing agent's remuneration, interest charges and provision for tax but excluding depreciation

@§Depreciation deducted as per conditions stipulated in Electricity (Supply) Amendment Act, 1948.

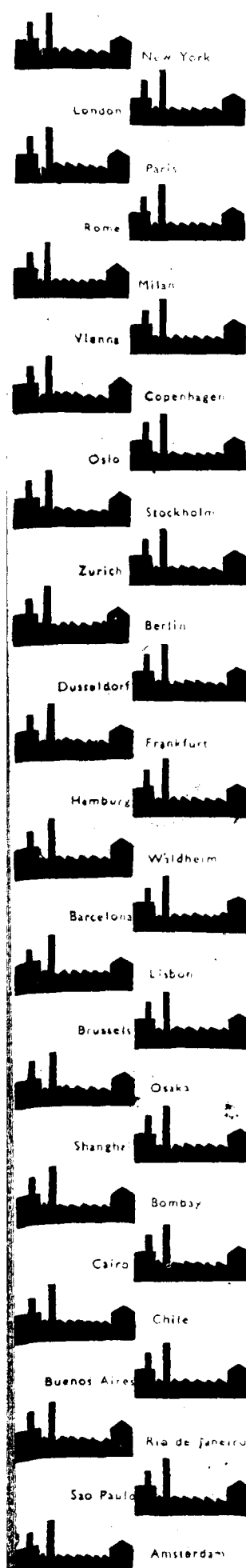
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THE EASTERN ECONOMIST

NEW DELHI NOVEMBER 1961 ONE RUPEE

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THE EASTERN ECONOMIST

NOVEMBER 3, 1961.

After the Megaton Mania

IS the world, in the classic manner of Greek Tragedy, moving relentlessly to its doom? Can it be that the gods, having decided on destruction, are making mad those whom they wish to destroy? No reason—or, indeed, military expediency without reason—can justify the wholesale orgy of nuclear explosions to which the USSR has committed itself in the last two weeks. It has made light—as though there were humour in the point—that the last scheduled 50-megaton test has turned out to be substantially larger. If this were in the region of 70-megatons, it is impossible to be sure that the fallout is within the limits of safety so far as radioactivity is concerned. It is to be remembered that the last has followed other explosions and is bound, in the natural course of events, to be followed by United States explosions in rapid succession, perhaps smaller individually, but cumulatively as large in radioactive fallout. Thus on both sides, risks being run are as great as at any time in the world's history—the greater, because their power of joint destruction is now to some extent unknown, and the consequences global in every way. Perhaps this is not the time for politicians, but for philosophers. It is difficult to be anything but cynical about *homo sapiens*, preparing for a war to end wars, by the process of self-destruction.

While one can be critical of all those who explode bombs, surely special responsibility must lie on the USSR that has initiated this series. Delhi has been much taken aback by the criticism in the United States of our seemingly neutral resolution on the banning of all nuclear explosions. But Mr. V. K. Krishna Menon, who initiated the Indian resolution, seems totally to have missed the point that, once the Russian explosions were taking place, the placing of limitations on the Free World is placing military advantage in the hands of the Communist Bloc. It is impossible to be neutral in a situation in which one side determines to press its military advantage. We may hate military containment and all it implies, but, both psychologically and militarily, military containment is the only answer to aggression.

The world will never be made safe by pious platitudes. In the light of the supreme display of military might of the Soviet Union—which may or may not be simple blackmail—the Free World needs to stand prepared. Preparedness is not necessarily aggressive; indeed, it might be the only means of being potent in defence. For these reasons *The Eastern Economist* considers that the Indian resolution, whatever its original justification, cannot be considered practical politics. It would be wise for comment to wait until the Prime Minister, who is leaving today for London and Washington, has completed fuller consultations with the authorities there. It is not to be expected that India will depart very radically from her present position, but it is becoming increasingly clear that what was sound a month ago has been now rendered by the Russians hollow. In the event, our current position will now be considered universally an attempt to grant military advantage to the Communist Bloc. This impression must not be allowed to be created at any price.

In the current terrible crisis it may be that India has a special place to fill. It is the more necessary that we should not, until the time comes for the exercise of our influence, jeopardise it by foolish pronouncements designed to favour one of the parties with whom we will need to negotiate. In the meanwhile, one thing is quite sure that the display of military might, like gun-boat diplomacy of old, does not produce fear but anger. Nothing has done so much to destroy confidence in the peaceful intentions of the Soviet Union in India than the savage display of her power. The Soviet Union will have few friends in India if she does not retrace her steps. The Prime Minister failed at the Kremlin last month. That is no reason for India to give up her constant urge that the Soviet Union should recognize how deeply it has angered world opinion and all that is involved therein. If the die is cast there may be only a short time between now and a fatal disaster for mankind. It is something that India can still play a part in moderation and in possible success in postponing the day of doom.

Reallocation for Industrial Growth

IT was not in the least in a spirit of carping criticism but in an earnest desire to focus attention on the reality of genuine handicaps to industry that spokesman after spokesman at the last week's meeting of the Central Advisory Council of Industries felt constrained to point to the danger spots that hold up the progress of the industrial programmes and threaten to do so during the Plan period. There was no intention whatsoever to enumerate a catalogue of grievances or harp upon any discrimination in treatment as meted out to the public sector and the private sector. Rather the reverse. Sir Ramaswamy Mudaliar came forward with the vigorous exposition that the controversy between the two sectors was now a dead issue. He gave a new and deeper interpretation to the complementary nature of the two sectors when he reminded the Council to take a proper note of the catalytic effect of the growth of the public sector on its private counterpart.

The central purpose of the constructive tone of the criticism was to drive home the basic point that there had been a maldistribution of financial resources resulting from a misdirection of priorities. Another important point was also stressed in this context—the undue acceleration of the pace of development in certain industries, exerting a severe strain on the limited resources, of which impatience to set up additional capacity, when the present installed capacity cannot be fully used for lack of imports, is a telling example. Though the point was not reiterated at the meeting, it is obvious that redistribution of funds would be made easier if this glaring mistake was first rectified. Power, transport, coal and foreign exchange held the spotlight during the Council's deliberations. It would be a serious error to dismiss the criticism as a stock criticism. These resources are so fundamental to industrial development that, unless their allocation is reviewed

and changed from time to time, progress in several sectors will be halted.

Constant power shortages leading to intermittent stoppages of the existing plants have become such an alarming feature that serious thought must be given now to the magnitude of the expansion in capacity and the volume of power that will be needed to keep it in production. There was a frank admission on behalf of the Planning Commission that the prospect of additional power generation does not obviate a tight supply position. Such a cold statement can neither bring any consolation nor stimulate any energetic search for revising the power target. Some relief to industry is certainly possible if a little determination is displayed to adopt a pragmatic attitude. Nothing will be lost if permission is granted on a liberal scale to private undertakings to install their own generating capacity. Readiness to pour investment in this vital direction will be induced if the statutory ceiling on the rate of reasonable return is raised upwards of the existing 6 per cent.

The handicaps of coal and transport are intermingled and it is a recurring experience that even when coal raisings keep to the schedule, stocks cannot be moved to the consuming industrial centres for sheer shortage of wagon capacity. There was once again the sorry spectacle of the rail transport top executives taking the dogmatic position that they had maximised their performance under the present conditions of available resources, it could not be improved upon and, whatever the inconveniences and risks, industry must reconcile itself to the inevitability of ordering coal during the slack season and creating stock-piles in the dumps. What was worse, the

Planning Commission and the Railway Board were ranged against each other in this controversy. While the Chairman of the Railway Board stuck to his position of no feasibility of improvement, Mr. T. N. Singh went on contending that the Planning Commission had urged upon the Board to step up the annual outlay under the Plan by any thing up to 40 per cent. Mr. Singh apparently overlooked the time-lag necessary for such a step-up and his predicament was that he held both the portfolios of industry and transport in the Planning Commission.

The handicap of coal does not stop with the quantitative aspect. It has a qualitative aspect too. The spokesman of the Department of Steel pleaded guilty to the charge of the public sector steel plants producing sub-standard steel (and undermining the competitive efficiency of the engineering goods industry), but blamed it on inadequate supplies of metallurgical coal. Railway locomotives are big consumers of this high grade coal and the balance of advantage dictates a greater shift to diesel locos.

The reallocation of finances is indicated mainly in the foreign exchange component, but it cannot be shirked for this reason. There is the inevitable need for a periodical reshuffle in priorities at the cost of some projects. But a few of them can be saved this fate. Sir Ramaswamy Mudaliar's exposure of some State Governments frittering away foreign exchange on non-Plan projects points to an important loophole which must be plugged. For a positive approach to a better and more fruitful utilisation of foreign exchange, the report of the Committee which he is so ably piloting must be awaited.

Accord in Kerala?

OVER a decade of ministerial instability and the maximum record of the imposition of the Governor's rule do not appear to have brought home with sufficient force either to the Congress Party or to the Praja Socialist Party the painful truth that Kerala constitutes the Achilles heel of the Indian Union. This is the one State which has betrayed vulnerability to Communist dominance and the solitary instance where the Communist Party captured office and maintained power, albeit with the solid support of a tiny but reliable group of independents. To dislodge it from that position required an abnormal effort based on a combination of circumstances and it is open to question whether this result could have been achieved by means of a puristic constitutional warfare. The moral of the developments, which enabled the Congress and the PSP to set up the coalition, has not been fully assimilated by them even after about eighteen months of partnership in office. That and no other is the inference that may be reasonably drawn from the wrangles which recently assumed a dimension sufficient to threaten a sharp cleavage in the coalition likely to precipitate its break.

The election-eve logic which justifies subordinating all other considerations to the fight for victory has no application to Kerala on the present occasion. The mid-term election to the State legislature has put off the next general election to early 1965. Kerala's interest centres round the election to the Lok Sabha alone and obviously its results can produce no repercussions on the coalition. It is surprising, therefore, that a minor agreement over the allocation of candidatures from the eighteen Lok Sabha constituencies was allowed to assume the proportion of a crisis in the

coalition. Whether the PSP was allocated six constituencies as it demanded or three as the Congress was ready to offer would have actually made little difference to the prospective position of either party in Parliament. But partly inflexibility of attitudes and partly considerations of prestige were responsible for overstraining the relations between the partners in the coalition on this trivial question.

It would have been absurd to sacrifice the partnership and worsen the matters by a bitter parting. But when the organisational and legislative wings of the Congress Party buried their internal differences, it produced a wholesome effect on the PSP leadership, making it responsive to accommodation. And a word of advice from Mr. Nehru to the State Congress Party to preserve the electoral alliance with the PSP had the desired effect. The compromise was negotiated with the allocation of four seats to the PSP and fourteen to the Congress. Another hitch was the PSP's electoral alliance with the Muslim League and the High Command's stern directive to the State Congress Party not to have any truck with it. But the four constituencies allocated to the PSP are outside the sphere of the Muslim League's influence. Their alliance is in effect put in cold storage.

Can it be assumed that the coalition will have a smooth sailing as was made out by the leaders of the legislative wings of the two parties after the compromise on sharing cabinet authority was reached on October 14? It is plain that divergence over this issue was at the bottom of the widening rift between the coalition partners. The position stated in simple terms was that the

choice of Mr. Thanu Pillai as Chief Minister was determined largely by virtue of his personal status in the political life of the State. But the PSP got a weightage in the cabinet out of proportion to its strength in the legislature, while the Congress, although numerically strong, was awarded a subordinate position. To add to that, Mr. Thanu Pillai assumed extensive powers as Chief Minister that automatically go with this office in a single-party cabinet, but not in a coalition. He did not show the consideration that was due to the Deputy Chief Minister, Mr. Sankar, as the spokesman of the Congress Party and normally

even policy decisions were taken without his or the cabinet's consultation. This, of course, was to impose an intolerable position. Mr. Thanu Pillai has been persuaded to see the error in his methods.

The cabinet business rules are now being amended as a result of the successful mediation of the Governor, Mr. Giri. The proposals are to be finally discussed and adopted at a cabinet meeting this week-end. Will the accord, reached after stresses and strains, be sustained and the uncertainty hanging over the cabinet dispelled? The stake is too big to allow the accord to slip.

Guest Editorial

A World Surplus of Steel?

By WILLIAM REES-MOGG

THE steel industry has always been subject to the effects of the trade cycle and is even more vulnerable to the effects of post-war depressions. It took the British iron industry a generation to recover from the ending of the Napoleonic War, and it never recovered between 1918 and 1939 from the surplus capacity which had been created to fight the First World War.

After the Second War things were different. For the first ten years after the war there was a world-wide shortage of steel, and all the estimates of demand proved to be too low. Since 1955 there has been a surplus of steel capacity, but except for brief periods it has been concentrated in the United States. In 1960, for instance, there were periods when the American steel industry was working below 50 per cent of capacity, while the rest of the world's steel industry was operating at 90 per cent of capacity or better. This did in fact represent a very large surplus of world capacity since the United States has much the largest steel industry in the world.

The present situation is that most countries are operating their steel plants well below capacity. The latest figure in Britain is 77 per cent, while the American steel industry is so depressed that it has given up publishing figures expressed in terms of its hypothetical capacity to produce. Actual output in the first three quarters of the current year in the United States totalled 76.7 million tons, which is 9 per cent down on the depressed levels of the previous year.

As a result steel shares have become a depressed investment in all the world's stock markets. The main German steel shares yield over 5 per cent compared with the yields of 0.8 per cent on Daimler and 1.5 per cent on Volkswagen. Bethlehem Steel, bought in London, yields 5.9 per cent, while United Steel, the leader of the London market, yields over 6 per cent.

This suggests that stock markets are taking a somewhat gloomier view than would be justified by a cyclical depression alone. Certainly, however, there is a cyclical depression in the British steel industry. Customers of the industry are running down their stocks in order to reduce the burden of high interest rates. The motor car and consumer durable industries are passing through their own period of recession, partly caused by restrictions on credit and partly by over-optimistic views of the prospects of expansion. This recession will certainly not last for ever.

On the other hand, the steady development of surplus capacity in the world as a whole suggests that the situation may well be more serious than it appears. If steel, like copper coil, or alumi-

nium, is a commodity which has changed fundamentally from a scarcity position to a surplus position, then this is a change which could take years to right itself.

The parallel with oil is disturbingly close. Both have become symbols of political prestige as well as ordinary articles of commerce. In simple economic terms it would almost certainly pay a developing country better to buy its refined oil products and its steel from abroad. In a buyer's market both can be bought cheaply, and the early stages of an oil refining or steel industry must involve a heavy burden of extra cost.

However, both oil and steel have become symbols of economic power and almost even of national independence. As a result, steel industries have been developed in countries where there was only the slenderest economic justification, and they have probably been overemphasised for political reasons even in countries like India where a long-term justification does exist. The international competition to build steel-mills in India did not necessarily represent the most sensible use of such large development funds.

This process inevitably tends to add to the surplus capacity in the world. It has created a number of protected relatively high-cost steel industries, and has reduced the size of the free world export market.

Another trend which affects the demand for steel is the reduced importance of steel in the highly industrialised countries which have the most rapid rates of economic growth. The more complex a piece of machinery is the lower the proportion of the steel cost will be to the value of the end product. In the earliest stages of industrialisation iron and steel are used in vast lumps — for heavy girders, for bridges, for heavy machinery, for railway tracks and so on. In the latest stages of industrialisation steel is used in tiny quantities of special alloys, machined to very fine tolerances. For the steel industry the Forth Bridge is worth a very large number of sputniks. This development away from heavy steel does not deprive the steel industry of opportunities — special alloys will become more important, but it could result in a different type of industry, smaller in tonnages, but larger in terms of value of its output.

In Britain there is also still the possibility that the Labour Party will try to re-nationalise the steel industry at the next election, though nobody yet seems sure what precisely the policy on steel will be. But whether nationalised or not, the steel industry probably faces a serious problem of readaptation.

A DELHI DIARY

THE PERILS OF BOMBOSITY

BOMBS, more bombs and still more bombs. Our heads keep reeling with a surfeit of bombosity. I cannot quite understand why we should have been visited with this terrible anachronism, in a seemingly meaningless form, all in one week. At the present time, while our newspapers carry a great deal of general information, my friends and I are almost exclusively concerned with—bombosity. Is preparedness, or to use Mr. Khrushchev's phrase, "the warning to the adventurers of the West", likely to imply a tournament, in which weapons will not be lances and shields as of old, but missiles carrying atomic spearheads, getting larger and larger everyday? If this is the prospect, there are many people—of whom I feel I should count myself one—who would say that we were much happier twenty years ago, whatever the miseries which surrounded us at that time. It is a melancholy thought that progress is now to be measured in terms so ridiculous that one feels that the greatest progress of all is the capacity to wipe out all progress that man has achieved. We are all, in some measure, ridiculous, but today one cannot help feeling that the leaders of the Soviet Union who have brought about the present result are more ridiculous than the scientists who invented fission or fusion or whatever is responsible for bombosity.

THE NEW BRINKMANSHIP

The old brinkmanship belonged to John Foster Dulles and was appropriately notorious, particularly because it looked as though it was one man's individual whim. The new brinkmanship which belongs to Mr. Khrushchev is, at least measured in megatons, some millions of times worse. The question arises whether it is as much personal as the Dulles variety. Can it be that the Prime Minister of the USSR is taking on this Mephistophelean role because pressures inside the Soviet Union are driving him to extreme measures? Can it be that there is, in fact, a crisis in the Kremlin, the solution of which is sought to be a demonstration of determination to go on with a change of the status of Berlin, whatever happens? Can it be that the same pressures have induced Mr. Khrushchev to distract attention at home by the unkindly removal of the mortal remains of Stalin to some unknown quarter near the Kremlin walls? All in all, the 22nd Session of the Congress, with both brinkmanship and backmanship, has not added to the prestige of the Soviet Union in India, nor to the reputation of Mr. Khrushchev as a man of moderation and good sense. Why, I keep on asking, was all this necessary? Incidentally, the movement against Stalin is the more inexplicable as China resents the demotion of a legendary hero. There at least legends will live for ever; but who would have thought they would fight a battle for them as Chou En-lai did?

THE COMMONWEALTH PRESS UNION

While these earth-moving—both literally and metaphorically—events have taken place, I must confess that I have been absorbed in engagements far more enter-

taining and, indeed, satisfying. The meetings of the Commonwealth Press Union in Karachi and Delhi are, unfortunately, not open to the public, though they are open to the Press which, in Pakistan, in particular, has accorded to them a place which, vain as we are, we feel we do not deserve. I am not in a position to talk about all the arrangements made in North Pakistan, during the grand tour of the north as well as in Karachi, but a Gallup (?) Poll conducted by me in Karachi amongst the delegates to the Conference has pronounced them perfect in every way. Or, perhaps, I should have avoided the word 'perfect' in dealing with degrees. Did not Hillare Belloc (when recommending degrees for women in the University of Oxford), say, "where all are perfect, there is no question of degree"?

However, to return to the Commonwealth Press Union's meetings, held every five years, the general consensus of opinion is that neither India nor Pakistan has ever had so full a galaxy of Press Stars as it has on this occasion. All the great newspapers of the United Kingdom—"The Times", "The Daily Telegraph", "The Manchester Guardian", "The Daily Mail" and, last but not the least, "The Daily Mirror"—are represented by high dignitaries. A very large number of the leading Australian, New Zealand and Canadian papers are also represented. Some one said that if the chartered plane from Karachi to Delhi fell out of the sky it would cause some terrific headlines. So it would! The impression one got was that India and Pakistan have aroused so great an interest in the highest circles of the Press in these countries that they were ready to enjoin on themselves a hard course of instruction by prolonged tours in both areas and by a round of entertainment at Karachi and Delhi, which, surely, has not recognised that the weekly intake of men and women can only be increased to these dimensions if two days of fast and abstinence can be rigorously enforced. This was one omission in both Karachi and Delhi; no day has passed without round of excessive entertainment. Perhaps this has to be; is it not true that there is no rose but has a thorn?

Of special interest at the Delhi session was the discussion on the economics of newspapers in which two giants of the Press, Mr. Roy Thomson, on the one hand and Lord Burnham of the "The Daily Telegraph", crossed metaphorical swords. Mr. Thomson, who now has control of a hundred newspapers, would put business considerations first and accept concentration because he believes that they are conditions of survival. Lord Burnham, while recognising the pressures of economic costs, disagrees that concentration is good and much is lost by the absence of small newspapers or by concentration under one single person. Lord Burnham said (amidst applause!) that no man should have the authority to sack one hundred Editors. Mr. Roy Thomson who made concentration look so amiable was a great danger in that he held a dagger below his very ample toga and the power to stab behind his genial smile. There was an answering chord in all our hearts.

ARGUS.

THE WEEK'S NOTES

Nagaland

THE DE FACTO SET-UP

SINCE THE last meeting of the Interim Body for Nagaland was addressed by General Shreenagesh, Governor of Assam, much water has flowed under the bridge. In fact, at the time of the meeting itself, Mr. P. Shilu Ao and his colleagues gave open vent to their grievance that the position in which all the effective authority was exercised by the Adviser and they enjoyed the plausible status of members either of the Interim Body or the Executive Council, created great embarrassment for them and prevented eliciting full respect for their authority from the people. Even at that time they made a decision that a representation should be made to the Prime Minister for a discussion of this issue and for asking for potential authority to be placed in their hands in progressive stages during the transitional period. Such a course would be greatly conducive to weaning away the minority that still persisted in lending support to Dr. Phizo and the rebels.

The delegation of the Naga leaders led by Mr. Ao recently came to Delhi to conduct these talks with the Prime Minister. On Monday this week came the report that a very sympathetic view of the grievances of the Naga leaders had been taken by the Prime Minister and the decision was made that the Interim Body of Nagaland should function as the 'de facto' legislature and the Executive Council should function as the 'de facto' cabinet of Nagaland during the transition until the elections would be held after three years as contemplated. This arrangement goes the farthest limit of accommodation during the transition and it is clear that the Naga leaders have returned satisfied.

Mr. Ao has expressed the optimism that the disrupting activities of the separatist group would disappear very soon. It would be an error to suppose that wherever any support is available to them it is voluntary, because from the very nature of the terrain it is quite obvious that much of it has been obtained by intimidation. The village, the range area and the tribal councils must now be enabled to function effectively so that the people may feel the glow of autonomy. Nevertheless, responsibility for the maintenance of law and order would remain very heavy and the assistance of the army, if necessary, would always be ready at hand. But now that the 'de facto' set-up is to be launched, the primary responsibility for accepting all the functions would devolve upon Mr. Ao and his colleagues.

School Text-books

THE NATIONALISATION CURE-ALL

IT IS somewhat amazing that minds which have a reputation for receptiveness tend to revert to nationalisation as a cure-all in spite of the fact that rationalised socialism has found its faith in nationalisation considerably shaken. At the Conference of the Vice-Chancellors of Indian Universities the Prime Minister emphatically asserted that the proper remedy for doing away with the poor quality text-books for primary schools was their nationalisation. He described the writers of these books as hacks and announced that the State should draw upon the best talent available in the country to write the correct type of books and their

overall get-up should also be attractive for the class of readers for whom they are intended. Emphasis was also placed on the fact that the idea of national unity should permeate the text-books. There is nothing wrong in this suggestion, but it would appear that a fetish is being made of this goal of national integration and in every field it seems to eclipse most other important considerations.

The moot question is whether nationalisation of text-books is the correct remedy and it is going to mend the present unsatisfactory state of affairs. Experience in Rajasthan and the Punjab, where the State has dabbled with text-books by nationalising them, is anything but satisfactory. It is a basic mistake just to assume that writers can bring out the best in their literary products under State auspices. The very fact that the patronage emanates from the State casts its shadow in different degrees on the work of the writer. It is not the writer who is responsible for the selection of his book as a text-book, but that function belongs to the selection committee. The truth of the matter is that, as is the case with many other spheres of administration and public life, corruption has corroded these committees too. The selection of text-books is determined in several cases by considerations other than those of strict merit. Many of the selection committees have gone to the extent of absorbing a technique which should be the monopoly of rackets. It is to be trusted that the idea of nationalisation of text-books will not only be discarded but its adoption will be revoked in the States which have inadvisedly resorted to it.

The Governors

A ROUTINE CONFERENCE

THIS TIME the Conference of the Governors was convened in an atmosphere which was certainly quite unusual. The country had received different varieties of shocks ranging from the recrudescence of communal riots, violent student disturbances to calamities like devastating floods. In particular, the ominous revival of communalism threw up a challenge not only to law and order but to some of the basic tenets of our political faith. In this situation the general tone at the deliberations of the Governors' Conference was expected to be not only critical but of a sufficiently introspective nature. Some at least of the Governors in whose States the law and order situation was disrupted, were expected to speak out their minds frankly by way of caution and a warning for the exercise of preventive as well as curative measures for the future. But beyond harping upon the urgency of inculcating the idea of national integration and suggesting the stock remedy of rationalisation of the contents of history and other text-books, there was little in the reported proceedings of the Conference.

Nevertheless, it was some satisfaction that a new accent was placed on making the role of the Zonal Councils more effective and purposeful than hitherto. In the reorganised set-up based predominantly on the linguistic principle, the Zonal Councils provide a hopeful machinery for re-establishing the ideal of regional affinity on a multi-lingual basis. It was rightly pointed out that the recommendations of the States Reorganisation Commission to accept a good proportion of top level officials from other States and also to select High Court judges from outside the States should be translated into practice. If the potential danger of parochialism, revealed by the linguistic emphasis, is properly grasped, this accent on the role of the Zonal Councils should be given a concrete shape.

The World Abroad

NEW POLICIES IN U.K. STEEL

By ODYSSEUS

THE UK IRON AND STEEL BOARD is often held up as an example of the British genius for compromise, so that the UK is said to get the best of both worlds—national planning and free enterprise. The Board fixes selling prices (as described here in the previous article) and plans the expansion of the industry. All the individual development plans have to be approved by the Board which can withhold consent, or insist on new proposals of its own.

In "The Steel Industry: 1939-1959" (Camb. Univ. Press, London, 1961, Price 80 sh.) Duncan Burn, a world authority on steel, shows that the Board revealed no disturbing unconventionality in their approach to planning. They did not suggest that the UK industry should be open to free international competition. They shrank from joining the European Coal and Steel Community, which would have meant dismantling tariffs and the Board's power to control prices, lifting the ban on scrap exports, and on coal imports. They did not suggest that the size of the UK market was small for an industry capable of big economies by large scale operations. They cheerfully assumed that UK costs would always be competitive in exports, that the UK would import a little steel but would cut imports when home demand fell, and cut exports when home demand rose. These quantities would, moreover, be planned in accordance with "the national interest"—full employment, the relief of distressed areas, and the prosperity of the UK coal industry.

Conservatives and Socialists accepted these ideas. The planners, the Conservatives, and the Socialists, were all united against any re-appraisals that might be agonising.

The only criticism came from the Socialists, who, obsessed by the idea of expansion, apparently for its own sake, and indifferent to costs and quality, complained that the steel makers would not expand fast enough.

The planners thought that world markets would continue to grow fast. They admitted that other naturally cheaper producers might take a large share of the world market "in the remote future". From their ivory planning tower, they confidently declared that "to a limited extent" the UK's share in export markets could be varied without harming her long-term export prospects. They did not ask whether Stop and Go in exports would endear UK steel to overseas buyers. Apparently they planned an indefinite continuance of a scarcity of steel in world export markets and that Belgian, French, and German steel makers would accept UK sales without a murmur.

Within the Board's first year, home consumption almost reached the total planned for the fifth year. Encouraged by the Korean boom, the second plan foresaw a vast increase in demand, whereupon ship building prospects worsened, railway wagon programmes were modified, electrification schemes were curtailed, defence programmes streamlined, the coal shortage changed to a surplus and upset investment plans, oil supplies and tanker capacities exceeded needs, and those competitive Japanese, Belgians, and French began exporting madly. One would have thought that planners with their statistical apparatus, which, as one of them pointed out, did away with competition's "irrational guess work", would have foreseen all these events and have planned accordingly. Otherwise what is planning for?

QUANTITY VERSUS QUALITY

Because the planners put increased production before economic locations and costs, most expansion consisted of adding to existing plants rather than radical reconstruction and modern methods. The result perpetuated the UK industry's scattered nature and comparatively small units. By 1958, experience was showing forcibly what the ordinarily competitive-minded, non-planner would regard as elementary, i.e., that quality as well as quantity of investment counted. Thus, Europe's oxygen steel processes saved capital, labour, and fuel.

A notorious example of the fog that obscures the real issues when planning brings politics into an economic problem (i.e., whether a nation wishes to grow richer nor not) was that of the plans for Richard Thomas & Baldwin's new mill. Richard Thomas & Baldwin wanted to site it at Newport, which had many advantages over existing sites. Iron ore could reach it in much larger ships. It would avoid expensive inland rail transport. It was nearer to home ores. It was a good export harbour. It was well sited for domestic sales of its products. It was near home industries which bought its products. Immediately pressure groups worked for rival sites in Wales and Scotland. Controversy raged throughout the land. The Cabinet was divided by Ministers fighting for their local interests. The Scotch site could import Swedish ores cheaply, but lacked access to cheap home ore. Coking coal reserves were small in Scotland and coal dearer than anywhere else. The site was remote from all major domestic steel using markets.

The Scots were undaunted. Their solution was simple: import coal from South Wales. Eventually the government disclosed "the national interest". Not one strip mill but two should be set up, one in Wales, one in Scotland. The Prime Minister stated that this was a matter of judgment like that of King Solomon. No one pointed out that Solomon decided knowing well that if his judgment were carried out, the baby would die, and that his award in fact saved the baby's life. The Richard Thomas & Baldwin decision was the exact opposite. The UK is to have two half-mills of uneconomic size, at double the capital cost. The division of work will raise operating costs and limit the scope for reducing costs and raising quality by long runs. The greatest economic advantage was sacrificed to social comfort.

What was done fitted no industrial strategy. The government were soon trying to persuade motor car manufacturers not to expand in their natural low cost production areas but to go to Scotland to create a market for steel sheets. Such a policy conspicuously differs from that of the European Coal and Steel Community, whose basic premise is that ultimate cost reduction should never be lost to sight. The ECSC's policy should help the transition towards an economic distribution of industry in Europe. The UK policy lessened the increase of productivity, the ECSC's aimed to maximise it.

Ignoring the capital cost in building two mills instead of one, the Richard Thomas & Baldwin decision will result in costs 5 to 10 percent higher than on a low cost site. The full benefits of low cost production would, of course, only have been secured if uncontrolled market prices had been allowed, which would have attracted steel users to the low cost areas, whereas

the 1959 policy seemed designed specially to encourage users to settle where it would cost most to make steel sheets. This story typifies UK steel planning at the end of the 1950's. Welfare doctrines clamped down on the dynamic forces in the economy in order to reduce social dislocation.

NEW IDEAS

Nobody suggested that the expansion of high cost industries would render it increasingly difficult to compete in world markets, and thus, by way of recurring balance payments difficulties, end not in social dislocations but in social upheavals.

Socialists often argue that the government should retain Richard Thomas & Baldwin, which is not yet denationalised, to do jobs which private firms might not wish to undertake, or to stimulate private enterprise by state competition. That an existing state enterprise would always have the necessary experience and judgment and freshness for new ideas in steel market is unrealistic—except in a world in which quantity of production is put before quality of investment. As for stimulating private enterprise, the conditions on which capital could be obtained by a state enterprise would differ from those open to private enterprise. If, as might happen, the state enterprise fared badly because its plant was partly idle (as is currently reported of several Indian state enterprises), this would not embarrass the state—with all the nation's taxpayers, plus the currency note printers, behind it—as it might a private company.

With all its weaknesses, the UK system of privately managed and financed companies is better than complete nationalisation. The individual companies are not all managed by sheep. There are many keen and able

men, chafing under the Board's policies, who have increasingly made themselves heard. The emphasis today is moving away from making more steel to making cheaper and better steel. In a nationalised industry this change of emphasis would have been almost impossible to bring about. For example, although the Steel Company of Wales's recent application to import low cost US coal was refused, it could not have been made by the directors of a nationalised unit, beholden to a Ministry for their appointment and promotion. The application is a shot in the struggle towards production for profit. The very fact that it was made at all reveals the change in the trend of UK opinion. The extraordinary success of the free market economy in Germany, the flying start to which the European Common Market has got off, the flourishing state of the French and Italian economies under impact of neo-liberal ideas, and the persistent teaching of a handful of respected UK economists, like Lionel Robbins, Roy Harrod, F. W. Paish, and Paul Bareau, have created a new tone in public debate, and modified the outlook even of Socialists. Ten years ago the problems of coal, electricity, and steel were discussed solely in terms of quantity and employment. Nobody worried about costs. Ten years ago only a few specialists would have bothered with Mr Burn's new book. Today, reviewed at length by all the serious press, it has created a profound impression and it is likely to be an appreciable factor (a) in modifying the UK's future steel policy and (b) in facilitating the integration of the UK industry into the European Coal and Steel Community, if the UK joins the Common Market.

[This is the third and final article on the UK steel industry.—Ed.]

DISCORD: THE PRICE OF DEVELOPMENT

By ODYSSEUS

A RECENT CONFERENCE at Oxford on "Tensions in World Development," sponsored by the US Council of World Tensions (304 East 42nd St., New York) and the UK Overseas Development Institute (160 Piccadilly, London) attracted less attention than its importance deserved. The galaxy of authorities who attended included Dr. C. D. Deshmukh, Dr. G. L. Mehta, Mr. B. K. Nehru, Shri Asoka Mehta of India, Mr. Carlos Romulo of the Philippines, Mr. Lester B. Pearson of Canada, Miss Barbara Ward, Miss Margery Perham, of the UK, and others of equal calibre from Africa, Asia, and South America, all of whom are in a position to help in translating into policy and practice the recommendations which emerged from the conference.

One of the papers read to the conference by Dr. W. A. Lewis, of the University College of the West Indies, was outstanding for its tough common sense. Dr. Lewis pointed out that, although the past fifteen years had, on the whole, been a good period for most developing countries, mass discontent is greater than ever before. Nearly all Latin America, the Caribbean, and the Middle East, and parts of Asia and Africa, share this mass discontent. Why?

It would be easy, although in Dr. Lewis's view insufficient, to attribute this discontent to the disillusionment following excessive promises by politicians. Nationalist agitation led some people to expect that political independence would be followed by ease and affluence. Although I believe such promises have had greater influence than Dr. Lewis concedes, he is right to draw attention to other causes, particularly the changes in the relative positions of internal groups, which have generated frictions.

The basic problem is that the fruits of economic development are not easy to spread throughout the population. The process of development may be described by saying that in each country there is a small modern sector, which is in those parts of the economy in which rapid development is occurring, surrounded by a large backward sector, which usually includes peasants, handicraft workers, servants, and casual workers. Ultimately, the modern sector will expand to cover the whole economy, but in the meantime the modern sector can become increasingly prosperous with relatively small effect on the backward sector.

The backward sector suffers if the modern sector competes with it, for example, if factories put handicraft workers out of business (as in textiles in India), or if construction equipment dispenses with casual workers. On the other hand, the backward sector gains to the extent that the growth of the modern sector offers expanding markets for food, raw materials, or services. Inside the growing sector, profits, salaries, and wages naturally tend to be high. Elaborate social services are provided and the benefits of urbanisation—piped water, schools, buses, cinemas, hospitals, subsidised houses—are enjoyed. Outside the modern sector, disturbance of old established ways may well exceed benefits.

CAUSES OF UNREST

Dr. Lewis pinpoints the causes of unrest thus:

1. Development creates unemployment as well as employment. Normally, it creates more employment than unemployment, but if investment is concentrated more on introducing labour saving devices into old

industries than on introducing new industries, the net effect may be to add to unemployment. This is an acute problem in some West Indian islands. Those who have jobs are better paid than ever before, but there are fewer jobs. Even where the net effect adds to the number of jobs, some people suffer for shorter or longer periods.

2. The high incomes earned in the more productive industries (e.g. oil) create tensions elsewhere. Civil servants, bus conductors, plantation farmers, and persons in other industries of slowly rising productivity, keep trying to catch up, through trade unions, farmers' associations, or other political activity. Although Dr. Lewis does not mention it, friction from this cause is also wide-spread in those industrial countries of the West where Welfare doctrines have spread the idea that all incomes should be equal and that a railway porter is entitled to earn as much as a skilled factory worker. The more rapidly that some industries develop, the greater the industrial and political unrest in other industries (in both developed Welfare states and developing countries). Paradoxically, there is least mass unrest in those countries where economic development is slowest. Unrest is also greater where development occurs in pockets scattered throughout the country than where it is all in one place, because more people are excited by the disparity between their incomes and those of the lucky few who get jobs in modernised industries.

3. Sooner or later the high earnings in the modern sector pull up wages in the backward sector, whether through trade union or other activity. This can have disastrous effects on employment in over-populated countries. In a country like Egypt or India, says Dr. Lewis, starvation is rare until the trade unions arrive, because society creates innumerable surplus jobs as a means of distributing the national output. Offices have twice as many clerks as they need; enterprises have innumerable chaprassis; even lower class families are expected to keep their quota of servants; and no "respectable" person does manual labour. This is feasible as long as wages run at, say, Rs. 1 per day. Everyone knows that such a wage barely provides food, so that no employer expects any serious quantity of work for it. The system amounts to unorganised but necessary poor relief. When the trade unions and the efficiency experts get to work, the picture changes. Wages shoot up to, say, Rs. 10 a day; the surplus clerks, chaprassis, and domestic servants, can no longer be afforded by their former employers. They are dumped on the labour market or, as in Jamaica, forced to emigrate.

4. The prosperity where development is greatest attracts people from the backward areas and creates a serious unemployment problem in the developed areas. In Jamaica, for example, the more jobs that you create in Kingston, the more unemployment you have in Kingston. There is little observable unemployment in the backward areas because, in the absence of social services, everyone has to attach himself to some customary means of subsistence. Excessive population, if it exists, reveals itself not in open unemployment but in the small size of family farms, or in excessive numbers in domestic service, or in petty trading. So, paradoxically again, it is those parts of the economy which are developing most rapidly which also show the most stubborn unemployment figures.

5. In the modern sector, the profit ratio is high—this, indeed, is why this sector attracts so much investment. Tax exemptions to new industries make net profits still higher, to the exasperation of established entrepreneurs who receive no tax exemptions. If, in addition, the modern sector is being developed largely by foreign entrepreneurs, who export part of their profits, then nationalism, or racialism, may be added to other discords.

PALLIATIVES FOR DISCORDS

Dr. Lewis asserts that there is no "solution" to these problems. It is too often forgotten that discord has always been part of the cost of economic development everywhere. Although, again he does not mention it, this is true of developed economies. A large part of the UK's present economic difficulties arise from the (natural) resistance of established industries, like railway transport, or coal mining, to displacement by newer and cheaper methods of transport and power. One can suggest palliatives, continues Dr. Lewis, such as better machinery for preventing or settling industrial disputes, a more determined effort by governments to transfer (through taxation and expenditure) some of the benefits of development from the modern to the backward sector. In an industrialised country, such efforts should include encouraging the movement of workers from old to new industries and the rehabilitation of displaced workers. In both developed and developing countries, educationists should be encouraged to spread a better understanding of economic processes.

But some discord is inevitable (in both developed and undeveloped countries). Once an undeveloped country seeks development, nostalgia for the good old days of social stability is useless. In an industrialised country, it needs to be recognised that if growth is desired, it cannot be achieved without discordant changes. All one can do is to try to minimise the discord. Dr. Lewis says that possibly the surest way to diminish the discords of development is to have still more rapid development. That this is just as true of the industrialised countries suggests that the basic principles are the same. In the undeveloped, the discords spring from the contrasts between the modern and the backward; in the developed from the contrast between the obsolescent and the progressive. If, in both, the most up-to-date sectors expanded faster, and the backward sector (agriculture in Asia, coal mining in the UK) diminished more rapidly, the fruits of economic progress would be spread more widely, and there might be less unrest.

I should make it clear that Dr. Lewis confined his observations to the problems of the developing countries, and that it is I who have ventured to point out their application, by and large, to developed economies.

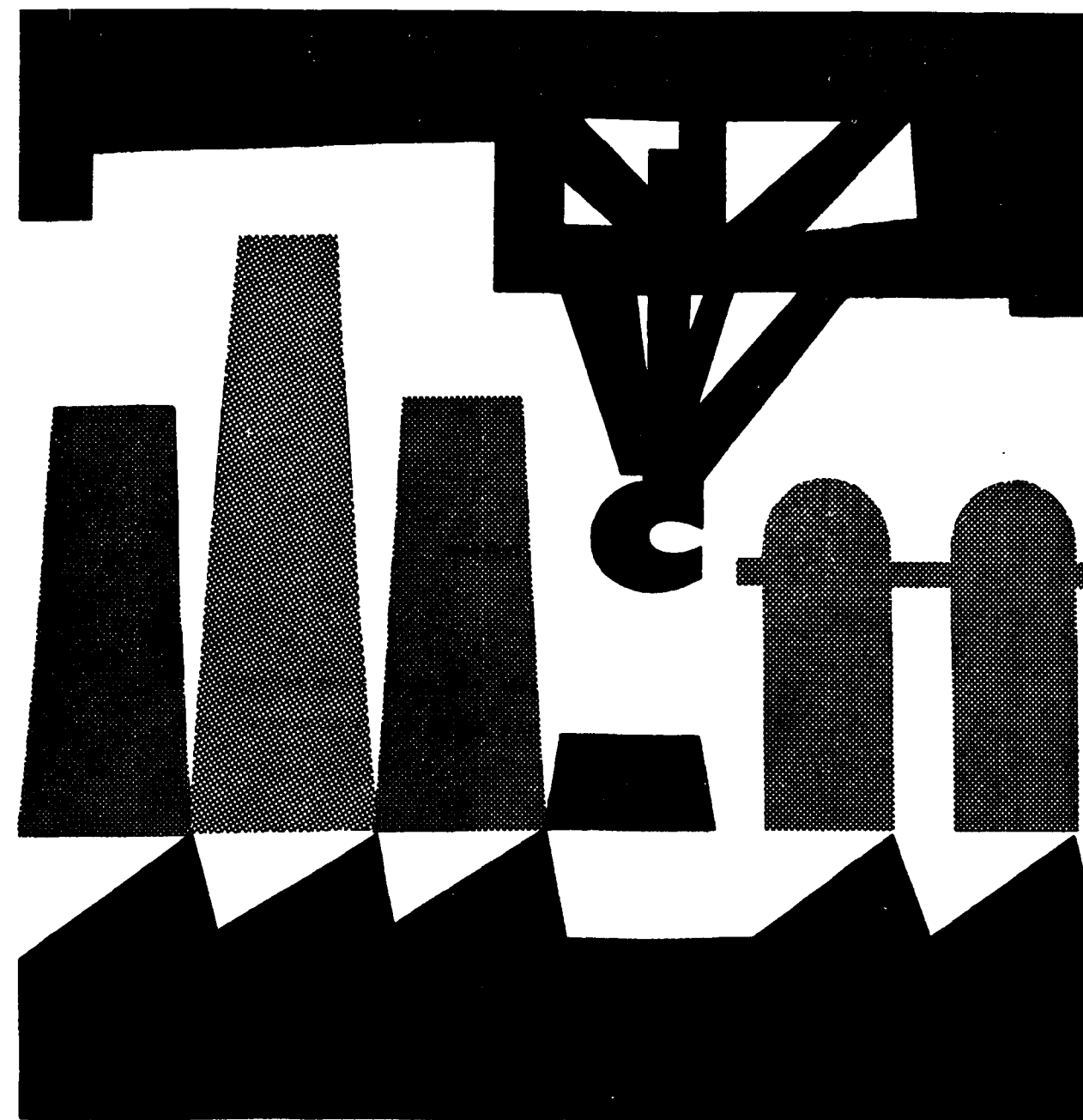
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The European Scene

NATIONAL INTEGRATION

From Our Special West European Correspondent

PARIS, October 30.

THE problem of "national integration" does not exist only at the stage of economic and political development reached in India; it can continue to be posed in acute form in highly industrialised and cultivated nations for centuries and centuries. The persistence of violent and often sanguinary provincialism in countries like Italy and Spain (where, incidentally, religious persecution of the Protestant minority is still officially tolerated) discourages optimism about an early disappearance of the malady in India; and the periodic recrudescence of provincial animosity during temporary economic setbacks in Britain and France (e.g. Scot and Breton "nationalism") points the same lesson. However, it is in Belgium that one can study, in a test tube as it were, the persistence of "communal", religious, provincial and linguistic strife in forms quite familiar in India—with the added parallel of a dual-language capital in Brussels. A visitor from Bombay or Gauhati dropped down in the Belgian metropolis (which aspires to be the capital of Europe!) last weekend would, if he understood both Dutch and French, have felt quite at home: one lakh of Flemings paraded aggressively through the streets singing "The Flemish Lion", waving not only Flemish flags but Dutch ones too, shouting slogans hostile to their French-speaking compatriots and meanwhile beating up a few dozen policemen. The French-speaking majority replied with the Walloon flag (and the French tricolour, too), sang the "Marseillaise" or the "International", cried "Down with Flemish imperialism!" and beat up their quota of policemen. If our Indian visitor were informed that the linguistic frontier in what is now Belgium has not varied significantly for 1,500 years (I repeat, for 15 centuries), he would return dispirited to read of the national integration conference in Delhi.

One could develop with some precision the parallel between the Belgian "communal" problem and the situation in certain parts of India, but it will be more instructive (though at the risk of some hasty generalisations) to connect the developments of the Belgian strife with the country's economic and demographic evolution. It appears that a slow rate of economic expansion brings communal antagonism to the boil, to the point where it threatens national unity, as in Belgium today; this is especially so if there is a discrepancy between the birth rates in the two opposed communities. So much is not surprising; the contrary case is more so: rapid economic expansion does not eradicate communal antagonism but "sublimates" it, i.e. diverts it away from head-on clashes between communities toward keen, and sometimes bitter, party-political struggles about such matters as education. Moreover, in so far as economic progress is accompanied (as it mostly is) by increased urbanisation and the centralisation of economic power (whether private or socialist) in a metropolis, it creates one of the deepest of communal dissensions, the struggle for dominance in the city. Communal opposition is ancient, but in centres like Bombay or Brussels economic progress adds a new dimension to it.

The Flemings who inhabit the northern parts of Belgium speak Dutch, are mainly agriculturists (though in Antwerp they have Europe's busiest port),

are Catholic to the point of clericalism and support the Social Catholic Party. The Walloons in the south speak French, are of secular temper, are more industrialised, have strong trade unions (some showing Communist influence) and support the Belgian Socialist Party. The two communities used to be about equal in number but the Flemings have become the more prolific and are now about three for every two Walloons; 51 per cent of Belgians are Flemish, 34 per cent are Walloons and the rest are resident in the half-caste, bilingual capital of Brussels. For long the Walloons ruled the roost; Belgian industrialisation and the management of the colonies were almost entirely their work. In 1932, the oppressed Flemish managed to stop the invasion of French culture into their part of the country by getting a sort of standstill agreement that gave Dutch the monopoly over half the national territory. Having secured their home-base and confident in their rising numerical superiority, they set out to conquer the State from the Walloons.

The struggle was masked during the postwar boom, when Belgium was the first European country to regain prosperity. The gross national product grew by 3.9 per cent annually from 1948 to 1957, the few industries of Flanders (coal and textiles) were fully employed, Antwerp held its own against nearby Rotterdam in Holland, and there was a vast building boom: 61 per cent of the houses in Flanders have been built since the war. Communal rivalry was still keen in the fat years from 1950 to 1958 but it took the shape of acute political cock-fighting between the Socialist and Catholic parties about such relatively frivolous problems as the abdication of King Leopold. The curious thing is that during this period the Flemish made very little progress in wresting power from the Walloons: 97 per cent of Belgian diplomats are still French-speaking, there is not a single Flemish general in the Army, only one-third of university students are Flemings, and many industries in Flanders continue to be managed by Walloons. Above all, despite the inequality of numbers between the communities, the language of one of them, French, continued to extend its domination.

The instrument of this domination, and the cause of exacerbation of communal tension, was the growth of Brussels, due both to the familiar process of urbanisation and centralisation in a progressing industrial economy and to the city's new international status as de facto capital of the Common Market. Situated in Flanders and originally a Flemish town, Brussels is officially bi-lingual but this equality of status for the two languages in fact permitted the increasing dominance of the more vital of the two: Brussels is rapidly becoming a French city. The Walloons therefore are migrating to it faster than the Flemings, accelerating its francisation. The city is sprawling out into endless (and incidentally quite attractive) suburbs and these of course invade Flemish territory. The Flemings are furious to see their cultural reserves being invaded by a French capital, and the Walloons are aggravated to find that if they send their children to local, suburban schools they have to learn Dutch. One has the usual problem of "dormitory suburbs" seen around all big cities—people sleep at their address but work, amuse themselves and spend their money in the city and thus pay so little local taxes that the suburban municipality

cannot provide the costly amenities the new population clamours for—but in this case it is complicated by communal differences between the city and its suburbs.

Faced with the Flemish onslaught but confident in the spread of the French language, the Walloons demand a new census in which folk will be asked to declare their customary language, knowing that the wider use of French will compensate for the greater vitality of the Flemish population. The Flemings, by one ruse after another, have succeeded in avoiding a linguistic census for the same reason; territory proclaimed Dutch in culture in 1932 must remain so forever, while the Flemings continue their attack on the Walloon citadels. Bad faith, as one can see, is common on both sides and the depth of passion with which Belgians discuss these issues has to be seen to be believed. Last week the Government ventured to make some adjustments along the linguistic frontier, making a carefully balanced transfer of "enclaves" from one side to the other; though no one seems to have gained, Flemish demonstrators in the streets of Brussels last weekend attacked these measures as Walloon imperialism.

This rivalry could have gone on for decades without really jeopardising national unity if it had not been for the economic disaster that overtook Belgium in the past few years. The rate of growth of the national product fell to 1.7 per cent annually, the Borinage coalfields in the Walloon part of the country had to be subsidised and then closed, the loss of the Congo discredited Belgian imperialism and its French-speaking agents and left thousands of them unemployed or much the poorer, and finally the long general strike of last winter did grave damage to the economy (or, more accurately, reflected the grave damage that had already been done). The question of Belgium's economic renovation, its adjustment to the no-Congo situation and its integration into the Common Market is, of course, a national question, not a communal one; but once communal dissensions exist they are grafted on to every other problem the country encounters. The Congo fiasco was a national humiliation, but the Flemings contended that it discredited the French-dominated colonial administration in particular; the Walloons returned the compliment, saying that the Flemish minority in the colonial service had made the Belgians hated (this was why the first U.N. Swedish troops were attacked by the Congolese, who mistook tall blond men speaking a weird language for the detested Flemings). The strike of last winter was a labour-capital clash, but when the Flemish unions defected first, it soon became a communal question. The challenge of the Common Market was addressed to the Belgian nation, but when foreign investors moved into Flanders to take advantage of cheap labour and docile trade unions, that too became a communal issue.

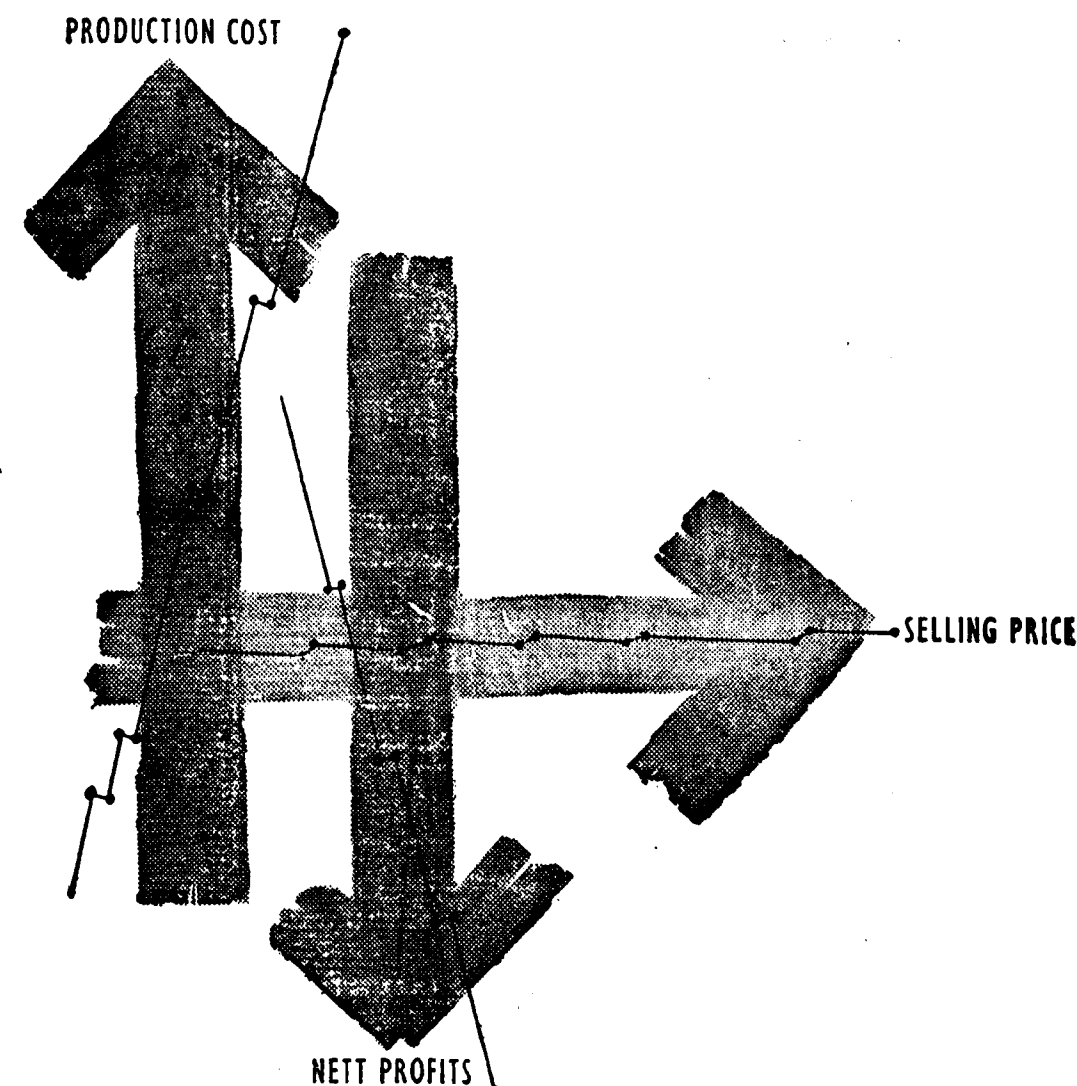
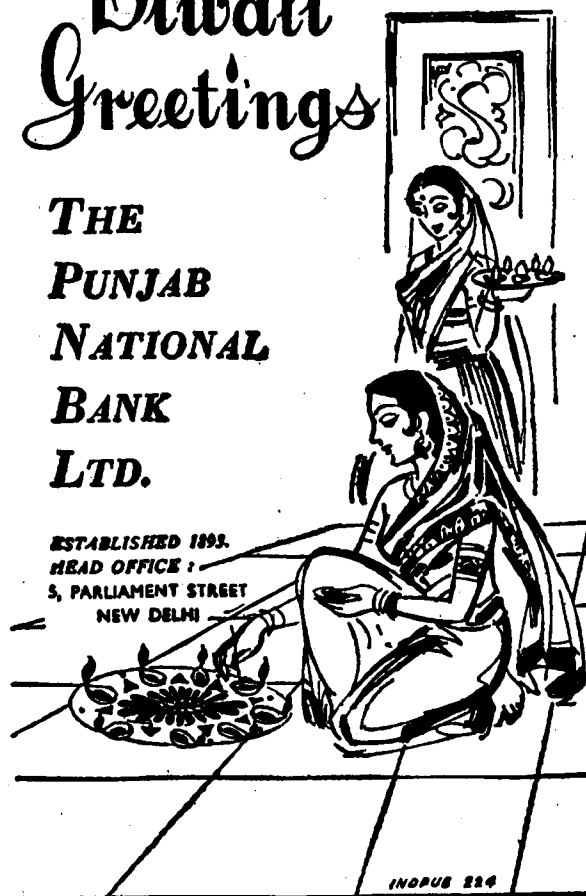
The upshot is that the country's present urgent effort at economic renovation is being complicated by communal passion. New industries have to be founded to reduce Belgium's traditional reliance on coal, crude steel and low-grade textiles, but the location of every new plant gives rise, as in India, to provincialist competition. Last weekend in Brussels, the rival groups exchanged slogans such as "Flanders first, the Borinage can wait!", "Flemings go back to your farms!", "No more French bosses in Flemish factories!" and so on. The biggest project in the coming national plan (Belgium's first) promises a big provincialist row: the building of a new steel mill in Flanders, which is defensible from the point of view of regional development but rather less so in the context of the Common Market's excess steel capacity.

Antagonism has reached the stage where the integrity of the kingdom is in jeopardy. There has always been a Flemish federalist movement, which aimed to defeat French-dominated centralisation by giving the Flemings local autonomy; this was a right-wing movement, with Catholic and clerical overtones. Now there is a Walloon federalist movement, which aims at separating off a sort of Belgian Katanga which will keep the industrial wealth of the French-speaking parts out of the common pool; this is a socialist movement, led by trade union leader Renard who came to prominence in the general strike of 1960-61. Both are agreed on one thing, to fight the central power in Brussels. The success of these movements would mark the end of the Belgian nation as it has existed since 1830. To meet this threat, the Government is placing its hopes in the national plan which will seek to give Belgium a growth rate of 4.4 per cent a year, creating enough new wealth for a share-out without communal squabbling and bringing the country into line with the rate of expansion of the rest of the Common Market. More generally, the wider horizons of the Common Market are expected to reduce communal differences to unimportance. But is this not a way of saying that the deliquescence of the Belgian nation will be disguised in the rise of a new European nation? Communal antagonism in Belgium has gone so far that the disappearance of the Belgian nation as distinct unity is a possibility to be considered.

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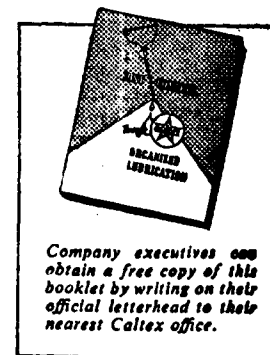


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*Our West German Letter***THE VICTORY OF THE POCKET BOOK**

From Our West German Correspondent

BONN, October 26.

THAT the "Book Fair" in Frankfurt is not an ordinary and purely business affair is proved by the fact that the "Borsenverein des Deutschen Buchhandels" (Association of the German Book Trade), in which publishers and booksellers are united, had ten years ago created the "Peace Prize of the German Book Trade". The presentation of this award marks every year the climax of the fair and takes place in the historic "Paulskirche" where the first German parliament assembled in 1848. This year's recipient, Dr. S. Radhakrishnan, succeeded men like Albert Schweitzer, Thornton Wilder, Victor Gollancz and Theodor Heuss which shows that the prize is given to people of international reputation who by their writings have contributed to peace in the world. The prize is a modest one of 10,000 DM and cannot, therefore, be compared with the Nobel peace prize. It should be considered as a gesture of goodwill. In the presence of the President of the Federal Republic of Germany, Dr. Heinrich Lübke, the former President Prof. Heuss, the Lord Mayor of Frankfurt, the Indian Ambassador P. A. Menon, members of the diplomatic corps and of members of Parliament who had come over from Bonn, Dr. Radhakrishnan received the prize from the President of the Book Trade, Werner Dodeshoner. While Prof. Ernst Benz in his "laudatory oration" quoted the Upanishads, the Bhagavad Gita and Mahatma Gandhi, Dr. Radhakrishnan quoted in his speech when expressing his gratitude, Goethe and Schopenhauer. (The two very remarkable speeches or, better, lectures will shortly be published.)

After the ceremony the Indian guest of honour visited the Fair with its 1132 stalls where 32 nations, amongst them India, showed their book production. It is here not the place to go into details but one fact is outstanding: the victory of the pocket book! In the "Pocket Book of the Pocket Books", the just published encyclopaedia of pocket books, are already 700 German titles registered. The Frankfurt Book Fair does not know the conception of the "Iron Curtain" and is guided by the maxim that the human spirit emanating from writers does not recognize political frontiers. Therefore, one found exhibitors from the East European countries, including East Germany. But there was a fly in this outwardly peaceful ointment. Writers of East Germany had not only approved but also supported the horrible events of the 13th August when the East German satellite Government hermetically closed the border between the Communist and the free part of Berlin by erecting concrete walls and barbed wire fences to stop the exodus of people fed up with the Communist regime. The West German writers now protested vehemently that works of these contemporaries of wavering characters on the other side of the fences were exhibited in Frankfurt.

FOREIGN FIRMS GO TO BERLIN

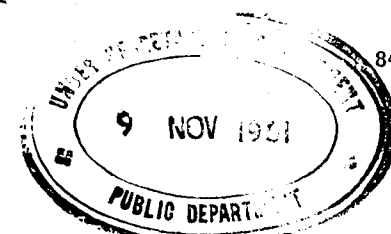
Apropos Berlin and apropos exhibitions, we have also to report on the "German Industry Exhibition, Berlin, 1961" which was opened by the Minister of Economics, Prof. Erhard. This is also an annual event which till last year brought thousands and thousands of visitors from East Germany to West Berlin. Apart

from breathing in a free country (without timidly looking to the right and left whether somebody was eavesdropping) here they could convince themselves of the industrial progress of the free world. The number of foreign participants rose from 96 in 1960 to 162 this year out of which were 54 American firms. West Germany is represented by 419 and West Berlin itself by 274 firms. All these undertakings had booked halls and stalls before the 13th August but none of them cancelled the arrangements afterwards. The main theme of this year's exhibition was traffic by road, rail, air and on water-ways. Not only firms are here exhibitors but also state-owned enterprises. The German railways (Deutsche Bundesbahn) show working models of most modern lines with remote-controlled switches and signals, with junction signal boxes in full working order on an area of about 100 square meters. The Hanseatic towns Hamburg and Bremen prove also in models the importance of the two largest ports of the Federal Republic. In the American Hall, called "Marshall House" after the initiator of the Marshall Plan, we find models of all kinds of types of ships. Of special interest for Berlin is a transverse section of a freight barge as almost all goods to and from Berlin are transported on water-ways. In 1960 about 3 million tons arrived on freight barges in Berlin. Other exhibition objects are original aircraft of various types, a motor car repair shop with "super testers", a special truck which can carry a complete week-end bungalow, a noiseless electromotor for fishing boats, etc.

We part from Berlin by mentioning that there is at present a lack of skilled workers since the Communist government closed the border. Many of them had their residence in East Berlin and came daily to the West sector. As West Berlin's industry is participating since years in the boom of the Federal Republic this lack of workers will be overcome first of all by increased automation. Secondly, workers from West Germany will be transferred to Berlin in spite of the fact that in the Federal Republic there is no unemployment. As is well known, lakhs of foreign workers from Italy, Spain, Greece and Turkey are already employed in the Federal Republic. But West Germany's industry has asked their young and unmarried workers to go to Berlin on a voluntary basis. They will get the guarantee that they will be taken back if they so desire. Moreover, the West German Government intends to pay the rail or air fare for them, also when they go on leave.

A SQUIRREL AS SYMBOL

We have to report about a new scheme in Germany by the peculiar name of "Squirrel", called after the little and charming animal which nature has wisely taught to collect food for winter time. One finds now-a-days advertisements in German dailies showing a squirrel and the slogan: "Denke dran — schaff Vorrat an" ("Consider it more — keep food in store"). And the reader is reminded that the continuous basic stock of a household should consist of rice, paste foods, sugar, lard and tinned food. The basic stock has to be replaced, the ad says, in the course of time by new stuff. A speaker of the Food Ministry explained that the "Squirrel" scheme which has been started in co-opera-



tion with consumer-organisations should not cause any panic. Storing of a food reserve must not necessarily be brought in relation to the possibility of a war in Europe but could prove useful also in case of calamities by force majeure, by an economic crisis or disturbances in food producing countries. But still the scheme has not been welcomed everywhere. Nevertheless, out of 1300 press commentaries only 65 were opposed to it. Critics were then asked whether in our present world situation there is a single moment when people could live without any anxiety in complete peacefulness. At any rate, since this scheme had been discussed for the first time last year and the pros and contras have frequently been published without causing any panic, this seems to be the best proof that the Germans are not losing their head. Quite on the contrary, they are working hard as usual without forgetting that man does not live from bread alone. Theatres and concerts are crowded, books — as one could see at the above mentioned show in Frankfurt — are being published in thousands (to be exact, 22,524 titles in West Germany within the last year) and sold in lakhs, pocket books even in millions.

In a pamphlet, giving details of the Squirrel scheme, it is pointed out that the expenses for a three persons household of the suggested food reserve amount only to about 33 to 44 DM. The public relations firm commissioned with the propaganda for the scheme, recommends to keep the reserve in a small cupboard with a coloured curtain or in a book shelf with sliding doors,

so camouflaging the food stock — which seems to be, to say the least, a strange idea.

To turn from food to drinks: are the Germans still the typical beer drinkers? Obviously not, milk has beaten beer. Let us see what statistics have to say. The "balance sheet of drinks" has been published and for the first time announced at the annual meeting of the "Association of German Spas". In 1960, per head of the population 111 litre milk, 96 litre coffee, 94 litre beer, 53 litre imitation (Ersatz) coffee, 22 litre tea, 13 litre mineral water, 10.8 litre wine and 6.9 litre grapejuice have been consumed. Eight million litre mineral water was exported in 1960 to 35 countries. The production of the mineral water industry came last year to 1.214 million bottles, an almost oceanic figure. During the first three quarters of 1961 an increase of 10 p.c. has already been achieved.

The "Bundesverband der Deutschen Industrie" (BDI — the Association of German Industries) is not exclusively concerned with the professional interests of its members. Its cultural section has arranged the "Ars Viva 1961", an art exhibition of young painters. This exhibition, first shown in Cologne where the BDI has its headquarters, will now go to Nuremberg, Wiesbaden, Brunswick and Dortmund. In Cologne paintings were already sold for 18,860 DM. Even the New York Museum of Modern Art appeared as buyer. Some of these painters had received scholarships from the cultural section of the BDI.

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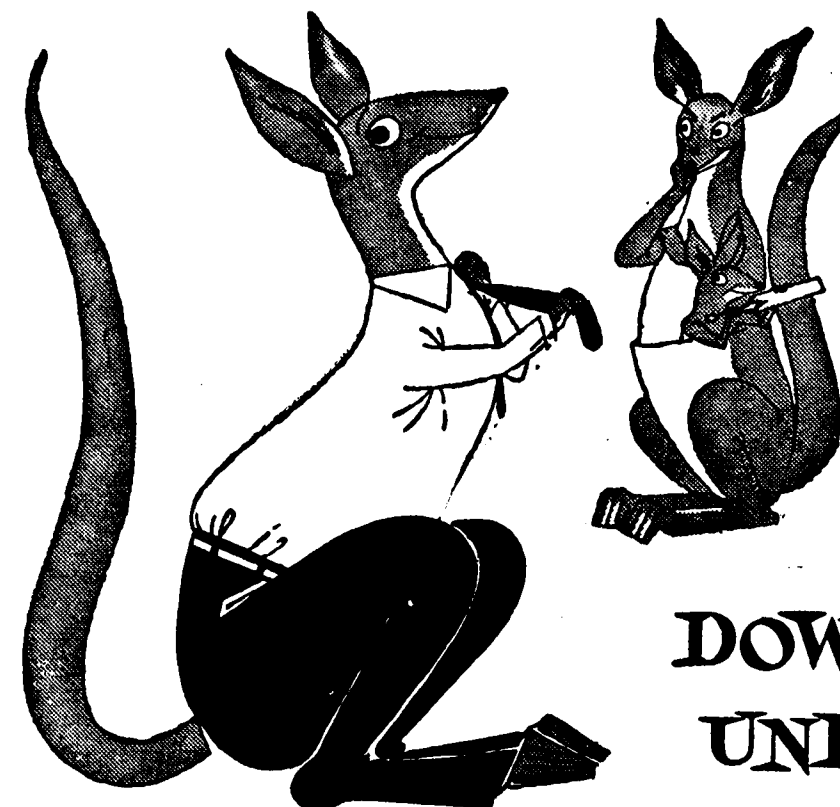
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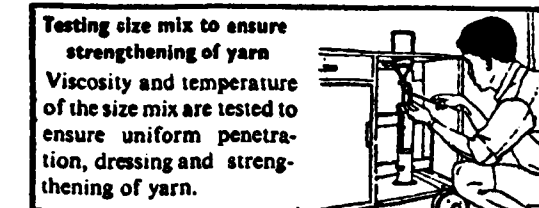
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*Economic Report from the U.S.***INVESTMENT IN EDUCATION**

By GUY SIMS FITCH

WASHINGTON, October 25.

THE realization is growing that the achievement of economic goals rests to a large extent on the knowledge and skills of a nation's citizenry. This is especially the case with regard to the technical and scientific manpower, the managerial talent and the administrative leadership required in a modern economic society. All of this can best be summarized, perhaps, under the single heading of education. It should come as no surprise, then, that an international meeting was held in Washington about a week ago on this very subject. Titled the Policy Conference of Economic Growth and Investment in Education, it brought together educational and economic experts from the United States, Canada and the Western European nations under the auspices of the Organization for Economic Co-operation and Development (O.E.C.D.). From the discussions there emerged the conclusion that there must be both quality and quantity in education if a nation is to fulfil its national goals effectively.

As noted by Philip H. Coombs, U.S. Assistant Secretary of State for Educational and Cultural Affairs, "there is no serious danger of over-educating the population; the greatest risks lie in the opposite direction." Effective educational systems also must embrace a broad spectrum of knowledge and achievement. The building of a better world requires people adequately trained in the sciences, in technology, in industrial management, as well as in the more traditional social studies and humanities. All of this implies that investments in human resources are at least as important as investments in physical facilities. As a matter of fact, it is an observable phenomenon that the United States and many other economically advanced countries are distinguished to varying degrees, by widely diffused and high levels of educational opportunity and achievement. The noted U.S. economist Theodore W. Schultz, who has headed the American Economic Association, has pointed to "the growth in human capital" as "the most distinctive feature of our economic system." Without it, he observes, "there would be only hard, manual work and poverty except for those who have income from property." Dr. Schultz, who has devoted much time and study to the development of human resources, estimates that since the turn of the century educational costs in the United States have risen more than three times as rapidly as has the gross formation of physical capital in dollars. Yet, there is a real awareness that educational standards must be constantly

improved if the challenges of the future are to be met adequately. If this is the case with a relatively developed country such as the United States, how much more important it becomes for developing lands to expand their opportunities and raise their standards in the broad and vital area of education.

Steel mills and factories seem to have become symbols of industrialization and economic progress, yet too often too little thought has been given to the knowledge and the skills required to plan and use the advanced techniques of production. Some economic growth can be achieved in this fashion, but its rate is inevitably limited. In the words of Dr. Schultz, "it simply is not possible to have the fruits of a modern agriculture and the abundance of modern industry without making large investments in human beings." Underlined at OECD's education meeting here was the inescapable fact that education must develop even more rapidly in new countries than it has in the United States and Western Europe — or in the Soviet Union, for that matter. According to estimates presented at the conference, the developing areas of Latin America, Asia and Africa had just over two million students in institutions of higher learning in 1958, and they will have to have at least 4.5 million in those institutions by 1970. It is small wonder, then, that the United States and the other OECD nations, who have given of their bounty to help developing lands build up their resources, are beginning to turn more of their attention to the social side of the modernization effort.

Mr. M. Hechinger, Education Editor of the "New York Times", has put it this way: "It is relatively easy . . . to provide under-developed countries with medical supplies and even hospitals, but it is much harder to furnish or train doctors, laboratory technicians and nurses" — without whom, one may add, the physical facilities in the form of hospitals and equipment would to all practical purposes mean relatively little. Formal education, while it is basic, still is but one aspect of the total effort to develop a society's human resources. Attention also must be paid to correlative efforts in this general educational area. There are, for instance, health and safety services which contribute to the vitality of a people; there is on-the-job training; there are study programmes for adults; there is the adjustment of individuals and families to changing employment opportunities. All of these are bound up with the effort to raise social and educational levels throughout the world.

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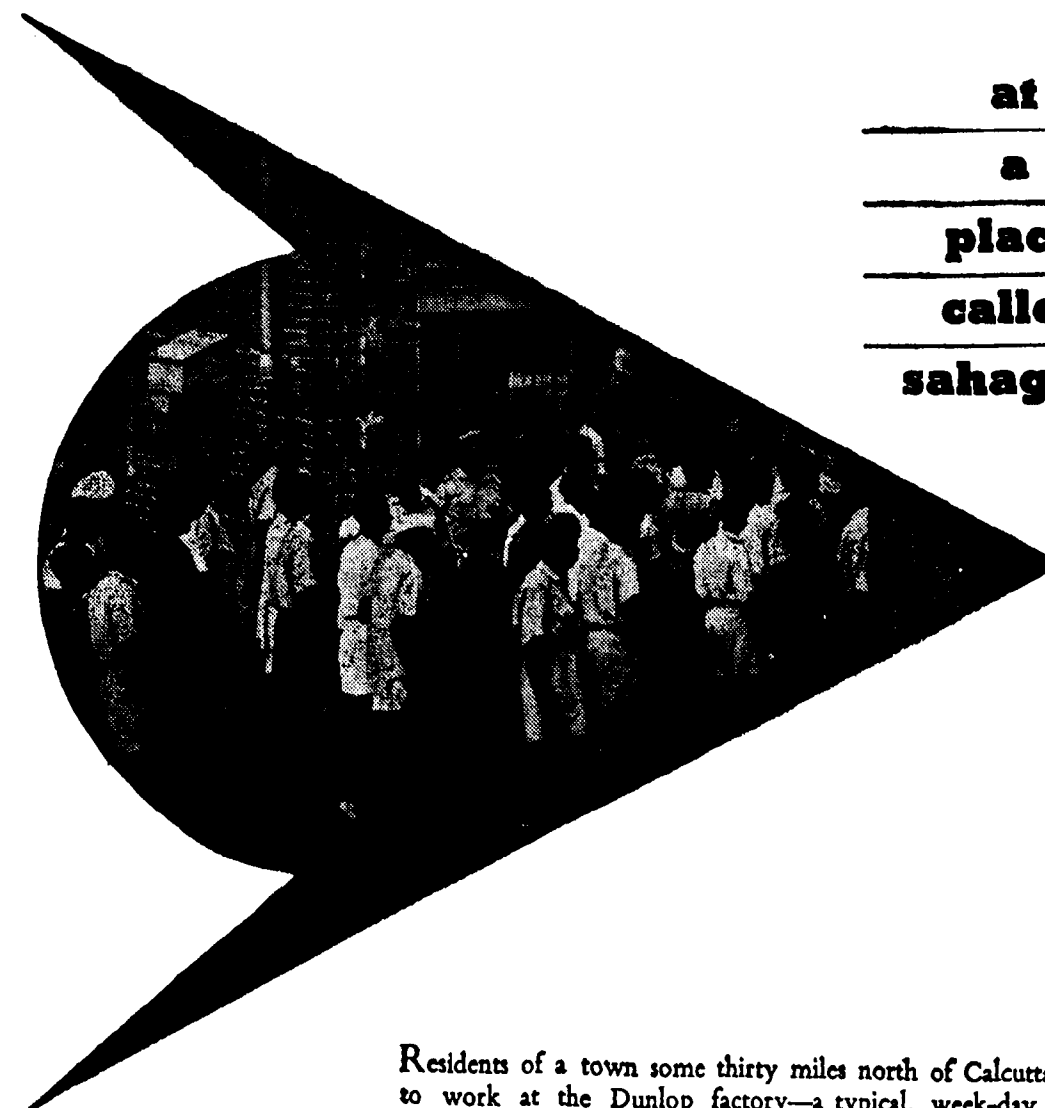
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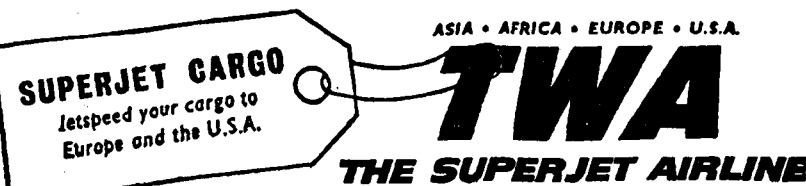
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Special Article

THE TERMS OF TRADE OF PRIMARY PRODUCING COUNTRIES, 1958-60

THE primary producing countries had to face a serious situation in 1960 because of the relative passivity of the commodity prices. Whereas the domestic demand of imports had risen, the exports refused to move in line, resulting in large trade deficits. It was in the third quarter of 1959 that the gap between the exports and imports showed signs of narrowing, but early in 1960 the gap started widening again, mostly because of the upsurge in imports and the failure of exports to look up.

Even though export earnings also increased, they were far outpaced by the import expenditure. The gap in the balance of payments of these countries in 1960 was filled by commercial credit, further credits from the International Monetary Fund and also by the higher inflow of investment capital both from the public and the private sources. It is the purpose of this article to study the behaviour of the foreign trade of the primary producing countries in order to assess the part played by the terms of trade which, it is generally assumed, have continuously worked against them.

Table I alongside gives the details for the period 1958-60 in regard to the major exports of 87 primary exporting countries in terms of quantum as well as unit value of exports. It will be seen that the quantum of exports for the under-developed areas rose by 8 per cent in 1959 over 1958 but only by 4 per cent in 1960 over 1959. The effect of this increase in exports was partly nullified by a fall of 4 per cent in unit value realised in 1959 over 1958 and a nominal rise of 1 per cent in 1960 over 1959.

The year 1960 indicated some improvement over 1959 in the value of export earnings. The volume of exports of the various countries showed wide fluctuations. In the case of the coffee producing countries the volume of exports showed a rise of 19 per cent in 1959 over 1958, but was, at the same time, accompanied by a fall of 15 per cent in the prices realised. Again in 1960, the volume of exports rose over 1959 by 2 per cent but the prices realised showed only a marginal fall of 1 per cent. In the case of the tea exporting countries (India and Ceylon) the volume of exports rose by 6 per cent in 1959 over 1958, though prices remained stabilised at the 1958 level. A fall by 5 per cent in volume in 1960 over 1959 was accompanied by a rise of 8 per cent in prices, with the result that the overall earnings recorded a rise. It is thus clear that the year 1960 was a year of recovery for most of the primary producing countries as compared to the depressing state of affairs prevalent in 1958 and 1959.

Table II overleaf highlights the pressure of imports on the primary producing countries in 1960. There was a rise of 15 per cent in the imports of manufactured goods in 1960 over 1959. The Southern and South-Eastern Asian countries had to bear an import bill for manufactured goods which was 22 per cent above the level in 1959. A much higher percentage rise was recorded in other groups. In the case of fuels, the increase was by 33 per cent, raw materials by 54 per cent and food stuffs by 23 per cent but the value of all these three items taken together did not add up to a significant figure as compared to the value of manufactured goods. The major pressure was caused by machinery and vehicles which constituted nearly 50

TABLE I.

PRIMARY EXPORTING COUNTRIES: INDICES OF EXPORT QUANTUM AND UNIT VALUE(a)
(Corresponding Portion of Preceding Year=100)

Country Group Export- ing mainly	Quantum		Unit Value	
	1959	1960	1959	1960
Cocoa (b)	116	118	90	84
Rice (c)	118	114	98	97
Petroleum, crude (d) ..	106	110	95	97
Oil-seeds and oils (e) ..	100	105	104	98
Fruits and wines (f) ..	107	125	91	97
Sugar (g)	100	101	93	99
Wool (h)	109	101	106	100
Rubber (i)	102	109	121	99
Tobacco (j)	131	97	89	97
Coffee (k)	119	102	85	99
Petroleum, secondary (l) ..	98	96	95	97
Metals and ores (m) ..	112	103	103	104
Vegetable fibres (n) ..	108	101	96	107
Meat (o)	99	104	103	105
Tea (p)	106	95	100	108
Average countries listed ..	107	105	98	100
Average, underdeveloped areas (q)	108	104	96	101

- a. Group indices are derived from country indices weighted by the current dollar value of exports or imports; 1960 figures are preliminary, based on less than twelve months' trade in some countries.
- b. Cameroon and Ghana.
- c. Burma, Cambodia and Thailand.
- d. Brunei, Iran, Iraq, Kuwait, Qatar, Saudi Arabia, Trinidad and Tobago and Venezuela.
- e. Former French West Africa, Libya, Nigeria and the Philippines.
- f. Algeria, Ecuador, Honduras, Israel, Lebanon, Panama, Portugal and Spain.
- g. Barbados; British Guiana, China (Taiwan), Cuba, Dominican Republic, Fiji, Guadeloupe, Martinique, Mauritius and Reunion.
- h. Australia, New Zealand, Union of South Africa and Uruguay.
- i. Federation of Malaya, Indonesia, North Borneo and the Republic of Viet-nam.
- j. Greece and Turkey.
- k. Angola, Brazil, Colombia, Costa Rica, El Salvador, Ethiopia, Guatemala, Haiti and Madagascar.
- l. Aden, Bahrain, Netherlands Antilles and Sarawak.
- m. Bolivia, Chile, Congo, Cyprus, Federation of Rhodesia and Nyasaland, Jamaica, Jordan, Morocco, Peru, Republic of Korea, Sierra Leone, Surinam and Tunisia.
- n. British East Africa, Former French Equatorial Africa, Mexico, Mozambique, Nicaragua, Pakistan, Sudan, United Arab Republic (Egypt) and United Arab Republic (Syria).
- o. Argentina, Ireland and Paraguay.
- p. Ceylon and India.
- q. Latin America, Africa (excluding the Union of South Africa), Middle East (excluding Turkey), Southern and South-Eastern Asia, weighted by the value of trade in 1953.

per cent of the imports of manufactured goods in this area, and whose value of imports had risen by 21 per cent in 1960 over 1959. This was the real cause of the rise in the import bill of all the Southern and South-Eastern countries of Asia including India.

TABLE II.
IMPORTS OF SELECTED CATEGORIES OF GOODS
FROM INDUSTRIAL COUNTRIES

(Value, millions of dollars in the first three quarters of 1959; index, 1959 figure=100)

Importing region and period	Manufactured Goods						
	Foodstuffs	Raw Material*	Fuels	Total	Chemicals	Machinery and vehicles	Other manufactures*
Primary exporting countries							
Value: 1959	1,746	605	374	12,157	1,523	5,608	5,025
Index: 1960	109	131	101	115	113	117	113
Latin America							
Value: 1959	428	160	97	3,831	516	1,952	1,333
Index: 1960	97	120	95	105	107	109	97
Africa**							
Value: 1959	530	112	163	3,085	313	1,279	1,493
Index: 1960	102	134	100	118	116	130	109
Middle East							
Value: 1959	232	102	50	1,635	176	774	686
Index: 1960	113	93	80	104	104	101	107
Southern and South-eastern Asia							
Value: 1959	513	175	49	2,597	406	1,111	1,080
Index: 1960	123	154	133	122	115	121	125
Oceania							
Value: 1959	43	56	15	1,039	113	492	434
Index: 1960	120	153	110	140	133	132	150

* Metals are included with "other manufactures".

** Including dependencies of western European countries in the Caribbean and South-East Asia. The coverage in 1960 differs slightly from that of 1959.

In the case of 33 primary exporting countries, balance of trade rose in 1960 over 1959 entirely because of the increase in imports. In the case of the Indian Union which belongs to this group the adverse balance of trade which was around \$671 million in 1959 rose to \$791 million in 1960. India was not the only country with such a large deficit. Algeria with an adverse balance of \$774 million in 1959 and \$874 million in 1960 was the country with the heaviest deficit in the list of 33 countries given in Table III alongside.

The problem of the primary exporting countries may be looked at from another angle. An analysis of the exports of the industrially advanced countries shows that the pressure was not caused by higher prices of their exports but by the increased volume of exports. This significant fact is brought out in Table IV. It shows that the quantum of exports of the industrially advanced countries rose by 24 per cent in 1960 over the level prevalent in 1958 or as much as 14 per cent over the level in 1959. The sizable increase in the value of exports seems to have been attained by an increase in the volume of exports but not in prices. Thus, it is conclusively proved, that the pressure on the balance of

payments of the primary producing countries in 1960 was mainly caused by a significant rise in the value of their imports and not by any sharp movement of the terms of trade against them.

TABLE III.
COUNTRIES WHOSE BALANCE OF TRADE BECAME
LESS ACTIVE OR MORE PASSIVE
(Million U.S. \$)

	1959	1960
1. Argentina	16	-110
2. Israel	-247	-276
3. Morocco	3	59
4. Philippines	72	-148
5. Republic of Viet Nam	-150	-155
6. Mozambique	52	53
7. Lebanon	221	-262
8. Republic of Korea	264	-297
9. Uruguay	62	-115
10. China (Taiwan)	74	-133
11. Pakistan	32	-260
12. Haiti	2	3
13. Bt. West Indies	84	94
14. Jordan	-103	-109
15. Reunion	15	15
16. Algeria	-774	-874
17. Portugal	-183	-219
18. Martinique	12	15
19. Singapore	-153	-196
20. Bt. East Africa and Aden	15	34
21. Bt. West Africa	55	-135
22. Former French Equatorial Africa	37	55
23. Ghana	30	68
24. Guadeloupe	7	13
25. Mexico	-257	-426
26. Hong Kong	-292	-337
27. Ecuador	34	33
28. India	-671	-791
29. Iraq	280	279
30. El Salvador	13	6
31. New Zealand	174	65
32. Union of South Africa	-274	-456
33. Cambodia	10	26

TABLE IV.
QUANTUM AND UNIT VALUE OF TRADE
(Base: 1958=100)

Region & Year	Quantum		Unit Value	
	Exports	Imports	Exports	Imports
North America				
1957	114	100	101	104
1958	100	100	100	100
1959	100	117	101	99
1960	114	113	101	100
Western Europe*				
1957	98	99	103	108
1958	100	100	100	100
1959	113	110	96	97
1960	127	130	98	97
Japan				
1957	96	122	107	115
1958	100	100	100	100
1959	119	126	100	95
1960	132	157	104	92
All Industrial Countries				
1957	103	100	102	106
1958	100	100	100	100
1959	109	112	98	96
1960	124	126	99	96

* Refers to O.E.E.C. countries.

THE BUSINESS WORLD

Report on Calcutta Tramways Strike

THE outstanding feature of the tripartite committee report under the chairmanship of Mr. R. L. Mehta, Joint Secretary, Ministry of Labour and Employment, which presents a lucid picture of the Calcutta Tramways strike is that five out of the six members agree on all the points. First of its kind, this committee was appointed to study the strike from the point of view of the Code of Discipline whose main object is to create public opinion against unfair labour practices and unwarranted work stoppages. The previous enquiries under the Code, like the one in the strike in the Premier Automobiles Limited, were by officials only.

Written in an easy and simple style the report makes an interesting reading. Not only does one get a fair assessment of the entire situation that prevailed during the strike period in 1958 in the Calcutta Tramways Ltd. but one is also impressed by the painstaking efforts of the Committee. The credit should go to the chairman and the members of the Committee for their penetrating analysis who with their deep insight into labour matters have put into right perspective all the points pertaining to the strike.

The note of dissent given by Dr. Ranen Sen does not appear to be convincing. Throughout he has supported the workers view-point and has tried to put the entire blame on the company. Their is no doubt that the company is also to blame for breach of the Code of Discipline, but the entire blame cannot be put on one body. The demand for increasing the fares by the Calcutta Tramways Ltd. was fair and justified. Both the Government and the Dey Commission recognised the stand of the company, but the pity is that Dr. Sen fails to see the light of the day and persists in maintaining his recalcitrant attitude. His mixing up of the issue of increasing fares along with the demands of the workers is totally untenable. The company at no stage had wanted that the wrath of the public should be let loose on the workers. The company had no desire to make the settlement of the dispute dependent on an increase in fares but circumstances forced it to take a decision which perhaps could be interpreted that way. That the demands of the workers involved large financial commitments can not be gainsaid. Similarly, it cannot be controverted that the cost of maintenance and improvement of the service had risen steeply since the fares were last fixed. And finally, it must not be forgotten that fares are the main source of the company's revenues. In the circumstances, the rise in fares was inevitable, if more financial commitments were to be undertaken. The report after sifting evidence amply makes that clear.

The fault of the unions was that they kept up the spirit of agitation amongst the workers on issues already settled by tribunals. They resorted to force, intimidation and coercion which cannot but be condemned. Their refusal to make use of the efforts of help made by the State Labour Minister and the Union Deputy Labour Minister was simply to have things in their own way. It needs to be pointed out that the

company had not rejected the demand of the workers for gratuity. Since the matter required consideration by the company's Board of Directors in London, there was no other course left but to refer the issue there. The surprising thing is that the workers did not wait even for a few days and instead went on strike on August 12. Thus, everything by way of advice, warning or appeals was thrown to the high winds. Not only did they go on strike but insisted all the time that the settlement of their demands should not involve any rise in fares, logic of which is simply beyond comprehension. What baffles most is that they made this the most crucial issue. Generally labour does not worry how a management adds to its income particularly when the benefit is also to be passed on to them. And what did they gain out of this 42 day strike? Simply nothing. Rather they lost about Rs. 10 lakhs in wages and the company about Rs. 30 lakhs in revenue. The travelling public was inconvenienced about a month and a half as they lost during this period their cheapest means of transport.

While a greater blame may be put on the workers, the management by no means can be spared. Its infringement of the Code lies in the fact that it had not provided an adequate machinery for collective bargaining. Nor was the formal recognition conferred on the majority union. In the case of medical benefits there was a deliberate delay in implementing the award. So it naturally led to industrial unrest. It is also difficult to understand why copies of service books were not issued to the workers particularly when it is claimed that the service records maintained were absolutely correct. Had the copies of the service records been issued to the workers, perhaps it might have helped to remove their suspicions to a certain degree. And then again why the copies of the Code of Discipline were not displayed in the company's office. These are things which cannot be defended on any score.

Matters might have improved if the State Government had taken action against the unions for their sudden strikes particularly when they were against the Code of Discipline and constituted violations of the Industrial Disputes Act. But it is a pity that no action was taken. In all fairness the report makes no secret of that and rightly levels allegations against the State Government.

With a view to settling disputes without work stoppages in future, the Committee rightly contends that the company must provide the means for collective bargaining and establish an authoritative organ for joint consultation. The organising of Works Committees at each depot with a view to setting up eventually a Joint Management Council, of course, is a must, for it is only through these means that a speedy betterment of relations between management and workers can be brought about. The Committee has done a singular service in bringing every aspect to light and now it is only to be hoped that its findings would help set the house in order.

Business Notes

Cement

THE PRICE INCREASE

THE RISE in the cement price from the existing rate of Rs. 122.60 per ton to Rs. 135.60 is to be welcomed by the industry as it would not only provide incentive for greater production, but would also help the industry to meet its needs for expansion. The full increase recommended by the Tariff Commission could not be brought about as it was thought that it might impinge heavily on the construction programme. Of prices now announced, rupees two per ton will be earmarked by each unit for research, development, modernisation, rehabilitation and other improvements needed to put them on a more efficient basis.

The Government has differed from the Tariff Commission in two main respects. Firstly, the Government has not accepted the full increase of Rs. 16 recommended by the Commission. Secondly, the Government has fixed a uniform ex-works price, and at the same time, allowed an additional price for a short period for uneconomic units instead of the differential retention prices for the various cement units recommended by the Tariff Commission. The price that has come into force will continue to remain for the entire Third Plan period. The Commission's recommendation was that the new prices remain in force only for three years.

So far as distribution of cement by the S.T.C. is concerned, there is to be no change in the system. The Government somehow or the other seems to be convinced that the S.T.C. has acquitted itself very well and there is no necessity to change the horse in the middle of the stream. The Tariff Commission had also recommended that the existing arrangements be continued. This obviously would not be to the liking of the private sector as it had been demanding all along that the monopoly enjoyed by the S.T.C. in the distribution of cement should be put an end to. The revised price, according to official sources, will leave to the S.T.C. only a reasonable remuneration for the task of equalization of prices, procurement, transport and distribution, which the S.T.C. has to perform.

As a result of the increase the cost of building operations is likely to go up. Since more than half of consumption is accounted for by Government agencies and public sector works, it is clear that most of the brunt of rise in price will have to be borne by the public sector.

Foreign Trade

TRADE BETWEEN INDIA AND POLAND

TRADE BETWEEN India and Poland during the last few years has been increasing at a rapid pace. While imports from Poland in 1952 were of the order of Rs. 26 lakhs, in 1960 they were of the order of Rs. 299 lakhs. Exports to Poland in 1952 were worth Rs. 24 lakhs and they jumped to Rs. 359 lakhs in 1959. A significant point noticeable in the trade between these countries is that India has been having an adverse balance of trade more or less continuously starting from 1952. It was only in 1960 that one comes across a favourable balance of trade, which was to the tune of Rs. 36 lakhs. The table in the next Column in this context is self-explanatory.

(In rupees lakhs)

Year	Imports from Poland	Exports to Poland	Balance of Trade
1952	26	24	— 2
1953	17	9	— 8
1954	2,60	27	—2,33
1955	2,05	44	—1,61
1956	2,17	1,09	—1,08
1957	4,88	1,15	—3,73
1958	2,26	92	—1,34
1959	4,14	3,59	— 55
1960	2,99	3,35	+ 36

It is possible for both sides to develop the trade in future particularly because of the fact that long range planning is the rule in both Poland and in India. The Polish Trade Team which has arrived to have discussions with the Indian Government for finalizing the trade arrangements for 1962 seems to be hopeful on all scores. A frank exchange of views has taken place and the trade talks are in a successful stage. At present trade between India and Poland is governed by the three-year Trade Agreement which came into force on January 1, 1960. Under the terms of the Agreement, trade will be on a balanced basis and payments will be regulated through non-convertible Indian rupees.

The principal imports from Poland consist of items such as mining and drilling machinery, metal and wood working machine tools, electrical instruments, equipment, and appliances, electric motors, pumps and compressors, electric meters, rolling stock, dye-stuffs, pharmaceuticals including anti-biotics, vaccines and serums, photo materials and photo chemicals, newsprint, etc. Exports to Poland constitute mostly of commodities like shellac, coir products, hides and skins, iron ore, manganese ore, mica, castor oil and de-oiled cakes.

Since India requires large capital goods for the successful execution of her Third Five-Year Plan, Poland can fill the gap in certain ways. It has, for instance, specialised in delivery of equipment and technical services for the coal industry co-operation in this field can certainly be extended effectively. Co-operation can also be sought in regard to deliveries of Polish equipment for India's ore mines, power installations, tube-well and irrigation purposes, and a number of other plants, specially machine building factories. All said and done, it appears that trade and economic ties between India and Poland are likely to grow in the years to come.

Minor Irrigation

SETTING UP OF ENGINEERING CELLS IN STATES

OF LATE, there has been a greater emphasis on minor irrigation works to increase agricultural production. This emphasis is to be welcomed as minor irrigation

INVEST WISELY AND WELL

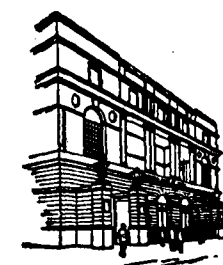
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works are easier to execute and cost much less than the medium irrigation works do. In 1959-60 the irrigation potential available on account of these works was utilized only to the tune of 46 per cent during the khariff season and 69 per cent during the rabi season. Since there is a vast unutilized capacity, it is imperative that the irrigation potential available on account of minor irrigation works be fully harnessed. Under the Third Five-Year Plan, it is proposed to increase the area under minor irrigation works from 3.9 million acres to 47.5 million acres (net).

The two-day Northern Regional Conference on minor irrigation, which concluded its session recently, has come out with various suggestions to accelerate the minor irrigation programme. The setting up of special engineering cells in all States to deal with technical aspects of minor irrigation schemes in a unified and integrated manner is one of the main recommendations of the regional conference. Urgent steps have also been called for to remove procedural delays in matters like sanctioning estimates, entering into works agreements and granting financial assistance to cultivators. Taking due note of the rising cost of minor irrigation works, research and training in the technique of design and construction with a view to bringing down the costs have been rightly called for.

For satisfactory maintenance of works belonging to groups of cultivators like tanks, anicuts it has been suggested that responsibility for maintenance should be increasingly placed on the local organizations like panchayats and co-operatives. These organizations should be provided with necessary statutory powers and finance, as well as technical staff.

Another of the important recommendations is that any saving that might be effected out of funds allocated for agriculture should be diverted only to the minor irrigation programme. It has also been urged that a certain percentage of electric power potential available in the States should be set apart for use on agricultural pumping.

The recommendations pertain to many of the aspects of minor irrigation works and, if implemented, can go a long way to bring about greater co-ordination and technical competence in planning.

Transport

RURAL ROADS

WHILE IT is proclaimed that no village should remain more than four miles away from a metalled road by the end of the Third Plan, it is a pity that the necessary priority has not so far been given to road building in the rural areas. The attitude of the States is not co-operative as they feel that they will not be able to contribute the funds that have been asked for. The Centre's plan is to construct 80,000 miles of roads in the rural areas at a cost of Rs. 180 crores. The money asked for from the States is to the tune of Rs. 50 crores, contribution by the Central Government Rs. 50 crores and contribution of the people to the tune of Rs. 80 crores, largely through manual labour.

The demand that the States should set apart 10 per cent of their allocations for road building seems quite reasonable. Since development of roads in the rural areas can contribute to increased agricultural production, it seems fair and justified that the States should exert themselves to find out the required resources. The community development movement has done valuable work in the field of road construction. It has, for instance, been responsible for the construction of 80,000 miles of new roads and improvement of 1 lakh miles of old roads. All this goes to prove that the panchayats can pull their weight and if they are backed up with money and also given the legal power to levy

taxes for the purpose of road building, significant progress can be achieved.

It may be a worthwhile proposition to consider that a part of the levy on sugarcane should be used for improving road communication in the areas concerned. But what is actually happening is that much of it is being absorbed in the general revenues of the States. A beginning in this direction was made in one cane growing area in Mysore, but later on the cess money came to be regarded as part of the State's general revenue, as in the rest of the country.

Now that the creation of a fund for the development of rural roads in India has been accepted in principle by the Transport Development Council, it should strengthen the hands of the Union Transport Ministry, which has been sedulously and tenaciously fostering this idea and pressing the Planning Commission to reconcile itself to it. It is not difficult to raise the required amount for construction of rural roads under the present Plan if the States take courage in both hands and remain prepared to meet the exigencies of the situation.

Agricultural Labour

BRINGING ABOUT ECONOMIC BETTERMENT

WHILE A number of constructive steps are being taken to improve the lot of landless agricultural labourers in more or less every State, Maharashtra appears to have taken the lead. A number of measures to secure an increase in the per capita income of the landless agricultural labourers in Maharashtra to the extent of 33.34 per cent during the Third Plan in order to reduce the disparity in their economic conditions have been recommended by the Study Group on landless agricultural labourers set up by the State Consultative Committee on the Third Five-Year Plan. The disparity in the economic conditions of the landless agricultural labourers and that of the State's population is so wide that one is simply amazed at it. According to the survey on agricultural labourers, conducted under the National Sample Survey in the year 1956-57, the per capita income of the agricultural labourer was Rs. 91 as against the per capita State income of about Rs. 335.

The various recommendations of the Study Group for improving the economic condition of the landless agricultural labour are: grant of land to them by means of ceiling on land holdings; setting up of industries based on local resources; constructional activities and the programme of milk production and poultry farming.

Assuming that the increase in the per capita income for the State's population as a whole would be about 16 to 17 per cent during the Third Plan period, the Study Group has recommended that in order to reduce the disparity between the income of the landless agricultural labourers and that of the State's population as a whole, the target for the growth in per capita income of landless agricultural labour should be fixed at 33 to 34 per cent.

It cannot be denied that an immediate solution of the problem lies in the industrialisation of rural areas. A pilot scheme of a District Industrial Board on the pattern of Housing Board or the State Electricity Board, consisting of officials and non-officials has, therefore, been suggested for three districts—one each for Vidharbha, Marathwada and the rest of Maharashtra. The Study Group feels that there should be a board at the State level as recommended by the Planning Commission to keep a constant watch over and to make recommendations regarding the programme of economic betterment of landless agricultural labour. The recommendations of the Study Group touch the very root of the problem and if properly implemented, can go a long way in bringing about economic betterment of landless agricultural labour.

FROM THE CAPITAL'S CORRIDORS

U.S. BUSINESSMEN IN DELHI

THE Indian Round-table of the Business International which concluded its session this week in New Delhi was by and large a success. It helped to eliminate to a large extent the 'psychological barriers' which stood in the way of American investment in this country and created an atmosphere for more collaboration and joint ventures. The American businessmen and industrialists seemed to have been impressed by India's economic development since Independence, its political stability, its tremendous resources and its potentialities as a wide market.

The discussions took place at various levels and the members of the Business International had a very large number of questions to pose like the status of the Private Sector in the Indian economy, the economic significance of Socialist Pattern of Society, the possibilities of limits on the returns on foreign investment, and so on. It is gathered that generally they were satisfied with the replies they received.

A pertinent question they had for the Prime Minister was: "You defined a capitalist society the other day as an acquisitive society interested solely in 'grab'. Would you put enlightened industrial countries such as the U.S. and the U.K. in this category? In your view, does the profit motive make a private industrial corporation incapable of voluntarily acting with a social conscience in the national (or international) interest?" And along with this they tried to seek clarification on the nature of Socialist Pattern of Society. A spokesman for the Indian view point told them that the Government of India's policy was not rigidly ideological and was based on practical and economic considerations. There was neither totalitarian planning nor rationed consumption in this country. Thus it was made clear that the Government did not consider the private corporations incapable of acting with a social conscience in the national interest.

The Indian spokesmen also tried to clarify the U.S. investors' question regarding their difficulties in collaborating with Indian firms with a minority holding because of the U.S. anti-trust laws. The Indian spokesman indicated that but for such an arrangement it would be difficult, if not altogether impossible, for indigenous entrepreneurs to stand on their own legs. It was further noticed that Indian collaborators had never tried to take an undue advantage of their position in the majority holding undertakings.

Another important question was regarding the delays that take place in various ministries at various levels. The question was put to the Ministry of Commerce and Industry: "The most common complaint of businessmen in India is that practically everything needs to be approved by the Government of India, that because of the overload of work on key officials decisions are delayed and business planning suffers. What can be done to speed up decisions and to reduce the number of matters on which Government approval is required?" For instance they questioned the necessity of approval by three different groups before capital imports for new projects could be executed. These are Licensing Committee, the Capital Goods Committee and the Controller of Imports and Exports. Another triple check that was maintained on the foreign financing aspects of a new project, they indicated, was by the Licensing Committee, Controller of Capital Issues and the Reserve Bank. They very rightly suggested that the multiple controls could be eliminated.

BUSINESS INTERNATIONAL AND THE COMPANY LAW ADMINISTRATION

The Business International posed a question to the Company Law Department in respect of senior execu-

tives. It said, "The present Indian law allows for negotiation on the compensation of foreign senior executives. However, in view of the limitations on compensation established by Indian statutes, these negotiations can prove unsatisfactory. Is there any prospect for an improvement in this situation?"

The answer by the Company Law Administration was: "The reference to 'senior executives' in the question is apparently to executives acting as directors, managing directors, whole-time directors and managers. The relevant provisions of the Companies Act apply only to public companies and such private companies as are subsidiaries of public companies, and do not seek to regulate the remuneration of other categories of employees in the service of companies, except where such employees are associates of the managing agents or secretaries and treasurers of the said companies, in which case Government's approval is required to the contract between the Company and the employees for rendering of services by the latter. These powers of approval have been conferred on the Central Government, because Parliament was anxious to ensure that the management expenses of public companies and their subsidiaries, in which the public had a stake were not disproportionate to the resources and profit earning capacity of the companies, and that salaries of individual members of the top management were fixed at reasonable figures, in conformity with the prevailing levels obtaining in industry and the legitimate expectations of the top managerial personnel in this country. In the case of foreign managerial personnel employed in this country, their previous remuneration and legitimate expectations are duly taken into account. Action by the Government of India on individual application is taken on the recommendation of an independent body, the Company Law Advisory Commission, to consider what reasonable figures of remuneration in the light of the statutory maxima, should be fixed as remuneration for particular individuals or agencies concerned with the top management of trade and industry. The interposition of an Independent Advisory Commission, consisting wholly of eminent non-officials familiar with the working of the corporate sector, and presided over, as at present, by an entirely disinterested person, ensures that, in the exercise of the discretionary powers conferred on Government, they have the advantage of a careful assessment of the merits of individual cases by a body of competent people, who are generally familiar with company methods and practices and can be expected at the same time to take a broad view of the responsibilities of company management both to their stockholders and the general public. No serious practical difficulty has been experienced in exercising the discretionary powers vested in Government under the statutory rules."

\$20 MILLION U.S. LOAN TO INDIA

Under an agreement with the United States, the Government of India has now secured a loan of \$20 million, (Rs. 9.5 crores), which will be channelled through the U.S. Development Loan Fund and repayable in rupees for the import of non-ferrous metals. The agreement was signed by Mr. L. K. Jha, Secretary, Ministry of Finance, Department of Economic Affairs, and Mr. J. K. Galbraith, U.S. Ambassador in India. The loan will, it is stated, be utilised in the United States for the procurement of aluminium, copper and zinc to help make full use of the additional industrial capacities released in India in recent years. Much of the metal will be processed into final form at plants in India. The resulting products will be used mainly in products in the field of power, transportation and communication. The major part of the imports of non-ferrous metals will be used in the fabrication of electri-

cal equipment such as transformers, motors, generators, switch-gear and overhead lines for railway electrification and also in the manufacture of machinery components for chemical, sugar, tea, paper, automobile and storage battery industries.

TERMS OF REFERENCE OF BONUS PANEL

The terms of reference of the Bonus Panel to be constituted by the Government shortly were settled at a meeting held last week of the tripartite sub-committee on Bonus held under the chairmanship of Mr. Gulzari Lal Nanda, the Union Minister of Labour and Employment. The Commission will consist of Mr. M. R. Meher, Chairman, two independent members, two representatives of the employers, one from the private sector and another from the public sector, and two nominees of the workers' organisations. As soon as the names of the employers' and workers' representatives are communicated to the Government, an official notification setting up the Commission will be issued. The two independent members on the Commission, it is understood, will be Mr. M. Govinda Reddy and Dr. Ganguli, the Director of Delhi School of Economics.

Regarding the banking industry, the sub-committee is understood to have taken the view that though the question of bonus in the banking industry was before the Desai Tribunal, there could be no bar to the bank employees presenting their case before the Commission. The banking industry had earlier represented that they be excluded from the purview of the Bonus Commission as the tribunal presided over by Mr. Justice Desai was seized of the bonus question at present. The employees had, however, opposed such exclusion as the reference to tribunal in their view was of a limited nature.

The sub-committee did not make any major changes in the draft terms of reference which emerged out of the discussions at Bangalore earlier this month. The terms of reference include the following:

To define the concept of bonus and to consider in relation to industrial employment, the question of payment of bonus, based on profits and recommended principles for computation of bonus and methods of payments. The term "industrial employments" will include employment in private sector and in establishments in the public sector now departmentally run which compete directly with the establishments in the private sector.

To determine the extent to which the quantum of bonus should be influenced by the prevailing level of remuneration and the need for improving productivity; to determine what the prior charges should be and how they should be calculated under different circumstances; and to determine other conditions under which bonus payments should be made, unit-wise industry-wise or industry-cum-region wise.

MODE OF PAYMENT

The Commission will examine whether the bonus due to workers beyond a specified amount should be paid in the form of national savings certificates or in other form. It will also consider whether there should be lower limits irrespective of losses in a particular establishment and upper limits for distribution in one year and, if so, the manner of carrying forward profits and losses over a prescribed period. Further, it will suggest an appropriate machinery and method for the settlement of bonus disputes and will make such other recommendation on which employers' and workers' representatives are agreed.

L.I.C.'S MASS POLICY

A proposal for launching a "revolutionary" scheme of "mass" life insurance policy is being actively considered by the Life Insurance Corporation of India it is learnt. The Actuarial Department of the Corporation has been asked to work out a uniform premium rate for all age groups which a mass scheme will entail.

The mass insurance of the type envisaged by the Corporation is not known to exist anywhere in the world. The idea, it may be recalled, was first mooted by the Chairman of the Corporation, Mr. P. A. Gopalakrishnan. The essence of the scheme is that an institution will take a policy on behalf of all its employees who will be charged the same rate of premium, irrespective of their age. The consolidated amount for all the employees in the form will reach the LIC, which is thus relieved of the burden of maintaining individual accounts and keeping track of the "status" of each policy holder from time to time.

Apart from the laborious work of making individual entries in each policy, the maintenance of records of millions of policyholders for long periods is a stupendous task. The problem of finding space for keeping the records is said to be acute. In other countries this is overcome by resort to microfilms.

Another advantage of the "revolutionary" scheme is that a mass policy offers an easy, sure and automatic way of spreading insurance business quickly. The enormous labour and time taken in door to door canvassing for individual policies can also be saved.

HIGHER ALUMINIUM CAPACITY

The Planning Commission has approved a proposal for two new projects with aluminium output capacity of 35,000 tons and 25,000 tons respectively, which together will raise the total capacity from existing target of the Third Five-Year Plan of 87,500 tons to 142,500 tons. It is understood that even this is not considered to be the final target for the industry because the Government is considering to take up more schemes in the private sector. One of these is a unit to produce 30,000 metric tons aluminium ingot (60 per cent electrolytic grade) with 15,000 metric tons of aluminium fabrication plant. It will manufacture 60,000 metric tons of alumina. An Industrial Licence for this unit has been granted to Bharat Aluminium Corporation Limited, Mysore. The licence is subject to the condition that issue of industrial licence did not involve any commitment on the part of the Government in respect of electrical power, availability of bauxite, release of foreign exchange, import of capital goods and machinery etc., and that, before Government accorded their approval to the other important aspects of the project such as issue of capital, foreign exchange financing, terms of foreign collaboration, etc., the project should have been fully investigated and satisfaction given on all relevant matters, such as availability of power and raw materials in adequate quantities, availability of external finance, technical collaboration arrangements and a firm plan for export as proposed by the party in their application.

The other proposal is for a 25,000 tons smelter in the public sector. The Planning Commission has agreed to approve this capacity as and when the scheme takes shape.

The decision to increase aluminium capacity has been taken in view of the rising demand for electrolytic copper, and the relatively meagre possibility of increasing its domestic production during the Third Plan. Expansion is under way of the Indian Aluminium Company's plant at Hubli by 10,000 tons per annum and Alwaye by 5,000 tons; a smelter at Rihand of 20,000 tons capacity; a smelter at Koyna of 20,000 capacity; a smelter near Salem of 10,000 capacity; and expansion of the Aluminium Corporation of India by 5,000 tons. It is also gathered that a sub-committee appointed by the Development Council for non-ferrous metals recommended that the target be fixed at 150,000 tons. It has, however, been suggested that before raising the capacity, bauxite deposits in the country should be correctly assessed and the availability of power should be ensured.

BAUXITE EXPORTS

The Government of India have decided to allow the export of 3,50,000 tons of bauxite annually for the

next two years from now. Of this quantity, 1,50,000 tons of bauxite will be allowed for export from the ports of Saurashtra and one lakh tons each from Bombay and Calcutta. Exports will be allowed irrespective of the origin of the bauxite. For some time past, the Government have been reviewing the export policy of bauxite in view of the rapid development of the aluminium industry in India on a massive scale. Having regard to the export commitments already made by Indian exporters with the overseas buyers, the present policy of allowing exports up to 3,50,000 tons annually has been decided as a short-term policy for the next two years. Exporters are advised not to enter into any commitments beyond this period of two years.

PROMOTING REGIONAL TRADE: AFRO-ASIAN MOVE

At a Press Conference in New Delhi recently, Dr. Mohammed Ali Rifaat, Secretary General of the Afro-Asian Organization for Economic Co-operation, revealed that 38 Asian and African countries will meet in New Delhi in the middle of December in an unofficial conference to discuss what the Afro-Asian region can do to protect itself from the adverse impact of the economic groupings elsewhere. The main subjects that are likely to come up before the Conference are: possibilities of increasing regional trade in specified market commodities along with the world trade, impact of external groupings on the trade and the economic development of Afro-Asian countries through mutual aid and investment. The ultimate aim of the Afro-Asian Organization for Economic Co-operation, Dr. Rifaat mentioned, was to form an Afro-Asian common market. But, as has been realized by the members, this can only be achieved in stages, of which the formation of a Limited Payments Union would probably be one.

An important point made by the Secretary General was that the Conference would have much to say about the French attempt to weaken the economic solidarity of Africa by organizing a separate group of African countries formerly under French occupation.

The Conference will be sponsored by the Afro-Asian Organization for Economic Co-operation and will last from 11th December to 15th December, 1961.

The organization consists of the following organs: the Conference, the Council and the Centre. Its main objectives as laid down by its constitution are: to foster collaboration among the national chambers of commerce, industry and agriculture, their Federations and such other similar institutions; to promote better understanding and cordial relations among the peoples of Africa and Asia; and to achieve increased co-operation among the Afro-Asian countries in the economic field in order to realize higher standards of living among their peoples.

INDIA-CEYLON TRADE AGREEMENT

India-Ceylon Trade Agreement signed in New Delhi this week, comes into force with immediate effect and will remain in force until it is modified or terminated by either contracting party on giving three months' notice to the other party. The two Governments have undertaken on the basis of mutual advantage to maintain as far as practicable the traditional pattern of trade hitherto existing and to explore all possibilities, through consultation from time to time of expanding trade and of trading in new goods. They have further undertaken to give full consideration to the suggestion made by either party for facilitating the export and import of specific commodities. The agreement is expected to alleviate the difficulties currently encountered with regard to the exports of coconut oil, copra and rubber from Ceylon to India and the exports of dried-fish, bidis, jaggery, tamarind and handloom textiles from India to Ceylon.

RESTRICTED EXPORTS OF TETXILES TO U.K.

Hong Kong has undertaken to restrict the export of cotton textiles to the United Kingdom throughout 1962. Adjustments have been made to the current cotton textile agreement with the Indian and Pakistan cotton industries for 1962 to bring them in line with the new Hong Kong arrangements.

BASIC QUOTAS

Details of the 1962 arrangements for Hong Kong are: The total basic quota will be increased to 185 million square yards (annual rate) from the present 164 million. Of this 100 million square yards are for made-up goods. The remaining 20 million square yards will be allocated, at the Hong Kong Government's discretion, between these categories.

In the case of India the total basic quota will be increased to 195 million square yards from the present 175 million. For Pakistan the total basic quota will be increased to 42.4 million square yards from the present 38 million.

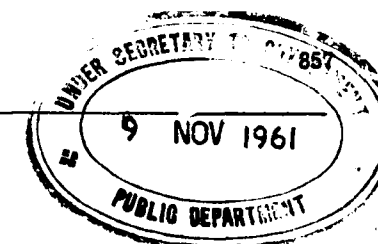
SUPPLEMENTARY QUOTAS

In addition to the increased basic quotas, reviews of the state of trade will be made every three months, starting in November 1961, with a view to the issue of supplementary quotas for the three Commonwealth countries. The supplementary quotas will be intended to enable the three Commonwealth countries to compete for their normal share of the market. The supplementary quotas will be related to the rate of imports from other countries and account will also be taken of conditions in the United Kingdom industry. The system provides that supplementary quotas calculated in accordance with an agreed formula will be issued in full if the average length of order books in the United Kingdom cotton weaving industry, according to the Cotton Board's return, is twenty weeks or more; when order books are less than twenty weeks, deductions will be made according to an agreed scale; when order books are fifteen weeks or less, no supplementary quota will be issued. The supplementary quotas so calculated will be divided between India, Pakistan and Hong Kong in proportion to their basic quotas.

Independently of the review arrangements described above, supplementary quotas are being issued forthwith in respect of the year 1961 as follows: 10 million square yards for Hong Kong, 11 million square yards for India and 2.5 million square yards for Pakistan.

A target share for imports from the three Commonwealth countries has been set at 85 per cent of retained imports into the United Kingdom from all sources of grey cloth and of the cloth equivalent of made-up goods, plus 20 per cent of the retained imports from all sources of cloth other than grey cloth. The import figures will be examined every three months, starting in November 1961, and if the 'target share' of the three Commonwealth countries for the latest three months for which figures are available exceeds the quarterly rate of the basic quotas for 1962, i.e. 106 million square yards per quarter, a supplementary quota equal to the difference will be issued, provided that the state of weavers' order books in the United Kingdom industry does not require a reduction in the supplement as so calculated. The rate of reduction of the supplement when order books are between 15 and 20 weeks is as follows:

Order Books	Abatement
20.0 weeks	0%
19.0 weeks	5%
18.0 weeks	15%
17.0 weeks	25%
16.0 weeks	50%
15.0 weeks	100%



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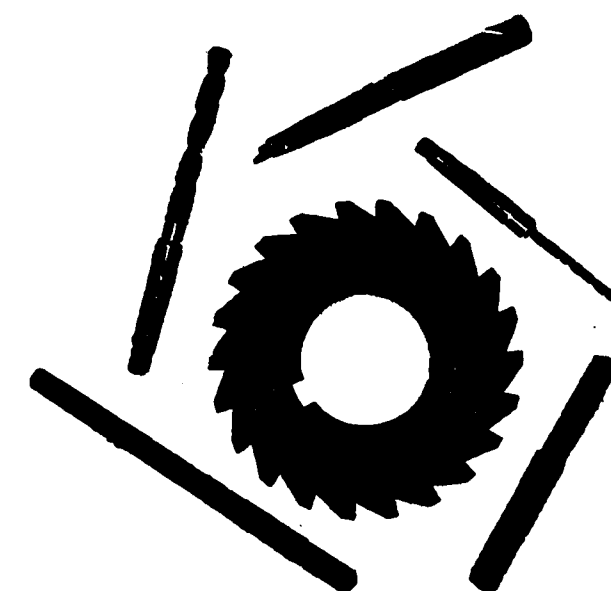
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Company Meeting

MODI SPINNING & WEAVING MILLS COMPANY LIMITED, MODINAGAR

Speech of the Chairman, Rai Bahadur Seth Gujar Mal Modi

The following is the speech delivered by Rai Bahadur Seth Gujar Mal Modi, Chairman, Modi Spinning & Weaving Mills Co., Ltd., Modinagar, at the 15th Annual General Meeting of the Shareholders of the Company on 31st October, 1961.

Ladies & Gentlemen,

It is a matter of great pleasure for me to welcome you at this 15th Annual General Meeting of the Shareholders of the Company. The Directors' Report and the Audited Accounts have been with you for some time now and with your permission I shall take them as read.

I have to report with immense pleasure that the results of the Company for the year ended 30th April, 1961, have enabled your Board to recommend 17 per cent dividend (inclusive of 8 per cent interim dividend already paid) subject to tax. This compares most favourably with last year's results as only 13 per cent dividend, subject to tax, was declared. It is gratifying to note when we compare the results of production, earnings and turnover of the Company for this year with that of last year. The production during the year is worth Rs. 654.21 lakhs against last year's production of Rs. 543.96 lakhs, showing an increase of about 20 per cent. Similarly the sales have also increased to the extent of Rs. 647.12 lakhs against the last year's figures of Rs. 581.09 lakhs showing an increase of 11.4 per cent. The net revenue earnings have also increased from Rs. 584.39 lakhs to Rs. 651.35 lakhs this year, and the net surplus has increased from Rs. 16.01 to Rs. 21.73 lakhs showing a net increase in the profits to the extent of 35.7 per cent.

I am glad to record that on account of the additions, alterations and extensive renovation we have made during the year under review by installing one Hot Pin and Clip Stenter, one Mercerising machine and 2 Sets of High productive Combing equipments consisting of combers with requisite preparatory machine, on which we have spent about Rs. 20.55 lakhs, the quality of our yarn and cotton cloth has immensely improved. We are further adding one Sanforizing machine in cloth section and high drafting plant and 6,400 spindles in yarn section, which will further improve the quality and production.

The Cotton year of 1960 was a most difficult one and the production of cotton which was estimated at 48 lakh bales crop was reduced to 38 lakh bales resulting in a short production of 21 per cent in comparison to the estimates. Due to the acute scarcity of cotton it resulted in a sharp increase in prices and non-availability of good quality of cotton. Every year nearly Rs. 70 crores are drained out from the country by way of import of cotton after adjusting the export of short staple cotton to other countries. The cost of Indian cotton is very high and thus it hampers the export trade of cotton fabrics to the Eastern countries where it has an established trade. More attention is required to be given to produce improved quality of cotton in the country, otherwise the Indian cotton fabrics are bound to diminish gradually as the importing countries are becoming self-sufficient in the matter of cotton textiles.

Agricultural improvement in the country is not such a process which may bring immediate effective

results but it will be a matter of satisfaction if due attention is paid to it. Adequate drainage of the fields is as important as irrigation. I believe it has not yet been realised that immense loss has been caused by the floods due to the defective drainage system. In some cases irrigation facilities have caused floods even in such areas where there were deserts. Construction of canals, culverts and roads without providing drainage has affected the natural flow. Thus the attention should be paid to the drainage.

In olden days only natural fibres — cotton, wool and silk were available for making fabrics. The natural silk fibre has now become so costly that it is not within the reach of common man. Therefore, various new synthetic fibres have come within the living memory. Their coming has made a considerable difference to us not only Industrially and Economically but also Socially. The introduction of synthetic fibre along with the natural fibres were very popular in Twenties. It is one of the main reasons that the fabrics produced by foreign countries are more attractive than that of ours because they have got the facilities of having blended yarn.

Similarly, wool is also very expensive and is sometimes scarce. India spends Rs. 10 crores per year for the import of wool from the foreign countries. The blending of wool with the synthetic fibre enabled fabrics and garments look like all wool to enter the market at a lower price range. Further more, most of the natural fibres have defects of one kind or another and the man-made fibre when properly applied in blends helped to correct these deficiencies and increase the strength and durability. Another factor which is advantageous in blending of man-made fibres is that the price of man-made fibres is much more stable than that of natural fibres which varies from year to year according to the harvest and consequently the price of blend is more stable than that of the natural fibres alone. Low moisture regain, high strength, chemical resistance, biological resistance are few of these which have made it possible for synthetic fabrics to find quite new uses, such as, for productive clothing, out-door furnishing, industrial filters, etc.

Most of the man-made fibres are made from timbers and chemicals. To grow timber is much more easier than to grow cotton and our country is very well favourably placed to grow timber suitable for producing synthetic fibres. In the World man-made fibres are leading the way to cheaper products and forcing the natural fibres which are sold at soaring prices, down to a reasonable price. The production of man-made fibres is increasing in multiples throughout the World.

The total reported area of India is 72.10 crore acres out of which the cropped area is 36.85 crore acres and the non-agricultural land is 11.62 crore acres. Out of the cropped area 1.98 crore acres is already under the cotton sowing and every year near about Rs. 70 crores are spent by importing the foreign cotton. India's population is 44 crores and it is increasing at the rate of 2 per cent per annum. It imports

its food cereals to the value of Rs. 140 crores. Food always comes first. Thus it is desirable to supplement the need of fabrics. More attention be paid to its forestry. India's forests cover 2.69 lakh square miles, being about 21.3 per cent of the total geographical area of the country. The productivity per acre per annum is 3.0 cft. which is substantially below the yield of forests in other countries, such as, France 56.8 cft., Japan 37.0 cft. and the U.S.A. 18.0 cft. 5 acres of forests can give a ton of synthetic yarn per annum while to get one ton of cotton, it requires 11 acres of land. When we are already in short of cereals attention for growing more pine trees be given for producing synthetic fibres.

Another method of making synthetic fibre is to utilise cotton linters. In India it is not a practice to delint the cotton seed. Generally cotton seed is fed to cattle without removing such cotton linters. It is one of the major reasons that the feeding of cotton harms cattle and their milk is reduced. If the cotton lint is removed and cotton cakes are used for animal feeding then out of 18 lakh tons of cotton seed produced in India, it is expected that 90,000 tons of cotton lint, being 5 per cent of the total cotton seed, and 2,16,000 tons cotton seed oil being 12 per cent of the seed, may be obtained. Cotton seed oil is used throughout the world as best edible oil. A simple change in habit of using the cotton seed cake instead of cotton seed will bring a saving of Rs. 42 crores in the shape of oil and Rs. 4 crores in the shape of cotton lint for which already there is an acute shortage in the country.

It is not easy to change the minds of villagers who have been accustomed to use seed but the Government could take steps to educate them.

India is the biggest sugar producing country of the world and molasses is one of the important by-product of the sugar factories. By distillation of the same and with chemical treatment the alcohol produced is mixed with the cotton lint to produce the synthetic fibre

called Acetate Yarn which is much superior than any other synthetic fibre. Its use is increasing very rapidly throughout the world.

Two months back I alongwith your Managing Director went for World Tour to study the methods of production of various new fabrics in different parts of the world and we are fortunate to have succeeded in studying the various Textile and Synthetic factories there. In collaboration with some important foreign firm we propose to instal shortly one synthetic fibre producing Plant, which will involve about Rs. 10 crores, but it is expected that more than half of the total investment will be available to us from foreign collaboration.

I must mention herein that synthetic fibre commonly known as "Artificial Silk" does not command the support for its expansion which it should deserve. Though it has not got the remotest relation with silk, it is more near to cotton fabrics. It is, therefore, expected that the false prejudice against artificial silk would go.

You will be glad to know that various other expansion schemes are under Government consideration and we hope that we shall be able to achieve substantial expansion.

The relations between the labour and the Management in our Factory have been very cordial for which I congratulate all concerned.

I am glad to inform you that the results of 6 months current year working are encouraging and very satisfactory.

Before I conclude I sincerely thank all of you and record a high appreciation for the services rendered by the staff and workers of the Company who are mainly responsible for the results which are before you.

Note: This does not purport to be a record of the proceedings of the meeting.

A letter to the Editor

INDIAN ECONOMIC POLICY AND DEVELOPMENT

Dear Sir,

In reviewing Professor Bauer's new book, "Indian Economic Policy and Development", "Odysseus" writes: "Development expenditure on elementary education... is less than the corresponding figure in the First Plan despite the rise in prices, the increase in population and the doubling of total planned outlay." ("The Eastern Economist", June 16, 1961, p. 1381).

The facts are that development expenditure on elementary education rose from Rs. 85 crores in the First Plan to Rs. 209 crores in the Third Plan (see The Third Five-Year Plan, Draft Report, Part II, chapter on Education, Table 2). Even allowing for the price rise, this represents more than a doubling of Plan expenditure on elementary education.

Does the mistake lie with Professor Bauer, with the Third Plan or with "Odysseus"? In any event, someone appears to have been guilty of a very careless use of statistics.

Yours etc.,
Michael Lipton,
Apelbergsgatan 50, III, Stockholm, C.

Odysseus comments:

I have now been in touch with Professor P. T. Bauer, who replies to Mr. Lipton as follows:

"When quoting you, Mr. Lipton omits to mention that the passage in your review and in my book referred to the Second Plan — not the Third. This effectively disposes of the text of his letter.

In the statistics given in the final version of the Third Plan, p. 577, development expenditure on elementary education under the Second Plan is shown as practically identical with that under the First Plan in spite of the increase in population and the rise in prices which confirms the substance of my argument. My contention that the figure was actually less under the Second Plan than under the First Plan, was based on comparing the official figures given either in "Appraisal and Prospects" or the Second Plan itself with the corresponding figure under the First Plan.

Sd/- P. T. Baur.

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(Incorporated in England)

Notice is hereby given that the Board of Directors of this Company have declared payment of an Interim Dividend on the Company's Preference Stock for the year ending 31st March 1962 at the rate of £2-14-8.16/49d. per cent less Income Tax at 7s. 9d. in the pound equal to £1-13-6d. per cent. Payment will be made on 1st December, 1961 to those stockholders whose names are registered in the Company's Stock Register on 15th November, 1961.

Applications for transfers received in this office before 12 o'clock noon on Wednesday, the 15th November, 1961, will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above dividend.

BY ORDER OF THE BOARD,
D. PUGH
Actg. AGENT.

VICTORIA HOUSE,
CALCUTTA, 26th October, 1961.

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COMPANY AFFAIRS

CAPITAL ISSUES

The Controller of Capital Issues has granted consent to eight companies for the issue of a total capital of Rs. 7.23 crores. The consent is valid for a period of 12 months in each case.

Indian Refineries Ltd., Delhi, has been granted consent to issue further capital of the order of Rs. 600 lakhs in equity shares of Rs. 1,000 each for cash at par. The proceeds would be utilized for the completion of refineries at Gauhati and Barauni. The Company's present paid up capital is Rs. 8.89 crores.

United Malleable Co. Ltd., Bombay, has been granted consent to the issue of capital of Rs. 85 lakhs in equity shares of Rs. 100 each at par. Out of this issue, 23,900 shares will be offered to Union Manufacturing Co. of Ohio, USA, or their nominees in part payment for the supply of plant and machinery and the balance will be subscribed in India for cash. The proceeds will be utilized for the manufacture of malleable iron pipe fittings.

Shama Engine Valves Ltd., Delhi, has been granted consent to the issue of capital of Rs. 15 lakhs divided into Rs. 11.25 lakhs in equity shares and Rs. 3.75 lakhs in preference shares. The proceeds will be utilized for the manufacture of valves for heat engines and internal combustion engines.

Business Credit and Finance Corporation Ltd., Bombay, has been allowed to increase its capital by Rs. 15 lakhs for expansion of its activities.

Harbans Lal Malhotra and Sons Private Limited of Calcutta, manufacturers of steel blades etc., has been granted consent to the issue of 3,300 bonus shares of Rs. 100 each on capitalization of its reserves to the extent of Rs. 3,30,000. The present paid up capital of the Company is Rs. 5 lakhs.

Automotive Manufacturers Private Limited, Bombay, has a paid up capital of Rs. 10 lakhs all in equity. It has been granted consent to issue bonus shares of Rs. 2,50,000 in the ratio of one bonus share for every four equity shares held. The Company's main business is to work as assemblers of motor trucks, buses and other vehicles and also to work as main dealer of Leyland Jeep, Albion trucks, buses, vehicles and diesel engines.

Girdhardas Harivallavdas Mills Ltd., Ahmedabad, has been granted consent to the issue of bonus capital of Rs. 1.50 lakhs on capitalization of the Company's reserves to a like extent. The bonus shares will be of the value of Rs. 125 each and will be allotted to the holders of the existing 4,800 equity shares in the ratio of one bonus share for every four equity shares held.

DELHI CLOTH AND GENERAL MILLS

The Delhi Cloth and General Mills recorded the highest figure in profits before taxation for the working of 1960-61. The profits at Rs. 3.20 crores were nearly double the previous year's figure of Rs. 1.83 crores. These high profits are reflected in higher dividends paid at the rate of 13 per cent per ordinary share. This again is the highest figure in the Company's history for the last ten years. The profits for the year after deduction of all expenses, depreciation and taxes came to Rs. 1.49 crores. Dividends on ordinary shares would take away Rs. 44.12 lakhs and those on preference shares Rs. 4.27

lakhs. The Directors have decided to set aside Rs. 50 lakhs for development reserves, and another sum of Rs. 50 lakhs towards reserves called 'Fall in Prices'.

The Directors have reported that the textile units in India and Pakistan continue to show good results, and their renovation and modernisation are continuing. The Company has maintained its position with regard to the exports of cloth both from India and Pakistan. The silk section has turned the corner and future results are expected to be satisfactory. The working of the Chemical and Vanaspati divisions of the Company continued to be satisfactory and the Sugar division's results were normal. However, the Directors have reported that in view of the very large increase in production of sugar in the country, the future of the sugar industry is likely to cause anxious times in the coming years. The distillery working of the Company during the year was normal. The tent business of the Company was discontinued during the year.

Regarding diversification of manufacturing lines, the Directors have reported that the Company has undertaken installation of two new plants, viz., P.V.C. plant of 20 tons per day capacity together with ancillary units of calcium carbide and chlorine and caustic soda and a rayon tyre cord plant of 10 tons per day capacity for the manufacture of high tenacity rayon tyre cord yarn and fabrics. Agreements for the supply of know-how and machinery for these projects have been entered into with reputed firms of Japan and the United States of America. The plants will employ the latest technique and equipment in the field. The factories will be located at Kota, Rajasthan. The foreign exchange requirements of the proposed venture were to be met from deferred payments and long term loans from foreign financing institutions. The financial requirements in Indian currency were to be met partly from the issue of ordinary and preference shares and partly from loans and advances from banks and other sources and the issue of debentures.

KINNISON JUTE

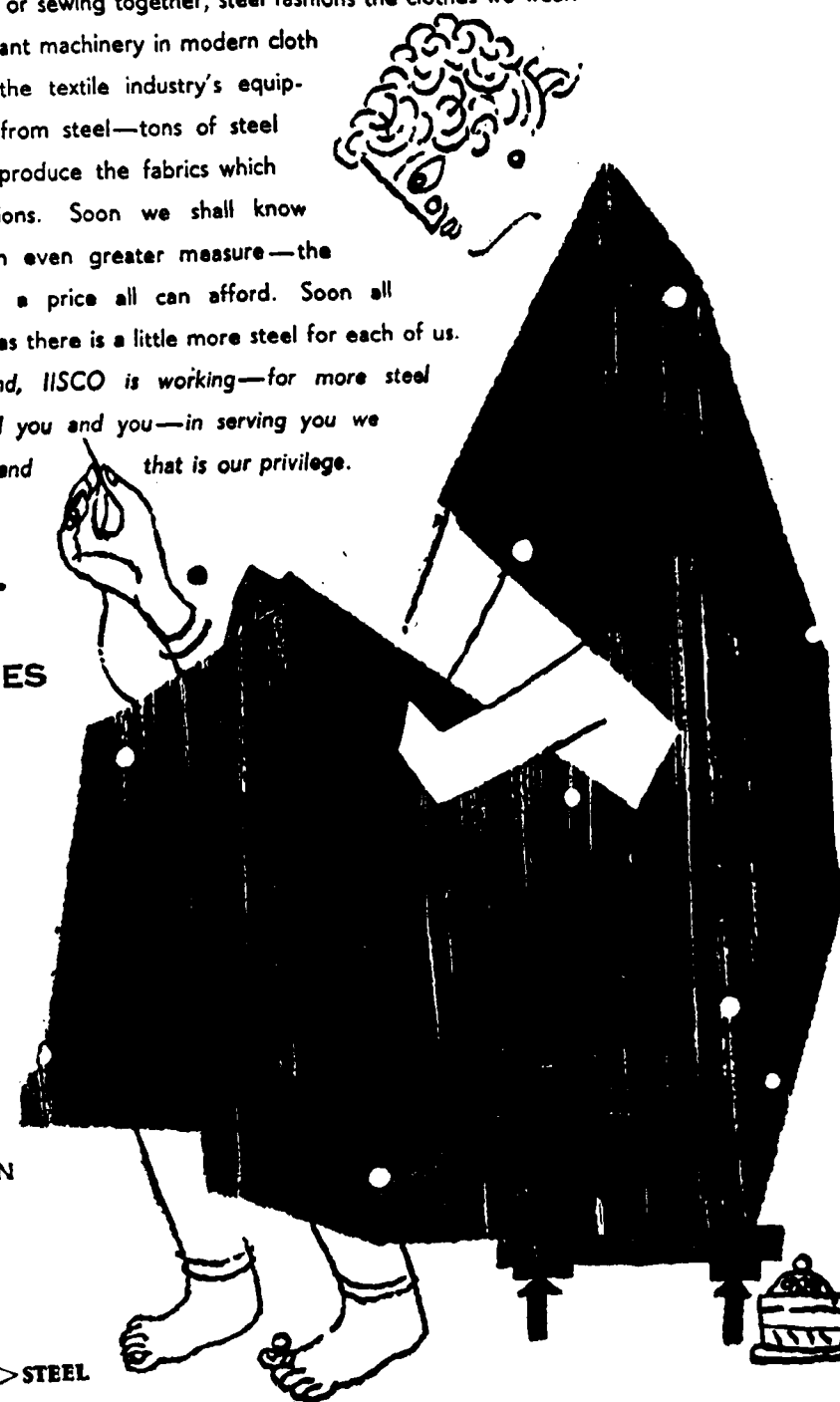
During the year to March 31, 1961, the Kinnison Jute Mills Co. Ltd., worked with between 19 and 9 per cent looms sealed and the hours of work remained most of the time 48, but towards early February, they were reduced to 42½. The Company, however, continued its efforts to modernise the mills and various types of machinery were ordered. It is reported that in May 1960 there was a further rise in jute prices consequent on the adverse weather conditions, which affected the 1960-61 crop in the early stages of its growth. But the Indian Jute Mills Association tried to control the prices to some extent. However, towards October, the prices advanced further. The IJMA tried to work out a quota system. This, to some extent, had a restrictive effect on purchases of jute goods by foreign buyers. Nevertheless, the Company was able to make a profit of Rs. 29.55 lakhs. After making provision for depreciation and taxation to the extent of Rs. 9.09 lakhs and Rs. 9.82 lakhs respectively, the Directors transferred Rs. 1.51 lakhs to statutory development rebate reserve, Rs. 3 lakhs to machinery replacement reserve and Rs. 50,000 to general reserves. An interim dividend on ordinary shares was paid at the rate of Rs. 5 per share of Rs. 100 each. In the final payment, another sum of Rs. 2 per share has been provided making a total of Rs. 7 per share per annum.

Skilled hands working with the touch of steel—steel weaving in and out of fabric, making a pattern or sewing together, steel fashions the clothes we wear. Fine needle to giant machinery in modern cloth mills, much of the textile industry's equipment is shaped from steel—tons of steel are required to produce the fabrics which clothe our millions. Soon we shall know abundance in an even greater measure—the finest textile at a price all can afford. Soon all this will be ours as there is a little more steel for each of us. Towards this end, IISCO is working—for more steel to help you and you and you—in serving you we help the Nation and that is our privilege.

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Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Food articles & Tobacco	Liquor Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures			All Commo- dities
					Inter- mediate Products	Finished Products	Total	
1955-56	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1957-58	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61	120.0	110.0	119.6	145.4	130.5	122.8	123.9	124.8
July 1960	124.0	109.6	119.5	137.2	130.4	119.4	121.0	121.0
August "	123.8	106.7	119.7	137.0	131.0	121.1	122.6	125.0
September "	123.9	104.5	119.3	138.7	129.5	121.6	122.7	125.3
July 1961	124.3	98.6	121.5	151.3	141.9	124.6	127.0	128.6
August "	124.2	99.6	121.6	144.6	140.9	123.4	125.8	127.3
September "	121.1	99.7	121.5	138.1	140.6	122.9	125.4	124.5
16-9-1961	120.9	99.5	121.5	138.2	140.7	122.7	125.3	124.4
23-9-1961	120.5	99.5	121.5	138.3	140.0	122.8	125.3	124.2
30-9-1961	120.7	99.5	121.4	127.6	140.5	123.5	125.9	124.4
7-10-1961	119.7	99.5	121.5	135.8	140.9	123.1	125.6	123.5

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay			Delhi Bengal U.P.			Central Provinces		Madras	E.P.	Bihar	
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	All India†
1939 (Aug.-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1955	322	338	217	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	157	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	308	158	384	469	498	163	429	166	173	168
1960	401	420	296	158	397	476	512	165	467	167	166	171
1961 January	400	419	296	161	385	480	495	165	470	171	166	170
February	401	420	296	163	389	488	491	165	470	171	164	170
March	404	423	296	163	392	483	488	165	479	169	167	171
April	409	428	296	165	389	471	490	165	482	169	166	170
May	412	431	296	166	389	464	490	166	479	171	166	171*
June	414	433	302	167	389	474	498	166	478	171*	167	172*
July	418	437	—	171	406	482	498	—	480	172*	168*	173*
August	419	438	—	171	410	491	501	—	181	—	—	—
September	—	—	—	169	—	—	—	—	479	—	—	—

† Base 1944 = 100. * Provisional.

**PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)
WEEK ENDED**

	20-10-1961			13-10-1961			6-10-1961			29-9-1961		
	High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age
Gold (per 10 grams)	125.10	124.45	124.75	125.50	124.60	125.05	125.00	123.90	124.63	126.00	124.80	125.41
Silver (per kilogram)	206.25	204.90	205.31	206.30	205.30	205.90	206.15	204.90	205.75	206.45	205.25	205.73

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES				ASSETS					
	Notes in Circulation	Notes Held in Bank-Dept.	Total Notes Issued (a)	Gold & Bullion (b)	Coin & Securities (c)	Total of (b+c) (b+c)	Percent- age of (a)	Rupee Coin	Rupee Securities	Total Assets
1956-57	1,475,77	18,75	1,494,52	40.02 (117,76)	545,98 (663,37)	586,00 (44,37)	39.21	115,93	755,22	1,494,52
1957-58	1,529,36	23,18	1,552,53	117,76	329,65	447,41	28.79	1,30,06	975,06	1,552,53
1958-59	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
1959-60	1,730,90	19,86	1,750,77	117,76	167,62	285,38	16.30	131,50	1,333,83	1,750,77
1960-61	1,863,13	18,94	1,882,07	117,76	134,99	255,75	13.4	126,84	1,502,48	1,882,07
Average of Fridays										
July 1960	1,827,14	25,64	1,852,77	117,76	140,01	257,77	13.91	128,59	1,466,47	1,852,77
August "	1,799,36	19,85	1,819,21	117,76	124,26	242,02	13.30	130,58	1,446,61	1,819,21
Sept. "	1,794,03	16,23	1,810,26	117,76	123,01	240,77	13.3	131,80	1,437,70	1,810,26
July 1961	1,922,49	24,13	1,946,62	117,76	93,01	210,77	10.83	121,31	1,614,55	1,946,62
August "	1,902,77	13,31	1,916,08	117,76	116,86	234,62	12.27	123,85	1,553,46	1,911,93
Sept. "	1,877,38	21,36	1,898,74	117,76	116,86	234,62	12.36	126,45	1,537,67	1,898,74
Week-Ending										
15-9-1961	1,889,46	19,28	1,908,75	117,76	116,86	234,62	12.29	125,48	1,548,65	1,908,75
22-9-1961	1,868,70	21,99	1,890,68	117,76	116,86	234,62	12.41	127,28	1,528,78	1,890,68
29-9-1961	1,857,24	34,80	1,892,04	117,76	116,86	234,62	12.40	128,61	1,528,80	1,892,04
6-10-1961	1,891,49	18,09	1,909,58	117,76	116,86	234,62	12.28	126,15	1,548,80	1,909,58
13-10-1961	1,906,13	12,91	1,919,04	117,76	116,86	234,62	12.23	125,55	1,558,86	1,919,04

BANKING DEPARTMENT

Period	Deposits					Other Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Gov-ernment	Other Gov-ernments	Banks	Others	Total								
1956-57	57,52	14,10	52,46	19,73	143,81	91,21	245,02	18,91	5,69	64,77	4,89	85,34	51,82
1957-58	54,61	11,28	81,00	111,38	258,27	84,36	407,63	23,30	4,81	40,47	32,90	77,91	213,92
1958-59	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,18	25,57	28,23	65,83	284,49
1959-60	55,50	23,24	79,61	123,48	281,83	83,18	450,01	19,94	15,54	28,97	25,53	88,92	258,90
1960-61	61,73	21,27	97,30	98,76	279,06	100,33	464,39	19,02	28,71	20,74	38,19	132,78	209,56
Average of Fridays													
July 1960	63,54	20,25	120,31	132,35	336,44	73,49	494,94	25,70	13,66	21,03	32,82	125,06	260,19
August "	60,44	23,00	118,40	120,40	322,25	76,19	483,43	19,92	23,55	21,64	37,69	117,00	251,73
Sept. "	67,44	30,27	108,27	92,64	298,61	78,01	461,63	16,32	18,76	20,71	28,88	142,08	222,85
July 1961	58,61	18,56	93,24	111,63	282,04	94,38	461,41	24,17	26,26	9,98	40,10	117,43	221,75
August "	65,40	16,46	88,09	180,22	350,16	89,86	525,02	13,36	15,21	30,98	47,71	116,37	284,51
Sept. "	60,81	26,67	83,71	159,06	330,34	96,02	511,36	21,42	16,73	17,47	49,11	131,54	257,83
Week-Ending													
15-9-1961	73,53	38,16	78,66	158,03	348,38	93,33	526,71	19,34	24,99	17,76	49,45	136,96	261,16
22-9-1961	55,05	21,36	84,31	172,66	333,38	99,71	518,08	22,04	18,44	18,42	45,33	135,89	260,16
29-9-1961	59,46	22,49	78,47	146,69	307,12	99,80	419,92	34,86	12,77	12,87	49,36	133,33	231,24
6-10-1961	65,15	4,68	72,47	149,17	291,47	95,56	472,03	18,16	34,69	13,60	57,04	139,14	191,59
13-10-1961	61,07	3,98	82,10	147,12	294,27	92,93	472,20	12,95	50,05	10,02	63,37	136,18	181,71

* Average of Fridays. **Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. †Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. §Includes cash and short-term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES				Balances with Reserve Bank		Advances as per-centage of (4)	Bills Dis-counted as per-centage of (4)	(8+9) Investments in Govern-ment Secur-ities in India
	Demand	Time	Total (2+3)	Cash (Note+Coins)	Bank	of (4)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1954-55	559,62	351,86	911,55	32,66	53,91	9.50	468,39	84,66	60.68
1955-56	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	63.02
1956-57	653,34	453,92	1,107,26	36,94	50,23	7.96	626,08	155,56†	71.39
1957-58	723,89	619,19	1,343,08	39,34	77,55	8.72	723,79	167,32‡	66.77
1958-59	735,93	860,33	1,596,26	40,30	83,99	7.74	766,56	133,27‡	56.37
1959-60	745,83	1,086,79	1,832,62	44,84	75,81	6.58	842,75	144,49†	53.87
1960-61	794,49	1,155,87	1,950,36	47,04	93,09	7.17	995,75	162,94	59.48
Average of Fridays									
April 1961	854,21	1,093,17	1,947,38	47,78	74,18	6.27	1,111,89	205,35	67.64
May 1961	845,27	1,108,21	1,953,48	48,43	73,26	6.23	1,085,24	194,17	65.49
June 1961	837,02	1,119,91	1,956,93	48,46	79,72	6.55	1,102,90	179,40	65.53
July 1961	843,35	1,133,99	1,977,34	46,71	88,73	6.85	1,100,57	156,31	63.56
August 1961	837,73	1,148,50	1,986,23	45,86	83,13	6.49	1,087,85	1,151,04	62.38
Sept. 1961	839,19	1,142,64	1,981,83	44,78	79,11	6.25	1,076,93	159,71	62.00
Week Ending									
22-9-1961	834,38	1,141,23	1,975,61	44,49	77,41	6.17	1,071,82	163,19	62.51
29-9-1961	842,30	1,143,40	1,985,70	43,48	73,20	5.88	1,061,82	170,59	62.06
6-10-1961	838,16	1,138,73	1,976,89	45,62	74,92	6.09	1,068,15	177,31	63.00
13-10-1961	841,44	1,135,60	1,977,04	45,38	77,17	6.19	1,068,32	177,70	63.02

MONEY SUPPLY WITH THE PUBLIC

(Rs. in Lakhs)

Last Friday	Deposit Money with the Public					
	Total	Demand liabi-lities of banks	Other Depo-sits with Reserve Bank†	Total variation in money supply		
(1)	(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1954-55	1,920,63	1,311,77	608,86	599,16	9,71	+126,65
1955-56	2,184,32	1,505,09	679,23	667,22	12,01	+263,69
1956-57	2,312,89	1,556,50	756,39	744,74	11,65	+128,57
1957-58	2,388,83	1,606,60	782,22	762,36	19,87	+75,94
1958-59	2,498,76	1,724,53	774,23	754,98	19,25	+109,92
1960-61	2,900,89	2,027,04	873,85	854,89	18,96	+197,76
January 1961	2,792,66	1,944,99	847,67	821,72	25,94	+55,38
February "	2,816,56	1,966,28	850,28	829,74	20,54	+23,90
March "	2,900,89	2,027,04	873,85	854,89	18,96	+84,33
April "	2,915,44*	2,025,80*	889,64	870,42	19,22	+14,55
May "	2,872,64*	2,010,87*	861,77	841,53	20,24	-42,80
June "	2,873,02*	1,969,64*	903,37*	878,55*	24,82	+38*
July "	2,808,74*	1,936,87*	871,88*	850,72*	21,15	-64,28*
August "	2,798,36*	1,920,34	878,03	857,54*	21,49*	-9,71*

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.
Source: Monthly Bulletin of Reserve Bank

INDUSTRIAL CAPACITY IN MAJOR INDUSTRIES
 (Third Plan Targets and Progress as on July 1, 1961)

Name of Industry	Third Plan Capacity Targets	Capacity as on July 1, 1961				Shortfall in Capacity (1—2)
		Total Licens- ed Capacity (3+4+5)	Existing Capacity	Additional Capacity		
				Covered by Foreign Exchange	Not Co- vered by Foreign Exchange	
	(1)	(2)	(3)	(4)	(5)	(6)
Engineering Industries*						
1. Steel Castings ('000 tons)	200.00	171.85	39.32	30.61	101.92	28.15
2. Steel forgings ('000 tons)	200.00	183.71	42.33	20.20	121.18	16.29
3. Ferro-manganese (000 tons)	220.00	281.40	159.00	62.40	60.00	—61.40
4. Aluminium ('000 tons)	87.50	87.50	17.50	45.00	25.00	..
5. Copper ('000 tons) (Refined and electrolytic)	22.00	15.60	7.20	8.40	..	6.40
6. Lead ('000 tons)	8.50	9.00	6.00	..	3.00	— 0.50
7. Zinc ('000 tons)	15.00	15.00	Nil	15.00	..	..
8. Passenger cars ('000 Nos.)	30.00	20.20	20.20	..	..	9.80
9. Commercial vehicles ('000 Nos.) ..	60.00	40.00	28.00	12.00	..	20.00
10. Jeeps and station wagons ('000 Nos.)	10.00	11.00**	6.50	4.50	..	— 1.00
11. Motor cycles and scooters ('000 Nos.)	48 to 60	35.00**	23.00	12.00	..	13 to 25
12. Crawler tractors (Nos.)	600.00	—**	Nil	..	..	600.00
13. Dumpers and scrapers (Nos.)	600	180	Nil	..	180	420
14. Showels (Nos.)	125	60**	Nil	30	30	65
15. Road rollers (Nos.)	800	814**	414	100	300	—14
16. Power Driven Pumps ('000 Nos.) ..	184.00	148.23	118.22	21.62	8.39	35.77
17. Diesel engines ('000 Nos.)	72.00	58.85**	39.22	19.63	..	13.15
18. Tractors ('000 Nos.)	12.00	10.00	3.00	3.50	3.50	2.00
19. Wagons (Nos.) (in terms of 4 wheelers)	33,500	31,420	26,000	3420	2000	2080
20. Welding electrodes (Mil. R. ft.) ..	1080.00	796.60	426.00	285.00	85.60	283.40
21. Bicycles (Mil. Nos.)	2.20	1.30	1.12	0.18	..	0.90
22. Sewing machines ('000 Nos.)	700	306.70	133.70	131.00	42.00	393.30
23. Ball and roller bearings (Mil. Nos.)	10.00	11.97	1.20	4.21	6.56	— 1.97
24. Watches ('000 Nos.)	360.00§	1270.00	Nil	670.00	600.00	..
25. Electric transformers (Mil. K.V.A.) (below 33 K.V.)	4.00	2.84**	1.24	0.98	0.62	1.16
26. Electric Motors (Mil. H.P.) (200 H.P. and below)	3.00	1.65	0.60	0.87	0.18	1.35
	(for 300 H.P. & below)					

* Capacity is based on double shift operation.

§ Relates to public sector only.

**Firms which have been classified but capacity for which is not yet assessed have not been taken into account.

NOTE: '—' indicates excess licensed capacity.

INDUSTRIAL CAPACITY IN MAJOR INDUSTRIES (Contd.)

(Third Plan Targets and Progress as on July 1, 1961)

Name of Industry	Third Plan Capacity Targets	Capacity as on July 1, 1961			Shortfall in Capacity (1—2)	
		Total Licens- ed Capacity (3+4+5)	Existing Capacity	Additional Capacity		
						Covered by Foreign Exchange
	(1)	(2)	(3)	(4)	(5)	(6)
Engineering Industries*						
27. Electric Cables and Wires						
(i) A.C.S.R. ('000 tons)	55.00	45.04**	19.30	10.60	15.14	9.96
(ii) V.I.R. and plastic coated (Mil. Core Yds.)	800.00	918.12**	288.90	461.60**	167.62	—118.12
(iii) Paper insulated (Miles)	4500	4376	384	2804	1188	124
(iv) Dry core cables (Miles)	2000 to 2500	2000	1200	..	800	500
(v) Coaxial cables (Miles)	300	600	600	..	..	—300
28. Electric fans (Mil. Nos.)	2.80	1.68	0.87	0.22	0.59	1.12
29. House service meters (Mil. Nos.) (single phase and polyphase) ..	2.50	1.78	0.38	1.08	0.32	0.72
Non - Engineering Industries						
1. Nitrogenous fertilisers ('000 N. tons)	1000.00	1047.05	248.30	410.75	388.00	— 47.05
2. Phosphatic fertilisers ('000 tons P2O5)	500.00	368.05	69.61	142.85	155.59	131.95
3. Sulphuric Acid ('000 tons)	1750.00	1359.95	547.72	547.48	264.75	390.05
4. Soda ash ('000 tons)	530.00	476.00	217.00	87.00	172.00	54.00
5. Caustic Soda ('000 tons)	400.00	380.32	124.50	157.12	98.70	19.68
6. Calcium carbide ('000 tons)	67.00	47.28	23.28	24.00	..	19.72
7. Sodium Hydrosulphite ('000 tons)	12.00	8.63	3.86	4.77	..	3.37
8. Hydrogen peroxide ('000 tons) ..	9.50	4.32	3.00	..	1.32	5.18
9. Carbon black ('000 tons)	30.00	33.57	Nil	13.57	20.00	— 3.57
10. Industrial Explosives						
Blasting explosives ('000 tons) ..	20.00	15.00	5.00	10.00	..	5.00
Safety fuses (Mil. coils)	25.00	12.26	7.76	4.50	..	12.74
Detonators (Mil. Nos.)	80.00	64.00	Nil	64.00	..	16.00
Liquid Oxygen Explosives (Tons) ..	9,000	2,000	2,000	..	..	7,000
11. Rubber chemicals ('000 tons) ..	3.00	2.25	Nil	2.25	..	0.75
12. Insecticides—D.D.T. (Tons) .. .	2800	2800	2800	..	..	..

* Capacity is based on double shift operation.

** Firms which have been licensed but capacity for which is not yet assessed have not been taken into account.

NOTE: '—' indicates excess licensed capacity.

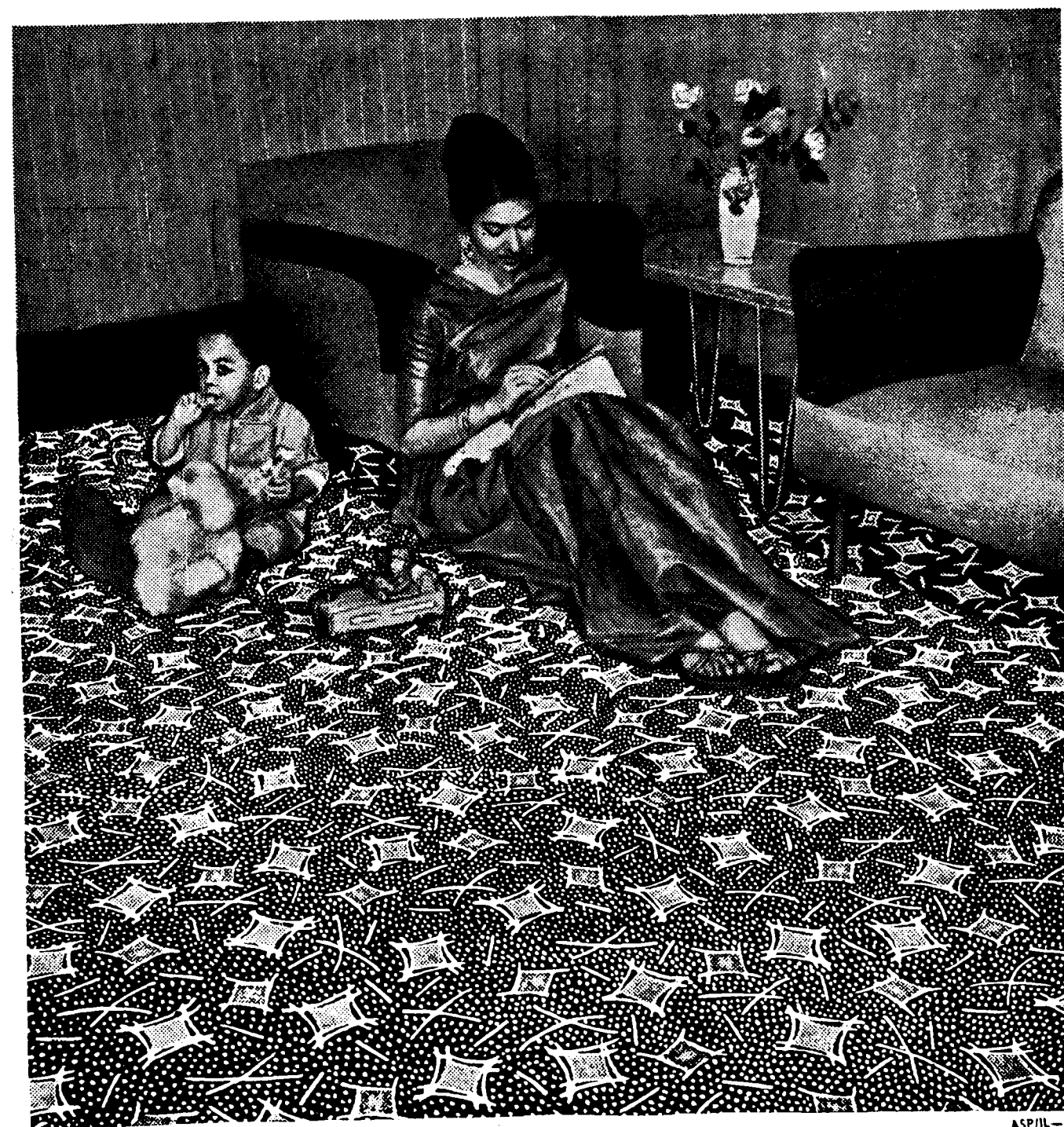
INDUSTRIAL CAPACITY IN MAJOR INDUSTRIES (Contd.)

(Third Plan Targets and Progress as on July 1, 1961)

Name of Industry	Third Plan Capacity Targets	Capacity as on July 1, 1961			Shortfall in Capacity (1—2)	
		Total Licens- ed Capacity (3+4+5)	Existing Capacity	Additional Capacity		
					Covered by Foreign Exchange	Not Co- vered by Foreign Exchange
	(1)	(2)	(3)	(4)	(5)	(6)
Non - Engineering Industries (Contd.)						
13. Dyestuffs (Mil. lbs.)	25.00	28.48	13.98	11.36	3.14	— 3.48
(i) Acids and Direct (Mil. lbs.) ..	6.60	8.67	3.21	4.15	1.31	— 2.07
(ii) Basic (Mil. lbs.)	2.00	2.39	0.12	2.27	..	— 0.39
(iii) Napthols (Mil. lbs.)	2.80	2.80	2.35	0.45	..	..
(iv) Fast colour bases (Mil. lbs.) ..	2.80	2.80	1.63	1.17	..	..
(v) Vats (Mil. lbs.)	2.70	2.85	1.06	0.65	1.14	— 0.15
(vi) Sulphur black (Mil. lbs.) ..	5.00	5.04	4.08	0.96	..	— 0.04
(vii) Other sulphur dyes (Mil. lbs.)	0.50	0.50	..	0.50	..	..
(viii) Organic pigments (Mil. lbs.) ..	2.60	3.43	1.53	1.21	0.69	— 0.83
14. Soap (organised sector only) ('000 tons)	254.00	253.28	253.28	..	..	0.72
15. Automobile tyres (Mil. Nos.)	3.70	3.24	1.61	0.63	1.00	0.46
16. Bicycle tyres (Mil. Nos.)	38.60	29.33	16.92	3.33	9.08	9.27
17. Synthetic rubber ('000 tons)	50.00	50.00	Nil	30.00	20.00	..
18. Paper and paperboard ('000 tons) ..	820.00	1285.43	410.00	413.46	461.97	—465.43
19. Newsprint ('000 tons)	150.00	120.00	30.00	60.00	30.00	30.00
20. Cement (Mil. tons)	15.00	16.36	8.86	1.90	5.60	— 1.36
21. Refractories (Mil. tons)	2.00	2.28	0.81	0.50	0.97	— 0.28
22. Power and industrial alcohol (Mil. gallons)	72.00	65.13	38.00	25.93	1.20	6.87
23. Industrial gases						
(i) Oxygen (Mil. c. ft.)	2300.00	2068.05	1060.65	696.10	311.30	231.95
(ii) Acetylene (Mil. c. ft.)	250.00	307.50	154.20	71.88	81.42	57.50
24. Rayon and staple fibre						
(i) Rayon filament (Mil. lbs.) ..	140.00	145.40	52.30	63.40	29.70	— 5.40
(ii) Staple fibre (Mil. lbs.)	75.00	57.65	56.00	..	1.65	17.35
25. Chemical pulp ('000 tons)						
(i) Rayon grade ('000 tons)	..	279.80	Nil	124.80	154.80	..
(ii) Paper grade ('000 tons)	..	46.20	Nil	46.20	..	..

NOTE: '—' indicates excess licensed capacity.

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ONE RUPEE

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NPS/CM/89

The Prime Minister in America

THE enthusiastic reception accorded to the Prime Minister in the United States has naturally given great satisfaction to the Indian people. The report that the first meeting between President Kennedy and the Prime Minister has been, in the President's words, "very fine", leads to the hope that there may be accord on Vietnam and Laos if not on the thorny question of nuclear tests. There is no doubt that the Prime Minister enjoys with the United States Administration a somewhat happier position than he does with the American public. It is openly argued that American public opinion will not give very much under the Prime Minister's persuasion, although he has made a very effective impact in his first television appearance. It is stated that there will be somewhat greater difficulty at the National Press Club where some inconsistencies in India's thinking might be chosen for attack. But it must be immediately apparent that the climate of public opinion in the United States has been somewhat muddled not by our policies, but by our personalities, notably that of Mr. Krishna Menon's handling of Indian affairs in the United Nations.

The argument being presented increasingly in the election campaign in the North-Bombay constituency that Mr. Krishna Menon is doing no more than representing the Prime Minister faithfully is obviously untrue in relation at least to the United States. Pointed comment was made on the television programme to Mr. Krishna Menon's speeches in respect of nuclear tests in which he placed the United States and the Soviet Union in the same camp. The Prime Minister has taken no such stand, and has fairly and squarely placed the blame on the Soviet Union in regard to the breaking of the moratorium on the current tests. Policies look different in different hands; in other words, personalities can vitiate policies. This implies, quite apart from the method of communication chosen, that it is possible for policies to appear different at the receiving end by the choice of spokesmen for this country. It is a fact not open to argument that Mr. Krishna Menon has built up an innate resistance in the majority of Americans, which makes the understanding of Indian policy difficult there by the aversion which he has often raised. The Prime Minister has, for a decade, refused to recognise the damage that is done when American public opinion is thus incensed. It will be a major success of the present

visit if the Prime Minister recognized, once and for all, that it cannot pay dividends deliberately to irritate and anger American public opinion. This is not a matter of political pressure by the United States requiring the Prime Minister to shed his Defence Minister. It is simply enlightened public relations in terms of the growing need of our countries for more understanding and goodwill.

At the present time, the chances of a larger agreement on nuclear testing have been promoted by the Prime Minister's tact in admitting that he could not advise the United States on its own policy in regard to its own security. It is true that this statement is somewhat ambivalent, since the Prime Minister himself has advised all those testing nuclear weapons to cease such tests. It is a fair implication from this general appeal that the Prime Minister wishes the United States to desist from such tests, and thus, in point of fact, on nuclear testing—as on Goa—we have a policy which in practical diplomacy we are unable to state without ambiguity under all conditions. This is an undoubted weakness in Indian thinking at the present time. The habit of making very forceful statements, and then subduing them to suit expediency, is likely to reduce both our sense of moral fervour and the respect we enjoy abroad.

While, therefore, there has been success in the capable and adroit manner in which the Prime Minister has avoided opinions likely to upset American opinion, one cannot help feeling that this has been obtained at the price of the clear definition of standards which, at one time or another, have been keystones of Indian policy. It may be that India has here a lesson for herself far greater than any lesson which she can teach. Politics remains the art of the possible, and not dogmatic opinions, however attractive as ideals, cannot often survive in the hard world of reality. Not the least advantage of the Prime Minister's present trip is that he has come face to face with basic realities—the intense dislike that Mr. Krishna Menon arouses in the United States, and the need for adjusting his sails on nuclear tests to the prevailing political wind. Can one dare to hope that the impression left on the Prime Minister might endure beyond his stay in the United States?

The Swatantra Manifesto

THE draft election manifesto of the Swatantra Party which carries the appropriate heading "To Prosperity Through Freedom" is a well argued and consistent piece of political presentation. The current abuse of the party as "reactionary" and "big business-dominated" is certainly unfair in the light of the presentation here of a wide area of "sharing of prosperity", particularly in terms of the small man, agricultural labour and, indeed, "progress-sharing" in general. Article 45 makes the fairly revolutionary proposal for precise provision for progress sharing through increased wages, alongside an increase in productivity without detriment to the overall aim of national prosperity through the reduction of costs. There is here no evidence of exploitation of the poor by the rich which is part of the stock-in-trade criticism by the Congress of this new party. It has its weaknesses, largely in terms of its failure to guarantee progress; but it is at least alive to the ravages that public sectorism can make on individual self-reliance.

The Swatantra Party can claim that it presents the discontented voters with a different ideology and, indeed, a different outlook. It borrows, however, from the fount of political power which is the Gandhian legend, making, perhaps, the undue claim that it stands by the principles of Mahatma Gandhi who pleaded that "that Government is best which governs the least, and diffusion of power provides the best climate for freedom so that people might grow into their full stature."

All in all, this is an attractive theoretical document. One's disappointment with it is that it has moved a little too much to the Right for the current appetite of the Indian people. It is probable that the Congress Party's excessive governance and, indeed, its serious failures in Power and Transport—which have been highlighted this week in the Planning Commission's "agonising reappraisal"—have erred severely at the other end. What the country needs at this moment is a via media between the Swatantra concept of

individual liberty and the Congress concept of growing interference and intervention of an inefficient State.

The voter will still be heavily on the Congress side, but this makes no difference to the value of the Swatantra approach as providing a brake. Economic development requires in India both an accelerator and a brake. The public sector in the last ten years has provided a substantial volume of economic development on its own and by its increase in purchasing power through deficit financing and full order books it has given the private sector a vital shot in the arm which was badly needed. The private sector in India cannot provide its own salvation, and, therefore, it is a mistake for the Swatantra Party to overdo the individual incentive approach. Nevertheless, just as an economy which has an accelerator needs a brake, the wise voter will recognise that the Swatantra Party in opposition is a necessary appendage to the State intervention of the Congress Party. This is a Manifesto for an Opposition and not for a Government. That is as it should be since, in fact, no reasonable person wishes the

Congress to be displaced from the Government in this country at this stage.

Whether other governments will provide less corruption, on which the Swatantra Party has not a little to say, may be a more debatable question. The apparatus of the Indian thinking is at the moment excessively obsessed by corruption. It would seem some of the supporters of the Swatantra Party are not free from the weaknesses which have shown themselves in the Congress machine. Who then should throw the first stone? Corruption is a potent weapon of attack against the party in power, but it is doubtful whether it permits of the same polarisation of policy which should be the base of an election programme.

All in all, however, one must congratulate those who have framed the Manifesto of the Swatantra Party in that they have concentrated in a concise form both a philosophy and a plan of action which is new in Indian political life. It is hoped that, for its prime function, which is to place a brake on the monolithic power of the Congress effectively to promote individual effort and freedom, it will have significant success at the polls.

The Commonwealth Press Union

THE meetings of the Ninth Quinquennial Commonwealth Press Union Conference in Karachi and Delhi last week have been rightly reckoned as the most successful that the Union has had in its half century's active existence. It is natural to connect much of the new interest in the meetings with the personality of the leading journalists of the Commonwealth who have, for the first time, received a mighty visual impact of the true importance in the Commonwealth of India and Pakistan. The receiving end, of what might be called the Western spectrum, was remarkably well prepared for this new appreciation. Apart from the size of the United Kingdom, Australian and Canadian delegations, greater than ever before, there has been a tremendous assembly of the top-most lights in the Press firmament. The United Kingdom delegation included, in addition to the Hon'ble Gavin Astor of *The Times*, Chairman of the CPU, Lord Burnham of the *Daily Telegraph*, Mr. Laurence Scott of the *Manchester Guardian*, Sir Linton Andrews, formerly of the *Yorkshire Post*, Mr. Thomas Atkins and Mr. Hugh Cudlipp of the *Daily Mirror Group*, Mr. Charles Eade of the *Daily Mail* and not least of all Mr. Roy Thomson, the new pattern of newspaper baron, who has awakened much romantic interest in his calling; at the Conference, however, he commanded no universal acclamation in his thesis that the business side must dominate editorial eminence.

In the last analysis, every conference is made up by the quality of its members. This Conference was treated, both in Pakistan and India, as the foremost conference of the Press ever held. Hospitality was extensive and even embarrassing; indeed, in India it is still continuing and, in East Pakistan, still to come. A vast organisation has been set up in both countries to show the numerous guests and their wives that they are not merely welcome but that we have, on both sides, great objects of world interest in men and projects, which should capture their attention, first, and that of their newspapers in appropriate time. Most of the delegates agreed that the space given to the Commonwealth Conference was inadequate, although a resolution more specifically phrased in these terms was lost.

Nevertheless, the resolutions passed showed an active reflection of the determination of the members of the Conference to do something more than debate their common interests. Important resolutions referred to a reduction in telecommunication rates and also of some postal rates to make the receiving of all papers in the Commonwealth easier. Other resolutions referred to the freedom of the Press, on which speeches spoke openly of the new despotism, both real and disguised. Ceylon was almost in everyone's mind where a terrible incursion into the freedom of the Press is contemplated as a bill in the Legislative Assembly, which the Commonwealth Press Union sincerely hopes will not be passed. Many United Kingdom speakers drew attention to more subtle influence at work, some within the judiciary itself where publication has been restrained by injunctions, sometimes even in chambers on an ex-parte application. We in India have no special plea to make on this particular point, but it is quite clear that both in India and Pakistan the freedom of the Press cannot be taken for granted: in Pakistan, of course, things are much more difficult than in India.

All in all, the meeting was of special value as indicating not merely a live new interest in the Commonwealth but in providing a new determination, clearly visible, of the intangible ties which are supposed to hold together a somewhat amorphous group. The Commonwealth Press Union thus emerged as a powerful instrument of common approach and discussions on the changing character of the Commonwealth showed that colour and race were no longer elements of difference in proceedings of this kind. More than ever the feeling has been created that members of the Commonwealth have lost their race prejudices; we have increasingly lost the chip upon our shoulders. This great increase of friendliness and trust is, in the long run, more important than the resolutions which were passed. In any case, there can be no doubt that the professional association of Commonwealth newspapermen has been brought appreciably closer as a result of the true meeting of minds which has taken place.

Guest Editorial

Virtues and Defects of Dear Money

By PAUL BAREAU, Editor of 'The Statist'

THE decision of the British authorities to reduce interest rates long before the task which dear money was intended to tackle has been completed, has unleashed a great debate on the virtues and defects of dear money. The authorities have moved slowly but it is the direction of their initiative which is significant. The Bank of England rate has begun to slide from the crisis level of 7 per cent to which it was raised last July and in two steps has now come down to 6 per cent.

Against this some purists, not to say masochists, have raised their voices in protest. They argue, quite rightly, that the basic reasons for which the July measures were introduced still apply. The balance of payments is still in deficit. The pressure on manpower resources, though a little less severe than it was three months ago, should still, by every standard of full employment, be regarded as high. The crucial battle against inflationary increases in wages has yet to be fought.

This is perhaps painting the picture in unduly dark colours. There are some hopeful signs in the situation. One of them is the speed with which bank advances are being reduced. Over the past three months they have fallen by an average of nearly £25 million a week. The boom in retail trade is not quite as buoyant as it was. Increased competitiveness in industry has led to a narrowing of profit margins and in some notable cases — as for example in the well-known companies of Cunard and Courtaulds — to sizable reductions in profits and cuts in dividend.

This in turn has led to what is probably the most powerful single deflationary factor in the present situation, namely a sharp decline in the value of Stock Exchange securities. Gone are the days when lavish expenditure was being met by quick profits on the Stock Exchange. The speculators today are nursing their wounds. They have also been warned by the Chancellor of the Exchequer that before long he will introduce further legislation to tax quick "in and out" profits, whether in Stock Exchange securities or in property.

Admitting all this, the orthodox school clings to its argument that interest rates do not begin to "bite" on an inflated economy such as Britain's until they are geared to a Bank rate of 7 per cent. They therefore deplore the reductions that have taken place even though these reductions have been accompanied by statements from the Bank and the Treasury that they betoken no real relaxation in credit policy.

While admitting that changes in Bank inevitably carry with them psychological implications which may be more powerful than the direct consequences of the changes themselves, the truth surely is that interest rates should be regarded as one of the many controls available to the monetary authorities. Anchored as they are in Britain to a Bank rate of 6 per cent, these rates still reflect relatively dear money. This is an important control — far more important in Britain than it is, say, in India, where I have often been assured by officials that interest rate policy is irrelevant to the problems of a country which is in the process of industrialising itself and is beset by a tremendous shortage of capital and a constant tendency for the balance of payments to be unbalanced.

In Britain the prophylactic of dear money is powerful because it acts at tens of thousands of

points of the economy, both in its private and public sectors. When, however, it affects a country whose currency is as widely used in international trade and capital payments as Britain, dear money also has side effects which cannot be disregarded. It is these side effects which probably bear the main responsibility for the decision to get interest rates back to a somewhat lower level.

The 7 per cent Bank rate has been a serious burden to the British balance of payments. It has increased the cost of British exports by raising the price of export credits. In some large capital goods operations this factor alone has meant the difference between securing and losing the order. This has been particularly true in the shipbuilding industry where orders for two large tankers have recently been lost to British yards by reason of the cost of the credit.

Far more direct and important, however, has been the burden to the balance of payments caused by the attraction to London of a large volume of foreign short term money pulled to this market by the highly attractive rates it has been able to earn. This is unwanted hot money and it has to be remunerated at a price which Britain is unable to afford.

The impact of this inflow of unwanted capital has been admirably and also ominously illustrated by the end-October gold and convertible currency reserve figures. These show that the reserve fell by £8 million during the month, but this was after special capital payments of at least £120 million. The biggest item in this was the repayment of £100 million to the International Monetary Fund. Other once-for-all transactions included, very significantly, a withdrawal of £11 million worth of dollars from the reserves by Nigeria.

It follows that during October the relatively high interest rates in Britain must have attracted well over £100 million of hot money. This, and this alone provided sufficient justification for the fall in Bank rate and for the decline in market rates which has followed. Indeed, it may be questioned whether the flow of hot money will be effectively checked by rates of interest anchored to a 6 per cent Bank rate and, therefore, still well above what can be earned in other international markets.

In this context it should be borne in mind that the European money market is becoming increasingly internationalised. The restoration of confidence in currencies which followed the July measures in Britain and the International Monetary Fund meeting in Vienna, has created a situation in which capital has again been tending to move from one centre to another without cover of the exchange risk by the appropriate forward exchange transaction. If the expense of this forward exchange transaction is avoided, the disparity in interest rates immediately becomes more potent than it would otherwise have been. The flood of hot money to London must without question be linked to this development in the European money market situation. In the circumstances, the two modest cuts in Bank rate would appear to have been wholly appropriate not only for the sake of sterling but for that of other currencies, including the dollar, which were being involved in the rush of hot money to London.

A DELHI DIARY

CRACKERS — AND CRACKERS!

I DO not know whether there have been many weeks which include both the explosive Mr. Guy Fawkes and Diwali. In any case, this week both the West and the East were very busy at using their crackers. Of course, there are crackers — and crackers. Mr. Nikita Khrushchev's crackers, it now transpires, are, in megaton value, about 50 per cent more than all those used by the United States and Britain combined; although, as he skilfully indicated for propaganda purposes, he is still short in terms of numbers. Thus it seems explosions have a somewhat variable element in quality. Our own Diwali explosions on Tuesday and Wednesday are happily, at the bottom of the list. But I must confess that even at a distance of five yards a Diwali cracker now frightens me almost out of my skin. I am quite clear that I shall not be able to take an explosion of greater magnitude at any time in the future. A learned medical friend tells me that I have been reading too much about radioactive fallout and Strontium-90. I have certainly viewed with great distaste the coloured fireworks ordinarily on display at Diwali time. Can it be that others, besides myself, are being infected by the peculiar literature which now paints Strontium-90 and Carbon-16 in a most disagreeable light? When we were young — many nuclear ages ago — Strontium was a wonderful and romantic chemical which gave colour to flasks as well as to fireworks. Today Strontium-90 has got the pallor of death. Thus it seems that the great megaton explosions have now succeeded in destroying some of the happiest days in Indian life.

THE DELHI-WASHINGTON AXIS

Interest in Delhi outside Diwali has concentrated almost entirely on the Prime Minister's movements in the United States. A very large number of people to my knowledge waited till 11.30 on Thursday night to hear the Prime Minister's address to the National Press Club at Washington, beamed over, I expect, by some special arrangement, which it seems can bear repetition so as to enable India to listen in to important happenings in Washington. The Prime Minister has

been the soul of discretion, but one wonders whether or not he has not yielded something to atmosphere. And a ghost still walks that land. It is called Krishna Menon. We were naturally intrigued on Wednesday when we were told that, this atmosphere notwithstanding, Mr. Krishna Menon had decided to return to New York so as to be present for the General Assembly's Special Session which is to be addressed by the Prime Minister. No one need accuse the Defence Minister of lack of courage or of an unwillingness to become again the cynosure of all eyes. But can it be argued that India's choice in personalities is also not subject to some of the exigencies of political necessity, which have shaken the Kremlin, and have moved a revered body as well as a ghost?

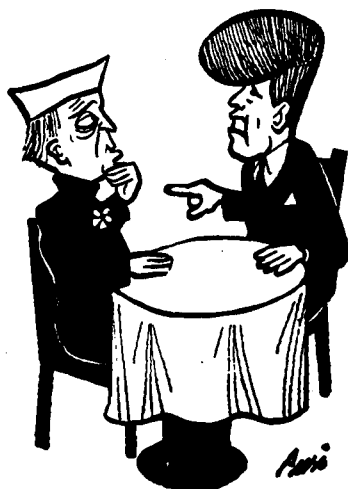
THE UNIVERSITY YOUTH FESTIVAL

I just have time to deal with an inspiring domestic event. This is the Seventh Inter-University Youth Festival which has been held in the Talkatora Gardens from October 25 to 31. This is the first occasion on which I have intimately connected myself with its activities and which have left me enthusiastic about its organisation and nostalgic for youth. No one present could have failed to have seen how extraordinarily vital the festival was in all respects but particularly in music, dancing, drama and debates. There were 36 participating universities and a new experiment in organisation was conducted by having a resourceful person attached to each so that a travelling encyclopaedia more or less accompanied the team, deprived of its library and the usual college facilities. In the result, the group discussions showed that the libraries were not a necessary adjunct to knowledge. Of particular interest was the standard maintained in debates of which I can bear witness in many cases. I doubt very much whether any fall of standards has taken place in the last thirty years, during which those of us who have lived in what we believe was the golden age of university education have developed calculated distrust of modern standards. Both in terms of language and quality the debates were up to the best of thirty years ago. It may be the teams were carefully chosen but since they were chosen from thirty-six universities, there is enough to suggest that there is widespread quality and significant volume even if the sample was not representative.

Apart from quality, may I add that the freedom of movement and the readiness with which boys and girls as well as teachers and students mixed was an inspiring example of how the States of the Indian Union can live and work as one? It was appropriate that in his welcome message to the participants, Mr. Prem Kirpal, Secretary to the Government of India, Ministry of Education, should have referred to what he called "the real grandeur of the festival and what it seeks to symbolise — the picture of a young India resurgent with idealism of the highest kind, pulsating with intellectual vigour and full of promise for providing leadership of the right type to the country in future". Our warmest congratulations should go to the Ministry of Education which has evolved a new pattern of Inter-University Education which, I dare say, is as good as anything anywhere in the world.

ARGUS.

What a Life!



Well, what should we talk about first — Krishna Menon or the rest of the world?

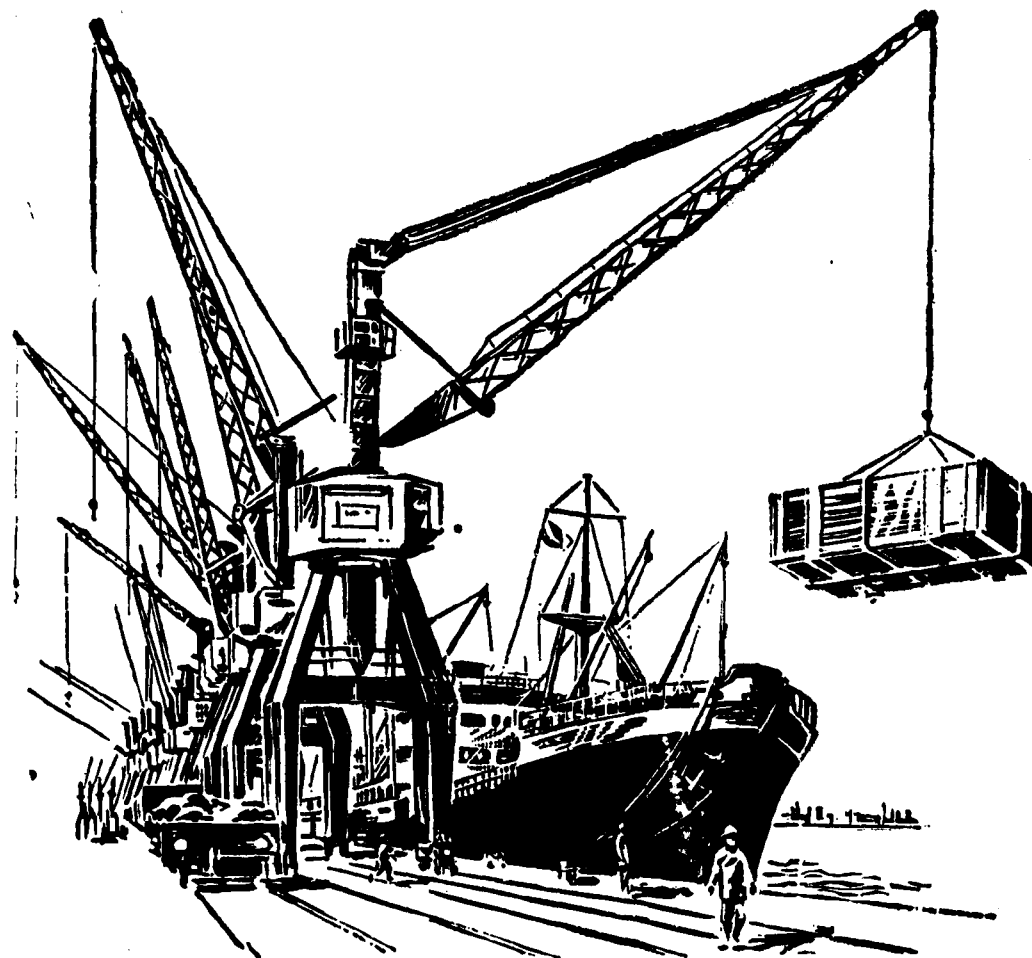
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THE WEEK'S NOTES

The U.N.

DAG'S SUCCESSOR

THE GENERAL ASSEMBLY'S unanimous vote installing U. Thant as the interim Secretary-General of the United Nations for the period to April, 1963, when the term of office of late Dag Hammarskjöld was to expire, augurs well for this august body. Protracted negotiations, extending over nearly six weeks, had been carried on for the purpose on the crucial point raised by the Soviet Union on modification of the powers of the U.N. Secretary-General, divesting them into three persons—the Secretary-General and his two deputies to be selected from the two power blocs. The Western Powers, especially the United States, had been opposed to this Troika in which they saw the seeds of reduction of the office of the Secretary-General to a purile one. The Soviet Union, confronted with this firm stand of the U.S.A., has shown commendable resilience and flexibility in its approach.

U Thant as the acting Secretary-General will not be fettered by any conditions and limitations other than those stipulated in the U.N. Charter itself. He is not to be compelled to choose any specific number of deputies and on considerations of political divisions in the world. Of course, following his eminent predecessor, he is likely to have his principal aides from various regions of the world. But since these aides will not have any right of veto, the Secretary-General will have the ultimate authority to decide and execute his decisions. The U.N. today faces a critical period ahead not only in regard to the secession of Katanga from the Central Congo or on the question of Berlin, but also in respect of the all-important issue of disarmament. Only a firm handling by the Secretary-General of his office within the limitations of the U.N. Charter can help in solving these problems.

Though the Soviet Union has refrained from precipitating a crisis on the choice of the acting Secretary-General, it still does not appear to have abandoned its stand on the revision of the U.N. Charter in respect of the appointment of a permanent Secretary-General. It wants this office to be remodelled on the Troika principle. But since there is now ample time to negotiate on the issue, a solution satisfactory to both the power blocs and the other interests concerned at the U.N. will perhaps be found out in course of time.

Punjabi Suba

AKALIS' ANGER

THE IRE with which the Akali Dal has greeted the Union Government's announcement on setting up of a three-member Commission under the chairmanship of a former Chief Justice of India, Mr. S. R. Das, to go into the grievances of the Sikhs and their charge of being discriminated against, does little credit to the Akali leadership. The Commission has been constituted in fulfilment of Prime Minister Nehru's promise made during the recent fast of Master Tara Singh, the veteran Akali leader. The Akali Dal is said to be dissatisfied with the announcement due to four reasons: firstly, that the Dal was not consulted before the constitution of the Commission; secondly, two members of the Commission may have bias against the Sikhs' complaint; thirdly, the terms of reference of the Commission do not contain a specific reference to the Akali demand for Punjabi Suba; and fourthly, the time allowed to the Commission for submission of its report is too short.

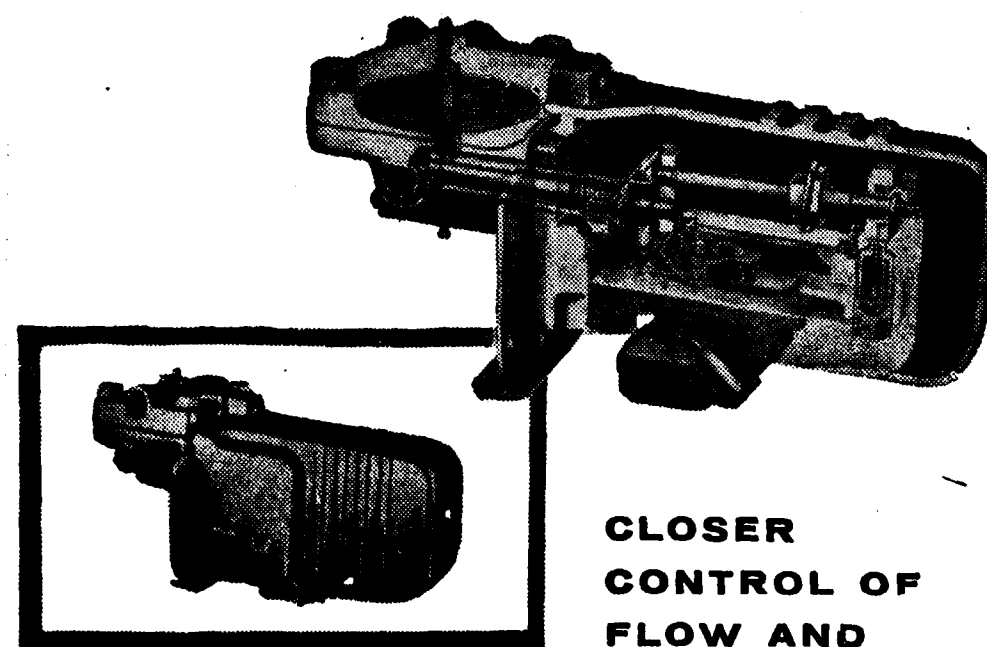
These objections, however, are hardly tenable. The Prime Minister has stated, and rightly, that the appointment of the Commission is a prerogative of the Govern-

ment which it cannot forego under any circumstances. Moreover, the announcement is in line with the statements of the Government, particularly that of October 1, 1961, which paved the way for the breaking of the 48-day fast by Master Tara Singh. Perhaps the Dal had been nursing a mistaken belief that there would be a specific mention to the Punjabi Suba issue in the Commission's terms of reference. But at no stage the Prime Minister had agreed to this. Similarly, the three members of the Commission are men of high integrity and to suspect that they would not act independently because of the association of the Chairman with the Punjab High Court before he was elevated to the Supreme Court and the desire expressed by another member to contest election to the Lok Sabha on Congress ticket is unwarranted. Such misgivings can be expressed against any person howsoever he might have distinguished himself in his sphere of activity. The two months' time given to the Commission to make its report is also quite appropriate because the Government is anxious to avoid exploitation of this issue in the ensuing election. It is, indeed, surprising that the Akali Dal which has been fighting for a Punjabi Suba and levelling all sorts of charges of discrimination against the Sikhs should find itself unprepared with its case. The Akali Dal's threat to boycott the Commission if carried out will be unfortunate. It will do irreparable harm to its own cause.

Commonwealth

U.K.'S RESTRICTIONS ON IMMIGRANTS

THE RESTRICTIONS proposed to be imposed by the British Government on immigrants through a legislative act are likely to provide interest in most of the Commonwealth countries. There is no doubt that a large number of Commonwealth citizens have been having free entry into Britain and they now will find it slightly difficult, if not impossible, to do so. The British Government recently sent an 'aide-memoire' to India about the proposal for this legislative measure. It was indicated that the total number of immigrants from the Commonwealth countries in 1960 was nearly 58,000 out of which 50,000 were from Jamaica and the remaining 8,000 from the Indo-Pak sub-continent. Estimates for 1961 placed the number of immigrants at 100,000 out of which Indians and Pakistanis were expected to number 15,000. The mounting number seems to have provoked the legislation. By and large these restrictions might be interpreted as discrimination on the part of Britain because there were no restrictions whatsoever on British passport-holders regarding entry, period of stay and taking up of any type of employment in India. The international practice in this respect has been one of reciprocity. The contemplated restrictions might give a feeling that there was a tinge of discrimination against the coloured races. It might be pointed out, however, that the British Government had tried to make it very clear that that in no way was the intention. It has been contended that the pressure of immigration has been posing a serious social problem, mostly for reasons of employment. While it is appreciated that a great majority of immigrants from India were making a valuable contribution to the British economy, it is feared that immigrant labour may be a dead-weight in a period of slump. But this legislation is also to be viewed from another angle. As far as India is concerned the Government here has for some time past been discouraging emigration to U.K. of unskilled labour. The proposed legislation will, therefore, only substantiate the measures adopted to curb such emigration.



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The World Abroad

AN INTERNATIONAL CIVIL SERVICE FOR DEVELOPMENT

By
ODYSSEUS

BARBARA WARD made an outstanding contribution to the recent conference at Oxford, sponsored by the U.S. Council on World Tensions (304 East 42nd St. New York) and the UK Overseas Development Institute (160 Piccadilly, London W.1.)

Miss Ward believes that a new theme is emerging in world relations. In place of nation states, allied or hostile, she sees a new sense of the whole human race involved in thrusting back subsistence agriculture and marginal trade, and moving towards universal higher standards of living. I hope that she is right. She is certainly right in insisting that if the objective moves away from shoring up allies to promoting a world take-off, new attitudes are required not only in donors but also in recipients of aid.

Recipients must undertake nation-wide planning, avoid waste by ensuring competent execution and action against social bottlenecks to modernisation (some of which we looked at here last week). Donors must find not annual but long-term funds, lower or abolish their tariffs against the manufactures of developing countries, and create cadres of career technicians to administer and pass on skills.

Miss Ward points out that the West has no adequate plans for enlisting career technicians. She observes that some developing countries lack sufficient administrators, technicians, and experienced planners. These countries need technical help in making surveys, devising plans, and carrying them out. Such men exist in the West, but there is no common register where they can be found, no adequate system of recruiting them, or ensuring them stable careers. There is almost no liaison between governments, UN agencies, foundations and universities, to co-ordinate the dispatch overseas of technicians. Most aid and recruitment has hitherto been ad hoc, but if development is to be made internationally systematic, it must be administered by competent career men and women.

More trained planners are wanted. At present there is no agency to recruit, train, and pool their experience. Many bodies, governments, universities, the World Bank, the IMF, etc., provide them, but the general scarcity means that too many second-rate men, who are worse than none, are sent. Moreover, some governments hesitate to accept expert advice on their plans from agencies which are subsequently to advance the money. Should an independent Institute of Development be set up? It would work closely with existing bodies, and governments and international agencies would be influenced by its advice, which would give weight to its recommendations locally. But its professional and objective character would derive from its international status.

Many developing countries will need, for the next ten years or so, trained men to help them carry out their plans. Present methods of recruiting are unsatisfactory. A man obtainable on a limited contract is liable to be one who has failed to make good elsewhere. He may lack the esprit de corps that goes with belonging to a recognised profession or service, and if he takes on a job merely to add to his savings before retirement, he may have a stop-gap attitude rather than the dedication and flexibility required.

CONTINUITY OF CAREERS

Miss Ward urges the Western governments to create a cadre of officers seconded for a period of development service. Western governments can act themselves to create a new kind of professional service. Ex-colonial civil servants in Africa could offer much in the way of experience and a sense of service. The French Government has devised a system of secondment, which enables men to serve locally without forfeiting their long-term prospects in the French service. A similar scheme may be developed by the British Government for East Africa since one of its essential features—the acceptance of financial responsibility for the official's future by the home government—has been adopted. It remains to be seen whether the responsibility will be interpreted imaginatively enough to encourage the younger officials to stay.

In ex-British West Africa, the opportunity has largely been missed. It is too soon to say whether Britain's new Department of Technical Assistance will give priority to the recruitment of able ex-officials as a possible cadre of administrators on whom developing governments may call. The re-organisation of ICA under the State Department provides an opportunity for the United States to select some of its experienced people for possible secondment. But approval would need to be given to their employment inside the government machines of the emergent states. Advisers cannot be administrators, and it is administrators who will often be the weakest link in development.

Some overseas governments, fearful of laying themselves open to the charge of "neo-colonialist" control may prefer not to look to London, Paris, or Brussels for help. They might turn more readily to an international administrative service. Essential to the success of such a service would be the quality of recruits and the continuity of career which it would offer.

The developing world is strewn with diagnoses—World Bank reports, UN surveys, etc. Prescriptions are piling up. The need is to persuade the patients to take the medicines. This is the responsibility of the international official on the spot. Ideally, he should be able to work not as an outside adviser, but as part of, and inside, the local administration. He must gain the confidence of local Ministers and officials. He must be known both for his impartiality and for his loyalty to the local government that he serves. Any hint of divided loyalties, or Cold War hankerings, rules out his influence. He must be ready for defeats and must not carry his resignation in his pocket. None of this is possible when a man is an outside "expert" available for a couple of years. He must be able to serve as long as the job needs him. In short, without careers, prospects, and security, the kind of man on whom successful development depends will not be available.

To some extent, development planners and administrators are a new need. But other, long recognised, needs also require re-examination. We all know that the developing countries are short of every kind of technician, above all educational and agricultural experts. Ideally, the various international agencies could estimate needs, recruit men, and guarantee careers. But, unhappily, their apparent unwillingness to co-

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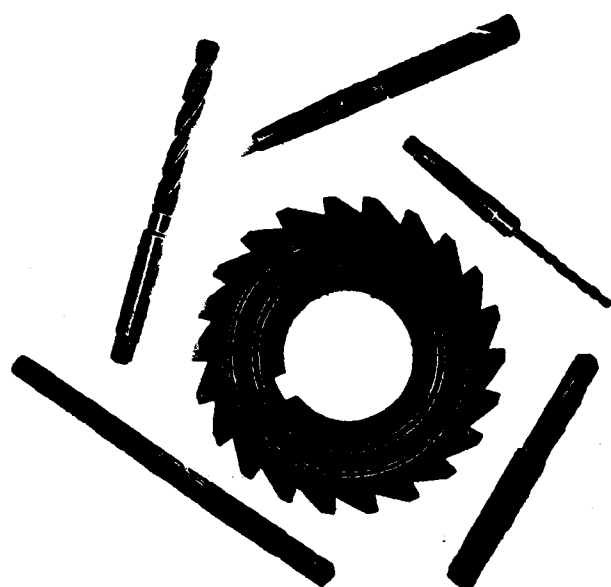
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ordinate their activities, as well as the difficulties imposed on them by their need to maintain a balance of nationalities in their cadres, are handicaps. Perhaps the growing sense of urgency in world development will encourage closer co-ordination, but the calibre of the technicians recruited would be higher if they were engaged in a recognised international civil service.

Education is one field with special opportunities for British, American, Canadian, and French professionals. The languages of education in most of Africa, and in parts of Asia, are English and French. The need for educational expansion is tremendous and one way of ensuring recruitment, without vast new expense or bureaucratic complications, would be for Western Universities, and schools, to agree that in awarding professorships, and in choosing heads of institutions, they would take favourably into account readiness to serve not less than three years in a developing country. Once it was known that an assignment abroad, far from injuring domestic prospects, would appreciably improve them, the numbers, eagerness, and quality of applicants would increase.

CHAOS REIGNS!

The local administration of aid as it is today is sometimes chaotic. Indonesia has even asked for technical assistance to assist in dealing with the number of assisting agencies! If the idea of the "country plan" gains ground, and development planners are available to help to guide it, would it be possible for the agencies interested in aid to allot themselves roles within it? And if this degree of fusion is too radical, could they agree to representation on a single aid mission under a single chairman? Or at least two missions—one Western, the other United Nations. (The possibility of an Eastern Mission should not be excluded). The formation of a

Western Aid Group should make the idea of a single Western mission acceptable. The UN agencies in theory work through a country mission—but it seems to lack authority. As long as this is so, chaos reigns.

No successful answer has been found to the problem of audit. The aiding agencies have a right to try to get value for their capital, but seeing that they do so is a delicate political issue, which donor governments would be well advised to hand over to an international agency. Then, if the kind of audit needed can be settled in the master agreement setting up the framework of co-operation between the local community and the aiding government, the work can perhaps be kept out of politics.

The truth is, surely, that massive long-term economic development is a new world-wide activity. Hitherto, the efforts have rather resembled the great variety of private schemes—provident schemes, health schemes, housing schemes—which preceded the establishment of social insurance and welfare on a national scale. The change could not have been made without far-reaching changes in administration, in the development of new services, in the recruiting of new types of official. Something of the same administrative imagination is needed now to underpin a new world-wide career service of development planners and technicians.

And this need is, in turn, part of a wider challenge—to remove the work of world development from the subsidiary attention of the wealthy nations and to make it the central theme of their diplomacy, their international relationships, their philosophy of world order, their hopes for a future, in which not only groups and nations but the human race itself can hope to make this small planet into a habitable home.

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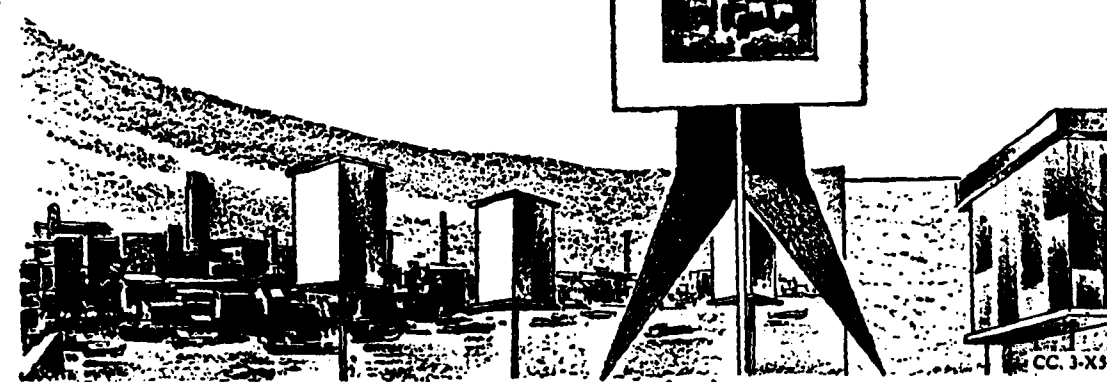
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*The European Scene***THE COMMON MARKET'S ASSOCIATES**

From Our Special West European Correspondent

PARIS, November 4.

THE idea that the "associated countries" (essentially the former French, Belgian and Italian colonies in Africa and, eventually perhaps, the British colonies in that continent) will benefit from the preference of the Common Market in receiving aid and in selling their exports, is one that naturally disturbs other developing countries. It came up for discussion at a conference of Common Market economists in Bari (Italy) lately; what was said there was unofficial, but given the quality and responsibility of the participants, their views may be taken as representing the European approach to the question. They debated and finally endorsed a long report on the subject prepared by Messrs. Emilio Colombo, Hermann Abs (president of the Deutsche Bank), Robert Marjolin (vice-president of the ECM Commission), Hans von den Groeben (a member of that Commission), Baron de Lettenhove (chief of Belgian planning), Pierre Moussa (author of "The Proletarian Nations"), Pasquale Saraceno (professor at Venice), Jan Tinbergen (professor at Amsterdam) and Pierre Uri (formerly secretary of OEEC and now director of Lehman Bros. Bank). Briefly, these luminaries argued that Europe had to concern itself with assistance for all the developing nations, but that this global approach was perfectly consistent with a co-ordinated regional action aimed at Africa. Trade and aid relations between the industrialised nations and the developing nations had to be put on a multilateral basis as far as possible, but this was possible only up to a point: bilateral relations would persist between one or other Western nation and one or other of its former colonies. Similarly, the regional relations between the Common Market group and the group of associates, which have been in force since 1958, will and should endure.

The associates in question have a total population of 52 millions, which is a 25th part of the non-communist, non-European world. Why should Europe show special solicitude for this fraction? Surprisingly in an age when written promises are not taken very seriously, the first reason given was that the Six had bound themselves to do so in the Rome Treaty. Accessory reasons included: the importance of continuity in any aid effort, which made it desirable to maintain the direction chosen four years ago; the special experience that Continentals have acquired, during the colonial era, in these parts of the world; the geographical nearness of Africa and the special historical connection between it and Europe for centuries past; and finally the appearance of Communist influence in some African associates (a reference to Guinea, Mali and the Congo). The last two reasons, it will be noticed, would argue for European aid to all Africa, rather than simply to the favoured associates. Indeed, elsewhere the experts envisaged the extension of the list of associates, by addition of Britain's African friends in the event of Britain joining the Common Market.

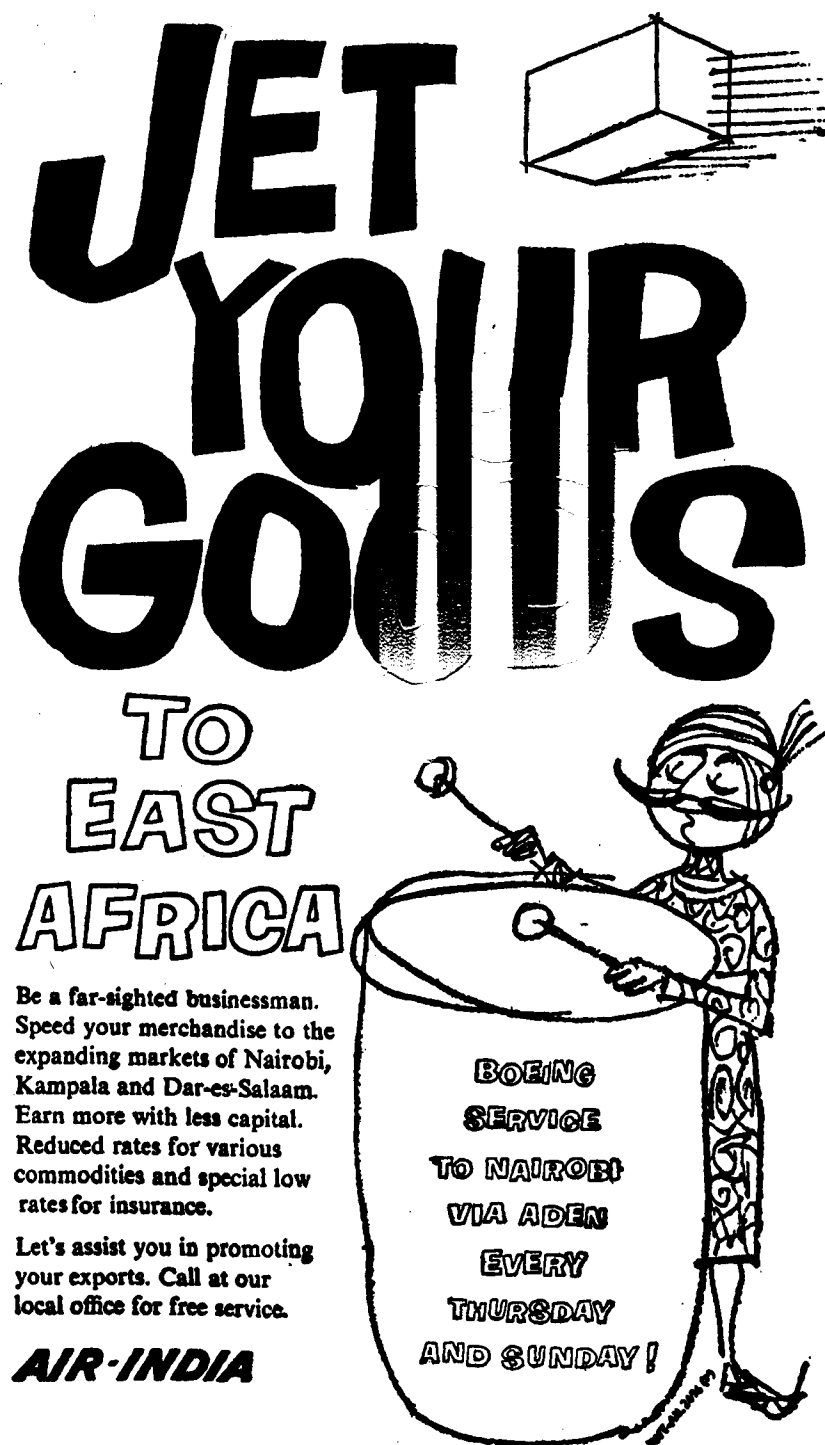
More important for developing countries outside Africa, the report claimed to show that aid to the associates would take only a part (maybe 15 to 20 per cent) of the assistance that the Common Market should consent to give to development abroad. M. Mbeka, Finance Secretary of the Congo (Leopoldville) Government, protested that this was so only because the sums envisaged in the report were "ridiculously low", but the authors seemed to doubt whether the African states could absorb capital, at this early stage in their

development, on a really lavish scale. Indeed, of the \$581 million that the ECM Development Fund set aside for investment in associate territories between 1958 and end-1962, only half has so far been placed. Some will have to be carried forward to the next phase, if the Africans agree to renew the link with the ECM when it expires at the end of next year. How much financial aid should the Six count on giving them after 1962? The report's calculations on this point may well become official Common Market doctrine, so they should be of interest to those who imagine that Africa will claim too much of Europe's capital surplus.

Assuming that one has to invest \$3 to get a \$1 increase in gross national product, and knowing that the total GNP of the associates is now around \$6,000 million, an investment of \$180 to \$200 million yearly would be required to raise the GNP by 1 per cent. In fact, the population of these regions is rising by 2 per cent yearly, so it would need an outlay of \$400 million just to maintain current revenues per head. To increase per capita revenues by 3 per cent would require \$900 to \$1,000 million yearly in fresh investments. Such a rate of increase would be lower than that currently attained in the Common Market itself, so the gap between African and European living standards would widen. In order to begin closing that gap, the rate of increase of GNP should be carried to 7.5 per cent, and of per capita revenues to 5 per cent, annually. That would call for investment of \$1,500 million a year. Of that sum, between two-thirds and a half could be found by local governments and local private saving, leaving \$500 million or more to be found abroad. This foreign aid would come from all available sources, including the USA, the World Bank and the Development Aid Group. The Common Market could claim that it was making a very special contribution to the progress of its associates if it put up \$300 million a year. Compared with the \$581 million put up for the five years 1958-62, this would be a notable rise. (Actually, allocations were divided equally between those five years but were scheduled to rise from \$58 million in 1958 to \$224 million in 1962; the figure of \$300 million would still be a big rise over the latter sum.)

Now the GNP of the Common Market is \$160,000 million. If it were to devote 1 per cent of that sum to aid for development (and more is already being given by France; it only requires West Germany to come into line for this object to be approached), there should be \$1,600 million a year available for investment in the developing countries. The sum envisaged for the associates, \$300 million, is less than 20 per cent of that. Admittedly, if the African associates are to keep their GNP expanding by 7.5 per cent a year, investments must increase in like proportion. But they should be able to find at home a growing percentage of the capital required as development progress, and it would be sufficient for the Common Market to increase its contribution by 4 per cent a year, this being the rate at which its own GNP is growing.

The eminent authors of the report are fully aware (and I even more so, for I have reduced their argument to the bare figures) of the suspicion with which one must regard these calculations, which all begin from the disputed proposition that \$3 invested leads to \$1 extra revenue. However, when recipients are clamouring to know how much aid they can expect, when Europeans are anxiously asking whether they can afford the effort



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necessary and when other developing countries are wondering whether Africa will not monopolise Europe's capital surplus, then there is a definite advantage in trying to put down in figures, however approximate, the cost of the Common Market's doctrine that the African associates have a special claim on its assistance. These hazardous reckonings could be a fair way from the truth without affecting the conclusion that the Common Market will be able to play a dominant role in the provision of capital to its African associates while still being able to play a far from negligible role in assisting development elsewhere in the world.

The other aspect of association is the customs preference that certain African products enjoy in the Common Market and which is denounced as discriminatory by other producers. The authors assert, curiously, that this should be put on the same level as the protection that all developing countries allow to their infant industries; Africa is more backward than most of Asia and Latin America, and industries like coffee, tea and hard fibres are quite young industries there, so they are entitled to special solicitude. Moreover, the degree of customs preference is high only for coffee, cocoa and bananas, and in such cases the Common Market and its associates are merely imitating the system of Commonwealth preferences that Britain and her friends have long practised, without being denounced for discrimination. In fact, they claim, the preference granted by the Common Market to its favoured partners is less marked, for many products and notably for fats, than that allowed by Britain to her friends. (The common external tariff on peanut oil and several other tropical goods is zero, so there is no discrimination.) However, the experts at Bari freely confessed that the method of customs preferences was unsatisfactory: it seemed prejudicial to other producers and at the same time it did not protect African associates from violent fluctuations in their export earnings. (They might sell inside the Common Market at prices higher than the world level, but those prices inevitably moved up and down with the world level.) So it was suggested that this customs advantage be replaced, at least in some cases and gradually, by a mechanism designed to stabilise export earnings. For example, without enjoying privileged access to European markets the African associates (and they alone among Europe's suppliers) would receive

advances from a jointly administered fund when their sales declined in value, which they would repay when their sales proceeds were abnormally high.

A similar arrangement has been practised by the French "regularisation funds" in favour of the colonies; it is now urged (and it is no secret that the West Germans want this) that it be generalised to cover the main associate exports to the Common Market as a whole. It would be combined with various other sorts of financial aid designed to improve the industries in question, but it would partially and gradually replace the advantage of customs preference. The calculation evidently is that non-associates would object less to this sort of discriminatory assistance than they do to preferential tariffs. At all events, certain African associates react badly to the suggestion, which they take to be an attempt to buy their tariff advantage for money; they reply that they want both the tariff advantage and the money, but in no case will they part with preferential customs. Their attitude will depend, I believe, on what happens to Commonwealth preferences when Britain joins the Common Market; if those preferences are abandoned or slashed, the associates will probably agree to surrender or moderate theirs. As long as Commonwealth preference stands, the associates will cling to the equivalent arrangements with the Common Market.

Finally, it was agreed at Bari that if associate status was envied or resented by other developing countries, the only solution was to offer it to such as cared to accept it. The entry of Britain should imply the extension of the list of associates but the report envisaged offering similar facilities to countries in Latin America and the Middle East. The form of association need not duplicate that enjoyed by present African associates (this being what Mr. Morarji Desai has said he would not touch with a bargepole), but could approximate to the special trade arrangements negotiated with Greece and Turkey. In other words, the Common Market should be ready to negotiate commercial treaties with any developing country, covering one or more products, in an effort to expand its markets in West Europe. The notion of "association", it can be seen, is becoming more fluid and it is being hasty to declare in advance that one would not touch it with a bargepole.



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Economic Report from the U.S.

FREE ENTERPRISE — KEY TO SOCIAL PROGRESS

By GUY SIMS FITCH

NEW YORK, November 1.

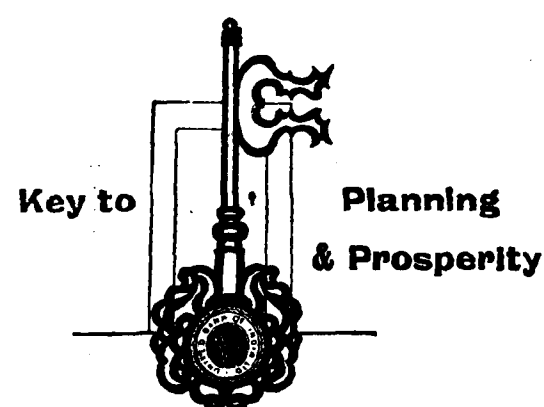
IT is not unusual that businessmen would hold a meeting dedicated to the proposition that private enterprise has much to contribute to economic progress and welfare. The National Foreign Trade Council is no exception. The theme of its 48th Convention, held here this week, is "Free enterprise — key to social progress and preservation of freedom." This private organization comprising some 700 companies is the leader in the trade field, and represents a cross-section of business opinion on foreign economic policies. The annual convention of this group is always an important event. This year, with more than 2,000 U.S. business executives in attendance plus 400 Government officials, diplomats, educators, students and other observers, the views expressed inevitably are many and varied.

Yes, while differences of opinion are quite normal among these defenders of freedom in enterprise, there is one underlying thesis that constantly comes to the fore: continued support for distinctly liberal positions on international aid, trade and investment. In his keynote address, Carl J. Gilbert, Chairman of the Gillette Company of Boston, Massachusetts, stood solidly behind the Government's foreign assistance programmes, and offered cogent comment on private investment: "While both (government and private) forms of flow of capital are necessary," he said, "to permit the rapid improvement in standards of living . . . , direct private investment by American business in suitable local enterprises, well operated and fully supported by American technology, is an essential ingredient of any such programme." He noted that American owned plants in other countries directly provide jobs and income for more than three million persons. Less than one

percent of the jobs in these U.S.-owned plants abroad are held by U.S. nationals. His own company has only 21 Americans among 6,000 overseas employees. Another company has only one American among hundreds of employees at one of its overseas installations, and he is scheduled for replacement by a local employee as soon as the current training programme ends.

Mr. Gilbert also called attention to the need for a propitious investment climate on the one hand, and for U.S. companies to be good citizens of the most countries, on the other hand. They have "the duty to refrain for unfair labour practices, to maintain a high standard of quality — and to scrupulously conform to the laws and customs of the host countries," he said. But there is also another side to the coin. Exporters in other countries must have a fair opportunity to expand in turn their sales on the U.S. market. This is a real test of enlightened international economic programmes. Mr. Gilbert therefore rejected protectionism in trade, and instead advocated a further liberalization of the Trade Agreements Act, under which the U.S. for the past 27 years has led the world's expansion of trade and commerce.

President Kennedy and his aides are deeply concerned today with this problem. The Trade Agreements Act expires next June 30, and new legislation must be enacted. Unquestionably, any attempt to liberalize the act will meet with opposition from protectionists. Mr. Gilbert's stand, therefore, comes at a most opportune time. Representing an important business group, he has in effect strengthened the Kennedy administration's position on trade liberalization and its chances for gaining the support of a sizable body of the U.S. business community.



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Special Article

REFINEMENT IN NATIONAL INCOME ESTIMATES

THE Third Session of the Indian Conference on Research in National Income held last week in Bombay focussed attention on the difficulties which the national income experts have had to face during the last decade. Ever since the appointment of the National Income Committee in 1951 under the guidance of Prof. P. C. Mahalanobis, Dr. V. K. R. V. Rao and Dr. D. R. Gadgil, the statisticians have repeatedly pointed out the slender basis on which some estimates are made, especially in such sectors as trade and the professions. There is considerable disagreement even regarding the computations made for the primary sector because the method of collecting statistics in this particular field needs vast improvements. Not much reliance is placed on the estimates of tertiary income as well, and there is a practice in this country for calculating quick estimates of national income to impute the value of income originating in this sector on the basis of the income in the primary and secondary sectors, implying that the income generated in the tertiary sector is related to the income from primary and secondary sectors.

There is a big gap between the estimates of agricultural production as presented by the Central Ministry of Food and Agriculture and the data thrown up by the consumption surveys conducted by the National Sample Survey. For purposes of uniformity, the National Income Unit has hitherto stuck to the procedure of adopting only the statistics presented by the Ministry of Food and Agriculture. In other words, even on the volume of output in the primary sector, there is considerable disagreement. The only sector about which it can be said that the estimates are trustworthy, is that of the organised industry which however forms only one-tenth of the total economy. The high degree of accuracy presented in the organised industrial sector does not add to the accuracy of the overall all-India estimates.

The final report of the National Income Unit released in 1954 set out the broad margins of error which could be expected in its estimates of the various sectors. It was indicated that in such sectors as construction, small-scale industries etc. margin of error could be as high as 30 per cent of the figures presented. The overall average error was estimated to be plus/minus 10 per cent of the estimates presented by the National Income Unit. The very fact that the National Income Unit had fixed this wide margin of error in its own estimates had urged a number of national income experts to look deeper into these figures. In recent years, the National Income Unit took upon itself the task of revising its own conventional estimates. The fresh estimates, however, fall within the ambit of the margin of error already indicated (vide graph overleaf), though they indicate a definite improvement upon the procedure adopted in the earlier reports. It cannot be said even the new estimates are fool-proof, or not subject to the same margins of error as the earlier estimates. The present attempt, however, needs to be encouraged in so far as it leads to continual improvement.

Attention is invited to the table alongside which sets out the conventional estimates of the National Income Unit and the new estimates to show how they broadly lie within the margin of error indicated in the final report of the National Income Unit and how a few refinements here and there do not materially alter the conventional estimates. Moreover, the usual technique of constructing mathematical models to infer the

probable implications of the growth in the primary and secondary sectors on the tertiary sector are not likely to be fruitful in view of the high margins of error. Also the new estimates will need further revision when the new information collected by the 1961 census is made known.

NATIONAL INCOME: 1950-51 — 1960-61

(Billion=1,000,000,000)

(Rs. in Billions)

Year	Revised Series (At 1958-59 prices)	Conventional Series (at 1948-49 prices)		
		Actuals	Series I (+10%)	Series II (-10%)
1950-51	92.4	88.5	97.4	79.7
1951-52	—	91.0	100.1	81.9
1952-53	—	94.6	104.1	85.1
1953-54	—	100.3	110.3	90.3
1954-55	—	102.8	113.1	92.5
1955-56	109.0	104.8	115.3	94.3
1956-57	114.6	110.0	121.0	99.0
1957-58	112.8	108.9	119.8	98.0
1958-59	121.1	116.5	128.2	104.9
1959-60	122.5	117.6	129.4	105.8
1960-61	130.5	125.3	137.8	112.8

The difficulties of making reliable national income estimates originate from the data used which is collected mostly for administrative purposes, without any regard to the needs of the national income experts. It is obvious that certain modifications or revisions have to be made for feeding these statistics into the national income accounting technique. It is, however, a blessing in disguise that these figures are, in fact, being collected, for whatever purpose. What needs to be done is to continue to make concerted efforts for steadily improving this statistical information on the basis of the needs for the new research work which is being done at the Centre, the State level and in the universities.

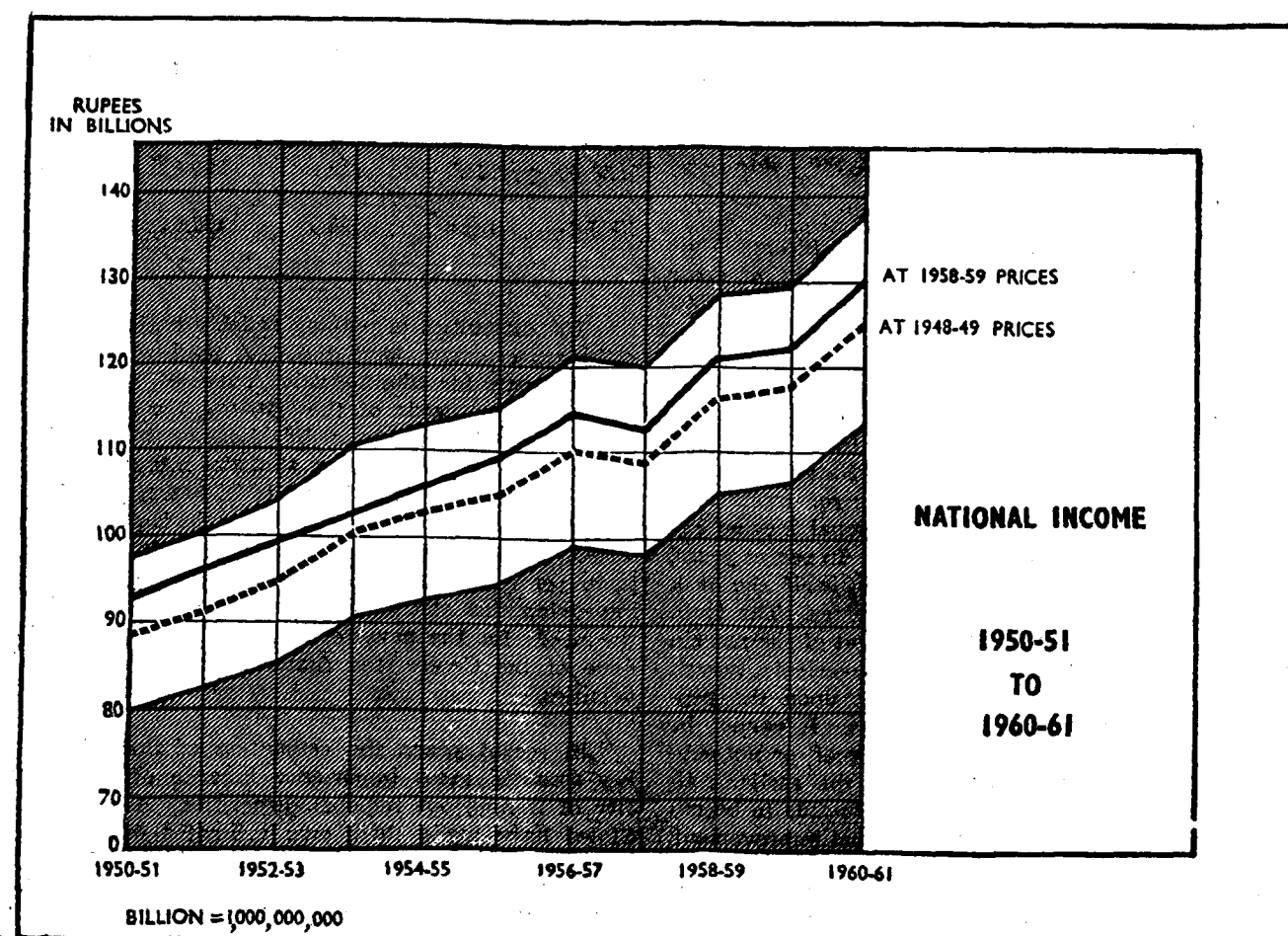
In recent years, the estimation of State incomes has assumed great importance because of the necessity of ironing out regional disparities. A number of States have made their own estimates on whatever scanty data they possessed. These estimates do suffer almost from the same limitations as the overall Indian Union estimates prepared by the National Income Unit because in most of these cases the methodology adopted is the same as that of the all-India estimates. In any case, some of the States such as Uttar Pradesh and Madhya Pradesh have steadily improved their estimates from year to year. The difficulty lies, it seems, in the lack of resources for strengthening certain State

Directorates of Economics and Statistics. If during the next few years, it is not going to be possible for the State Governments to allocate substantially bigger funds for Economic and Statistical Research, it is necessary that the attention of the Heads of Department of Economics and Statistics in the Universities should be directed to the encouragement of research at the University level. Some universities have the happy practice of making it compulsory for the students to conduct small surveys and write out their findings before awarding the Master's Degree. This practice needs to be encouraged in all the Universities so that more primary data could be collected at the State level. Particular attention needs to be paid to the wage level in the States for which reliable information is not at all available. This is the only way to unearth new statistical data without much additional cost. The National Sample Survey took upon itself the task of filling in the gaps in statistical information but it seems these problems are too big for even this gigantic organisation to cope with.

Fears were expressed at this conference regarding the misuse by the politicians of State estimates produced by some statisticians. All estimates produced, either for the Indian Union or for the States, are subject to certain margins of error and this has got to be noted by all who make use of these figures, whether they are

politicians or not. Small differences in the estimates for the States do not have much significance to show that one State is better placed than the other. The pioneers in this particular branch who have dared to produce these estimates, however, need to be encouraged. All good and reliable estimates start with imperfect and provisional estimates. Efforts need to be continued at the State level as well as at the university level to compute not only the income generated within the States, but also income accruing to the States. A beginning has still to be made in regard to income "accruing to the State" approach since no worthwhile efforts have been made so far in this direction. The machinery for locating inter-State movements of funds will have to be evolved, sooner or later. The fact that this particular problem has not been taken up by a research worker will bring home the necessity of creating a machinery for this purpose.

Despite the repeated efforts made by the statisticians both at the official and non-official levels, the estimates of savings, investment, capital formation etc. need great refinement. The Planning Commission has, from time to time, made some rough "guesses" about these important variables. Unless these tools are sufficiently sharpened, much of the statistical research necessary for planned development in this country cannot be carried through successfully.



THE BUSINESS WORLD

Progress of Electrical Industries

THE report of the Development Council for Heavy and Light Electrical Industries issued recently records that there has been a significant increase in production in these industries. If targets have not been achieved in a few of them, it is because of the foreign exchange difficulties. The industries that faced a slight setback during the middle of the Second Five-Year Plan were transformers and electric motors. But production of cables, wires, switchgears and control-gears was quite upto the mark. In the case of light electrical industries shortages existed in respect of a few commodities only like low wattage general lighting service lamps, fluorescent tubes, etc. The overall progress made by the heavy and light electrical industries can be gauged from the tables below:

SOME LIGHT ELECTRICAL INDUSTRIES

Industry (Unit)	Production in 1960	Production in Jan.-June 1961	Capacity targets for 1965-66
Dry cells (Mil. Nos.)	207	106	..
Storage batteries ('000 Nos.)	510	279	..
Electric Lamps:			
(a) G.L.S. & others (Mil. Nos.)	40	22	..
(b) Fluorescent ('000 Nos.)	1,520	950	..
Electric fans ('000 Nos.)	991	562	2,800
House Service Meters ('000 Nos.)	475	273	2,500
Radio receivers ('000 Nos.)	287	151	..
Refrigerators (Nos.)	11,388	5,511	..

It is interesting to know that while there were only 12 units manufacturing electric motors in 1955, there were 27 such firms in 1960 producing motors having a capacity of 700,000 horse power. Transformers were being manufactured by 17 units in 1960, whereas in 1955 there number was only 10. So far as switchgear and control-gear industries are concerned their production in 1955 was of the order of Rs. 40 lakhs. In 1960, a total production of Rs. 410 lakhs from 23 units was recorded. Although production of bare copper conductors in 1960 was only 10,000 tons, as against the installed capacity of 20,000 tons, the shortfall was apparently due to the scarcity of copper caused by shortages of foreign exchange. But the production of aluminium conductors showed a notable increase and its production in 1960 from all the units was 22,000 tons.

The establishment of heavy electricals plant at Bhopal is of paramount importance. It will be manufacturing a wide range of specialised heavy electrical equipment such as turbo-alternators, hydraulic turbines and generators, large-size power transformers and electric motors, switchgear required for power transmission systems and industries and control gear, traction equipment for railway electrification etc. The establishment of the other two heavy electrical projects has also now been decided upon. These plants would ensure from indigenous sources a wide range of electrical equipments sufficient to enable power generation to be increased at an annual rate of 2 million KW per year from 1971 onwards. They will also produce heavy motors, rectifiers and control equipment. The new projects will be set up with Czechoslovak and Russian collaboration in Andhra (Hyderabad) and U.P. (Ranipur).

With a view to set things right in these industries, the Development Council has made a number of recom-

HEAVY ELECTRICAL INDUSTRIES

Industry (Unit)	Production in 1960		Production in Jan.-June 1961		Targeted production in 1965-66	
	Qty.	Value in Rs. crores	Quantity	Qty.	Value in Rs. crores	
Electric motors ('000 H.P.)	700	8.30	391	2,500	25.00	
Transformers ('000 K.V.A.)	1,200	6.60	791	3,500	20.00	
Switch gear and control gear	..	4.00	..	..	15.00	
Cables & Wires:						
(a) Bare copper conductors (Tons)	9,700	4.80	4,000	15,000	6.00	
(b) A.C.S.R. and all aluminium conductors (Tons)	22,000	8.90	11,000	30,000	12.00	
(c) V.I.R. & P.V.C. cables (Mil. yds.)	250	7.50	113	525	17.00	
(d) Paper insulated power cables (Miles)	575	1.80	..	3,750	13.00	
(e) Winding wires (Tons)	4,200	4.00	2,550	29,000	27.50	
Heavy electrical machinery and equipment	Nil	Nil	..	..	35.00	
TOTAL	..	45.90	..	..	170.50	

mentations. The Development Council is for instance of the opinion that as it would take a considerable time to build up capacities in respect of most of the heavy electrical equipment, it is desirable to licence additional capacities as early as possible, keeping in view the anticipated demand during the Third Five-Year Plan. Of the many recommendations, leaving the field open to the private sector in production has attracted the greatest attention. The Council's recommendation is that the manufacture of electrical equipments such as transformers and motors of higher rating which are so far reserved for development in the public sector should also be open to the units in the private sector and such of those units that have capacity to manufacture these. Since the prices of electrical sheet steel and high tensile galvanised steel available under the Development Loan Fund are very high compared to the prices from other sources, granting of licences, wherever possible, for the import of these from sources other than D.L.F. has been recommended very strongly. And as the supply position of non-ferrous sections and extruded sections etc. is still difficult, it has been vociferously put that Government might consider granting of licences for import of such of sections which are not available indigenously. In order that the electrical industry might become self-sufficient and reduce imports substantially, it is underlined that the manufacture of basic and ancillary industries such as ball bearings, insulating materials, small and semi-finished components etc. should be developed quickly. The earlier recommendation that the duty anomaly on the import of aluminium ingots bars and rods for the manufacture of ACSR conductors and for the manufacture of all aluminium conductors should be removed, has, of course, been rightly repeated.

In the field of export promotion, due note is taken of the various suggestions made by the Export Promotion Sub-Committee and requisite steps have been suggested to establish adequate tool making capacity. In fact the recommendations cover every aspect of the problems pertaining to the heavy and light electrical industries and if implemented can go a long way in fostering their growth.

Business Notes

Productivity

NEED FOR NEW THINKING

IF THE burden placed on the public sector in the Third Five-Year Plan is to be fully discharged, productivity in the public sector will have to be increased at a rapid pace. At a seminar on utilisation of human resources in industry, this point was made amply clear by various speakers. Mr. C. D. Deshmukh, former Union Finance Minister, pointed out that while public services have markedly deteriorated since the partition, private services have notably improved. The deterioration in the public services can be attributed to the fact that the public sector has tried to take upon itself much more than it can really chew. The poor quality of managerial personnel is also one of the factors responsible for prejudicing the success of the enterprises. It cannot be denied that there are very few experienced persons in managerial posts and often the jobs are held by persons without any requisite training and experience. The absence of delegation of authority within the enterprise is another common failure. Besides, there is a great reluctance to take responsibility. The result is that important decisions are often taken based on non-economic considerations.

Productivity is of great importance to a country like India particularly now that she is at the point of take off. And it is important that due importance be given to the consumer while deciding about the share of various participants. Mr. Silverstein, leader of the U.S. team which participated in the Seminar deprecated the tendency to agitate for sharing the gains from productivity before they were known and precisely measured. His thesis was that instead of fighting for it, it was better for management to grapple with the problems of marketing first because in the ultimate analysis, it was marketing which held the key to productivity. Resistance on the part of workers for productivity drive was quite natural because of fear of unemployment. It was, therefore, necessary that their interests be looked into carefully while giving a fillip to the productivity movement. The commonsense approach would appear to be that there should be efficient utilisation of capacity and skills with the minimum of waste. And this can be achieved through management-worker-technician collaboration. Since India has still a long way to travel in this direction, every effort must be directed to bring about a happy sense of partnership.

Industry

INDUSTRIALISATION OF RURAL AREAS

THE DEVELOPMENT of rural areas is gaining increased attention partly to relieve congestion in the urban areas and partly for balanced growth of the economy. Industries are being set up and facilities are being offered in the underdeveloped parts to promote the speedy growth of industrialisation. Industrial estates are being given due place in the economy. They are being encouraged because they not only serve as a stimulus to encourage potential enterprise to come out by using the facilities provided at subsidised rate in these estates but also because they are a generator of new employment. A fact to be borne in mind is that these estates can help the increasing employment only in so far as they attract new units as distinct from units functioning in other areas. But if the industrial estates are only prototypes of big industrial establishments producing what the latter produce no gainful purpose can be served for the economy. They will have to be supplementary units to big industries. And it is only in this way that a diversification of production and techniques to the advantage of industrial growth can be brought about.

Rural industrial estates will have to fit into the scheme of economic decentralisation and panchayati raj. Without it they would not be able to serve the purpose that is expected of them. To put it more plainly, they will have to fit into the rural industrialisation programme in general. Under the circumstances, those who are concerned with the problem will have to take into consideration all the fundamentals of industrial and economic growth relating to question of industrial estates. It may be hoped that the seminar on industrial estates being held in Madras will help to evolve ways and means to strengthen the structure of industrial estates which are earmarked to play an important role in the economy of the country.

NOTABLE ADVANCES IN ANDHRA

EVERY STATE is realizing that if it is to make a rapid advance, it must pay increased attention to the industrialisation aspect. In fact for the backward States this seems to be the only way out. Suitable steps are, therefore, being taken by some of these less developed States to mould their economies. It may be noted that

the States are behind in the field of industrialization not because they lack resources, but because the existing resources—including human—are not being utilized fully. The technico-economic surveys conducted by the National Council of Applied Economic Research would confirm this view-point.

Andhra is one of those States which have taken courage in both hands and have found out ways and means to put the State on the industrial map of India. Three corporations have been set up in Andhra State for small-scale industry, mineral development, handicrafts and leather. A new move for establishing private industrial estates is also gathering momentum. The estates will be set up as joint ventures between the Government and the prospective occupant industrialists. Government will provide developed lands, electric supply, water supply, drainage and roads etc. The occupant industrialist will be able to avail himself of loan assistance upto 70 per cent towards the cost of building and 75 per cent towards the cost of machinery.

The major undertakings that the Government of India has decided to establish in the State are: a synthetic drugs project at Sanathnagar at a cost of Rs. 8 to 10 crores covering the manufacture of sulphur drugs, vitamins, phenacelin and other intermediates. A heavy electrical plant with a capital of Rs. 40 crores is also to be set up with Czechoslovak collaboration.

To create conditions favourable for the development of small-scale industries and to actively assist the growth, the Government has initiated a number of programmes. These comprise not only those designed to assist private entrepreneurs in starting new industries such as the establishment of industrial estates but also establishment of tool room servicing workshops and raw material supply depots.

With a view to rehabilitating the village economy, schemes for a large number of Khadi and village industries have also been implemented by the State. Many of the schemes have been expanded and carried into the Third Plan to achieve greater production. Now that the ground for industrialisation has been sufficiently prepared, the State can look to the future with greater confidence.

SESHASAYEE'S MASSIVE EXPANSION

THE ELECTRICAL porcelain industry in India is now likely to move from its nascent stage to a stage of development. A large-scale expansion programme of about 250 per cent in the installed capacity of Seshasayee Industries Limited is in the offing. The Company has obtained a licence to raise its capacity from 1,200 tons to 3,000 tons of high and low tension porcelain insulators together with the associated metal parts and hardware.

An investment in the block to the tune of Rs. 60 lakhs for the expansion programme is proposed to be financed by an additional share issue of Rs. 40 lakhs, all in the form of equity shares, and the balance is to be met through a medium-term loan. The additional capital issue is to start in November this year.

The block outlay of about Rs. 70 lakhs in the factory at Vadalur (Madras) was financed by the issue of Rs. 40 lakhs of both Preference and Ordinary capital and by means of a long-term loan of Rs. 30 lakhs.

On the completion of the expansion programme, the Company's gross block will come up to Rs. 1.30 crores of which Rs. 80 lakhs would represent share capital and Rs. 50 lakhs long-term loan.

Soon after the Company's factory went into commercial production some three months ago, considerable

increase in the demand for electrical porcelain from various State Electricity Boards, electrical licensees, switchgear and electrical manufacturers and railways rendered it necessary for the Company to launch an expansion programme of its installed capacity. The overwhelming requirements of high tension insulators are being met by imports.

The Company's equity capital base will facilitate its sound working and satisfactory dividend distribution in the coming years. On the completion of its expansion programme, the Company will emerge as probably the largest electrical porcelain manufacturers in the country.

The Central Government has agreed to grant a cash licence of the value of Rs. 33 lakhs in Deutsche marks to enable the Company to secure its plant and machinery from West Germany. China-clay is expected to be obtained from Neyveli Lignite Corporation. At present it is being obtained from Kerala and other sources.

Delhi Cloth Mills

PROBLEM OF RISING COSTS

EXPRESSING SATISFACTION over the financial results of the Company this year compared to the last year, Mr. Bharat Ram, Chairman of the Delhi Cloth and General Mills Company Limited observed at the Annual General Meeting of shareholders that the problem of rising costs of raw material and labour has been hitting the cotton textile industry very hard.

With increased consumption of cotton in the existing industry and the addition of 4 million spindles in view during the Third Plan period, the Chairman said, the prospect of Cotton appears bleak in the years ahead. On the basis of 9,300 million yards of cloth production and 2,250 million lbs. of yarn, as visualized in the Third Plan, 14.50 lakh more bales would be required. The cotton production has stubbornly remained around 45/48 lakh bales and, in fact, in the year 1959-60 it went down to 37 lakh bales. The stringency in cotton situation, Mr. Ram said, is bound to increase the cotton prices in India which in turn will affect the cost of production and export trade. The exports in 1960-61 had already dropped by Rs. 7 crores over that of the preceding year.

In addition to the rising cost of raw materials, the Chairman said, wage costs in the textile industry have also moved up following the Wage Board award. In spite of the general setback, the Chairman added with evident satisfaction, the textile exports of the D.C.M. have not moved down.

The menace of the powerlooms is posing a serious problem. Apart from the fact that they pay a very small excise duty, thousands of unauthorised powerlooms have come into production. According to a recent government survey, these unauthorised looms are at least 66 per cent as numerous as the looms registered with the Government making a mockery of the statutory provisions for registration.

The overall position of the cotton textile industry in India is far from sound and on the export front the industry is becoming more and more vulnerable on account of rising costs. Unless the costs are kept down and wages are lowered, export outlook for the industry would continue to remain bleak. It is also time that active steps were taken to increase the cotton production, for without it desired results would not be obtained.

Modi Mills

STEADY PROGRESS

THE INCREASE in the profits this year over the last year by about 35.7 per cent has enabled Modi Spinning and Weaving Mills Limited, Modinagar, to come out with 17 per cent dividend to its shareholders (inclusive of 8 per cent interim dividend already paid) subject to tax, as against 13 per cent dividend in the previous year. In his speech at the 15th Annual General Meeting of the Company, Rai Bahadur Seth Gujar Mal Modi, expressing his satisfaction over the record of performance this year, said that on account of the additions, alterations and extensive renovations that had been made during the year under review, the quality of yarn and cotton cloth had immensely improved. To improve further the quality and production, one Sanforizing machine in cloth section, high drafting plant and 6,400 spindles in yarn section are being added. The production of cotton in 1960 having fallen short of estimates, a sharp increase in prices occurred. Nearly Rs. 70 crores were drained out of the country by way of import of cotton.

Touching upon the subject of man-made fibres, the Chairman pointed out that the fibres produced by the foreign countries were more attractive than that of ours. The blending of wool with the synthetic fibre enabled fabrics and garments look like all wool to enter the market at a lower price range. Properly blended, man-made fibres prove to be more durable than the natural fibre. Most of the man-made fibres are made from timbers and chemicals and India is favourably placed to grow timber suitable for producing synthetic fibres. A method of making synthetic fibre is to utilise cotton lint. By distillation of the molasses and with chemical treatment, the alcohol produced is mixed with the cotton lint to produce the synthetic fibre called acetate yarn. This is of much superior quality to any other synthetic fibre and, therefore, its use is increasing very rapidly throughout the world.

The expansion plans of the company are all well set. In collaboration with some important foreign firm, the company now proposes to install shortly one synthetic fibre producing plant, which will cost about Rs. 10 crores. It is expected that more than half of the total investment will be available to the company from foreign collaboration.

Bicycles

STEADY PROGRESS IN PRODUCTION

DURING THE period 1960-61 the bicycle industry recorded a steady progress. The target of production set at 11,00,000 numbers in the large scale sector and 2,50,000 numbers in the small scale sectors was more or less achieved. The target of production for 1961 has been fixed at 12,00,000 numbers in the large scale sector and 3,50,000 numbers in the small scale sector.

Having reviewed the pack-value of imported components required by cycle manufacturers for the year 1961, the Development Council for Bicycle Industry recommended to bring down the pack value of imported components during the licencing period April-September 1961 to 50 nP. in the case of those units which are producing chains and Rs. 2 in the case of other units on the large scale sector. The industry was expected to be completely self-sufficient in the production of components by the end of September this year, and it was, therefore, thought that there would be no need for import of components on the large scale sector towards the end of this year.

Despite the steps taken by the Bicycle Manufacturers' Association to promote export of bicycles, the in-

dustry has not hitherto made much headway in exports. To boost up exports it is imperative that publicity for Indian manufactured goods should be intensified in the foreign markets with the active co-operation of the industry. Because of the rising prices in the home market, manufacturers have not hitherto shown any distinct interest in selling their goods abroad.

World Bank

RISE IN RESERVES

THE FINANCIAL statement for the three months ending September 30, 1961 of the International Bank for Reconstruction and Development points out that there had been a rise of \$24.2 million in the first quarter of the current fiscal year. The additions to reserves in the three months' period ending September 30, 1961 are made up of net earnings of \$16.8 million which are placed in the supplemental reserve against losses on loans and guarantees, and loan commissions of \$7.4 million which were credited to the special reserve. On September 30, the supplemental reserve totalled \$424.9 million and the special reserve was \$201.1 million.

Gross income, exclusive of loan commissions was \$44.2 million. Expenses totalled \$127.4 million and included \$23.5 million for interest on the Bank's funded debt, for bond issuance and other financial expenses. The outstanding feature was that during this period the Bank made 8 loans totalling \$160.5 million in Colombia, Costa Rica, Finland, India (two loans), Israel, Philippines, Trinidad and Tobago. This brought the total number of loans to 300 in 58 countries and territories and raised the gross total of commitments to \$5,951 million. By September 30, as a result of cancellations, repayments and sales of loans, the portions of loans signed still retained by the Bank had been reduced to \$4,316 million.

The Dominican Republic was readmitted to membership in the Bank during the first quarter of the fiscal year with a capital subscription of \$8 million. Laos, New Zealand and Nepal became members of the Bank with capital subscriptions of \$10 million, \$166.7 million and \$10 million respectively. The subscribed capital of the Bank amounted to \$20,287.8 million on September 30, 1961.

THE EASTERN ECONOMIST

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Notice is hereby given that the Indian Debenture Register and the relative Transfer Books will be closed for a period of 11 days from 21st November to 1st December, 1961, both dates inclusive.

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D. PUGH,
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FROM THE CAPITAL'S CORRIDORS

FOREIGN EXCHANGE FOR CRUDE IMPORTS

THE Government of India has revised its policy regarding the allocation of foreign exchange for the import of crude for three refineries in the private sector. The Government of India had informed the three oil companies earlier that foreign exchange to import crude would be allocated on the basis of 1960 level. As the oil companies had, on the basis of an earlier directive, expanded their refining capacity, there had been very little crude available for them during the last three months. They had exhausted their import quota on the basis of 1960 production. The Government of India have, therefore, decided to allocate necessary foreign exchange to the three oil companies to enable them to import as much crude, as they imported during October-December 1960.

The Government of India has allocated Rs. 41 crores (\$861,000,000) for the import of petroleum products, including crude, during six months, October 1961 to March 1962. Of this Rs. 37.50 crores (\$787,500,000) will be in free foreign exchange and Rs. 3.50 crores (\$7,350,000) under D.L.F. In addition Rs. 3 crores (\$6,300,000) have been allocated for rupee payment imports. The Government has reached a tentative agreement with the U.S.A. to import certain petroleum products from the United States, to be financed from D.L.F. loan. These products will largely include lubricants. Broadly speaking 50 per cent of the allocation is earmarked for the import of crude.

The Government of India, in allocating foreign exchange, specified the quantities of crude and petroleum products, which are in short supplies in this country. This calculation is based on the pattern of demand and the pattern of production of the three Refineries.

KNOW-HOW FOR INDIAN COAL MINING

The Government of India and the British team of experts after a series of discussions, decided that apart from the Jarandih Deep Pit, Kathara and Swang Deep Pits should also be entrusted to the British team. The intention is that these deep mines should be developed by these experts upto the stage of full production after which they will be handed over to the National Coal Development Corporation as running mines.

No production could be expected from deep shaft mines either at Jarandih or at Swang or at Kathara before the next 7 years, as further geological data had to be collected and as in any case the commissioning of a deep shaft mine normally took about 7 years.

Open cast mines had to be developed at both Jarandih and Swang for initial production of about 1 million tons, which would subsequently be replaced by the deep-shaft mines, when these were commissioned some 7 to 8 years later. Additional drilling would be necessary; it should be possible to take up the planning of these mines within the next 6 months.

As the life of the Kathara mine was estimated at between 20 to 30 years on its present productive capacity of 1.5 million tons per year, the first priority for planning deep shaft mines would be for Jarandih, followed by Swang and Kathara.

Additional drilling would be undertaken immediately for further geological data required for the planning of the Jarandih deep shaft mine.

The British expert who was staying on here would mainly be concerned, initially, with completing the preliminary work necessary, including co-ordinating the collection of additional geological data for planning a deep-shaft mine in Jarandih.

As a result of discussions held with the French experts, the various stages for developing the steeply inclined thick seams of Karanpura were: (i) Some senior mining engineers of the National Coal Development Corporation would go to France to see for themselves the techniques of depillaring the steeply inclined thick seams being employed there; (ii) Deputation of three or four National Coal Development Corporation mining engineers would go to France to receive training for the sub-level caving work and pneumatic stowing; and (iii) A team of French experts would come over to India and undertake the preparation of the project report for the depillaring of the mines in Karanpura.

The Technical Co-operation Mission authorities have agreed to undertake the development of Singrauli coalfield, in addition to Ramgarh, provided a formal request was made to them, which has now been made.

It was now proposed to set up the following Coking Coal Washeries during the Third Five-Year Plan:

In million tons

i East Bokaro Field			
a. Kathara	..	..	2.0
b. Swang..	..	..	0.5
c. Jarandih	..	..	0.5
d. Kargali	..	..	0.5
ii. Ramgarh	..	..	1.5
iii. Jhilmili/Korba	..	..	1.0
iv. West Bokaro	..	..	0.5
v. Karanpur	..	..	2.8
TOTAL	..	..	9.3

A Washery at Sudamdih would go into production towards the end of the Third Five-Year Plan, contributing about 0.5 million tons of washed coal. Preliminary negotiations with other parties were in progress and a team of National Coal Development Corporation would be leaving shortly for Moscow to discuss the Kathara Washery Project.

FOREIGN COLLABORATION

Ninetytwo cases of foreign collaboration with Indian firms for setting up industrial undertakings were approved during the quarter July-September 1961. Out of this, twenty-nine are British, Nineteen Americans, fifteen West Germans, five each Dutch and

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Japanese, four French, three each Austrians and Swiss, two Italians, one Canadian and one Australian.

A list of the British Collaborators and their lines of production is given below:

Name of the Foreign Firm	Items of manufacture
1. M/s. Parsons Engineering Co.,	Marine Gear Boxes.
2. M/s. Monsanto Chemicals Ltd.,	Salicylic acid and Aspirin.
3. M/s. Crosland and Pickstone Ltd.,	Aniline black dyeing process.
4. M/s. Geo Salter and Co. Ltd.,	Springs, Weighing Appliances and Machines etc.
5. M/s. Wadkin Ltd.,	Wood working machines and lathes.
6. M/s. Paterson Hughes Egg Co., Ltd.,	R.O.T. Cranes.
7. M/s. A. Reyrolle & Co.,	Switchgear.
8. M/s. Doulton & Co. Ltd.,	Sanitaryware.
9. M/s. William Gardner and Sons Ltd.,	Miners, Sifters, Grinders etc.
10. M/s. British Insulated Cables Ltd.,	Cables.
11. M/s. C.J. Hampton Ltd.,	Stillson wrenches.
12. M/s. Samuel Dracup & Sons Ltd.,	Jacquard machines.
13. M/s. Lifting Equipment Ltd.,	Cranes.
14. The Mond Nickel Co. Ltd.,	S.G. Iron castings and special steel castings.
15. M/s. Stone-Wallwork Ltd.,	PIV Gears.
16. M/s. James Howder and Co. Ltd.,	Boiler Auxiliary equipment.
17. M/s. Gilbert Gilkes and Gordan Ltd.,	Hydro-electric generating units.
18. M/s. W.A. Tysack & Co. Ltd.,	Chaff-cutter knives.
19. M/s. D. Leonardt and Co. (Highley Pens) Ltd.,	Steel Pens.
20. 1. Bryce Electric Construction Co. Ltd., 2. M/s. Wego Condensers Co. Ltd.	1. Power Factor capacitors. 2. Paper capacitors.
21. M/s. Hard Capsules Ltd.,	Hard Gelatine Capsules.
22. M/s. Temperature Ltd.,	Industrial & Commercial refrigeration equipment.
23. M/s. Ruston & Hornby Ltd.,	Ruston Diesel Engines.
24. The Mond Nickel Co. Ltd.,	S.G. Iron castings.
25. M/s. B. & S. Massey Ltd.,	Drop Forge Dies.
26. M/s. Ampins Ltd.,	Ampins.
27. M/s. P.Y.E. Ltd.,	Radio frequency, electric heaters & R.F. induction heaters.
28. M/s. Fractional H.P. Motors,	Fractional horse power motors.
29. M/s. McCalls Macalloy Ltd.,	Square twisted steel bars.

The American collaboration will be, among others, in the manufacturing fields of Dithane Fungicides and Plasticisers, Oxyacetylene cutting and welding equipment, Commercial graphite, Glass and mineral wool, Caterpillar, Bulldozer and tractor spare parts, Taps, Chemical machinery, Steel forgings, Cable insulating

paper, Industrial furnaces, Insulators and lightning arresters, Hypodermic needles, Stethoscopes and Medical meters and Sewing machine needles.

The Germans will help in the production of steel wire ropes, concrete agents, metal spectacle frames, automobile electrical components, bolts, paper capacitors, hard carbon resistors, spray guns, air-jet drying equipment, loudspeakers, paper cones and stinders, machine tools, platinum laboratory apparatus and power cables.

The items for the manufacture of which the Japanese have joined hands with the Indians are: spring and battery operated mechanical and educational toys, fibre glass reinforced safety products, spun pipes, rubber prophylactics and pulp and paper making machinery.

The remaining foreign firms, namely, the Dutch, the French, the Hungarians, the Austrians, the Italians, the Polish, the Swiss, the Danish and the Australians, will participate in the manufacture of cellulose and other adhesive types, electricity meters, steering wheels, shield glass for automobiles, polyphase meters, wired and figured glass, high precision presses, plastic products, milling cutters and twist drills, milk pumps and refrigeration equipments.

SCRUTINY OVER THE PUBLIC SECTOR

The Government of India in the Ministry of Finance, it was learnt, was creating a cell to watch the working of public sector undertakings and make its report to the Secretary for Expenditure. Public Sector Undertakings were, at present, required to make three-monthly reports to Ministry of Finance, and there was no effective machinery to scrutinise their working. The proposed cell, it was claimed, would observe their income and expenditure and would help to step up their profitability.

STATES' PLANS FOR 1962-63

Discussions between the Planning Commission and the representatives of State Governments on the annual plans of States for 1962-63 will start in New Delhi from November 15. They will be preceded by discussions on the annual plans of Union Territories.

The discussions which will last for three days will cover the progress of plan schemes made during the current year and an appraisal of the programmes and outlays for 1962-63 in the light of continuous and integrated development.

The importance of drawing up annual plans carefully and of keeping in view proper phasing and synchronisation with related sectors has been stressed by the Planning Commission both in respect of States' plans and Central plans. Since the realisation of important objectives as in agriculture, education, employment and other social services depends on the successful implementation of States' plans, programmes concerning accelerated progress in agricultural production, including intensification of minor irrigation, soil conservation and extension activities, fuller utilisation of irrigation and implementation of programmes of co-operative movement, speedy development of training programmes, power, primary education and employment-generating and labour-intensive programmes specially in areas suffering considerably from under-employment acquire special significance in the drawing up of the States' annual plans for 1962-63.

The discussions on the States' plans are intended to provide as concrete an idea as possible of States'

resources and programmes to arrive at a realistic estimate of the outlay for 1962-63 and to make suitable arrangements for implementation.

The discussions with each State will begin with an examination of the State's financial resources for the year. According to Third Five-Year Plan, the States' resources for the entire Plan period have been estimated at Rs. 1,462 crores, of which Rs. 610 crores will be by way of additional taxation including measures to increase the surpluses of public enterprises.

Eighteen Working Groups—each dealing with a major specific development aspect—will then study in detail the existing and the newly proposed programmes for the States for 1962-63. The annual plan of the States will be finalised in the light of these studies.

MORE FUNDS FOR POSTS AND TELEGRAPHS

The Director General of Posts and Telegraphs, Mr. V. Nanjappa stated in Delhi during the week that besides the resources made available by the Planning Commission, the Posts and Telegraphs Department might be able to raise about Rs. 50 crores from its own Renewals Reserve Fund and revenue sources. This would mean that the P and T Department would have to spend 70 to 80 per cent more than it did during the Second Plan. This was possible only if the shortage of equipment and stores was eliminated.

In this connection Mr. Nanjappa pointed out that the Planning Commission had agreed to the preparation of a project report for another unit for the production of cables and that the establishment of a second automatic switching equipment factory besides a proposal to set up a factory for manufacturing telegraph poles was being contemplated.

In the end, Mr. Nanjappa emphasizing the need for greater co-ordination between the users and the manufacturers of the equipment, said that the Government might consider the setting up of a Development Council for the Tele-communication industry.

NEW IRON AND STEEL ADVISORY COUNCIL

The Government of India has decided to reconstitute the Iron and Steel Advisory Council for a term of two years.

The Minister for Steel, Mines and Fuel will be the Chairman of the Council with the Presidents of the Federation of Indian Chambers of Commerce and Industry and the Associated Chambers of Commerce of India, or their nominees, as ex-officio members and 21 nominated members who, in the opinion of the Council are capable of representing the interests of producers, consumers, the trade and the mining and allied interests. The Secretary, Department of Iron and Steel of the Ministry of Steel, Mines and Fuel and 8 representatives of the concerned Ministries of the Government of India will also be members of the Council with the Iron and Steel Controller as the Member-Secretary.

The Chairman may also specially invite any other person or persons to represent the Iron and Steel Industry or trade or consumers to attend the meetings of the Council which will meet at least twice a year. The Iron and Steel Advisory Council was set up in November, 1959, to advise on all matters of a general

character relating to iron and steel and in particular to problems pertaining to production, distribution, transport, research, import and export.

SHIPPING RATES?

The U.K. Shipping Conference Lines proposed to station in New Delhi a representative to maintain liaison with the Government of India and also to regulate shipping freight rates by mutual consultations. The Shipping Conference Lines had already increased freight rates by ten per cent on India-ward cargo, with effect from October 1, 1961. A similar proposal in respect of the outward cargo was being strongly opposed by both India and Pakistan.

A German shipping company, which had offered to carry jute on much lower rates was being made a bargaining counter by Pakistan. India had threatened to charter tramp ships and undertake Legislation, on the U.S.A. pattern, in case rates were increased by ten per cent on the outward cargo. It was contended that such an increase in rates would adversely affect India's export trade, at a time when India was making special efforts to step up its exports.

If might be added that the U.K. Conference Lines have some Indian members too. The attitude they had adopted vis-a-vis the proposed increase in rates was not yet disclosed. Their assertion would have been more effective.

The long standing dispute between the Bombay Steam Navigation Company, a subsidiary of the Scindia Steam Company, and the Government could be cited as an illustration in this rate controversy. The Bombay Steam Navigation Company had recently decided to

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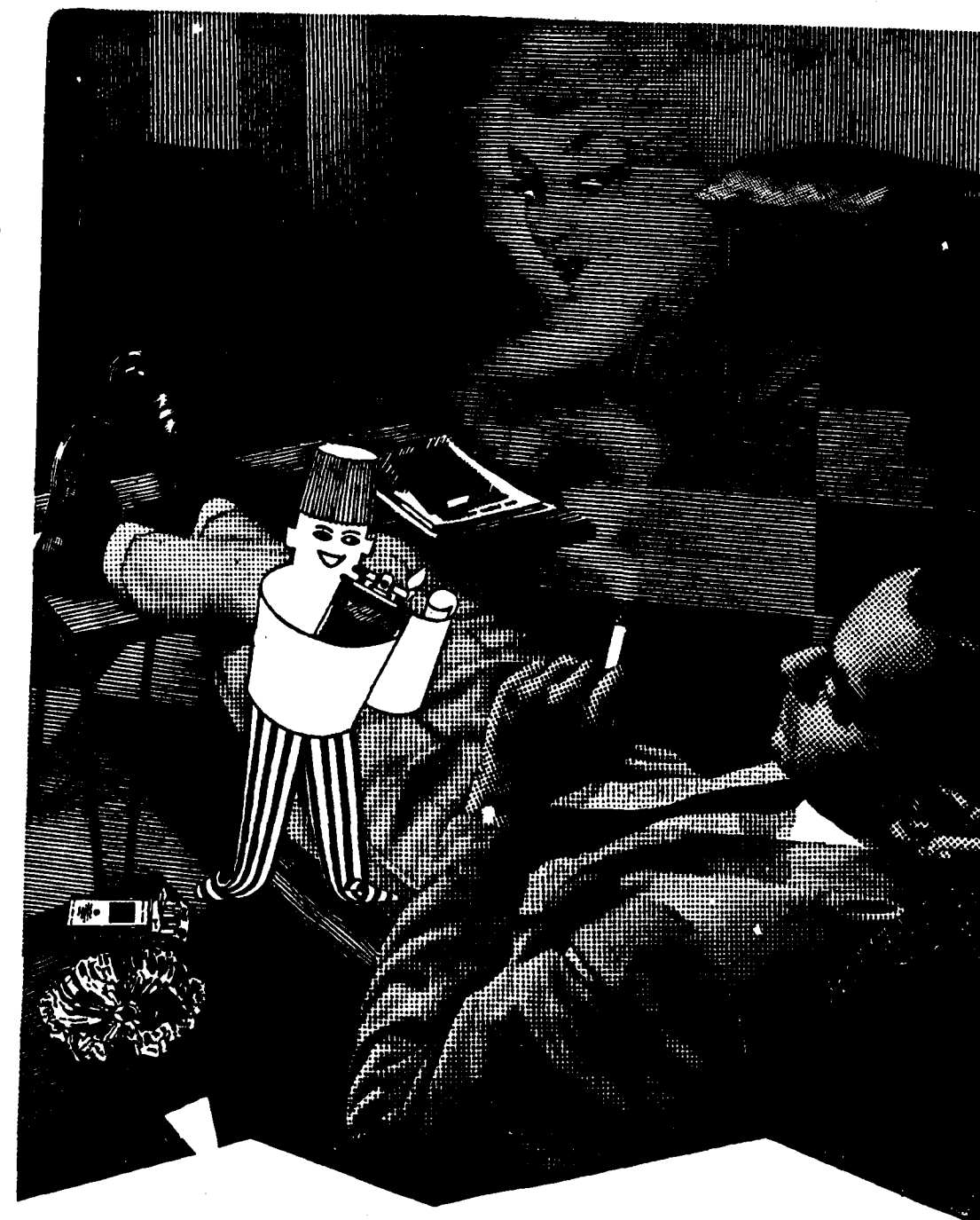
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discontinue its Bombay-Konkan Steamer Service with effect from December 1, 1961 unless it were allowed to increase its passenger fares. It was contended that the Company had been suffering losses since 1954. The question of Bombay-Konkan fares was examined by the P. S. Rau Committee, which made its report in 1959, recommending (1) an immediate increase in fares by eight per cent, (2) an interest free loan by the Central Government, yielding on the average an annual concession of Rs. 1.89 lakhs to purchase three new ships and (3) further increase of seven per cent in fares after the acquisition of new ships.

The Government had already decided to subsidise the movement of coal. It meant that consumers of coal would have to pay for an increase in the rates of coal. The Indian shipping companies, had refused to move rice from Calcutta to Kerala, unless their rates were stepped up. The Conference Lines, similarly hoped to convince the Government, by producing documents and books that they too had been incurring losses and that their demand for an increase in freight rates was justified.

MORE ON VISITING BUSINESSMEN

The members of the Business International addressed to the Planning Commission an important question which reveals some information about the Fourth Plan. They asked: "Assuming successful completion of all the targets of the Third Plan, how big will the Fourth Plan be and what will be its highest priority industries?" The reply was: "It is tentatively envisaged that the net investment in the Fourth Plan should be of the order of Rs. 17,000 crores, as against Rs. 10,500 crores postulated for the Third Plan. (ii) The matter is still under study. But tentatively it may be said that a high priority is likely to be given to the industries given in the next column.

	Actual 1960-61	Target 1965-66	Perspective 1970-71
Steel ingots (mil. tons)	6.0	10.2	18-19
Pig iron (mill. tons)	0.9	1.5	3-4
Aluminium ('000 tons)	18.2	87.5	230-250
Coal (million tons)	60.0	97.0	170-180
Dil refining (mill. tons of crude throughput)	6.02	10.77	18-20
Nitrogenous fertilisers (mill. tons of nitrogen)	0.248	1.0	20-22
Cement (mill. tons of nitrogen)	9.0	15.0	24-26
Machine building (Rs. crores of output)	160	500	1600
Electric Power (installed capacity) (Mn. KW)	5.7	12.7	21-23

BRIEFS

The Government of India has decided to invite global tenders for setting up its Alloy Steel Plant at Durgapur. A representative of a Japanese firm, Kishi Moto Shote, who came here to negotiate for a package deal to supply plant and equipment, has returned to his country.

The British Government has regretted its inability to the Government of India to allocate a quota under the Commonwealth Sugar Agreement. India had asked for a quota in anticipation of replacing South Africa, which had opted out from the Commonwealth.

An India-British Credit Agreement, it was expected, would be signed on November 10. It would be a £5 million united credit, which was being made available to India to finance its maintenance imports.

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COMPANY AFFAIRS

NEW ISSUES

Of the five companies which have been authorised new capital issues, three will issue bonus shares and the other two equities. The consent of the Controller of Capital Issues for all the issues is valid for 12 months. The following are the details:

The Hindustan National Glass Manufacturing Company Limited, Calcutta, incorporated in 1946, has been granted consent to the issue of bonus shares of the value of Rs. 9 lakhs on capitalisation of its reserves to that extent. The Company's existing paid up capital is Rs. 25 lakhs divided equally in preference and equity shares. It is proposed to issue bonus shares in the proportion of two bonus shares for every five shares held.

The Britannia Biscuit Company Limited, Calcutta, registered in 1918, has been granted consent to the issue of 2,29,881 equity shares of Rs. 10 each as fully paid up bonus shares on capitalisation of its reserves to the extent of Rs. 22,98,510. The bonus shares will be issued in the proportion of one bonus share for every two equity shares held.

Firestone Tyre and Rubber Company of India (Private) Limited, Bombay, has its paid up capital held by the American Company M/s. Firestone and Rubber Company, Akron, Ohio, U.S.A. It has been granted consent to issue bonus shares of the value of Rs. 1,09,80,000.

Oriental Fire and General Insurance Company Limited, Bombay, has been granted consent to the issue of further capital of Rs. 35 lakhs in equity shares of Rs. 5 each for consideration other than cash. The shares will be offered to the shareholders of National Fire and General Insurance Company Limited and the Asiatic Government Security Fire and General Insurance Company Limited for the purpose of amalgamation of the two Companies, after the scheme of amalgamation has been sanctioned by the High Court.

Investa Machine Tools and Engineering Company Limited, Bombay, have been granted consent to the issue of further capital of Rs. 20 lakhs in equity shares of Rs. 100 each for cash at par. The proceeds will be used for financing the Company's expansion scheme.

FOREIGN ESTABLISHMENTS

Ten foreign companies have established business in India during the period April — September 1961, according to the information released by the Company Law Department of the Commerce and Industry Ministry. The names of these companies along with the States in which they are located are: Macmillan Co. of U.S. (Maharashtra); Bains International Travel Service of Canada (Delhi); Compagnie Industrielle de Travanux of France (Maharashtra); W. Canning & Co. of U.K. (Maharashtra); Fertel Engineering of U.K. (Madras); Downingtown-Parwhit of U.S. (Madras); Brightside Heating and Engineering Co. of U.K. (West Bengal); Japan Air Lines Co. of Japan (West Bengal); Western Machinery Co. of U.S. (Delhi); and Natural Rubber Bureau of U.K. (Maharashtra).

THE EASTERN SHIPPING CORPORATION

The Chairman of the Eastern Shipping Corporation in the annual report for 1960-61 has indicated the manner in which the two Corporations — the Eastern Shipping Corporation Ltd. and the Western Shipping Corporation Ltd. — have been amalgamated into one single body with effect from October 2, 1961. Accordingly the undertaking of the Western Shipping Corporation has been transferred to the Eastern Shipping Corporation and the latter is now called the Shipping Cor-

poration of India. The Company resulting from the proposed amalgamation is to allot to every person registered as a shareholder in the Western Shipping Corporation immediately before the amalgamation as many shares in the Company resulting from the amalgamation as are equivalent in number and value to the shares held by him in the Eastern Shipping Corporation. The Chairman pointed out that the question of amalgamation was under consideration for quite some time. From the next year there will be only one report instead of two separate as during the year 1960-61.

The overall earning of the Corporation increased from Rs. 4.08 crores in 1959-60 to Rs. 6.07 crores, which shows about 50 per cent increase. The two Corporations provided only Rs. 68.13 lakhs by way of normal depreciation during 1959-60. During the year under review this provision is significantly more at Rs. 1.07 crores. After the provision of depreciation and interest charges etc., the financial results of two Corporations together indicated a net loss of Rs. 32,671 for 1959-60 — the Western Corporation having made a profit of Rs. 4.73 lakhs and the Eastern Corporation having incurred a loss of Rs. 5.06 lakhs. During the year as a sharp contrast the overall result shows a net profit of Rs. 47.52 lakhs after covering all expenditure, which is gratifying. The Chairman has claimed that overall earnings are the highest so far since the inception of the Corporation and this has been achieved in a year which from the shipowners point of view has been one of difficulties, the freight not having looked up as expected. The combined authorised capital was increased in December 1960 and paid-up capital on September 26, 1961 was raised to Rs. 23 crores against Rs. 15.45 crores on March 31, 1960. Apart from this the number of ships, the gross tonnage of ships and gross investment on the fleet have shown a net increase. On March 31, 1960 the number of ships were 15 with 109,258 GRT capacity and an investment of Rs. 15.58 crores. On March 31, 1961, the number of ships owned was 17 with 126,725 GRT capacity and an investment of Rs. 20.38 crores. At present (September 26, 1961) there were 19 ships with 138,936 GRT capacity and Rs. 23.28 crores as investment.

The improvement in the Corporation's performance can also be visualized from the cargo lifted and the freight and passage earnings during financial year 1960-61. During 1959-60 cargo lifted in tons was 382,825 and freight and passage earnings were Rs. 3.87 crores. During 1961 cargo lifted was 517,619 tons and freight capacity earnings Rs. 5.63 crores.

TWENTY GIANT-SIZED FIRMS SET UP DURING JULY-SEPTEMBER

Twenty giant-sized companies, incorporated with an authorised capital of over Rs. 1 crore each were formed in the country during July-September this year, as against 24 during the preceding quarter.

The total authorised capital of these giant-sized companies accounts for nearly two-thirds of the total authorised capital of all new companies registered during the period.

In the preceding quarter, the proportion of such companies in the total authorised capital of all new companies worked out at 80 per cent. The number of big-sized companies, with an authorised capital of Rs. 50 lakhs and under Rs. 1 crore each, formed during the current quarter, is reported to be 17. The number of the companies having an authorised capital of Rs. 10 lakhs to Rs. 50 lakhs is 75 whereas 312 companies are formed with an authorised capital base of less than Rs. 10 lakhs.

Company Meeting

THE DELHI CLOTH & GENERAL MILLS COMPANY LTD., DELHI

Speech of the Chairman, Lala Bharat Ram

The following is the speech delivered by Lala Bharat Ram, Chairman, The Delhi Cloth and General Mills Co., Ltd., at the Annual General Meeting of shareholders held on 3-11-61 in the office of the Company at Bara Hindu Rao, Delhi:

Ladies & Gentlemen,

With your permission I will take the Accounts and Directors' Report as read.

As you will observe from the Balance Sheet, the financial results of the Company have been better than in the last year, which naturally is a matter of satisfaction for all of us.

The cotton mill industry this year also has had a good year as far as profits are concerned. However, I would like to mention certain aspects of the cotton textile industry.

Last year due to the heavy imports of American cotton, the cotton situation quantitatively was easier than in the year before last, but the industry had to use a much more expensive cotton than the local cotton for the same counts of yarn, which added to the cost of production. With the increased consumption of cotton in the existing industry and also in the Third Plan period when, it is visualised, nearly 4 million spindles would be added, I feel the cotton situation is going to be very difficult in the years to come. On the basis of 9,300 million yards of cloth production and 2,250 million lbs. of yarn, as visualised in the Third Plan, 14.50 lakh more bales of cotton would be required. The planners have, of course, expressed the hope that our cotton production will keep pace with the demand, but I cannot but feel rather pessimistic about our attaining this increased production of cotton. In the Second Plan period it was planned that cotton production would go up to 55 lakh bales. But it has remained stagnant around 45/48 lakh bales and, in fact, in the year 1959-60 production went down to as low as 37 lakh bales. We will, in case of shortfall, thus have to import large quantities of cotton. This stringency in cotton is bound to increase the cotton prices in India, which in turn will affect the cost of production and our export trade. One of the main advantages India had in the exports of textiles was its cheap cotton, but today this position does not hold good. Even today the exports of textiles from India are falling. The exports in 1959-60 were worth about 69 crores of rupees, and in 1960-61 had dropped to only 62 crores. The tendency even now for the exports of textiles is on the decline.

What I said earlier about the disquietening trend in raw material cost applies, with equal force, to labour cost, the other main element in textile costs. Labour costs in the textile industry are continuously moving up, sometimes because of increase in dearness allowances, which comprise between one-half to two-thirds of the total emoluments of the worker, and sometimes due to other wage increases as happened after the Wage Board recommendations in 1960. While according to the Wage Board recommendations the industry has given the wage increases, labour, on the other hand, has not played its part in helping rationalisation which was visualised by the Wage Board. The net result, of

course, is to add to the general upward pressure on wage cost.

Only if these two main items of costs, i.e., cotton and labour are kept down, we may be in a position to become competitive in the world markets. Nevertheless it is a matter of satisfaction to us that the textile exports of the D.C.M. have not been allowed to go down in spite of the general setback.

Another very serious problem, which is threatening the whole of the cotton textile industry, is the menace of the powerlooms. The powerlooms pay a very small excise duty. And apart from the fact that they pay a very small amount of excise duty, thousands of unauthorised powerlooms have come into production. This situation with regard to powerlooms is not only hurting the mills but also the handloom sector without increasing the employment potential, which is one of the basic arguments for keeping the handlooms as an important sector of our economy. Policies were designed by the Government to protect the handloom sector such as restrictions on new loomage in the mills and reservation of varieties of cloth. But the experience of the last few years has been that instead of helping the handlooms, the powerlooms are becoming a problem for both the handlooms and the mills. While the mill industry places the incidence of unauthorised looms at a much higher level, even a recent Government survey has shown that these unauthorised looms are at least 66 per cent as numerous as the looms registered with the Government, making a mockery of the statutory provisions for registration.

In the context of this unsatisfactory situation I feel that the Government must take active steps to see that the powerloom industry is not allowed to run counter to the Government's own policies.

Coming next to the sugar industry in which your Company is again interested, it is unfortunate that it continues to suffer from one problem after another. Today there is a great problem of very large surplus stocks of sugar for which there is no market. Although the Government is putting a restriction on output in the year 1961-62, and also imposing a stiff penal excise duty on production beyond the restricted level, I am still not sure that the sugar industry will not be facing a near crisis in the next year unless it is possible to export a sizable quantity from India or unless cane prices are so adjusted as to materially bring down the costs, and therefore prices of sugar whereby internal consumption would increase.

In fact, whether it is the question of the prices of sugarcane or cotton, the main point, to which I also made a reference last year, is that unless and until the productivity in agricultural fields is going to be increased, we shall continue to face high costs and high prices, which, in my view, would have an advance effect on the whole of our economy.

As you know, one of the major activities of your Company is the production of edible fats i.e. Vanaspati, and in this field, we are one of the largest manufacturers in the country. The prices of the finished product, and the profitability of the industry continue to be highly erratic on account of the increasing element of speculation in the oilseeds and oils trade. The fluctuation in prices of oils between one part of the year and another have been of an order exceeding 30 per cent at times. It will be appreciated that such violent fluctuations in raw material prices must inevitably lead to similar fluctuations in the prices of the end-product. This situation has been causing considerable worry to the edible fats industry, as these violent fluctuations are not in the interests of either the consumer, or the farmer, or even of the normal trader, but only of the speculator. There is definitely a need for the Government and the industry to take stock of this situation and to take such steps as are possible for minimising the impact of these unhealthy trends.

Before I close, I am sure, you would be pleased to know that in keeping with the past policy of diversification and expansion of the enterprises in your Company, it has been decided by your Board to put up a P.V.C. Plant with its ancillary products like chlorine, calcium carbide and caustic soda, as also a Plant for the manufacture of Rayon Tyre Cord, both yarn and fabric. Both these are large projects involving very large investment. In addition to these two large projects, renovation, modernisation and, in certain fields, expansion are continually going on.

Before I close, I am sure you will join me in conveying my thanks to all my colleagues who have been responsible for the satisfactory results and also express confidence in their ability to shoulder responsibilities in the future development of the Company.

With these words, Ladies and Gentlemen, I move that the Directors' Report and Accounts be adopted.

NOTE: This does not purport to be a record of the proceedings of the Annual General Meeting.



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DALMIA ENTERPRISES IN THE NATION'S SERVICE

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Food articles & Tobacco	Liquor Light and Lubricants	Fuel Power Industrial Raw materials	Manufactures			All Commo- dities
					Inter- mediate Products	Finished Products	Total	
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.7	92.5
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	117.1
1960-61	..	120.0	110.0	119.6	145.4	130.5	122.8	124.8
July	1960	124.0	109.6	119.5	137.2	130.4	119.4	121.0
August	"	123.8	108.7	119.7	137.0	131.0	121.1	125.0
September	"	123.9	104.5	119.3	138.7	129.5	121.6	125.3
July	1961	124.3	98.6	121.5	151.3	141.9	124.6	128.6
August	"	124.2	99.6	121.6	144.6	140.9	123.4	127.3
September	"	121.1	99.7	121.5	138.1	140.6	122.9	124.5
16-9-1961	..	120.9	99.5	121.5	138.2	140.7	122.7	124.4
23-9-1961	..	120.5	99.5	121.5	138.3	140.0	122.8	124.2
30-9-1961	..	120.7	99.5	121.4	137.6	140.5	123.5	124.4
7-10-1961	..	119.7	98.5	121.5	135.8	140.9	123.1	123.5

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS (August 1939 = 100)

Period	Bombay			Delhi Bengal U.P.		Central Provinces		Madras	E.P.	Bihar		
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	All India†
1939 (Aug.-Dec.)	..	103	—	—	—	105	104	—	106	—	—	—
1955	..	322	338	217	130	321	371	364	133	321	134	135
1956	..	336	352	244	142	347	424	397	151	358	152	146
1957	..	352	368	259	150	364	448	422	162	374	157	157
1958	..	376	394	274	150	384	468	447	165	401	157	169
1959	..	393	412	308	158	384	469	498	163	429	166	173
1960	..	401	420	296	158	397	476	512	165	467	167	166
1961 February	..	401	420	296	163	389	488	491	165	470	171	164
March	..	404	423	296	163	392	483	488	165	479	169	167
April	..	409	428	296	165	389	471	490	165	482	169	166
May	..	412	431	296	166	389	464	490	166	479	171	166
June	..	414	433	302	167	389	474	498	166	478	171	167
July	..	418	437	—	171	406	482	498	166	480	172	168
August	..	419	438	—	171	410	491	501	—	181	—	—
September	..	417	436	—	169	410	491	499	—	479	—	—
October	..	—	—	—	—	—	—	—	—	480	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT) WEEK ENDED

	20-10-1961			13-10-1961			6-10-1961			29-9-1961		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	125.10	124.45	124.75	125.50	124.60	125.05	125.00	123.90	124.63	126.00	124.80	125.41
Silver (per kilogram)	206.25	204.90	205.31	206.30	205.30	205.90	206.15	204.90	205.75	206.45	205.25	205.73

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES				ASSETS					
	Notes in Circulation	Notes Held in Bank	Total Notes Issued (a)	Gold & Bullion (b)	Foreign Securities (c)	Total of (b+c) (b+c)	Percent- age of (a)	Rupee Coin	Rupee Securities	Total Assets
1956-57	1,475.77	18.75	1,494.52	40.02 (117.76)	545.98 (663.37)	586.00 (44.37)	39.21	115.93	755.22	1,494.52
1957-58	1,529.36	23.18	1,552.53	117.76	329.65	447.41	28.79	1,30.06	975.06	1,552.53
1958-59	1,593.88	19.34	1,613.21	117.76	182.04	299.80	18.58	133.99	1,179.42	1,613.21
1959-60	1,730.90	19.86	1,750.77	117.76	167.62	285.38	16.30	131.50	1,333.83	1,750.77
1960-61	1,863.13	18.94	1,882.07	117.76	134.99	255.75	13.4	126.84	1,502.48	1,882.07
Average of Fridays										
July 1960	1,827.14	25.64	1,852.77	117.76	140.01	257.77	13.91	128.59	1,466.47	1,852.77
August "	1,799.36	19.85	1,819.21	117.76	124.26	242.02	13.30	130.58	1,446.61	1,819.21
Sept. "	1,794.03	16.23	1,810.26	117.76	123.01	240.77	13.3	131.80	1,437.70	1,810.26
July 1961	1,922.49	24.13	1,946.62	117.76	93.01	210.77	10.83	121.31	1,614.55	1,946.62
August "	1,902.77	13.31	1,916.08	117.76	116.86	234.62	12.27	123.85	1,553.46	1,911.93
Sept. "	1,877.38	21.36	1,898.74	117.76	116.86	234.62	12.36	126.45	1,537.67	1,898.74
Week-Ending										
15-9-1961	1,889.46	19.28	1,908.75	117.76	116.86	234.62	12.29	125.48	1,548.65	1,908.75
22-9-1961	1,868.70	21.99	1,890.68	117.76	116.86	234.62	12.41	127.28	1,528.78	1,890.68
29-9-1961	1,857.24	34.80	1,892.04	117.76	116.86	234.62	12.40	128.61	1,528.80	1,892.04
6-10-1961	1,891.49	18.09	1,909.58	117.76	116.86	234.62	12.28	126.15	1,548.80	1,909.58
13-10-1961	1,906.13	12.91	1,919.04	117.76	116.86	234.62	12.23	125.55	1,558.86	1,919.04

BANKING DEPARTMENT

Period	Deposits					Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad§	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Gov- ernment	Other Gov- ernments	Banks	Others	Total									
1956-57	57.52	14.10	52.46	19.73	143.81	91.21	245.02	18.91	5.69	64.77	4.89	85.34	51.82	13.60
1957-58	54.61	11.28	81.00	111.38	258.27	84.36	407.63	23.30	4.81	40.47	32.90	77.91	213.92	14.32
1958-59	57.62	20.80	87.53	118.73	284.67	71.71	441.44	19.41	6.18	25.57	28.23	65.83	284.49	11.73
1959-60	55.50	23.24	79.61	123.48	281.83	83.18	450.01	19.94	15.54	28.97	25.53	88.92	258.90	12.23
1960-61	61.73	21.27	97.30	98.76	279.06	100.33	464.39	19.02	28.71	20.74	38.19	132.78	209.56	15.38
Average of Fridays														
July 1960	63.54	20.25	120.31	132.35	336.44	73.49	494.94	25.70	13.66	21.03	32.82	125.06	260.19	16.48
August "	60.44	23.00	118.40	120.40	322.25	76.19	483.43	19.92	23.55	21.64	37.69	117.00	251.73	11.89
Sept. "	67.44	30.27	108.27	92.64	298.61	78.01	461.63	16.32	18.78	20.71	28.88	142.08	222.85	12.03
July 1961	58.61	18.56	93.24	111.63	282.04	94.38	461.41	24.17	26.26	9.98	40.10	117.43	221.75	21.72
August "	65.40	16.46	88.09	180.22	350.16	89.86	525.02	13.36	15.21	30.98	47.71	116.37	284.51	16.89
Sept. "	60.81	26.67	83.71	159.06	330.34	96.02	511.36	21.42	16.73	17.47	49.11	131.54	257.83	17.12
Week-Ending														
15-9-1961	73.53	38.16	78.66	158.03	348.38	93.33	526.71	19.34	24.99	17.76	49.45	136.96	261.16	17.05
22-9-1961	55.05	21.36	84.31	172.66	333.38	99.71	518.08	22.04	18.44	18.42	45.33	135.89	260.16	17.14
29-9-1961	59.46	22.49	78.47	146.69	307.12	99.80	419.92	34.86	12.77	12.87	49.36	133.33	231.24	17.49
6-10-1961	65.15	4.68	72.47	149.17	291.47	95.56	472.03	18.16	34.69	13.60	57.04	139.14	191.59	17.83
13-10-1961	61.07	3.98	82.10	147.12	294.27	92.93	472.20	12.95	50.05	10.02	63.37	136.18	181.71	17.91

* Average of Fridays. **Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. †Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1958, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1958 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. §Includes cash and short-term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Note+Coins)	Balances with Reserve Bank (5+6)	Advances as per- centage of (4)	Bills Dis- counted (8+9)	Investments in Govern- ment Secur- ities in India	(10)	(11)
	Demand	Time	Total (2+3)							
1954-55	559.62	351.86	911.55	32.66	53.91	9.50	468.39	84.66	60.68	339.74
1955-56	608.64	407.95	1,016.59	34.64	52.52	8.69	514.37	118.08	63.02	370.71
1956-57	653.34	453.92	1,107.26	36.94	50.23	7.96	626.08	155.56†	71.39	359.35
1957-58	723.89	619.19	1,343.08	39.34	77.55	8.72	723.79	167.32†	66.77	385.54
1958-59	735.93	860.33	1,596.26	40.30	83.99	7.74	766.56	133.27†	56.37	565.14
1959-60	745.83	1,086.79	1,832.62	44.84	75.81	6.58	842.75	144.49†	53.87	725.20
1960-61	794.49	1,155.87	1,950.36	47.04	93.09	7.17	995.75	162.94	59.48	688.52
Average of Fridays										
April 1961	854.21	1,093.17	1,947.38	47.78	74.18	6.27	1,111.89	205.35	67.64	553.13
May 1961	845.27	1,108.21	1,953.48	48.43	73.26	6.23	1,085.24	194.17	65.49	548.23
June 1961	837.02	1,119.91	1,956.93	48.46	79.72	6.55	1,102.90	179.40	65.53	542.17
July 1961	843.35	1,133.99	1,977.34	46.71	88.73	6.85	1,100.57	156.31	63.56	562.78
August 1961	837.73	1,148.50	1,986.23	45.86	83.13	6.49	1,087.85	1,151.04	62.38	589.50
Sept. 1961	839.19	1,142.64	1,981.83	44.78	79.11	6.25	1,076.93	159.71	62.00	609.85
Week Ending										
22-9-1961	834.38	1,141.23	1,975.61	44.49	77.41	6.17	1,071.82	163.19	62.51	607.28
29-9-1961	842.30	1,143.40	1,985.70	43.48	73.20	5.88	1,061.82	170.59	62.06	617.84
6-10-1961	838.16	1,138.73	1,976.89	45.62	74.92	6.09	1,068.15	177.31	63.00	611.65
13-10-1961	841.44	1,135.60	1,977.04	45.38	77.17	6.19	1,068.32	177.70	63.02	611.63

MONEY SUPPLY WITH THE PUBLIC

(Rs. in Lakhs)

			Deposit Money with the Public				
Last Friday		Money supply with the public	Total currency with the public	Total	Demand liabilities of banks	Other Deposits with Reserve Bank†	Total variation in money supply
(1)		(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1954-55	..	1,920.63	1,311.77	608.86	599.16	9.71	+126.65
1955-56	..	2,184.32	1,505.09	679.23	667.22	12.01	+263.69
1956-57	..	2,312.89	1,556.50	756.39	744.74	11.65	+128.57
1957-58	..	2,388.83	1,606.60	782.22	762.36	19.87	+ 75.94
1958-59	..	2,498.76	1,724.53	774.23	754.98	19.25	+109.92
1960-61	..	2,900.89	2,027.04	873.85	854.89	18.96	+197.76
January	1961 ..	2,792.66	1,944.99	847.67	821.72	25.94	+ 55.38
February	" ..	2,816.56	1,966.28	850.28	829.74	20.54	+ 23.90
March	" ..	2,900.89	2,027.04	873.85	854.89	18.96	+ 84.33
April	" ..	2,915.44*	2,025.80*	889.64	870.42	19.22	+ 14.55
May	" ..	2,872.64*	2,010.87*	861.77	841.53	20.24	— 42.80
June	" ..	2,873.02*	1,969.64*	903.37*	878.55*	24.82	+ 38*
July	" ..	2,808.74*	1,936.87*	871.88*	850.72*	21.15	— 64.28*
August	" ..	2,798.36*	1,920.34	878.03	857.54*	21.49*	— 9.71*

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.
Source: Monthly Bulletin of Reserve Bank.

LABOUR STATISTICS

TRENDS IN EMPLOYMENT AND EARNINGS OF EMPLOYEES† IN MANUFACTURING INDUSTRIES*

(Perennial Industries only)

Industry	Average Daily Employment			Average per capita annual earnings (Rs.)		
	1957	1958	1959	1957	1958	1959
1. Textiles	11,04,251	9,03,631	9,01,099	1,243.3	1,305.5	1,336.8
(a) Spinning, weaving, and Finishing of Textiles						
(i) Cotton mills	7,32,545	5,79,353	5,77,076	1,363.5	1,435.4	1,477.4
(ii) Jute mills	2,51,670	2,43,531	2,27,653	1,037.4	1,045.2	1,057.3
(iii) Silk mills	45,792	45,481	47,001	1,215.7	1,310.9	1,148.0
(iv) Woollen mills	13,792	14,622	13,345	986.4	1,070.5	1,178.9
(b) Knitting Mills	8,888	5,571	5,693	749.5	914.0	940.8
(c) Cordage, Rope and Twin Industries	3,496	3,676	3,713	841.2	844.8	902.5
(d) Manufacture of Textiles (not-elsewhere classified)	34,534	27,774	22,992	484.8	900.1	1,323.0
2. Footwear, other wearing apparel, and made-up textile goods	13,461	12,674	13,066	1,308.1	1,336.4	1,398.7
3. Manufacture of Wood and Cork (Except furniture)	25,383	23,134	29,372	726.8	845.5	842.7
(a) Saw mills	12,819	12,010	13,641	735.9	838.0	884.1
(b) Manufacture of plywood	4,558	4,052	5,610	771.3	840.9	845.8
(c) Boxes and packing cases	1,028	1,816	1,933	1,024.8	1,075.2	1,072.5
4. Furniture and fixtures	7,403	8,159	8,789	958.6	781.2	830.5
5. Paper and paper products	30,828	29,452	30,536	1,157.6	1,226.4	1,275.8
6. Leather and leather products (except footwear)	18,019	9,697	8,454	889.8	1,118.0	1,044.6
7. Rubber and rubber products	26,690	18,587	21,596	1,497.2	1,326.0	1,273.7
8. Chemical and chemical products	87,244	78,432	90,028	1,147.3	1,308.4	1,367.4
(a) Basic Chemicals (including fertilisers)						
(i) Artificial manure	10,947	9,291	12,747	1,284.8	1,246.9	1,361.3
(ii) Heavy chemicals	9,756	9,110	9,604	1,259.0	1,223.2	1,358.7
(iii) Turpentine, rosin and others	4,113	10,713	16,434	1,068.6	1,298.3	1,437.8
(iv) Indigo	105	101	103	1,083.2	1,326.3	1,619.9
(v) Plastic materials	282	436	647	920.1	980.4	1,043.0
(b) Vegetable and animal oils and fats (except edible oils)	590	395	142	615.7	739.2	856.6
(c) Matches	18,744	6,426	6,654	914.0	1,561.6	1,569.6
(d) Soap	5,744	5,228	6,594	1,525.0	1,639.4	1,590.0
(e) Paint and varnishes	6,004	6,342	6,836	1,206.4	1,313.5	1,346.1
(f) Pharmaceutical chemicals	16,701	16,019	17,260	1,185.6	1,286.5	1,413.2
9. Products of petroleum and coal	13,918	10,369	10,368	1,990.3	1,850.2	2,195.4

* Relates to industries covered under the Payment of Wages Act.

† Relates to employees earning less than Rs. 200 per month.

Note: Figures exclude those relating to Kerala, Madras and Mysore for 1958 and Madras and Mysore for 1959.

Source: Ministry of Labour and Employment.

LABOUR STATISTICS

TRENDS IN EMPLOYMENT AND EARNINGS OF EMPLOYEES† IN MANUFACTURING INDUSTRIES* (Contd.)

(Perennial Industries Only)

	Average Daily Employment			Average per capita annual earnings (Rs.)		
	1957	1958	1959	1957	1958	1959
10. Non-metallic mineral products (except products of petroleum and coal)	1,11,170	1,12,615	1,17,350	835.3	884.9	920.1
(a) Manufacture of glass and glass products (except optical lenses)	29,103	30,654	27,102	775.4	857.6	974.5
(b) Manufacture of cement	16,913	17,483	15,656	1,363.0	1,409.8	1,476.5
(c) Manufacture of pottery china and earthenware.	11,259	12,953	12,902	790.0	892.7	903.1
11. Basic Metal Industries	89,440	90,196	96,138	1,463.2	1,557.3	1,528.9
12. Metal Products (except machinery and transport equipment)	67,092	78,453	82,570	1,145.4	1,185.7	1,252.7
13. Machinery (except electrical machinery)	1,15,388	1,12,171	1,08,636	1,189.3	1,321.8	1,215.9
(a) Textile Machinery and Accessories	13,229	9,746	10,340	1,201.1	1,277.4	1,383.8
(b) Machine Tools, Wood working Machinery and other Tools	5,195	7,499	7,027	1,064.6	1,034.8	1,197.8
(c) Agricultural Implements	6,177	7,156	8,231	914.9	974.1	951.9
14. Electrical Machinery, Apparatus, and Appliances	33,965	34,704	39,274	1,437.9	1,469.8	1,489.8
(a) Electric Lamps, Electric Fans, Radiators and other Accessories	6,534	6,950	8,321	1,343.1	1,268.6	1,212.3
(b) Radio and Phonographs	4,339	4,664	5,091	1,396.7	1,433.5	1,312.7
(c) Electric Machinery	4,038	4,368	4,594	1,320.4	1,521.3	1,557.1
Transport and Transport Equipment	1,17,104	91,772	92,636	1,481.5	1,458.0	1,472.6
(a) Manufacture of Motor Vehicles	7,273	4,888	8,302	1,604.1	1,319.9	1,558.6
(b) Manufacture of Bicycles	5,831	5,551	6,071	1,371.7	1,299.8	1,376.4
Miscellaneous Industries						
(i) Pen and Pencil Making	1,081	1,366	1,263	712.4	620.6	772.2
(ii) Games and Sports	627	619	384	847.8	1,063.3	819.9
(iii) Plastic articles	3,541	4,506	4,855	918.0	948.9	988.0
(iv) Celluloid Articles	1,366	1,612	1,490	878.4	814.1	778.7
(v) Manufacture of Watches and Clocks	74	219	298	1,004.0	1,025.6	908.6
(vi) Electricity, Gas and Steam	21,397	20,899	21,703	1,591.8	1,567.7	1,548.3
(vii) Electric Light and Power	18,936	17,639	18,479	1,557.0	1,532.0	1,503.6
(viii) Sanitary Services (pumping and sewage)	1,062	1,306	1,049	1,262.8	1,494.1	1,391.6
(ix) Recreation Services						
(a) Cinema Studios	2,749	2,113	1,261	1,302.0	1,166.6	1,056.4
(x) Personal Services	9,522	4,886	3,076	488.4	598.3	770.2
All Industries	20,87,845	17,89,538	18,10,656	1,233.9	1,284.6	1,309.9

Relates to industries covered under the Payment of Wages Act.

Relates to employees earning less than Rs. 200 per month.

Note: Figures exclude those relating to Kerala, Madras and Mysore for 1958 and Madras and Mysore for 1959.

Source: Ministry of Labour and Employment.

LABOUR STATISTICS

AVERAGE ANNUAL EARNINGS OF FACTORY LABOUR* : 1950-59

(By Broad Group of Industries)

(Rupees per worker)

Industrial Groups	1950	1953	1955	1956	1957	1958**	1959†
1. Textiles	971.4	1,116.1	1,191.3	1,244.5	1,243.3	1,305.5	1,336.8
2. Footwear, other wearing apparel and made-up textile goods	851.0	1,038.0	1,101.3	1,098.0	1,308.1	1,336.4	1,398.7
3. Paper and paper products	910.0	998.5	1,062.5	1,036.4	1,157.6	1,226.4	1,275.8
4. Leather and leather products (except footwear)	640.7	879.0	836.6	756.6	889.8	1,118.0	1,044.6
5. Rubber and rubber products	1,164.6	1,431.9	1,368.4	1,501.7	1,497.2	1,326.0	1,273.7
6. Chemicals and chemical products	871.4	1,036.2	957.2	980.9	1,147.3	1,308.4	1,367.4
7. Products of petroleum and coal	1,047.0	1,408.0	1,492.9	1,686.2	1,990.3	1,850.2	2,195.4
8. Basic metal industries	1,175.6	1,711.1	1,673.4	1,487.9	1,463.2	1,557.3	1,528.9
9. Metal products (except machinery and transport equipment)	798.7	942.0	1,048.2	1,119.5	1,145.4	1,185.7	1,252.7
10. Machinery, except electrical machinery	1,000.7	1,030.5	1,100.4	1,136.2	1,189.3	1,321.8	1,215.9
11. Electrical machinery, apparatus and appliances	1,195.8	1,309.0	1,340.0	1,314.4	1,437.9	1,469.8	1,489.8
12. Transport Equipment	1,052.4	1,164.0	1,429.6	1,473.2	1,481.5	1,458.0	1,472.6
13. Electricity, gas and steam	1,198.9	1,413.0	1,371.7	1,455.1	1,591.8	1,567.7	1,548.3
14. Recreation services	980.0	919.7	1,037.0	1,227.4	1,302.0	1,166.6	1,056.4
15. Personal services	799.1	338.3	362.8	465.2	488.4	598.3	770.2
All Industries	966.8	1,110.9	1,173.5	1,208.1	1,233.9	1,284.6	1,309.9

* The figures include all factory employees receiving wage or salary less than Rs. 200 per month.

** Excludes Kerala, Madras and Mysore.

† Excludes Madras and Mysore.

Note: The figures exclude information relating to Railway workshop and seasonal group of industries.

ANNUAL EARNINGS OF EMPLOYEES* IN MANUFACTURING INDUSTRIES
(Rupees per worker)

States	1957	1958	1959
Andhra Pradesh	1,030.8	708.1	885.1
Assam	1,833.6	1,223.0**	1,607.3
Bihar	1,299.2	1,283.2	1,358.6
Bombay	1,452.6	1,458.0	1,499.8
Kerala	805.0	N.A.	965.2†
Madhya Pradesh	1,138.7	1,217.1	1,211.5
Madras	978.9	N.A.	N.A.
Mysore	967.3	N.A.	N.A.
Orissa	956.8	981.0	1,076.4
Punjab	955.3	1,212.2	N.A.
Rajasthan	907.1	944.1	912.3
Uttar Pradesh	1,077.5	1,103.0	1,134.0
West Bengal	1,173.6	1,198.9	1,225.9
Delhi	1,493.4	1,329.7	1,345.4
TOTAL (including others)	1,233.9	1,284.6	1,309.9

† Exclude figures relating to Petroleum, filling and storage.

** Exclude figures relating to the Industries—Products of Petroleum and Coal, Metal Products and Water and Sanitary Services.

* Relates to employees drawing less than Rs. 200 per month.

Note: The above figures do not cover Railway Workshops and seasonal industries.

EMPLOYMENT IN REGISTERED FACTORIES

(STATE - WISE): 1956-60

State	Average daily number of workers employed (in '000s)			
	1956	1958	1959	1960 (1st half)
Andhra Pradesh	2,04.3	2,22.0	2,12.4	2,20.0
Assam	74.7	75.4	78.0	61.6
Bihar	1,76.8	1,83.2	1,87.3	1,82.1
Bombay	10,51.9	10,66.7	10,78.4	10,95.3
Kerala	1,65.2	1,66.2	1,58.8	1,53.6
Madhya Pradesh	1,68.2	1,61.1	1,61.7	1,49.9
Madras	3,07.7	3,26.3	3,22.4	3,22.7
Mysore	75.1	N.A.	1,87.2	1,48.9
Orissa	22.6	26.0	27.8	29.2
Punjab	91.1	1,13.0	1,12.3	1,14.5
Rajasthan	44.8	53.1	53.7	50.3
Uttar Pradesh	2,73.5	2,78.2	2,93.0	2,95.9
West Bengal	6,82.3	6,86.4	6,91.5	6,97.2
Delhi	51.1	59.4	64.8	66.5

TOTAL (including others) 34,01.6 34,12.9 36,34.7 36,65.3

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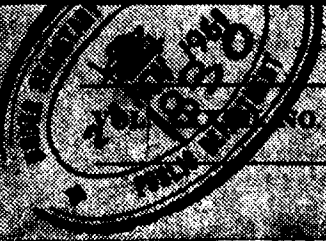


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THE
EASTERN
ECONOMIST



NEW DELHI: NOVEMBER 17, 1961.

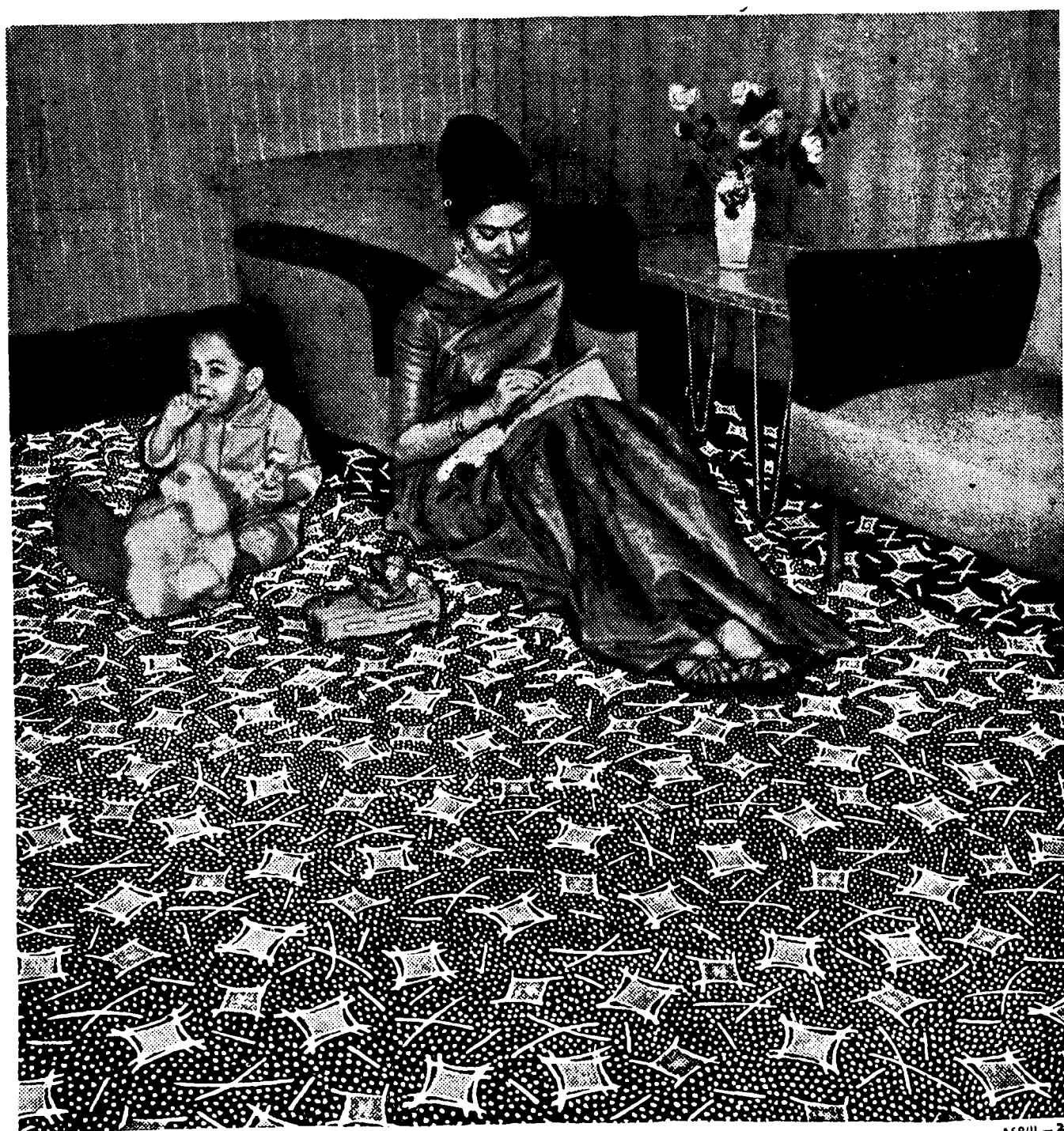
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THE EASTERN ECONOMIST

NOVEMBER 17, 1961.

The New Controversy on Oil Prices

DISCUSSIONS on oil prices partake of all the exciting change that Alice found in Wonderland. Each day the ground seems to shift, new points of dispute arise between Mr. K. D. Malaviya's Ministry and the great oil companies. Perhaps differences are in the nature of things when Government deals with business using, as is inevitable, its political power in addition to its newly found knowledge of an industry as a participant thereof. Inevitably the hammer and the anvil, even when there is co-operation, have some different approaches to one another. In any case, the anvil cannot normally be expected to appreciate the superior role of the hammer. In essence, the differences with the oil companies have often been a matter of method, and the armoury of dictation which has marked the approach has been made in successive reduction of oil prices. It is, however, true that the Damle Committee report was the most moderate of the efforts made by Mr. Malaviya to press the oil companies into a lower price range.

It is difficult for those who are not conversant with the detailed elements in the oil picture to appreciate the force of the oil companies' contention in the current case. While the reductions in rupee receipts for marketing inside the country are deemed severe, the oil companies have accepted the rupee reduction of marketing costs implied in the Damle Committee Report. They have also accepted the reduction in prices of crude, where discounts are available on posted prices and can be proved to have been so granted. On the other hand, there has been some confusion in regard to other refined petroleum products. The Damle Report made the particular point on other products in some such terms as these.

As discounts are admittedly available on crude oil, the Committee believes that discounts should also be available on refined products. Two oil companies, in fact, have admitted that they obtained their imports of petroleum products at discounted prices. As the products imported by these two companies are not identical and the rates of discount vary for the different products, the Committee has inferred that availability of discounts depends upon the bargaining capacity of the individual marketing company. The major oil companies, with their world-wide connections and long experience in oil business, the Committee opines, should be able to exert sufficient pressure on the suppliers of bulk refined products in obtaining discounts on their supplies.

It would appear the Committee was on unstable ground so far as the factual basis of the discounts on refined products were concerned. They have relied on an observation which seems in the current context to be misleading. It now appears that, in regard to middle distillates the oil companies had no access to discounts on supplies. They, therefore, argue with justification, that they are unable to accept a loss on that portion of mid-

dle distillate supplies whose prevailing prices are higher than those stipulated in the Damle Committee Report.

Since the oil companies cannot be forced to make these supplies below cost, one of two alternatives is possible. Either they cease to supply these particular products or they supply them at a price based upon actuals on which the Damle Report had insufficient evidence. There is something to be said for both alternatives. The first alternative implies, however, that the Government of India can obtain adequate supplies from Russian or Eastern European sources; these being for rupee payments, the country might favour them, firstly because of ready supplies and, secondly, there is saving of foreign exchange. It cannot be presumed that they can be marketed in India in a short period without some very special arrangements. Inevitably they would involve some considerable disorganisation, and the other alternative which is to obtain a reasonable price reduction, but one consistent with Western oil company supplies might, on balance, be an advantageous course. The question is at what price and how the differences in foreign exchange can be met. It would be foolish to deny that timing is of the essence. Since the elections are shortly to arrive, the supply position of middle distillates will play some part in the bargaining process. Therefore, the oil companies might well be accused of choosing the wrong time for the rejection of the Report. On this, however, their justification is clear that they have put in a reply within a reasonable time from the date of the Government's order accepting the Damle Committee Report and six weeks is by no means unusually long time for considering a matter of this gravity. If, therefore, the time is favourable to them, it is largely the responsibility of the Ministry which delayed consideration of the Report for some considerable time.

It is difficult to see that an advantage is to be gained by either side by an open rupture and there is much to be said for reaching an agreement with the oil companies on a basis of which they seem to have given some indication, that no net foreign exchange commitment will be involved though prices will have to be higher than those included in the Damle Report. This is an intriguing suggestion and the public is entitled to details in order that it might know how reasonable the Ministry would be in pressing the acceptance of the Damle Report against the suggestions made by the oil companies.

The attempt has been made this week to paint the situation more gravely than in fact it should. It is true that neither of the negotiators is alarmed, and the conversations have hitherto taken place in an atmosphere of relative accommodation. The difference, however, is significant and it would be foolish to suppose that, having declined to accept the Damle Report in full, the oil companies

will now go back on their decision in total. In effect, therefore, there are rigid postures on both sides. Perhaps a cynic, observing the course of controversy between the Ministry of Fuel and the oil companies over the last few years, can shrug his shoulders in the manner of the Austrian who said, dealing with a severe political tangle, that the situation was hopeless but not serious. The constant atmosphere of crisis happily builds

humour among other things. The corresponding German comment was that it was grimly serious though not quite hopeless. The public is a little weary of these disputes, and whether one shrugs it away in the German or the Austrian fashion, one perhaps might recall that worse differences have been resolved. It is unlikely that a radical change in Indian oil supplies is on the point of taking place.

The New Congo Crisis

THE news that Mr. Antoine Gizenga, the Lumumbist Congo leader, is in revolt against the Central Government, has struck New Delhi with a rude shock. It will be some time before the Ministry of External Affairs recognises that all the Lumumbists were not worthy of the extreme faith that we have placed in them. There will, of course, be strong support for the action that the acting Secretary-General, U Thant, has already taken in regard to the "firm" authorisation to restore order in Albertville and Kindu. But who can say how far the writ of the United Nations runs, facing revolts both from the Right and the Left? It is difficult to estimate the political influence of Mr. Gizenga — which was obviously much lower than that of Mr. Patrice Lumumba — but the conclusion that the Central Government of the Congo, legally established in the eyes of the United Nations, is operating on a smaller and smaller base, is no longer in doubt.

The immediate problem of what India is to do in circumstances such as these cannot be settled in the absence of the Prime Minister. It is clear, however, that Indian troops are now committed to a role which every Indian citizen must view with alarm. It is easy enough to argue that India is not responsible for the decisions of the United Nations; it is not so easy to absolve ourselves of the responsibility of placing our troops in this position in which they seem to have no supporters in a country where they are supposed to maintain law and order. Thus they are thrown against Mr. Gizenga as well as Mr. Tshombe. Our ex-

perience of controlling Mr. Tshombe's activities has not been particularly encouraging. What might lie in store in respect of Mr. Gizenga this critical week, no doubt, will reveal. While we pause to consider into what dire dangers we have cast our troops, it is important to recognize that this is no longer a matter of dealing with a few "reactionaries" in the country. The word "reactionary" has been freely bandied about, and with some justification, in dealing with President Tshombe who has shown notorious willingness to endure colonialism in a somewhat different form rather than accept the Central Government. But the word "reactionary" has no meaning by itself. Much the most grievous portion of Mr. Tshombe's sin was his failure to recognise the new Congo nation. If Mr. Gizenga is acting likewise, the fact that he is on the Left does not entitle him to any greater sympathy. Indeed, we are now certainly convinced of having backed the wrong horse at least up to a point. It is time that India recognised that the situation in the Congo does not resolve itself into "progressives" and "reactionaries", but a large number of local leaders whose politics is as variable as their wills to power. In the result, a thorough review of Indian policy is required. It is hoped that no time will be lost on the Prime Minister's return in carrying through a deep probe into the current situation. The interests of the Indian Union cannot always be subordinated to vague international commitments, the significance of which is not fully known because we really do not know much about the persons with whom we are dealing.

The Akali Dal and the Das Commission

THE Union Home Minister, Mr. Lal Bahadur Shastri's forthright statement repudiating the charges of Master Tara Singh that the Government had gone back on the understanding it had given to the Akali Dal through the mediators during Masterji's fast unto death in regard to the personnel and the terms of reference of the high-powered commission to be set up to investigate the grievances of the Sikhs and their insinuation of being discriminated against, should set at rest all speculation about the issue. The Akali Dal obviously will find itself in a quandary after this statement for in its resolution of November 1, it had vehemently criticised the Government for not having fulfilled its assurances, which it now transpires were not beyond what was contained in the Prime Minister's oft-repeated utterances on the issue and the Union Home Ministry's Press Note of October 1.

The Akali Dal's resolution of November 1 otherwise too had carried little conviction with those who had closely followed the Government-Dal negotiations in August and September. It is possible that Master Tara Singh and the Akali Dal got the impression that the Commission would include one or two persons out of the four whose names it claims had been communicated to it by the Government. But Mr. Shastri has categorically denied having suggested any name on his own though he had agreed to consider the names put forth by the Akali Dal. The Government, no doubt, appears to have given serious thought to the problem of selecting members of the Commission and to satisfy the Dal, it even approached the Sarvodaya leader, Mr. Jaya Prakash Narayan, whom Master Tara Singh was so keen of having on this high-powered body. But if Mr. Narayan preferred to decline the invitation, the Govern-

ment surely cannot be blamed. One might, however, wonder whether all the names chosen to form the Commission are equally good. One member is believed to be greatly under the influence of the Prime Minister. Here there was possibly room for a better choice.

The Akali Dal's ire over the terms of reference of the Commission is, of course, unjustified, especially when it had been made clear by the Prime Minister not only in his statement on the issue made in Parliament in August but also at his press conference in September that the demand for Punjabi Suba was a political one which could not be adjudicated upon by any committee after the verdict of the States' Reorganisation Commission. The issue could be raised before the new Commission only in an indirect form. And the present terms of reference of the Das Commission apparently provide for this.

If the Akali Dal carries out its threat to boycott the Commission if the latter's personnel and

terms of reference are not changed to suit its rigid posture, it will undoubtedly do substantial harm to its own cause. The Commission has been set up in response to the Dal's own request and it will obviously serve no purpose if the Akali Dal itself fails to co-operate with it. The Commission, despite J. P's absence on it, is by and large a fair one and it is up to Master Tara Singh and the Akali Dal to put forth their grievances before it. Their non-co-operation with it will be construed to mean that they have no real grievance and that the fast and the Punjabi Suba agitation was an election stunt. Communal harmony in this border State has already been disturbed greatly by the activities and pronouncements of the extremist elements in the Akali Dal. It is time the tide is turned back. This can be done by adjudication of the Akali Dal's grievances and charges by the Das Commission. So far as the country is concerned, it will almost everywhere be disposed to accept without question the fairness of a Commission over which Mr. S. R. Das, India's most distinguished retired Chief Justice, presides.

The Ganatantra Parishad—Swatantra Merger

THE decision of the Ganatantra Parishad—the main opposition party in Orissa—to merge with the All-India Swatantra Party has been acclaimed as a wise decision by the rightist forces in Orissa worsted early this year in a straight fight with the Congress Party. The merger followed the recommendations of a four-member Subcommittee of the Parishad which analysed the pros and cons of this alignment after having heart to heart discussion with the leaders of the Swatantra Party last month. Something revolutionary was certainly required in the organisation of the opposition to the Congress Party in Orissa in view of the fact that the mid-term elections had brought about a fall in the strength of the Parishad from 51 to 37 seats in the State legislature. Simultaneously, the Congress Party emerged with a clear majority of 82 seats in a House of 140, while earlier, in the 1957 elections it could not secure more than 56 seats.

The Parishad is disturbed at the forceful policies being pursued by the present Chief Minister, Mr. Patnaik, who has not minced matters in regard to his future plans for entrenching the Congress Party in the State. He has openly declared that he would not make any distinction between the Government and the Congress Party and would see that both moved in unison. Alarmed over the monolithic character of his outlook regarding political affairs in the State, the Parishad was forced to look for support elsewhere. The merger with an all-India opposition party is expected to rejuvenate the Parishad and its election machinery. Presently the Parishad holds seven seats in the Lok Sabha covering a total electorate of 4.3 million, with some double counting due to the reserved seats. During the last general election only one-third of the electorate cast their votes with the result that the fate of these seven Lok Sabha constituencies was settled by 1.4 million voters only. In these seven constituencies of Dhenkana, Sambalpur, Sambalpur (R), Sundargarh (R), Kalahandi, Kalahandi (R) and Angul the Ganatantra Parishad won 59 per cent of the votes. In other words, if there has been no deviation from

the "hold" of the Parishad in these seven constituencies, it may be assumed that nearly 8,00,000 voters have aligned themselves with the Swatantra Party. Making correction for double counting, the strength of the voters may be reduced to 7,00,000. It is, however, believed that the mid-term election weakened the Parishad's "hold" in some of these constituencies. This fact is illustrated by the mid-term State election results wherein votes polled by the Parishad were 6.49 lakhs as against Congress Party's 12.69 lakhs. Unless the Parishad makes a concerted effort to intensify its election campaign in the coming months, it may lose one or two of these seats as well.

The underlying urge for merger was there because of the ideological affinity between the policies publicly proclaimed by the Parishad and the Swatantra Party. The election manifesto of the Swatantra Party which was released a few days ago runs very much parallel to the ideals of the Parishad. In view of this dominant fact, the well-informed sections in the Parishad believed that the party would gain considerably by associating itself with an all-India political party which had already excited the imagination of all opposition groups, especially in the rightist camp, throughout the country. The powerful election machinery of the Swatantra Party could be pressed into service so as to retrieve the position that had already been lost. Also, the enlightened sections of the Parishad felt that polarisation of political forces in the country was of paramount importance for the creation of a healthy two-party system. Without a strong Opposition, the machinery of democratic Government runs the risk of being converted into a dictatorial one.

It is natural that attempts are being made to mobilise some rightist parties in the country under one banner for organising a strong Opposition to the Congress Party. But this is not currently possible since many electoral alliances in particular constituencies can be and are being arranged. It is probable that this will bring the Swatantra Party in as the largest single Opposition party.

A DELHI DIARY

IS RAIN AUSPICIOUS?

THERE is a belief (or is it a superstition?) that rain at inauguration ceremonies is auspicious. I thought, therefore, that when a light drizzle started at about 2-00 p.m. just before the opening of the Indian Industries Fair by the Vice-President on the 14th November, there would be a general recognition that Providence was taking a kindly interest in the proceedings, and was blessing an ambitious, if somewhat unfinished, operation. I communicated this sentiment of good cheer to a very large number of people, including the active Secretary-General of the Federation, Mr. G. L. Bansal. To my surprise I was accused of being frivolous and unsympathetic. None of the dignitaries associated with the Fair thought that this rain was well-timed and short of saying that Providence was being somewhat unthoughtful, I saw every possible mark of annoyance. After some time the unfortunate guests who had come early discovered that there was only one place of refuge which was the dais gaily covered by a Shamiana with the colours of the Indian flag. We all rushed hastily for cover, and discovered that the dais was capable of embracing shoulder to shoulder, and if I might be so indiscreet, back to front, something like a thousand people. But for this gracious shelter I would not today be writing of the Indian Industries Fair. Its memory would be so unpleasant that I would not also make light of the annoyance caused. However, apart from the dripping which the unwise use of non-water-proof cloth entailed, we escaped fairly easily from the deluge, and the sun in due course arrived, and the proceedings went off a promising start with many apologies from the hosts and much goodwill from the audience. The Vice-President himself, praising scientific organisation, observed that there were still some important matters beyond the control of man. Thus even if the rains were not auspicious, they produced more than one genuine smile. All's well that ends well.

IS DELAY DAMAGING?

A more serious question has arisen in regard to the unfinished character of many of the pavilions and the somewhat disorderly state of some of the roads. I myself on this occasion did not share the views of the naughty cartoonist whose vindictive effort I append.

This Fair has been about twice as demanding as any other that I know and with the shortage of electri-

What a Life!



A simply wonderful idea—they're exhibiting actual construction work!

Courtesy: The Hindustan Times.

city and the difficulties of obtaining skilled workmen in the capital city, it was impossible to carry through the vast amount of work that was involved without some considerable disorganisation and, inevitably, some considerable passing of budget estimates. Certainly, this has involved what might be called a national waste in the sense that Peter, who commissions a job, has been robbed to pay Paul, who generally works overtime. But, all in all, one must remember that Peter and Paul are Indians and, therefore, all is well for the country as a whole. Where Peter is a foreigner perhaps there is even some net benefit in foreign exchange, but it would be uncharitable for us to press for overtime merely because the international pavilions are so ready on this occasion to meet almost every conceivable bill! The great international pavilions, including those of the large foreign firms that have participated, are enormously impressive. I protest here and now on the limited period of this Fair. It should be allowed to go on for at least three months. The process of education is, of course, a continuous one, but we will never have exactly these facilities to demonstrate how both the world and India are progressing — I believe, now at last, at almost the same rate. This is called looking the world in the face.

IS HAPPINESS THE END?

Appropriate tributes were paid in both the speeches of Mr. Madan Mohan Ruia, Chairman of the Fair Committee and of the Vice-President, to the strides that Indian industry had taken in the period of the Second Five-Year Plan. There is, of course, much visual evidence to show how great qualitatively this advance has been. But the Vice-President did well to remind us that, while prosperity and, of course, that powerful display of skills that prosperity implies, are important, there were much greater values written into welfare than material progress. He pointed out that the pursuit of happiness and pursuit of economic progress were by no means associated in the West. He might have added that they are by no means associated in the East. There is no doubt that the business community, great as its contribution has been, needs to recognise the large area of discontent in this country which is a source not only of unhappiness but a source of danger to the system of production which has worked these quite substantial feats.

That dismal prophet, Thomas Carlyle, once said that man could do without happiness and find in exchange blessedness. Perhaps if the business community as well as everyone else thought more about the problems of the body politic as a whole rather than of production in itself, we might have more blessedness and less happiness. I am inclined myself to think that the Vice-President would wish it this way. In any case there would be more welfare in a community so constituted than one in which we have an active business community and a passive onlooking but envious lower middle class. The spread of industry must be greater than it has been in the last five years in order to make the achievements of Indian industrial production a national, and not a sectional, subject for pride.

THE CLASSIC UNDERSTATEMENT

I leave on this point to refer to the classic understatement of the week which comes from no less a figure than His Holiness, Pope John the XXIII, who last week, meeting diplomats of 68 nations assembled to congratulate him on his 80th birthday, said: "Grounds for fear for the future of mankind are not lacking". He added, "Use well the time given to act in favour of peace, of civilization and of true progress." Someone or other described progress as a century-old disease. Surely the 20th century has this disease more than any other!

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THE WEEK'S NOTES

I.I.F.

A VISUAL PICTURE OF EMERGENT INDIA

THE 1960's are envisaged to be of crucial importance for the industrial development of India. The Third Five-Year Plan, though it lays great emphasis on making the country self-sufficient in food and some essential agricultural raw materials, accords top priority to industrial growth. The Fourth Plan will similarly lay great store by industrialisation. Against this background, it is, therefore, just appropriate that the Federation of Indian Chambers of Commerce and Industry has sponsored the second Industries Fair.

Declared open by the Vice-President, Dr. Radhakrishnan, on Prime Minister Nehru's birthday, November 14, the Fair spreads over the sprawling Exhibition Grounds on Mathura Road in New Delhi and provides "a visual picture of emergent India slowly and steadily treading its way towards a more advanced and progressive economy". Compared to the first such fair held in the capital some six years ago, it is tremendously more rich in content and wider in its scope. This is as it should be; during the last six years, the country has made rapid advance in some basic and heavy industries apart from expansion of consumer goods industries. The Fair not only provides a window on the development of private sector industries in the country, but also on the giant enterprises undertaken in the public sector. In a way, it depicts amiably the pattern of development in a mixed economy. Most of the leading industrial nations of the world are also participating in the Fair, prominent among them being the U.S.A., the U.S.S.R., the United Kingdom, West Germany, France and the industrially emerging countries like Poland and Yugoslavia. They have put on show the latest industrial techniques adopted by them, as also the great advance made by them in scientific and industrial research. The stress in Indian exhibits is obviously on export promotion.

The need for holding such fairs periodically can hardly be over-emphasized in a developing country like ours. They provide not only a window on the industrial strides made by the more advanced countries from which we can profit immensely, but also inculcate a feeling of confidence amongst the masses through affording to them an opportunity to know the mighty task which is being performed in the country to raise it from a level of poverty and squalor. The Federation of Indian Chambers of Commerce and Industry deserves compliments for the imaginative way it has arranged the Fair, though the work on it can be completed in all respects only in another week or ten days. On the inauguration day none of the eight sectors into which the Fair has been divided was in proper shape, despite round-the-clock work having been done by thousands of workers. Debris and rubble could be seen scattered at various places—an unseemly sight which could have been avoided through a little more energetic effort on the part of the exhibitors.

Kerala

MUSLIM LEAGUE'S BREAK FROM THE ALLIANCE
THE WITHDRAWAL of the Muslim League from the tripartite political alliance in Kerala will undoubtedly be welcomed by the secular forces in the country. This split by itself is not likely to have any adverse effect on the functioning of Congress-P.S.P. coalition Ministry in the State since the two parties together with their strength of 80 can still claim a comfortable majority in a House of 127 legislators. The real danger to the stability of the Kerala Government can come only if the recent bickerings between the Congress and the Praja Socialist Party come to a head.

The blame for the split in the alliance in Kerala can scarcely be placed on the Congress or the P.S.P., although the understanding reached between the two on putting up of candidates for the Lok Sabha in the ensuing General Election to the exclusion of the League has been interpreted by the latter as a great betrayal. The Muslim League apparently has nursed the mistaken belief that the limited alliance entered into between the three parties in the last mid-term election to the State Legislature with a view to defeat the Communist Party, could be turned into a permanent one. This could be done by the Congress and the P.S.P. only at their peril. The alliance had put the Congress in an embarrassing position on all-India basis and had resulted in causing setback to it in a number of by-elections in other States. The P.S.P. Central Executive too had been feeling not a little uncomfortable by this arrangement, though the State unit had acquired through it a little more manoeuvrability than it could otherwise do.

How far the withdrawal of the Muslim League from the alliance will effect the election of Kerala candidates to the Lok Sabha it is difficult to say. The Muslim League has decided to put up four candidates — two to contest the P.S.P. nominees and two to oppose those of the Congress. It is anybody's guess how far the Muslim electorate will follow the lead given by the League leaders. Any setback to the Congress and the P.S.P. in this State would, however, be more than offset by the resultant gains elsewhere where the opposition would not now be in a position to raise the bogey of their alliance with communal forces in Kerala.

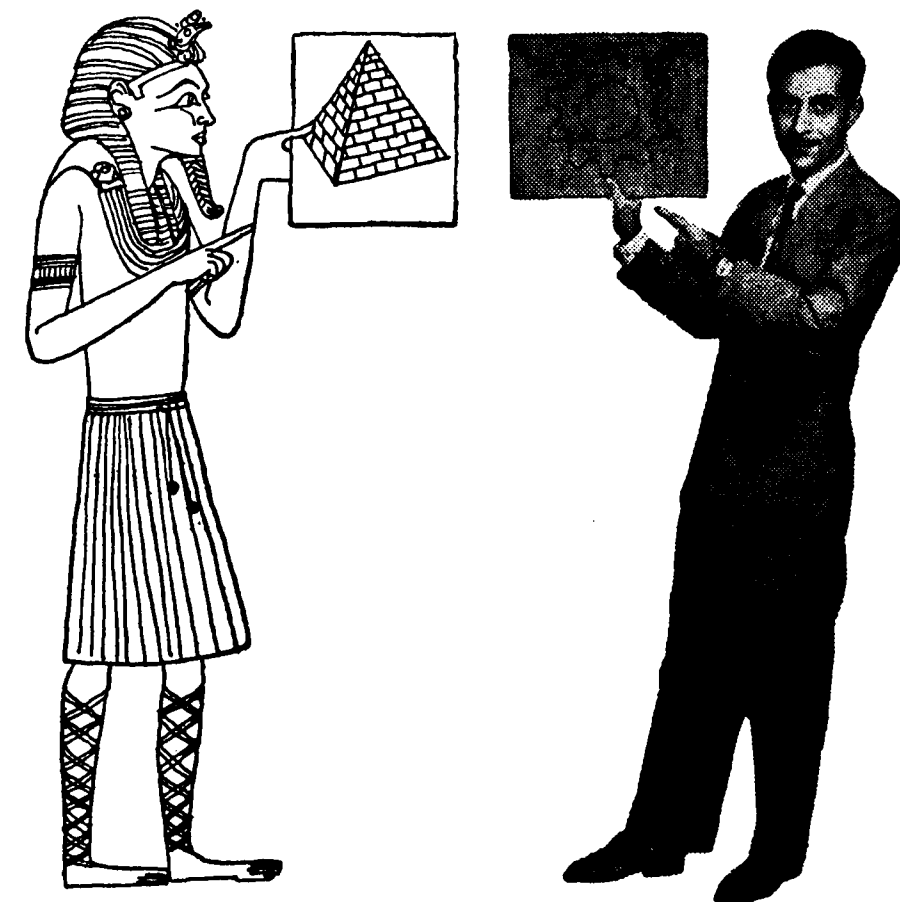
Railways

ASIAN EXPERTS MEET

DELEGATES FROM fifteen Asian countries met here this week under the auspices of Asian Railways Conference. This organisation is supposed to afford an opportunity to the delegates to exchange ideas on problems of mutual interest. Naturally, therefore, it constitutes an important forum for the exchange of views. In these developing countries, where the economies face special hurdles, such an organisation is likely to prove fairly useful. This is all the more so when there is a tendency towards geographical unities like the Common Market in Europe.

The most important proposal made at this Conference was regarding the Standardisation of Rolling Stock. The speaker from Turkey believed that standardisation was essential at the national level, but the representative from Malaya stressed the need to extend standardisation on limited international scale at least on a regional basis. He pointed out that the Malaya Railways and the Thai Railways adhered to different specifications resulting in operational problems between the two systems. The idea of regional standardisation was naturally received with considerable enthusiasm by the UNESCO specialists because this would in a way unite the region and create some sort of inter-dependence which is helpful for every country. Ultimately a degree of standardisation is bound to be helpful in mass production even if the Asian countries at present are importing their rolling stock from most of the European countries. It is quite likely that some of the Asian countries like India and Japan may be in a position to export rolling stock in the years to come which would only be possible if there was a degree of standardisation. It is true that peculiar circumstances on account of geographical and climatic conditions determine certain special types of rolling stock, but by and large this measure should be welcomed by most of the Asian countries.

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Fuel

Having established the purpose for which the steam power created will be required, it is necessary for the design engineer to identify the type of fuel to be used, either oil, gas or coal. Coal is by far the most widely used fuel, but its thermal content varies and it is therefore necessary to make an analysis to establish the percentage of principal heat-producing elements present. The thermal content of fuel has an important bearing on the designing of the kind of plant to be installed. Generally low-grade coal is used with anything up to 50% ash content. It should be remembered that steam must be raised as economically as possible.

Waste fuel

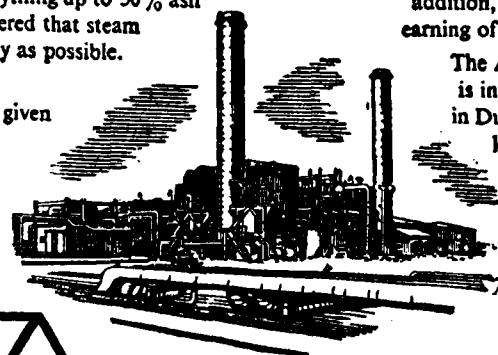
Particular attention has to be given to industries that wish to use waste material as fuel. For instance, the sugar industry absorbs vast quantities

of waste material in the form of bagasse for fuel; again in the pulp and paper industry it is now the practice to combine the processes of chemical recovery and steam raising by burning the 'black liquor' from the digestors in a special type of boiler unit. Of course, these industries cannot keep their steam-raising plant functioning entirely on waste materials. So, in their designing and planning, the technicians and design engineers must allow for varying fuels to be used and at the same time achieve optimum performance.

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INT-418, 21/6/61

The World Abroad

STAGNANT SOCIETIES

By ODYSSEUS

MY BET (perhaps influenced by wishful thinking) is that the UK will join the European Economic Community. But whether she does or not, the possibility of joining has let loose avalanches of constructively agonising reappraisals of the UK's economy, of her industrial and agricultural production and techniques, of her foreign and Commonwealth relationships, even of her social structure, among politicians, economists, industrialists, farmers, trade union officials, and all manner of other fry, small and big, who are researching, arguing, conferring, debating on radio and television, and publishing articles and books. Never have so many socks been pulled up by so many people before.

Any busy Indian politician, industrialist, leader writer, or other earnest student of current affairs, anxious to put himself rapidly abreast of the ferment in ideas that has overtaken the UK, should get a copy of "The Stagnant Society", by Michael Shanks (Industrial Editor of the "Financial Times" of London), a paperback Penguin Books Special, just published at 3sh. 6d.

Mr. Shanks summarises virtually every leading British political, social, and economic headache of the day. He jumps on his horse and rides vigorously off in all directions at once, exploring every avenue, and leaving no important stone unturned. He begins with the Soviet economic challenge to the free world, noting that between 1953-60 industrial production in the USSR rose by 91 per cent, compared with 21 per cent in the UK, and 16 per cent in the USA, and he asks whether the UK and the West can stand idle while the USSR is adding to its productive capacity at a faster rate. The two systems—that of totalitarian Communism and that of the free countries—are on trial in the eyes of the whole world. Mr. Shanks believes that democracy is better designed to achieve the best use of resources to promote the spiritual happiness and economic welfare of the masses, providing that we bestir ourselves from our lethargy.

Mr. Shanks is, of course, concerned with the major problems of costs, productivity, and inflation, which slow the UK's rate of progress, but he digs deeper, and points to faults in the British social structure, to the class divisions which impede understanding between employers and workers, to the neglect of technological education, to the weakening of efficiency and the competitive spirit by excessive protection, and, above all, to the UK's primitive labour relations. Mr. Shanks is a man of the Left, a Fabian Socialist, but he does not hesitate constructively to castigate the archaic organisation and obsolete 19th century economic thinking of the British trade unions, which he sees as the greatest institutional barrier to the emergence of a dynamic society.

INDIA'S EXAMPLE

Although Mr. Shanks is concerned with the UK, many of his criticisms and suggestions apply, in varying degree, to other countries, not only in Europe, but in Asia. I noticed, for example, an article in "The Eastern Economist" of April 28, 1961, which showed statistically that increases in real wages in India have been higher than increases in productivity, which argued that if this continued the result would be higher prices all round and no gain in living standards, and which concluded that high prices would impede India from competing in

foreign markets. Mr. Shanks' effort to find a way out of this vicious circle occupies the greater part of his book.

Mr. Shanks seeks to extend the power of the unions, not to limit it. There has grown up (not only in the UK) a widespread idea that a trade union leader is a sort of ex-officio civil servant, responsible not to his workers but to the community. His job is regarded as "knocking sense" into the workers, to deter them from putting in big wage claims and from striking, to encourage them to work harder, and increase their productivity. This is exactly the role that a union leader plays in a Communist state. But any leader who acted thus in a democratic society would lose his job.

Mr. Shanks urges that if the trade unions are to moderate their demands to a level which the economy can afford, they must be given an inducement. The UK Trade Union Congress Executive Council should be put on an equal footing with British Employers Confederation to join with government representatives in a National Production Advisory Council for Industry (N.P.A.C.I.) under the chairmanship of the Chancellor of the Exchequer, which would keep the whole field of economic policy under review, establish wage planning and a national wages policy.

A prior reform would be necessary. The TUC is, by and large, staffed with a second rate bureaucracy because its officials are heavily overworked and grossly underpaid. Many earn less than their fellow members on the factory floors. The Unions can afford to pay more, but don't want to. For example, in 1912 union dues in the Amalgamated Engineers Union were 1sh. 9d. a week, when wages were 38sh. a week. In 1959, earnings averaged £14 a week but dues were only 2sh. 3d., i.e. they had fallen from over 4 per cent of earnings to less than 1 per cent. The result is that union officials are more and more recruited from mediocrities, while the ambitious and able go elsewhere.

The unions should adopt the US system of "Business Unionism", in which members pay dues commensurate to their earnings, which, in turn, enable salaries to be paid which attract union leaders of a calibre and status equal to the employers or government officials with whom they negotiate. An American union leader like Walter Reuther does not approach his task handicapped by any hangover of 19th century Marxism, or feelings of proletarian inferiority, but as a twentieth century business leader, whose job is to ensure that a company maximises its profits with the aid of the latest technologies, in order that he can secure maximum wages within the productivity available. American unions are not afraid of dismissals to promote greater productivity in a factory, providing those remaining in employment get bigger pay packets.

The UK Conservative government is by no means the only one to have appealed constantly for wage restraint without offering anything in return. Why should wages be the one planned element in an unplanned economy? True. But frightened employers should note that if we are to have a planned economy it is equally impossible to leave wages as the one unplanned element.

The first requirement is for an N.P.A.C.I. to draw up an annual forecast of the nation's economic prospects,

which would estimate how much extra purchasing power could be safely released, whether as higher wages or improved welfare services. The planners would also need to ensure that there was enough money going to industrial investment and that the balance of payments was not jeopardised.

HAS ODYSSEUS SOLD THE PASS?

At this point, some old hands, who have been struggling with this column for years, may rub their eyes and exclaim "Has Odysseus sold the pass and been converted to planning?" I continue to oppose the kind of planning in which a group of bureaucrats or party leaders lay down production targets in what they conceive to be the national interest, taking no account of the need to produce what consumers want, which can only be ascertained by a flexible system of voluntary co-operation between the government, industry, and the unions, in the French Planning manner, which allows the price mechanism to work and assumes that competition is essential to progress.

The recommendations of such a planning group are likely to be based on compromises worked out by men who feel themselves engaged in a common enterprise, and who also realise that the unforeseen may crop up which will modify their next lot of negotiations and plans.

I am not abreast of what goes on in France, and I don't imagine that the unions there function in the manner envisaged by Mr. Shanks, but under his scheme the basis of agreement would be a recognition by high calibre union leaders that, at some point, their interests would be better served by advances in, say, the expansion of an industry, the introduction of new techni-

ques, or improved welfare services, than by forcing up wages to a level at which they would be offset by higher prices or unemployment. Union leaders in many countries already understand how self-defeating are the demands for increased wages to which their members annually commit them, and would be glad to "give a sensible lead"—provided that they could demonstrate factually that their members would benefit from it.

Such an N.P.A.C.I. would calculate, and publish, how great an increase in wages could be afforded. There is no doubt that many companies would be glad to pay higher wages, if they could be certain that the unions and workers would co-operate to ensure that they were earned. A major task for the British TUC in this system would be to persuade the workers to agree to shift working (the lack of which seriously deters capital investment), the elimination of restrictive practices, and the use of work study methods.

It would be idle to suppose that Mr. Shanks' system could be evolved quickly, or that it would always work painlessly. Mutual trust could only come gradually from the habit of working together. It might be that in some years the N.P.A.C.I. would be unable to agree on recommendations. The government would then have to make its own allocations, and resolutely face the consequences, since it is clear that, in any country where full employment exists, no government can remain neutral in the wages struggle.

But if a government were to set up an N.P.A.C.I., and to give it full support when it produced agreed recommendations, persistence might well be rewarded. One of the greatest by-products would be to soften the rigours of the class struggle by demonstrating to the different groups in the community that each had gained more by co-operation than by conflict.

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The European Scene

TRADE WITH DEVELOPING NATIONS

From Our Special West European Correspondent

PARIS, November 12.

AN article on this page last week showed how some of the Common Market's leading economists and officials thought this region could continue to give special help to its "associates" (essentially French-speaking Negro Africa) without damaging the interests of other developing nations—indeed, while implementing a "global" policy of aid for development. On the question of financial aid, the case seems clear; the Six could provide a very large part of all the capital these African nations can usefully absorb, while still leaving 80 to 85 per cent of their exportable capital surplus for investment in other developing regions—on the assumption that they set aside for development aid a proportion of their national income equal to that now being devoted to that purpose by France. The question of privileged trade facilities is more difficult. The range and size of the customs preferences enjoyed by the African associates is frequently exaggerated by outsiders, but many Africans want to hold on to them, if only to match the privileges enjoyed by Commonwealth members. The Common Market powers (outside certain quarters in France) would prefer to "buy the Africans off", giving them capital, technical aid, subsidies and guarantees for their export earnings, in place of outright customs preferences.

It is on the trade issue that there is patent contradiction between the Common Market's wish to assist all developing countries and its commitment to aid especially its associates. Investment capital, technical help and even funds to equalise export revenues may all be given fairly lavishly to a selected group of countries without arousing envy and resentment elsewhere to anything like the same extent as a differential import duty. Non-beneficiaries can shrug off the first sort of aid as "neo-colonialism" or some other sort of sour grapes, but a discriminatory import duty is another matter. How far can the Six succeed in moderating the tariff advantages they have promised their associates, and what is their policy on trade with the developing nations in general?

The first task is to persuade the Africans that their vision of a Common Market giving outright preference to their goods is an illusion, that comes from imagining that the special status they enjoyed in France can be extended to the other five countries. As the metropolis of a colonial empire, France could make all sorts of special arrangements with her colonies which it would be impossible to extend to West Germany and Italy. (Certain Commonwealth countries labour under the same illusion; they think that the preferences they had in Britain can be enlarged to cover the whole Common Market if Britain joins.) Other European countries have no interest in assuming the "white man's burden" that one imperialist nation took on for the benefit of its colonies (in exchange, of course, for reciprocal advantages). Those other European countries have their traditional trade arrangements with, say, Latin America which they see no reason to upset, for the benefit of someone else's ex-colonies, least of all if those ex-colonies are poorer customers for manufactures than the Latin Americans.

Many Africans have been reasoning from the following table, which shows how much of their "tropical

produce" the Six drew from the associated countries in 1959:

(In thousands of tons)			
		Total ECM Imports	Imports from Associates
Bananas	.. ..	951	340
Cocoa	.. ..	272	146
Coffee	.. ..	576	169
Copra	.. ..	322	39
Palm Oil	.. ..	240	130
Peanuts	.. ..	706	380
Groundnut Oil	.. ..	146	117
Cotton	.. ..	758	67
Tropical Woods	.. ..	2290	1330

They concluded that the Common Market as a whole was now bound to treat them the way France did, and so there was reason to hope that the figures in the second column would approach those in the first. Instead of buying only half their cocoa, palm oil, wood and groundnuts, only a third of their bananas and coffee and a tenth of their copra and cotton, from the French-speaking Africans, the Continentals would buy virtually all their requirements of tropical produce from those sources. If this were true, of course, the associates would have every cause for satisfaction and other developing countries ample grounds for discontent, for the Common Market is the world's biggest importer of several of these commodities, and one whose import needs are growing rapidly. However, nothing of the sort was ever promised, or even looked possible. The Africans' monopoly of the French market was not due simply to tariff preferences, but to import quotas (which obliged Frenchmen to drink Robusta coffee when they would have been willing to pay more for Arabica), to the generally protectionist policy France practised toward all the world outside the franc zone, and to the numerous political and commercial links forged by imperialism. The franc zone was in fact a politically managed, closed-circuit market, and that alone made the figures in the second column above as high as they are.

The mere granting of tariff preferences by the Common Market, which was all that was ever promised, would not suffice to give French-African produce a monopoly of the wider Continental market. The Common Market began by taking a liberal line on imports, abolishing quotas and breaking up the old, inflationary closed circuits of Euro-African trade; even when most favourably disposed toward the associated states, the Six have shown no inclination to practise the socialist-style management of markets known to the franc zone. Moreover, it lowered all its duties and thus reduced the absolute value of the preference offered the Africans—to the point where it was inadequate to prevent consumers choosing the cheaper and often better quality commodities offered from outside. And even that amount of preference is criticised by the West Germans and Dutch, as giving offence (if not actually causing damage) to their overseas customers in Asia and Latin America.

Even if, in the end, the associates are left with some tariff preferences in the Common Market, their vision of prosperity and industrialisation founded on a monopoly for their exports in Euromarket is an illusion. The Six will never absorb all their coffee, cocoa,

etc., nor guarantee them a market regardless of price, quality and volume. The associates were mistaken (or were led into error from Paris) in thinking they could pin all their hopes on the Common Market and thus avoid all the trade and development difficulties known to other backward economies. They will have to seek new markets in the Communist bloc, try to meet Asian, Latin American and other African competition in the free world market, trade more among themselves and learn to use more of their agricultural produce at home (where fats and fruit are badly needed by an undernourished population). In that context, the Common Market's offer to replace tariff preferences with capital aid and technical help, while seeking to assure the Africans stability in their export earnings, promises more gains than clinging to the delusion that preferences will secure the whole Continental market to their produce.

If, as is hoped in Brussels, the Six can persuade the African associates to accept this point of view, it will be easier for the Common Market to practise a coherent trade policy with all developing nations. The few and moderate preferences that will remain in favour of the associates might well cause less trouble than competition between producers in Europe itself and overseas producers, in the cases of sugar and certain fats (beet and olives compete with the cane and groundnuts). What sort of trade policy is the Common Market inclined to? (I am leaving quite aside the problems of capital assistance and technical help.) It is as well to be clear on one point: the very Continentals who seek to whittle down French-speaking Africa's preferences in the name of other, equally deserving, developing countries are inclined to a bare (not to say ruthless) commercial policy with no fancy concessions in favour of raw-material producers. The real reason they opposed special benefits for African associates was that they want to buy in the cheapest market, and this is their attitude to trade in general with developing countries: the Common Market should be free to buy where it likes, leaving raw material prices (and hence export revenues for developing countries) fluctuate as the free market dictates, without getting entangled in expensive fantasies like international commodity pacts, stabilisation schemes, etc. Suggestions for special trade policies, aimed at making life easier for raw-material producers, will still come from the same quarters as wanted to advantage the backward nations of Africa, and for the same reason—a recognition of the importance of high and stable export earnings for an industrialising economy.

The purely commercial approach, which at present dominates, is tempered by a willingness to facilitate entry into Europe of certain industrial and semi-industrial exports from countries like India and Japan. The realisation is gaining ground that the Common Market will have to contract, if not sacrifice, several old industries in order to let the so-called cheap-labour countries expand their sales. The outlook on this question is improving every month—not because anyone is undergoing a change of heart, but because capital and labour are being re-directed out of those old industries to other uses, so that the cost of the sacrifice will be minimal when it comes. Nevertheless, New Delhi would quite over-estimate the generosity of Europeans if it expected these concessions to be made without bargaining; when the Common Market agrees to buy more Indian manufactures, it will ask its price. That price will certainly include the demand that Delhi abolish or greatly reduce export duties on raw materials and that it abandon most export subsidies (even indirect ones) in favour of Indian manufactures.

The predominant view among Common Market authorities concerned with trade with developing countries is that West Europe should promote world trade by keeping import duties low or nil on goods from those countries, by abolishing sumptuary excise duties on things like tea, removing quota obstacles to Indian and Japanese textiles and by widening the notion of "raw materials" to include semi-finished manufactures—but that the developing nations should reciprocate by ceasing to tax European importers (e.g. of jute goods) and by practising more honest export prices for their new manufactures. There has even been discussion in the Continental financial press about the level of protective duties in countries like India; almost no one (but only almost) questions the need for protective tariffs around infant industries, but it is thought that protection has run wild in some cases—e.g. when protection is given an Indian producer of materials supplied to the Indian manufacturer of finished goods which are already protected, so that the protection given this second industry has to be increased. It is alleged that irrational, and partly self-defeating pyramids of protection are being built up in some industrialising countries, thus unnecessarily damaging European exporters. In exchange for trade concessions, some Common Market authorities would ask for this system to be reviewed. This approach may cause surprise in India, but it is consistent with the purely commercial attitude that has led to the reduction of the African associates' preferential benefits in the Common Market.

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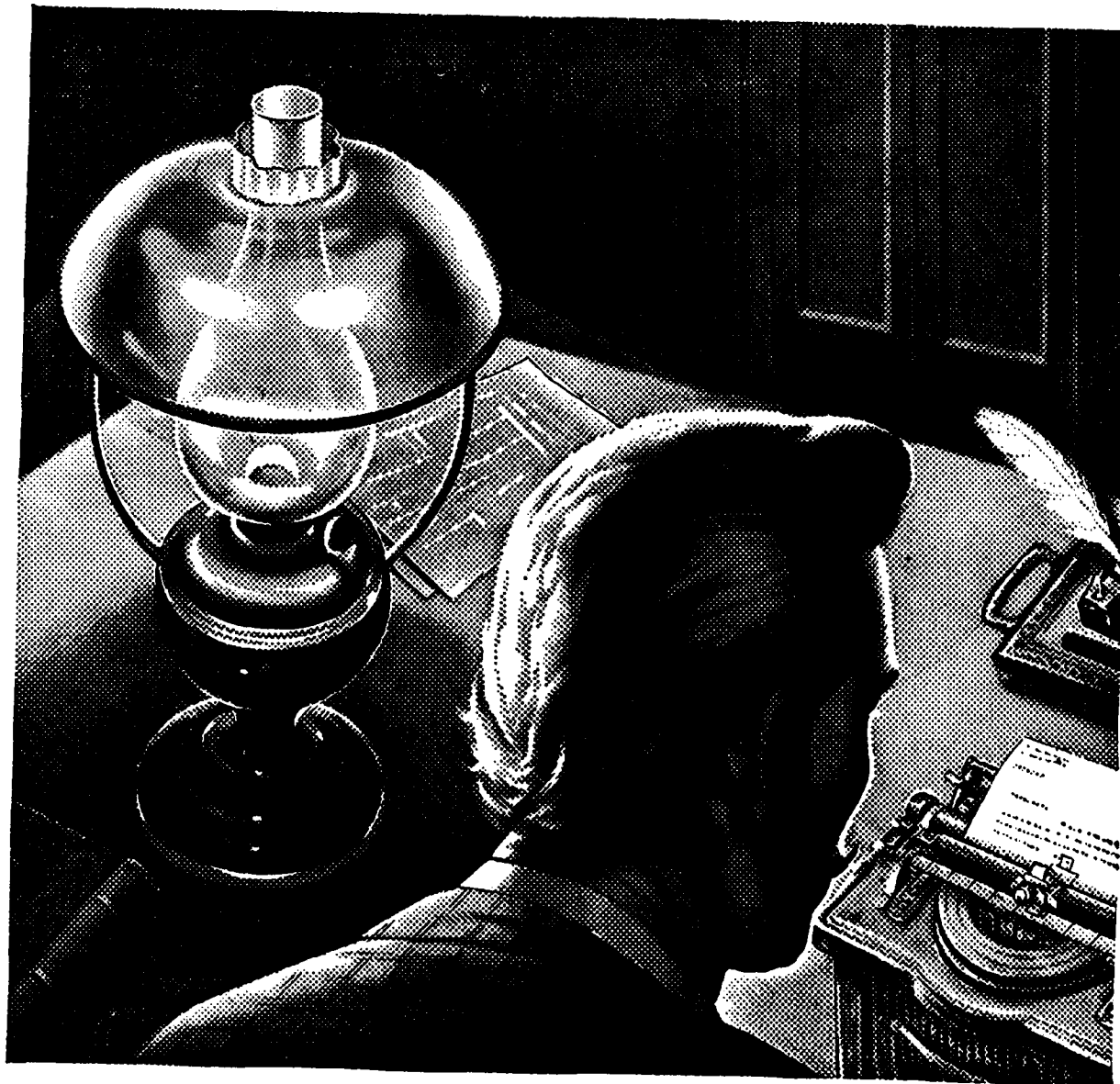
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Economic Report from the U.S.

A NEW TRADE PROGRAMME

By GUY SIMS FITCH

WASHINGTON, November 9.

A NEW trade programme is beginning to take shape in the United States, one that is in keeping with the momentous changes now evident in international economic needs and relationships. Involved is a sweeping liberalization of the old Trade Agreements Act, under which the United States for the past 27 years has negotiated the reciprocal reduction of tariffs and other trade barriers with nations all over the world. That Act is due to expire on June 30, 1962, and President can be expected in the near future to submit recommendations to Congress for its renewal and possible alteration. The specific recommendations the President will offer have yet to be announced. Some indication of the Kennedy administration's thinking, however, is contained in a speech delivered to the National Foreign Trade Convention in New York last week by George W. Ball, Under-Secretary of State for Economic Affairs. From Mr. Ball's statement, it is evident that the Kennedy administration has been giving careful consideration to several new features which would not only liberalize but in a sense revamp the existing U.S. trade programme. One would be new authority for the President to negotiate deep, across-the-board tariff cuts on groups of commodities. This would in effect replace the existing requirement that tariff negotiations be conducted on an item-by-item basis — a time-consuming and not always satisfying procedure.

In addition, Mr. Ball urged that less emphasis be placed on tariff or quota relief for American industries affected by foreign competition. He spoke instead of special Federal aid, ranging from retraining of workers to modernisation of machinery, to help American industry adjust to new trade situations. Moreover, he made it clear that even this type of Federal assistance should not spare American management and labour from living up to their own responsibilities in adjusting to competitive world changes. Behind this statement lies the widely shared conviction that the present Trade Act, with much of its negotiating authority already used up, is no longer adequate to meet the challenges of the future. These challenges are bound up with

the establishment of the European Economic Community (E.E.C.) — the so-called Common Market — as an operating body, and its emergence as a world trading entity of major importance. They are linked, also, to the needs of the less-developed nations for access to world markets as they seek to accelerate their economic advancement. The six Common Market nations — France, West Germany, Italy, Belgium, the Netherlands, and Luxembourg—are in the process of drastically reducing and eventually eliminating trade restrictions among themselves, and of drawing up a common external tariff schedule against outsiders. This makes it important for the United States to be in a position to negotiate broad and meaningful tariff concessions if American companies are to find a growing market for their products in the economically expanding E.E.C.

In seeking to ease any discriminatory impact of the Common Market, the United States also would be in a better position to see that tariff reductions are extended to other U.S. trading partners in the less-developed areas of Latin America, Asia and Africa. In this way, as Mr. Ball observed, progress would be made in the welding of "a close-knit trading system in the Free World." Whatever specific trade recommendations it may finally decide on to help bringing these ends about, the Kennedy administration is faced with important decisions on tactics. Some officials reportedly believe that the administration should put off asking for big changes in the Trade Act until 1963, to give the President a chance to educate the public and Congress on their virtues. Protectionist sentiment, they argue, could be particularly strong in 1962, which is a Congressional election year. On the other hand, there are many who believe that a bold new trade programme is bound to evoke protectionist opposition whenever it is presented, and the fight might just as well be made sooner rather than later. Whatever decision may be on this score, however, it is clear that the Kennedy administration is wedded to a trade policy aimed at the continued expansion of world commerce and the freeing of trade from stultifying influences of international restrictions.



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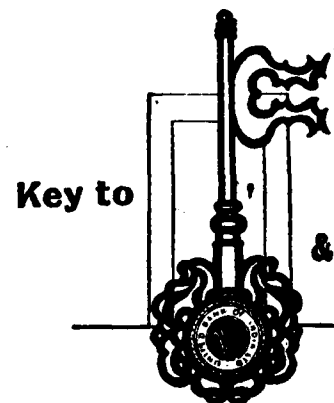
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THE BUSINESS WORLD

Reactions to Swatantra Manifesto

By CROESUS

WHILE the second annual convention of the Swatantra Party, shortly to be held in Agra, has, as its main agenda, the discussion of the Party's Draft Manifesto, released a few days ago, practically all sections of the Press have already subjected it to a detailed and critical examination and commented upon it. So also have the different sections of the public, including the business community, and I propose to devote my column this week to a brief round-up of these comments.

It would be too much to expect the election manifesto of any political party, whether an existing or a new one, to receive cent per cent approbation, but, judging from the reactions I have come across so far, the Draft Election Manifesto of the Swatantra Party may be said to have been generally well received. Even from the extremist quarters, the reaction has been unusually moderate. At the present juncture, it is believed by some, this is precisely what the Congress Election Manifesto should have been, which it is unfortunately not, albeit for a variety of reasons, the most important being the absence of a strong and vigilant opposition. If today a large section of the people of this country is discontented, despite independence and what it has brought in its wake, it is because there seems to be a feeling that the ruling party has deviated from the admittedly sound moorings established by the Father of the Nation. No political party which discounts the values and priorities prescribed by Mahatma Gandhi, it is felt, can hope to carry with it the Indian public for long. To put it differently, the genius of the Indian people will not accept from any political party an extremely leftist policy, divorced, as it must perforce be in that case, from all spiritual background. It is in discerning this in time and in forming a new party uncompromisingly opposed to such a policy that the genius of Mr. C. Rajagopalachari lies and, as is only to be expected, the Swatantra Party's Election Manifesto fully bears the impress of his genius.

In its Election Manifesto, the Swatantra Party has not only indicated what it will do and what it will not do, but also how it proposes to implement its promises. A contemporary has described that a striking feature of the Swatantra Manifesto is its "unequivocal enunciation of the means it would like to adopt to lead the country to prosperity through freedom." Not all may like these means or this approach. For instance, there has been criticism, even from some friendly sources, of the Swatantra Party's attitude towards planning and foreign aid. For inerrable reasons, in certain quarters, the relevant wording has been torn from the context to give the impression that the Swatantra Party is opposed to all planning and all foreign aid. Similarly, the Swatantra Party's criticism of statism has been interpreted as the Party's unqualified condemnation of public sector participation anywhere. Yet another point on which the Swatantra philosophy has been misunderstood — deliberately in certain quarters — is in regard to its opposition to heavy industries. But a careful study of the full text of the Manifesto, assure the Party leaders, ought not to leave such an impression. What the Party has made clear in its Election Manifesto, they say, is to endeavour to show to the public

the shortcomings of the approach of the Party in power on a number of issues and to suggest a workable alternative such as would not offend the known traditional and spiritual values that have always been prized by the people of this country.

The Swatantra Party's Election Manifesto, it is claimed, has gone a long way towards dispelling doubts in the minds of certain sections of the public, including labour and the middle classes. After going through the Manifesto, one cannot conscientiously hold that the Swatantra Party is out to exploit either the worker or the consumer. The Party, says the Manifesto categorically, stands for a fair deal to labour, both agricultural and industrial, and "for a good wage for a good day's work." Particularly impressive is the new concept of "Progress Sharing". The Party expects to achieve "progress sharing" through the increase in productivity without detriment to the overall aim of national prosperity through the reduction of costs. How imperative reduction of costs is in the context of the need to increase our exports does not require to be specially stressed. It is by reducing cost and improving quality that the Swatantra Party hopes to augment India's exports, not by compulsion. Those who commend compulsory exports conveniently forget that, while it may be possible to compel our exporters to export, we may not and, in fact, cannot compel importers of another country to accept our goods, unless they are competitive both qualitatively and price-wise. Hence, urged a spokesman of the Party, "it is difficult for me to see any contradiction between the Swatantra Party stand against exports by compulsion and its insistence on increased exports", as has been commented by some.

Many business men consider the references in the Swatantra Party's Election Manifesto to the question of safeguarding the Fundamental Rights as originally embodied in the Constitution as of the utmost importance. Considerable importance also seems to be attached by them to the promise made by the Party "to ensure the widest possible distribution of industrial ownership" through such measures as establishment of investment societies and trusts and provision of employee's shares to enable the small man to invest.

When all is said and done, however impressive the manifesto of a political party may be, its import and implications cannot be expected fully to percolate to the man in the street or people in the remotest village. The voting will not, therefore, necessarily reflect an appreciation or understanding of the manifesto, but it is bound to reflect, at least in part, in the public disapproval of certain policies and actions of the party in power, and if the section registering such disapproval is sufficiently large, the feeling in business circles is that it is probable that the political party benefitting largely by this will be the Swatantra Party. It would then be for the Swatantra Party to prove how effective as an opposition it will function. For it is not only the leaders and spokesmen of the Swatantra Party that want an effective opposition but all lovers of parliamentary democracy generally.

Efficiency in Engineering Enterprises

THE symposium organized by the Institution of Engineers this week on 'Economy and Efficiency of Engineering Enterprises in India' proved fruitful in the sense that the speakers were able to initiate a certain degree of controversy which is the very basis of provocative thinking. Not only the variety of subjects discussed was considerably wide, the standard of the papers read at the Seminar was also fairly high. The President of the Institution of Engineers in his welcome address outlined the urgency of holding the Seminar, when he said that although India had the lowest wages in various units, the cost of production of most of the articles was generally higher than the cost of production of similar articles elsewhere in the world. This could be explained, he added, by the overall inefficiency of engineering enterprises which, if allowed to continue, would have very serious effect on the implementation of the Five-Year Plans.

One major controversy that appeared to be brewing in the seminar was about the selection of the top management. There were certain contenders who stressed the need of having the highest management in the technical hands because the delays, wastages and the frustrations occurred on account of administrative and financial curbs placed on the engineers. There were other speakers who believed that administrators had to have a larger vision apart from the technical knowledge. The basic element of management comprised planning and designing of the project, the selection of men, materials and machines and the control of overall organisation. All these phases though associated with technical processes, are more varied in the sense that a technologist was not necessarily supposed to comprehend them. The civil service, with all its faults, had an admirable record in many fields and it could not be called non-creative and less imaginative when it was called upon to handle the top management of huge engineering enterprises in the public sector.

In the views of the members of Institution of Engineers, the approach of civil servants was to persist with old arrangements in preference to new innovations. "Bureaucracy in dictatorial control of the tech-

nical enterprise has only an infinitesimal knowledge of the circumstances of the ventures.... Technical understanding and judgment are indispensable qualities a man must possess for the successful administration of an engineering enterprise, public or private". In fact this controversy was not as severe as it appears to be because ultimately the qualities which made a good technical man could be helpful for top management too. But apart from this, it was essentially the imagination which made a successful top manager. It was rightly added, therefore, that incentives and opportunities should be offered to junior technical hands so that they could exercise initiative and prove their worth.

Another important point raised in one of the important papers was the significance of work study which included work measurement through organisational analysis. It may be pointed that this technique was being applied in most of the industries in the West with considerable utility. With the help of travel charts and flow diagrams of men and material, the spots of wastage, which ultimately lead to higher cost of operation and loss of efficiency, were spotted. In the under-developed countries, there was immense scope for the application of 'work study' techniques because in most of the industries inefficient and outmoded methods are applied and there was lack of planning at all levels. Applied economy and efficiency have to be a second habit in the working practices of the employees if real efficiency has to be attained. The work study specialists in most of the cases brought to light the wastages that prevailed in most of the enterprises and acted as catalysts in bringing about an effective "cross fertilization of ideas". It must be remembered that even these methods could not revolutionise the efficiency overnight. The improvement was a continuous task. It was rightly advised, therefore, that work study departments should be set up in all technical organisations which gradually would improve the efficiency in engineering enterprises.

Various controversies at the symposium are likely to ensure thinking at various levels and several suggestion if followed could definitely lead to greater productivity during the years to come.

Business Notes

Taxation

PREVALENT HIGH RATES

THAT HIGH taxation would deplete resources and discourage initiative, both so badly needed for the success of any series of development plans such as our country has undertaken, was the main theme of the Presidential address of Mr. Lalchand Hirachand at a meeting of the Maharashtra Chamber of Commerce held in Bombay last week. Stating that the incidence of taxation remained the highest in India, he pointed out that the maximum rate of tax on unearned income amounted to 84 per cent, while that on earned income was 77 per cent, which made the effective rate of taxation in India higher than either in the U.S.A. or France. Accordingly he apprehended that any additional taxes on the top of the already heavy burden now obtaining would not only be unwise and harmful but might even weaken the very source of growth. As it is, the present taxation policy, according to Mr. Hirachand, has not only resulted in taxing the income of the person concerned but his capital as well. With the imposition of wealth tax and expenditure tax, to boot, he argued, there was a case for accepting the principle of amorti-

sation of capital expenditure in suitable cases as relief. He also entered an emphatic plea for special and positive efforts to encourage investment and capital formation by way of tax concessions as has been done by Sweden and Pakistan.

Mr. Morarji Desai, Union Finance Minister, who was present at the meeting, however, did not share the president's view. While assuring the trade and industry that, in the sphere of taxation, the Government had no intention of pursuing a path which would set in operation the law of diminishing returns, he said that the taxation policy of the Government was not aimed at earning more revenue; it was solely guided by the criterion of subserving the general benefit with a view to affording a better deal to the masses. Mr. Desai also contended that the rate of direct taxation was the highest in the U.S.A. being 91 per cent while the corporation tax also was higher at 51 per cent as against only 45 per cent in India. Even the rates of development rebate given in countries like Sweden, he remarked, were equal or lower as compared to those in India. In view of this, the Union Finance Minister warned the business community not to raise false alarm about crippling taxes, as such would only serve to frighten away foreign enterprise and collaborations.

Foreign Trade

INDO-AFGHANISTAN TRADE

WHILE IMPORTS from Afghanistan have remained more or less stagnant, exports to Afghanistan during the last few years have started picking up. In 1960 they were of the value of Rs. 608 lakhs. As a result of this increase in exports India's adverse balance of trade has also declined. Whereas the adverse balance of trade was as high as Rs. 312 lakhs, in 1960 a favourable trend was visible. An idea of trade between the two countries can be had from the following table:

(Rs. lakhs)

Year	Imports from Afghanistan	Exports to Afghanistan	Balance of Trade
1952	5.07	5.35	+ 28
1953	4.85	4.17	- 68
1954	5.51	3.72	-1,79
1955	4.13	2.05	-2,08
1956	4.36	1.71	-2,65
1957	4.94	1.82	-3,12
1958	5.00	3.30	-1,70
1959	5.70	4.55	-1,15
1960	5.02	6.08	+1,06

Imports from Afghanistan consist mostly of fruits and vegetables, hides and skins and fur skins. Exports comprise mainly of commodities like cotton textiles, wearing apparel, tea, bidi and tobacco manufactures, spices, jute goods, leather and leather goods including footwear, chemicals, pharmaceuticals, paper and stationery, paints and varnishes, toilet requisites, bicycles and motor cycles.

Whether this trade will increase further or not will, of course, depend on the restoring of the transit facilities. At present several consignments sent to Afghanistan are locked up in Pakistan and the latter has been hinting at auctioning these goods unless they were cleared soon. The Government of India has been quick to take notice of that and have advised the Indian traders that immediate arrangements should be made to bring back such goods. Meanwhile a trade agreement has been signed between Afghanistan and India. The arrangement takes effect from October 1, 1961, and will remain in force for one year thereafter and unless either contracting party gives notice to the contrary, will automatically be extended by a further period of one year.

Engineering

WHEELS INDIA: A NEW VENTURE

MR. K. C. REDDY, Union Minister for Commerce and Industry, inaugurated last week the Wheels India Ltd., a new venture floated by Messrs. T. V. Sundaram Iyengar & Sons in collaboration with Dunlop Rubber Co. of the United Kingdom. This undertaking is likely to cost over Rs. 1.5 crores and will produce 2.10 lakh commercial vehicle wheels every year. The participation of the Indian firm will be to the extent of 55 per cent and the remaining 45 per cent will be the Dunlop's share, which will be contributed in the form of machinery and equipment.

This is one of the capital intensive industries and when the unit starts producing its full output, it will mean a considerable saving of foreign exchange. At the moment we are importing nearly 2.5 lakh wheels at a cost of nearly Rs. 1.6 crores. The initial saving would be to the extent of Rs. 90 lakhs though steel flats suitable for these wheels would have to be imported

for some more time. It is estimated that of the final product, initially imported component may be of the order of 40 per cent. But gradually these components will be manufactured by the company.

The company will produce wheels for Dodge, Bedford, Leyland and Tata Mercedes-Benz commercial vehicles. The wheels will be of fully welded design, which is the latest technique adopted in foreign countries. The company will be the first to adopt in India the carbon dioxide automatic welding process. It is estimated that 80 to 85 per cent of the offtake will be by vehicle manufacturers because the replacement market for wheels is negligible in India. One advantage the company will have is that there are only two sizes of truck wheels in India as against 132 sizes in the U.S.A.

Regular output may start by December 1961, and by March 1962 it may run to full capacity. It may be added that the factory can raise its output to 4 lakh wheels by duplicating only 20 per cent of the existing machinery. The products of this venture are likely to receive a ready response in the market.

New Issue

MADRAS MACHINE TOOL MANUFACTURERS LTD.

MADRAS MACHINE TOOL MANUFACTURERS LTD. is putting its expansion programme through. A license has been obtained from the Central Government for bringing about a substantial expansion to the existing industrial undertaking at Singanailur (Coimbatore). The present factory is situated in a highly industrialised area in Coimbatore. It has all facilities for the transport of raw materials and finished goods.

The present issue consists of 24,900 equity shares of Rs. 100 each. The capital offered for public subscription is of Rs. 22 lakhs consisting of 22,000 equity shares of Rs. 100 each. The company has agreed to make allotment of 3,000 equity shares of Rs. 100 each that is of the nominal value of Rs. 3,00,000 to the Life Insurance Corporation of India, Bombay, against underwriting arrangements with them. The entire issue now offered to the public is under-written.

The demand for machine tools has been increasing in this country. It is mostly because of the reason that machines provide the key to industrialisation. It is estimated that the requirements of machine tools by 1965-66 would be approximately three times, i.e. Rs. 60 crores per annum. Even on a conservative basis, the demand will not be lower than Rs. 50 crores per annum. It is therefore apparent that the present output of Rs. 6.4 crores will have to be increased manifold.

Since this factory has gone into production, it has its order books well-filled. Though the company started production as late as 1959 it had earned reasonable profits during the years ending 31st March, 1960 and 31st March, 1961 for which the company had declared a dividend of 5 per cent on the paid-up capital. Since the demand is likely to increase further, it is apparent that the new issue will have a ready response in the market. The subscription list for this issue will open on November 20 and will close on November 28, 1961, or earlier as soon as subscription approximating to the amount issued to the public have been received, but it will not close earlier than November 22, 1961.

British Loan

A VALUABLE HELP

IT IS a matter of gratification that in spite of Britain's own balance of payments difficulties there has been no cut in her programme of aid to under-developed

countries. In the case of India this assistance has been quite considerable. Of the many countries which have been helping us she is among the first to make untied loans. The recent credit of Rs. 6.67 crores (£5 million) is an instance in point. The significant feature of this loan is that it is not attached to any particular project and can be used with immediate effect by India to pay for a particular range of imports from the United Kingdom. It is the third in the British series of loans for the Third Plan towards which the British Government has so far promised Rs. 120 crores (£90 million) under the Aid-India consortium arrangements. The first loan was of £30 million for mixed projects and the second one was of £10 million for a general balance of payments support. During the Second Plan Britain gave assistance to the tune of Rs. 107 crores (£10.5 million). Taken together with the Third Plan commitment, total British aid committed to date amounts to Rs. 227 crores (£170.5 million).

The credit of £5 million is payable over 25 years with a grace period of 7 years — the first instalment will fall due in May 31, 1968. The rate of interest will be the same as that applied by the British Treasury to a loan for a comparable period from its domestic consolidated fund plus ½ per cent management charge. The loan was made under the authority of Section 3 of the Export Guarantees Act 1949 and 1957. Since the first repayment of this loan will not be made until May 31, 1968, it would be a matter of great relief to the economy. In fact by setting a repayment term of 25 years the British Government has confirmed its recognition of the need to avoid repayment arrangements which a developing country like India is likely to find burdensome in the short term. The idea of total disbursed and committed assistance to India can be had from the following table:

Grand total of disbursed and committed assistance to date:	£ 170.5 million
SECOND PLAN	
Project Aid for Durgapur 1958	£ 15 million
General balance of payments aid—1958	£ 28.5 million
" " " "	£ 19 million
Project aid for Assam Pipeline—1958	£ 3 million
General balance of payments aid—1960	£ 10 million
" " " "	£ 5 million
TOTAL	£ 80.5 million
THIRD PLAN	
Commitment to date:	£ 90 million
LOANS SIGNED	
Mixed project and development goods loan — May 1961	£ 30 million
General balance of payments loan — May 1961	£ 10 million
General balance of payments loan — November 1961	£ 5 million
TOTAL	£ 45 million

Calcutta Electric

INCREASED SALES

IN HIS speech at the 64th Annual General Meeting of the Calcutta Electric Supply Corporation Ltd. held in London on November 9 (the full text of the address appears elsewhere in this issue), the Chairman, Sir Harry Burn, said the sales of electrical energy to all classes of consumers during the year ended March 31, 1961, recorded an increase of 138 million units over the previous year. Rolling mills, engineering workshops, cotton mills, chemical works and paper mills were responsible for 80 per cent of the company's sales of high tension energy for industrial purposes. Demand

for low tension industrial power expanded further with sales increasing by 9 million units to 123 million units; the number of consumers rose by over 1,200 to more than 16,700.

The gross revenue of the company has exceeded for the first time £10 millions. Commensurate with higher revenues was heavier expenditure in respect of the cost of generation and distribution. Increases in wages, after adjustments of dearness allowances and overtime rates, were substantial. Cost increases in respect of materials were commensurate with the expansion of the company's system.

Referring to the question of future supply within the company's licensed area, Sir Burn said that on account of the failure of the Damodar Valley Corporation to honour its commitment to supply 95 MW to the company, the turbo-alternators at New Cossipore Station which were long overdue for overhaul could not be taken out of service for routine maintenance. As a result, all the three turbines failed by a breakdown of balding. Two of them were recommissioned by the end of May. The remaining machine required extensive overhaul which was not completed until August 21.

Since the demand in the area is already outstripping the maximum generating capacity augmented by the off-take available from the Damodar Valley Corporation, Sir Burn observed that shortage of power was bound to continue, though to a lesser extent, for the next few years. The company has been assured by the Government of a bulk supply of power through the West Bengal State Electricity Board, first some 60 MW (not expected to be available until January 1964) from the Government's Durgapur Station and thereafter increasing supplies from the station proposed to be built in Bandel near Calcutta. The Government has approved of the company's plan to increase the capacity of its new Cossipore Station by installing another unit of 50 MW. Finance in respect of expenditure to be incurred in India has been arranged on reasonable terms.

Plywood

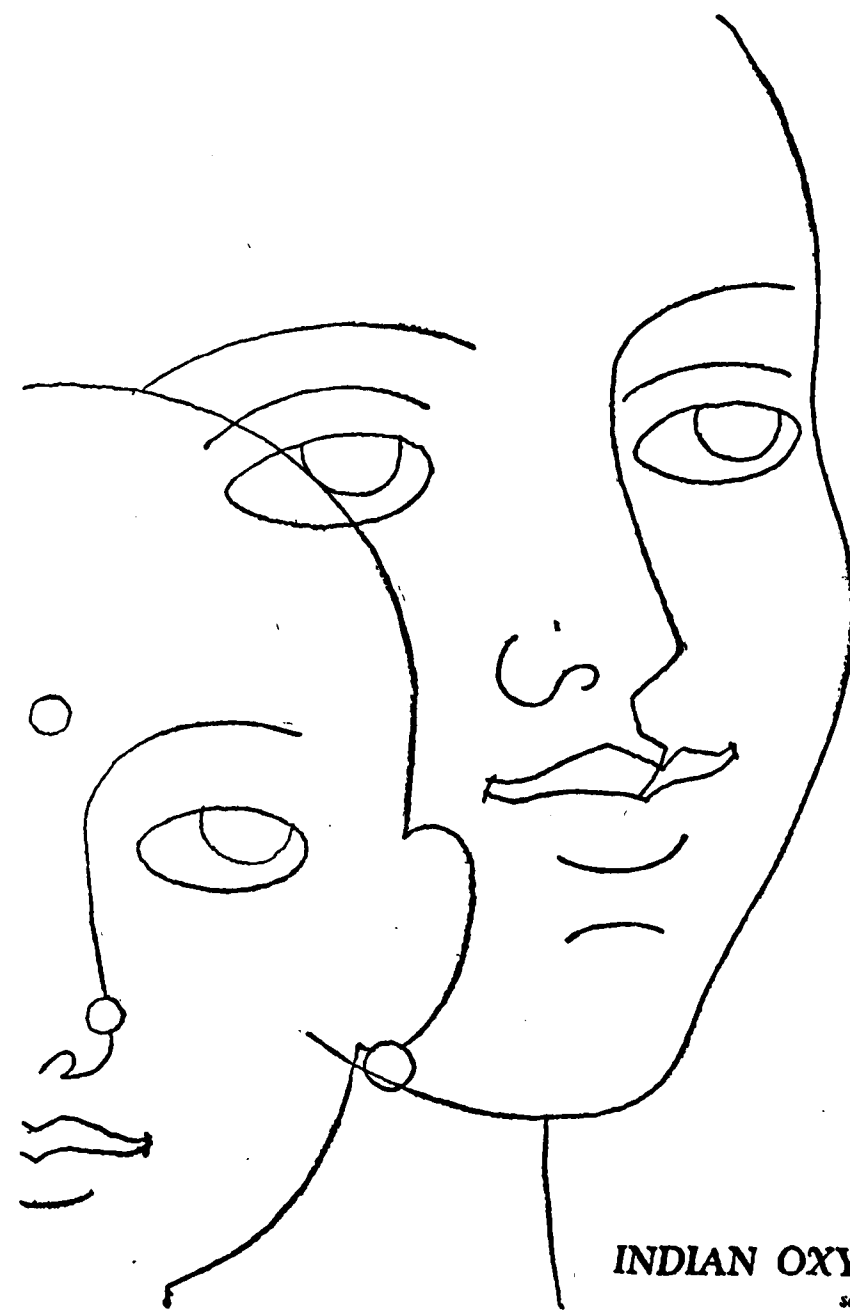
PAUCITY OF RAW MATERIAL

APART FROM the absence of adequate consumer response, the paucity of raw material (timber) has inhibited the development of plywood industry in India. This was stated by Mr. Manubhai Shah, Union Minister for Industries, while inaugurating the Federation of Indian Plywood Industry at Calcutta recently. For its annual requirement of about 100,000 tons of timber, the industry has largely to depend upon the forests controlled by the Central and State Governments. The number of plywood factories has increased from 43 in 1947 to 72 now. These factories have an authorised capacity to manufacture tea-chest plywood over 200 million sq. ft. and commercial plywood of over 124 million sq. ft. The present production is estimated at about 167 million sq. ft.

The import of raw materials and other ingredients as well as machineries, the Minister said, can be allowed, in pursuance of the Government's accepted policy, to the extent of earnings made by the industry from its exports. For this purpose, the Minister said, it is imperative for the industry to set up an export promotion council of its own to draw up an effective export programme.

The performance of the industry in the years ahead will largely depend upon the extent to which the raw materials are made available and consumer response aroused in the home market.

100-4



Time brimful with
laughter and
tears, time gay
with romps on the
sea shore, time
of careless days that
must be left behind.
But what sort of
'times' will they
inherit, these
youngsters, what
world awaits
them? A good
world, we hope, a
better one than
we live in. More
food, more clothes,
better medicines
and greater oppor-
tunities to travel
and make friends.
It is towards this
end that industry
and commerce
are working and
we are glad to be
a part of it.

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sends greetings to all children

FROM THE CAPITAL'S CORRIDORS

FOREIGN COLLABORATION

SEVEN important applications of Indo-foreign collaboration were approved during October 1961, four with the U.S.A. and one each with British, German and Swiss firms.

Haven Steel Ball Corporation of Bombay has entered into an agreement with Miniature Precision Bearings of U.S.A. to set up a plant to manufacture ball and roller bearings. According to the collaboration agreement, the paid up capital of the company will be Rs. 17 lakhs, half of which will be contributed by the U.S. firm. No royalty will be paid but the U.S. collaborators will be paid five per cent commission on imported plant and machinery.

D.C.M. Chemical Works of New Delhi have a tie up with Phosphate Acidulating Corporation of the U.S.A. to set up a plant to manufacture Superphosphate plants. The foreign firm will be paid a licence fee of £1332 per 6/10 ton plant manufactured in India for the supply of drawings etc. for the plants. The duration of agreement is five years in which period exports will be permitted.

International General Electric Company of Bombay has entered into an agreement for a period of ten years with International General Electric Company of New York to manufacture lighting arresters, magnets, heating elements and X-Ray equipment. A new company will be formed with an equity capital of Rs. 2 crores, out of which Rs. 1 crore will be subscribed by the U.S. firm. The foreign investment will be utilised for plant and equipment to be imported and the balance, if any, will be invested in cash in foreign exchange. For technical services etc., the foreign firm will be paid 3 per cent on the net annual sales value of the products of the Indian company less the value of imported components. This payment will be subject to Indian taxes. Export will be freely permitted and the company will export 10 per cent for the first three years and later 20 per cent of their annual production.

Little and Company of Bombay has joined hands with Columbus McKinnon Corporation of U.S.A. to manufacture link chains. An Indian public company will be formed in which the foreign company will subscribe 50 per cent of the total equity capital. No royalty or any other remuneration for technical know-how is stipulated. Exports will be freely permitted and the duration of the agreement will be 10 years.

K. C. Maitra of New Delhi has sought collaboration with Joseph Sankey and Sons, Limited of the United Kingdom to manufacture automobile wheels. The United Kingdom firm will be given free shares to the extent of 10 per cent in the issued equity capital of the new company, which will be Rs. 85 lakhs. No other royalty payments are involved. The U.K. firm will have the option to subscribe up to 50 per cent to the equity capital of the new company of which Rs. 10 lakhs would be in cash and/or in the form of plant and equipment to be imported from the U.K. company and the balance in rupees equal to the agreed value of the present car and A.D.V. wheels plant of M/s. Guest Keen Williams to be transferred to the new company and cash investment by Sankey Electrical Stampings Ltd. The period of agreement will be 10 years.

Neiveli Ceramics and Refractories Limited of Tiruchirapalli have entered into a collaboration agreement

with the West German firm, Elemental Baukeramik Vertriebs GmbH and Dr. Franz Kirchfeld GmbH to manufacture sanitary-ware. The issued equity capital of the company will be Rs. 40 lakhs. M/s. Elemental Baukeramik and Dr. Franz Kirchfeld will invest sums equivalent to DM145,000 and DM200,000 respectively. Messrs. Elemental Baukeramik will supply the necessary technical assistance. In consideration of this assistance, the West German firm will be paid an amount of DM150,000 for know-how etc., and a sum not exceeding DM275,000 for out of pocket expenses in respect of actual services rendered. The expenditure of Indian trainees and the foreign experts will be borne by the Indian company. Exports will be freely permitted during the term of the agreement which will be 10 years.

T. Maneklal Manufacturing Company of Bombay has a tie up with Benuinger Engineering Company of Switzerland to manufacture Four Bowl pad dyeing machines. Fee for the supply of drawings etc. to the foreign firm will be SF20,000 and the royalty at the rate of 5 per cent subject to taxes. The purchase of component parts from abroad will be at competitive prices and subject to the import control policy. Exports will be allowed freely, and the duration of the agreement will be 10 years.

TWO NEW ISSUES

Two more companies have been granted consent for issue of capital by the Controller of Capital Issues valid for 12 months. The following are the details:

Glass Corporation:

The Glass Corporation Private Limited, Dholpur, Rajasthan, having a paid-up capital of Rs. 1,00,000 has been accorded consent to issue bonus shares of the total value of Rs. 35,000 in the ratio of 7 bonus shares for 20 shares held on capitalisation of the Company's reserves to a like extent.

Canara Industrial and Banking:

The Canara Industrial and Banking Syndicate L'd., Mysore, which has a paid-up capital of Rs. 47,21,419 has been granted consent to the issue of capital of Rs. 50,00,000 in 5,00,000 (B) class ordinary shares of Rs. 10 each for cash at a premium of Re. 1 per share to the existing shareholders on right basis. The proceeds will be utilised for strengthening the bank's capital structure.

PRIME MINISTER & BUSINESS INTERNATIONAL

Only a reiteration of India's basic policy of economic development emerged as a result of the discussions between the Prime Minister of India and the members of the Indian Roundtable Conference of the Business International, which held its Session in New Delhi last month and a report of which is now available.

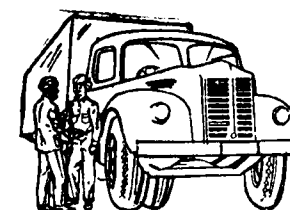
In answer to a question asking the Prime Minister to share with the American businessmen his vision of India's future, Mr. Nehru, referring to the field of industry, said that he attached the greatest importance to its rapid development. Explaining the country's broad industrial policy, he said: "Our broad policy is that the basic and strategic industries should be controlled by the State. At the same time, we encourage the growth of medium and small scale industries and traditional and home industries are also given facilities for expansion. Still, there are vast numbers of people who remain without employment. There is not enough

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of a truck?

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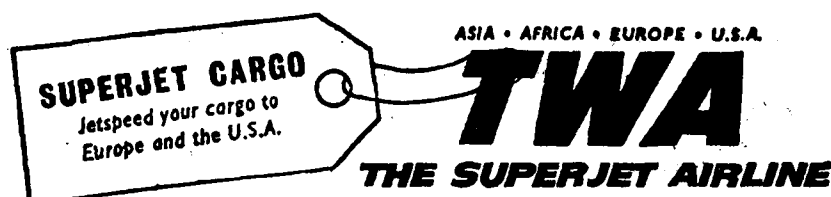
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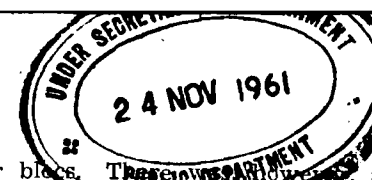
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room for absorbing them on land. We, therefore look forward to a technologically more mature society in which work would be done more efficiently. But this will have to be a gradual process. Even in agriculture, we would not mind having tractors and we do have them but we have to see that by employing labour saving devices, we do not create more unemployment, for it may upset our social balance."

Mr. Nehru further added in reply to another question that the field for development was so vast and the market in India was so great that he wanted every method to stimulate India's economic growth through planned development. Drawing attention to riches at one extreme end and poverty on the other, Mr. Nehru stated that in an independent society the gap between riches and poverty should be reduced and eliminated as quickly as possible. He expressed the fear that if the process took too long, the social balance might be upset.

On the question of foreign aid, the Prime Minister said that foreign aid was obviously necessary but the manner of assistance would depend upon various factors. Elucidating his policy, Mr. Nehru said: "In individual projects of industrial development private foreign capital was allowed to flow in and we do not distinguish between indigenous capital and foreign capital. We have followed the practice of keeping the majority control and ownership in Indian hands. Apart from the psychological reasons the historical background has created a strong resistance among people to any kind of economic domination and this resistance gives rise to a feeling that we must beware of this danger. This, however, is not really in the way of allowing foreign private capital to come in."

To another question, asking the Prime Minister whether he looked favourably on simplification and some relaxation of controls, on the speeding up of procedures and on a less rigid limitation of capacities — especially in those cases where no foreign exchange was involved or where foreign exchange savings could be achieved—Mr. Nehru answered that they had inherited a system of Government which was adequate for the then Government as it was not essentially a Government which interested itself in the social progress of the people. He, however, agreed that procedures should be simplified and declared that the Board of Directors of the public undertakings would now be given complete autonomy. Regarding controls, the Prime Minister stated that nobody fancied controls as such. "However, they come in when Government thinks that something will happen if controls are not enforced." He referred to the situation after the War when textile controls were removed in 1948 and had to be re-imposed after about 8 months because there was acute shortage of cloth and prices went up.

At the end, Mr. A. R. Gale of Amplex Corporation asked the Prime Minister's views on the role that Communism might play in South-East Asia. Mr. Nehru stated in his answer that there were many political problems which were put under the head 'Communism'. Referring to China he said that its aggressive nationalism was a historic fact and was not peculiar to the Chinese Communist regime. There was a tendency for simplification of complex questions. Communism was an upsetting force and it generally thrived in countries which were under-developed and backward. "If you, however, refer to a situation in any particular country, you should analyse the conditions in that country." He referred to Indo-China and stated that at Geneva in 1954 it was unanimously agreed that Indo-China must be kept out of ideological conflicts of

the major power blocs. There was a tendency, specially in America, to pick up people who had no influence on their own people and were not capable of delivering the goods. This led to all kinds of complications.

INDIAN INDUSTRIES FAIR

The 1961 Indian Industries Fair which was opened by Vice-President Dr. Radhakrishnan on the 14th is expected to present a vision of new Industrial life of India while mirroring the achievements made in the Second Five-Year Plan with or without foreign help. According to the Federation of Indian Chambers of Commerce and Industry who have organized the Fair for the second time, goods worth Rs. 30 crores will be exhibited by 400 participants. Among the participants are many foreign firms who are at present collaborating with indigenous firms in the various sectors of Indian economic life. Following is a brief description of some of the 'Foreign national' pavilions, a preview of which was given on Monday:

By far the most elegant pavilion at the Fair is the spacious American pavilion where on display are more than 1,000 tons of industrial and scientific equipment, ranging from a fully-equipped workshop rebuilding worn automobile engines, a modern production line assembling small but sturdy tractors, a foundry, a small print shop and giant turret lathes to highly sensitive precision testing devices and a model of the unmanned atomic power weather station reporting on conditions in polar regions. The "aeromobile", the car of the future riding without wheels on a cushion of air, displayed at this pavilion is likely to be one of the biggest draws of the Fair. The theme of the American pavilion is "Industry in the Service of Man".

True to the words of Lenin who said that "communism is Soviet Power plus electrification of the whole country", a pride of place has been given at the Soviet pavilion to the electrical exhibits such as working models of the hydro-generation of the Bratsk Hydrel Station of Siberia, a 3,00,000 kilowatt Turbo-Generator, high voltage transmission lines, atomic and solar energy accumulators and other implements.

The other sections display impressive exhibits of heavy machine-building, mining implements, metal cutting lathes, fuel and chemical industry, oil-well drilling machines "Zif-Zoom" and "GP-T", different types of tractors, harvester combines, tea and cotton plucking machines and such other agricultural machinery which might be used in the Indian agriculture and industry and the kinds of which are already being used in India in respect of the joint Indo-Soviet projects, such as Bhilai metal, Cambay and Ankleshwar oil, Korba coal, pharmaceuticals, Ranchi heavy machine-building plant, Durgapur mining equipment, coking batteries, blast furnaces, machinery for smelting steel and rolling metal.

The Soviet pavilion, occupying more than 10,000 sq. meters of space with an imported 12 ft. high statue of Lenin overlooking the entrance and a large-size photo of Khrushchev and Nehru sitting together, forming the background, has not ignored the consumer and utility goods side which includes exhibits of textiles, foods, knitted wear, watches, handicrafts, toys, glass, china, a mobile TV transmitter where one can see one's own picture, tape-recorders and cameras.

The British pavilion lays stress on Indo-British collaboration through charts, working models and photographs. British assistance has been forthcoming not only in industry but in finance, transport,

communications, power and knowledge as well. Exhibits illustrating the themes "partnership in road, rail, sea and air" include a picture of the first steamship to reach an Indian port (in 1825); a photograph of the dock extension and reconstruction work in Calcutta, carried out with the help of British consulting engineers. Another display shows at a glance the loans made to India in the last three years by the British Government for such projects as the Durgapur Steel Works and the Assam Oil pipeline, and for general imports. The "partners in communication" section has photographs and pieces of equipment to show the wide variety of means of communication Britain has brought to India. The "partners in promoting health" section shows a picture of the Tuberculosis Chemotherapy Centre in Madras, a model of Melrose heart-lung machine and an actual "radio pill", which when swallowed relays information on conditions within the human body. The other sections dealing with "partners in power", "partners in production" and "partners in knowledge" are equally impressive. Almost in the middle of the pavilion is a gleaming wide airhouse made of a water-proof chloride-coated nylon fabric and held up solely by air blown into it.

There are two major attractions at the French pavilion; the cars and the aeronautical machinery. There are on display two cars, a Renault and a Dauphine. Both these are small-size four-door cars and cost in France between 5 and 6 thousand rupees. These are among the best sellers in Europe and are owned by middle and upper-middle class people. They are, therefore, bound to attract the attention of many visitors.

The aeronautical industry machinery has been displayed in the major part of the pavilion which incidentally has been organized by the French aeronautical companies. The section may attract the attention of comparatively lesser number of visitors but those who understand the basic elements of engineering would find it considerably interesting. At present French aeronautical industry is supplying aircraft and other aeronautical equipment to various other foreign countries. "French planes were sold all through the world as early as 1918 when every month France produced 2,750 aeroplanes and 4,000 engines", the guide at the pavilion indicated proudly. At present the French factories are equipped with the latest techniques and their output includes all aspects of aviation from the sports plane to the twin-jet medium range transport liner including fighter planes which fly twice the speed of sound and missiles of all types.

The accent in the Polish pavilion is on exhibiting a wide range of machinery and machine tools which Poland is in a position to export today. As many as ten State enterprises of Poland are participating in the show where on view are models of a complete power plant and foundry, coal mining machinery, equipment for the manufacture of textiles and chemicals, engineering goods making machinery, precision instruments, metallurgical plants and equipment etc. On display also are some engineering goods of direct consumption such as motor cycles and cameras. The various exhibits obviously give an inkling into the rapid progress that Poland has made in the manufacture of heavy machinery and machine tools during the post-war period.

LOK SABHA'S FORTHCOMING SESSION

Twenty new bills will be introduced by the Government in the forthcoming session of the Lok Sabha commencing on November 20, 1961. The Reserve Bank

of India (Amendment) Bill seeks to amend the parent Act to permit the establishment of a Credit Information Bureau and for certain other purposes. The laws relating to Wealth Tax, Gift Tax and Expenditure Tax are also to be amended. One other bill defines the duties and powers of the Comptroller and Auditor-General of India.

The other bills to be introduced are: The Sugar (Regulation of Production) Bill; The Telegraph Wires (Unlawful Possession) Amendment Bill; the Indian Railways (Second Amendment) Bill; The Indian Succession (Amendment) Bill; The Indian Tariff (Amendment) Bill; The Iron Ore Labour Welfare Fund Bill; The Drug (Amendment) Bill; The Air Corporations (Amendment) Bill; The Atomic Energy Bill; The Vishvabharati University (Amendment) Bill; The State Financial Corporations (Amendment) Bill; a bill to facilitate introduction of correspondence courses under the aegis of the University of Delhi; a Criminal Law amendment to make the production, circulation, etc. of documents resembling currency notes an offence and the Indian School of Mines (Dhanbad) Bill.

The business before the Lok Sabha also includes discussion on international situation, Tenth Report of the Union Public Service Commission, Supplementary Demands for Grants (General) for 1961-62, Supplementary Demands for Grants (Railways) for 1961-62, and the Demands for Excess Grants (Railways) for 1961-62, and the Demand for Excess Grants (Railways) for 1959-60.

INDIA AND E.C.C.

As part of Britain's policy of keeping other Commonwealth Governments closely informed about the course of her negotiations with the Common Market, the Lord Privy Seal, Mr. Edward Heath, on November 10 met the Commonwealth High Commissioners in London and gave them a report of the first round of the talks between Britain and the countries of the European Economic Community (Common Market) which ended on November 9 in Brussels, Belgium.

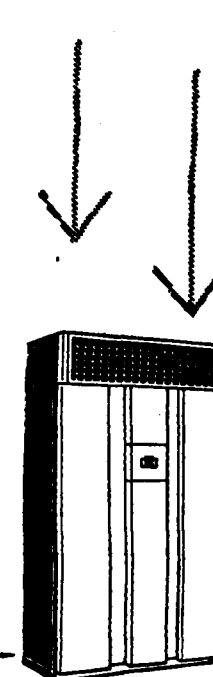
Meanwhile, India's Minister-designate to the European Common Market, Mr. K. B. Lal, has returned to New Delhi for a seven weeks' consultations visit. Mr. Lal who expects to return to London en route Brussels by Christmas has dispelled a great deal of pessimism as a result of his study on the spot. In his view, with proper safeguards and genuine efforts, India's export trade should get a further stimulus after the United Kingdom joined the European Common Market. This seems to be in contrast to the general feeling that Britain was turning its back on the Commonwealth. This was, at any rate, the feeling after the Commonwealth Finance Ministers' Conference in Africa, where the Commonwealth countries had used strong language against Britain's entry into the Common Market. There appears to be now a much greater awareness of what is involved in the main issue, namely who would benefit, if Commonwealth trade suffered by Britain's entry into the "Common Market." The obvious answer is the Communist Bloc. There is, therefore, greater awareness in Britain and even in the Common Market countries to consider ways and means of fitting in the Commonwealth pattern of trade into the new United Kingdom-Common Market Treaty, which is now being negotiated.

PROJECTS FOR PUBLIC SECTOR

Five public sector projects are still under discussion here, some of which have sufficiently advanced towards agreements while others are still in talking stage. The

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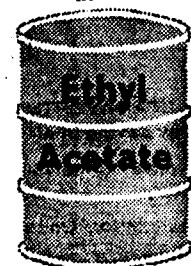
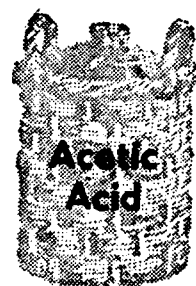
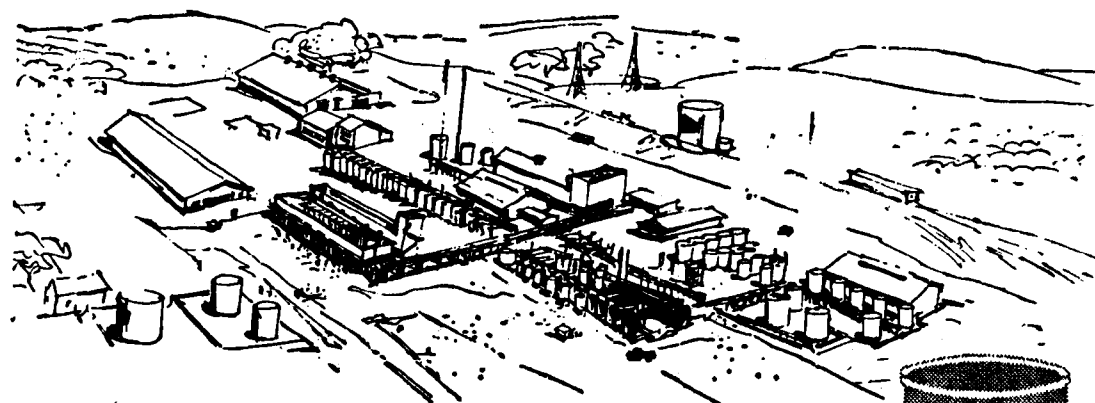
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twin project of Heavy Structural and Heavy Plate and Vessel comes in the first category, an agreement in respect of which, it is expected, will shortly be signed with Davy Ashmore of the United Kingdom.

There are three parties in the field for setting up the Diesel Engine Project. They are B. N. M. of Denmark, Fiat of Italy and MAN of Germany. The Project will be located in the vicinity of a shipyard, either Vishakapatnam or near the proposed shipyard at Cochin.

The second precision instruments plant to be located at Kerala will be in collaboration with the Russians.

Data on the Heavy Compressors and Pumps Project is being prepared to enable the Russians to prepare a techno-economic report. This report will enable the Government to decide whether the requirements of this country could be met by the expansion of existing capacity or whether it would be more economical to set up a new plant for it.

The Russians, it is learned, have intimated to the Government that, for the time being, their hands were full to take up the Ball and Roller Bearing Project. They might take it up, say, a year later.

INDUSTRIAL CONSULTANTS

At least three consulting firms have been approved by the Government of India to operate in this country. They are Simon Carves (British), Koppers (German) and Hydrotherm (American). Another Indian Company, Industrial Consultants, ISCONS, hopes to operate by the end of March, 1962 when it will start bidding and executing projects. In the initial stages the Indian Company will undertake the supervision of construction of plants and heavy civil construction, but eventually it hopes to give an integrated service to its clients either by strengthening its construction division or by creating a separate subsidiary organisation.

MORE INDIA-MADE WATCHES

Permission has recently been given to Hindustan Equipment Suppliers of Bombay to set up a wrist watch factory at Baroda. The proposed factory will have an annual capacity, on single shift basis, of 300,000 watches a year as under:

First year	..	82,000 watches
Second year	..	130,000 watches
Third year and onward	..	300,000 watches

The c.i.f. value of imported components per watch in each phase will be as under:

First phase (one year)		Rs. 13.31
Second phase	Upto	Rs. 12.35
Third phase	Upto	Rs. 8.92
Fourth phase	Upto	Rs. 6.87
Fifth phase	Upto	Rs. 4.00

From the sixth year onwards, no imports of any parts will be permitted.

The foreign collaborations are the French Firm, L.I.P., which will have no participation in the capital of the company.

GOODYEAR'S BALLABHGARH FACTORY

On November 18 the Vice-President, Dr. Radhakrishnan, will be inaugurating the Goodyear's Ballabhgarh plant set up to manufacture 750 car and truck tyres a day on three-shift basis. Besides producing tyres, the factory will be turning out tubes, camelback and repair materials as well.

The total investment in the project is of the order of Rs. 6 crores, of which 80 per cent has been made available by the company from its own resources and the rest by the Indian public and some institutional lenders. The company, it may be recalled, had offered to the Indian public earlier this year 4,00,000 equity shares of Rs. 10 each at a premium of Rs. 7 per share. The issue was heavily over-subscribed. The company

has also secured a credit of Rs. 2.25 crores from the U.S. Export-Import Bank for this factory, 59th in the chain of Goodyear manufacturing units all over the world. The 70.5-acre site for the factory at Ballabhgarh provides for further expansion in all the manufacturing lines of the company.

The Goodyear Tyre and Rubber Company is engaged at present in conducting research in five synthetic fibres which may revolutionise tyre-making in future. This has been disclosed by Mr. Ted M. Kersker, Manager of the Fabric and Adhesives Development Department, of the company. He said here on Saturday last that "quest is for a tyre which will have exceptionally long life with smooth and good riding properties."

BRIEFS

Jayanti Shipping Company signed an agreement with the Japanese firm, Mitsubishi Shipbuilding and Engineering Company for the construction of eight 32,250 dwt bulk cargo carriers at a cost of over Rs. 17 crores. Jayanti Shipping Company already has a tanker and proposes to acquire five more second-hand vessels for the carriage of coal between Calcutta and Rangoon. The Company has purchased two more tankers of 40,000 tons each. Its present tanker is of 30,000 tons.

A German firm has shown interest in the Koyana Aluminium Project and is sending out a team to negotiate its terms of collaboration.

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COMPANY AFFAIRS

TATA CHEMICALS

Tata Chemicals Limited during the year to June 30, 1961, made a steady progress so that the output of soda ash increased by nearly 25 per cent and the total revenue of the Company by over 20 per cent. It exceeded the Rs. 4 crore mark. Gross profit rose by Rs. 8 lakhs to Rs. 57 lakhs showing an increase of 15 per cent over the last year. Though these gains over the previous year have not permitted the Company the full restoration of the dividends paid two years ago, they are fairly satisfactory in the sense that dividend proposed was to absorb Rs. 21.19 lakhs as against Rs. 18.86 lakhs during the previous year.

The progress achieved might have been greater but for a number of difficulties which either impeded production or raised costs during the year. The most unfortunate of them was the recurrence of the exceptionally heavy rains which have plagued the salt raisings almost every year. In the year under review, the loss of salt and the resulting purchases in the market to maintain production of soda ash and electrolytic caustic soda, cost the Company about Rs. 9 lakhs and so reduced the gross profits by that amount.

The long range programme for the expansion of the Company's production capacity in soda ash and other products made satisfactory progress during the year under report. Most of the remaining major units planned for the soda ash plant were commissioned. Barring the intervention of unforeseen incidents or misfortunes, the main project for the expansion of the Company's productive capacity in soda ash and sodium bicarbonate would be completed by June 1962.

The expansion programme includes in the final stages a provision for doubling the capacity of chemical caustic soda plant. A final decision on this proposal will be taken after the recommendations of the Tariff Commission and Government's orders thereon, are known. The prices hitherto fixed for caustic soda have not been remunerative when applied to caustic soda made by the chemical process. In this connection, the Company has made certain submissions to the Tariff Commission and if they are accepted by the Commission and by Government, the Company will go ahead with the expansion of this plant.

This expansion, along with a number of other schemes undertaken during the same period, will from its inception in 1957-58 eventually cost Rs. 6 crores, of which Rs. 4.15 crores have been spent upto 30th June, 1961. This expenditure was financed to the extent of Rs. 1.86 crores from borrowings, Rs. 1.17 crores from internal resources including allocations to depreciation, and Rs. 1.12 crores from additional share capital.

TUBE INVESTMENTS OF INDIA LIMITED

The operating results of the Company for the period under review have been satisfactory. After setting apart Rs. 9.46 lakhs as development rebate and after meeting all expenses and providing for depreciation and for income-tax, the net profit is Rs. 55.24 lakhs. The directors recommend the amount to be apportioned (a) Rs. 25 lakhs be provided as proposed dividend for the year ended 31st July, 1961, at the rate of Rs. 10 per share subject to deduction of tax; (b) Rs. 17.00 lakhs be transferred to general reserve; (c) Rs. 3.00 lakhs be transferred to dividend equalisation reserve; (d) Rs. 1.25 lakhs be transferred to development, replacement and research reserve; and (e) the balance of Rs. 12.03 lakhs be carried over to next year.

Despite the power cut and shortage of water for a short period, the production of cycles during the year has been satisfactory. The production of components has also increased during the year compared with that of the previous year. On the recommendation of the Tariff Commission the protection to the cycle industry has been extended by another three years.

There has been a delay in the production of saddles due to the late receipt of plant. Trial production runs were made and found satisfactory. Bicycle saddles are expected to be in the market soon.

The installation of the cold rolling mill had to be completed but owing to the delay in arrival of plant and machinery it remained incomplete. It is now anticipated that the mill will go into production by December, 1961. Tube mill could not work full capacity for some time on account of shortage of raw materials, power etc. It is anticipated that the addition of a cold roll mill will, to a large extent, safeguard the requirement of raw materials provided the supplies of steel strips from indigenous sources are in accordance with requirements of the Company.

The company has received an industrial licence for manufacture of Metal Sections. Necessary factory-space to house the plant for this project has been found and the building work has started. Application for licence to import machinery for this project has already been made and orders will be placed for the plant shortly. It is expected that sometime in the second half of 1962 this unit will go into production.

Both the subsidiary companies—T I Diamond Chain Limited and T I Miller Limited—have become public companies under Section 43-A of the Companies Act from 29th March, 1961. T I Diamond Chain Limited have already started production of bicycle chains at their temporary factory in Avadi. Their permanent factory at Ambattur is under construction and it is expected by early 1962 it will move into the new premises, when it should be possible to increase the production of bicycle chains and start manufacture of industrial chains. T I Miller Limited have already obtained the necessary import licences for the plant and machinery for which orders have been placed abroad. It is expected that the production of lamps will be started by the end of the current financial year.

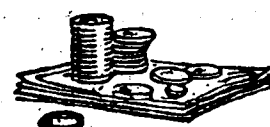


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THE CALCUTTA ELECTRIC SUPPLY CORPORATION LIMITED

Sir Harry Burn's Review

The Sixty-Fourth Annual General Meeting of The Calcutta Electric Supply Corporation Limited was held on November 9 in London.

Sir Harry Burn, K.B.E., F.C.A., the chairman, presided.

The following is his review which had been circulated with the report and accounts:—

There were increased sales to all classes of consumers during the year ended March 31, 1961. The total energy sold of 1,955 million units shows an increase of 138 million units over the previous year. Sales of energy have increased each year for the last 14 years and over that period sales have increased more than threefold, thus reflecting the ever-increasing need of electrical energy, particularly for industrial purposes. It is indicative of the great expansion that has been happening in India and our forecasts show that this expansion will continue. Later on in this Review I refer to the grave shortage of power in the industrial areas of West Bengal and Bihar and to the extensions to your Company's plant that are being put in hand.

Industrial demand accounts for 90 per cent of the energy sold for power purposes. The balance is divided equally between sales to public waterworks and for domestic power, the latter being used principally for air-conditioning and refrigeration. There was a small increase in sales to the jute industry, our largest consumer and responsible for 34 per cent of our total industrial demand. An acute shortage of raw jute made trading conditions very difficult for the jute mills. Once again rolling mills and engineering workshops showed a large increase; their consumption rose by 37 million units, equivalent to an increase of 15 per cent. Next in importance are cotton mills, chemical works and paper mills; in each case their consumption rose by 10 per cent. The five classes of industry mentioned above were responsible for 80 per cent of the Company's sales of high tension energy for industrial purposes.

Demand for low tension industrial power expanded further with sales increasing by 9 million units to 123 million units; the number of consumers rose by over 1,200 to more than 16,700. Consumption by public waterworks increased to the extent of 4 per cent and was solely due to larger demands from the Calcutta Corporation. Sales of domestic power again showed a substantial rise, mostly due to the growing popularity of small air-conditioning units suitable for residence and small offices.

Sales of energy for lights and fans increased by 16½ million units to 259 million units. Housing development continues, but is mostly confined to the outskirts of the Calcutta suburbs.

Public lighting sales have increased by approximately one million units in each of the last two years. Expansion of electric street lighting by the Calcutta Corporation has not been as extensive as hitherto.

The Calcutta Tramways Co. Ltd. is the sole consumer for traction purposes. Improvement in their operating conditions is reflected in the increase in consumption of 2½ million units.

Bulk supplies are given to some nine distributing undertakings, seven of which are owned by the State Electricity Board and the remaining two by the River-side (Bhatpara) Electricity Supply Co. Ltd. and the Chandernagore Electric Supply Co. Ltd. The State

Board was responsible for 94 per cent of the total sales of 89½ million units and for almost all of the increase of 23 million units over the previous year. The largest State undertaking is the North Calcutta Grid which distributes energy entirely outside the Company's licensed area.

Sales under special contracts increased by nearly 8 million units to more than 100 million units. The bulk of those sales, and of the increase in consumption, were at our special tariff to owners of large office and residential buildings, public institutions, cinemas, and hotels. That tariff is particularly designed to give relief to our low tension distribution. The remaining consumers under special contract are the Central and State Governments, the Calcutta Corporation and the Calcutta Port Commissioners; their consumption showed little change from that of the previous year.

REVENUE ACCOUNT

I have already referred to increased sales to all classes of consumers. Despite the restrictions I refer to below sales of energy for the current year continue to improve. The revenue account shows that the revenue from the sale of current rose by nearly £1 million to £9,800,000. The gross revenue exceeded for the first time £10 million. Interest received amounts to £88,305, an increase of £44,578 over the previous year and is attributable to the return on treasury bill investments and interest on bank deposits. Commensurate with higher revenues is heavier expenditure. The cost of generation and distribution rose by £530,000 to £5,088,000. Coal accounts for £414,000 of this increase. Expenditure on coal including handling and ash disposal charges amounted to £3,240,000 (consumption 1,293,000 tons) and accounts for 80 per cent of the total operating cost of generation. Power purchased from the Damodar Valley Corporation cost £288,000 more than the previous year. 390,406,000 units were imported, an increase of 87,850,000 over the previous year, but the power made available was insufficient to give the relief necessary to allow essential and urgent plant overhauls to be taken in hand. I will revert later to the present power position. Increases in wages include adjustments of dearness allowances and overtime rates. Cost increases in respect of materials call for no special comment and are commensurate with the expansion of the Company's system. By comparison with the previous year administration and general establishment charges show a considerable increase. This is mainly due to expenditure in the previous year having been reduced by the writing back of a provision created during other years and no longer required. Nevertheless there was a moderate increase in expenditure during the year under review and it was mainly due to higher salaries and wages costs. The wealth tax, for which there was a charge of £99,723 in the previous year, was abolished with effect from April 1, 1960. The depreciation charge has risen by £31,500 to the figure of £960,600. The balance on revenue after taking into account the depreciation charge has increased by £213,000.

I will now deal with the net revenue account. The Indian tax charge is £1,164,387 as compared with a charge of £595,923 for the previous year which was materially eased by the adjustment of provisions set free on settlement of appeals relating to assessments of previous years. It will be noted from the directors' report that the sum of £356,541 has been transferred to net revenue account in order to equate the Company's clear profits with its reasonable return. This transfer has been made from reserves created in the past specifically for this purpose, and leaves a balance at the end of the year of £187,816 all of which it is expected will be utilised during the current year. When these reserves are exhausted it is essential that the Company's tariff structure should be able by itself to earn the reasonable return and thus ensure the provision of the internal finance that will be required during the next three or four years in connexion with the major extensions at New Cossipore to which I refer below. Initial allowances for depreciation eased the burden of taxation during the period these were operative. This acceleration of the depreciation charge as permissible for tax purposes connoted higher assessments and therefore higher taxation in future years and as stated above the Company has now entered this period. Our rates have been held unaltered for the last 15 years, but now with the steadily rising costs of generation, distribution, repairs and maintenance and an increased tax charge it has become necessary to place the structure of the Company's tariffs under close examination with the object of ensuring that, when required, rates are so adjusted as to earn the reasonable return permitted by the Electricity (Supply) Act, 1948. An investigation into the Company's rate structure is, therefore, now being carried out.

The allocation for the contingency reserve fund has been made as required by the Act and it is proposed to make the customary contribution to the retiring gratuity fund. Provision has been made for the debenture interest and sinking fund charges. The continued expansion of the Company's operations makes it essential to conserve our finances to meet the consequent capital expenditure. The board have, therefore, deemed it advisable to appropriate a sum of £550,000 to special appropriations for plant expansion, replacements and contingencies. Dividends on the preference stock amounting to £63,650 have been paid and it is proposed to pay a final dividend of 4 per cent (actual) for the year. The balance left to be carried forward on net revenue account is £124,585.

BALANCE - SHEET

The balance-sheet shows an increased holding in Treasury bills, £979,300 as against £771,700 at March 31, 1960. Thus funds are available to meet current commitments in respect of plant and other payments falling to be made in the United Kingdom. Payments of Indian tax falling due during the concluding months of the year, to which reference was made in last year's review, have reduced the deposits with bankers to £55,000. At the end of the previous year these deposits stood at £531,000.

Capital expenditure during the year amounted to £1,332,000, and was almost entirely for our transmission and distribution system. By far the greater part of the expenditure was on mains and service connexions. As a provision for capital expenditure during the year there was available the sum set aside for depreciation of £980,000 and the allocation to special appropriations for plant expansion, replacements, and contingencies amounting to £550,000, thus making a total provision of £1,510,000. During the period January 1, 1951, to March 31, 1961, the outlay on capital expenditure was £13,400,000, which was met by the internal finance made available over that period from

depreciation reserves and appropriations for plant expansion and replacements.

In July of 1960 Mr. Macpherson and Mr. Hobson visited Calcutta and met the Chief Minister, officials of the Government and of the State Electricity Board and representatives of the Damodar Valley Corporation. The company's assessment of the supply position and the impending shortage of power it revealed was conveyed at a conference convened for the purpose and permission was requested to install a fourth set at the New Cossipore generating station as providing a further contribution to the generating capacity available in the state as a whole. Permission for this project, to which reference was made in last year's review, was not then forthcoming.

I was in Calcutta this year throughout the month of February and discussed the matter with the Chief Minister when he informed me that we were then at liberty to go ahead with the project. During my visit I also met the chairman of the State Electricity Board, the chairman and the general manager of the Damodar Valley Corporation and leaders of commerce and industry in Calcutta and West Bengal with whom I had talks on the power situation. I went over all sections of our organization and was afforded ample evidence of the care and attention which our staff devote to their work. Dr. Roy, the Chief Minister, and his officials take a keen interest in the Company's activities. They are fully aware of our problems and the service we render to the industrial and residential communities. I desire to say how much the board appreciate the assistance given by Dr. Roy over the issue of import licences and supplies of the necessary indigenous materials.

Our secretary, Mr. Colley, who was commercial manager in Calcutta for a number of years, accompanied me during my visit and carried out an inspection of the various sections with which he is concerned.

Special attention continues to be given to the training of Indian engineers. Quite a number of our permanent staff were originally appointed under our technical training scheme which was started in 1946 for young Indian graduates chosen by a selection committee in Calcutta for training in the United Kingdom. In addition, short refresher periods of training in the United Kingdom are given to selected members of our permanent staff. We are grateful to the Electricity Council, the Area Boards, and various manufacturing companies who provide facilities for this training.

POWER SITUATION

In last year's review I referred at length to the question of the future supply within the Company's licensed area and recounted the steps which had been taken over the decade and a half that had elapsed since the end of the war to meet the growth of demand on the system. I also related the circumstances which brought the Damodar Valley Corporation into the picture and how our expectations for an adequate supply of power from this source—as provided for by agreements entered into in April, 1954, and January, 1959, had not been fulfilled. We anticipated, however, that by the end of 1960 the Damodar Valley Corporation would have commissioned sufficient new generating plant to have enabled them to honour their commitment to us of 95 mw. for the year 1960-61. Unfortunately our hopes were not realized and despite our most persistent requests throughout 1960 and early 1961 to the Damodar Valley Corporation to afford us power up to their full contractual obligation they never found it possible to afford us a supply of more than 60 mw. at the time of our daily system peak. As a result we were unable to take out of service for routine maintenance the turbo-

alternators at our New Cossipore Station all of which were long overdue for overhaul. I regret to have to report that all three failed on load, the 50 mw. Machine on the 9th February this year followed by the two 30 mw. Machines on the 1st and the 11th April. All three turbines failed by a breakdown of blading and this can be directly attributed to the necessity to keep the machines in commission beyond the time when they were due for normal overhaul. The Company took the view that they would be failing in their duty to consumers had they not accepted the considered risk of keeping these machines in service at a time when they were entitled to expect an early augmentation of the import from the Damodar Valley Corporation. The 50 mw. Machine was recommissioned on the 7th May and the 30 mw. Machine No. 2 on the 25th May, thus restoring the Company's total effective generating capacity to about 275 mw. The remaining machine required extensive overhaul which was not completed until the 21st August on which date the machine was again on full load. I wish now to express the board's high appreciation of the work carried out by the agent, Dr. Bowker, and the chief engineer, Mr. Kanga, and the station engineers and those members of their staff concerned in getting the station on load again and in dealing with the allocation of power during this period of emergency—their hours were long and the work arduous. I also desire to pay a warm tribute to the turbine manufacturers and the craftsmen they so promptly sent out to remedy matters and get the machines into commission with the minimum of delay.

The maximum demand on the Company's system at the time of these failures was approximately 385 mw. sent out and although the Damodar Valley Corporation were able at times to increase their export to 85 mw. (and for a short period to 105 mw.) the outage of the New Cossipore plant totalling 110 mw. entitled load shedding on an extensive scale. In shedding this load the Company endeavoured at all times to maintain its low tension supplies, particularly to hospitals, pumping stations and other essential services, the restrictions falling mainly on high tension consumers, including unfortunately those taking high tension supply for domestic purposes. The board desire to express their very great appreciation of the voluntary acceptance by

its large industrial consumers particularly the constituents of the Indian Jute Mills Association and the Indian Engineering Association of restrictions on their demands on the Company at the time of its peak loads during this crisis. These restrictions which were devised to spread the burden on the most equitable basis over all sections of industry, mitigated to a very considerable degree the hardships imposed on other sections of the community.

Although the breakdowns to which I have referred greatly increased for the time being the impact on the public of a shortage of power in the city, a shortage is bound to continue to a lesser extent for the next few years, since the demand in the area is already outstripping the Company's maximum generating capacity augmented by the off-take available from the Damodar Valley Corporation. As I explained in my review of last year the Company has been assured by Government that they will provide the ultimate solution of the problem in the shape of a bulk supply through the West Bengal State Electricity Board, first some 60 mw. (not now expected to be available until January, 1964) from Government's Durgapore Station and thereafter increasing supplies from the station they intend to build in the Bandel area near Calcutta which will increase their supply to some 120 mw. by January, 1966. The Company now anxiously await these additional supplies and our best wishes are with the State Board in the speedy accomplishment of the various power projects they are now engaged on. We trust that the construction and commissioning of the plant will proceed smoothly as planned.

In the meantime I am glad to be able to report that Government, reversing the decision communicated to us a year ago, have now agreed that we should, with the utmost dispatch, proceed with our plan to increase the capacity of our New Cossipore Station by the installation of a further machine of 50 mw. Finance in respect of expenditure to be incurred in India has been arranged on reasonable terms and, advised by our consultants, Messrs. Merz & McLellan, we are now engaged in negotiating the necessary contracts. It is hoped to commission this machine, at an all-in cost of some £3,500,000, towards the end of 1963, some 12



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months before the State Board anticipate having their new Bandel Station in operation.

Even before the recent crisis, it was apparent that the growing load on the Company's system was bound over the next few years to exceed the total power resources available and we accordingly requested Government to arrange for the control of the distribution and consumption of electricity under Section 22B of the Indian Electricity Act. Government accordingly appointed an Electricity Supply Control Advisory Committee on whose advice they issued orders that no new or additional supply of electrical energy for a connected load of 100 kw. or above shall be given to any impending or existing consumer as the case may be without the prior sanction of Government. Provided the full contractual supply of 100 mw. is available from the Damodar Valley Corporation this restriction, taken in conjunction with the continued voluntary agreement by certain large industrial units to restrict their demand at the time of the Company's evening peak loads, should, as far as can be seen, enable the Company without further substantial load shedding to carry out proper and regular maintenance of its plant and thus alleviate the position until our new plant is commissioned two years hence.

Following the recent breakdowns at New Cossipore to which I have referred, there has been a certain amount of ill-informed criticism in the press and in particular it has been suggested that the Company's generating plant is largely worn out. This is far from true, as in fact the plant at New Cossipore (now completely repaired) and that at Mulajore are in first class condition and capable of many years of useful service, while the Southern Station, though old and not so efficient, has been well maintained and will continue to provide a satisfactory source of power especially during peak load periods.

Mr. W. H. Thompson, C.S.I., has intimated his intention to retire from the board after the annual general meeting and I, therefore, take this opportunity of stating how much we appreciate his services to the

Company and the keen interest he has taken in its affairs. He was secretary from 1936 to 1945 and became a member of the board in the latter year. Mr. Thompson had a distinguished career in the Indian Civil Service and on retirement in 1922 he became general manager of the Bengal Telephone Corporation Ltd. He also represented the Bengal Chamber of Commerce on the Bengal Legislative Council until he returned to the United Kingdom in 1936. During the war he was assistant secretary, Ministry of Home Security in charge of the Air Raid Warning System. Mr. Thompson has our best wishes for pleasant years of retirement which he contemplates in the countryside of his choice.

TRIBUTE TO STAFF

It affords me much pleasure to express our thanks to the staff and employees in Calcutta. The expansion of the Company's operations and their devoted efforts in meeting the calls on their services bear witness to the interest and zeal they take in the affairs of the Company.

Mr. Henderson demitted his charge as agent on March 31, 1961, having carried out his responsible duties with care and competence. Mr. Canning, the acting chief engineer, also retired after many years of yeoman service particularly at the generating stations. We wish them both happy years of retirement.

Dr. Bowker, our chief engineer, took over the post of agent as from March 31, 1961. He has a wide experience of the Company's affairs, having been with us since 1936, is well qualified to carry out the duties of agent and has amply illustrated this during recent months. I also desire to record the board's appreciation of the able manner in which Mr. Colley has carried out his duties as secretary.

The report and accounts were adopted.

NOTE: The above statement is not a report of the proceedings of the Annual General Meeting referred to.

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SISTA'S

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Food articles & Tobacco	Liquor Light and Lubricants	Fuel Power Industrial Raw materials	Manufactures			All Commo- dities
					Inter- mediate Products	Finished Products	Total	
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.7	92.5
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.7	117.1
1960-61	..	120.0	110.0	119.6	145.4	130.5	123.9	124.8
July	1960 ..	124.0	109.6	119.5	137.2	130.4	119.4	121.0
August	" ..	123.8	106.7	119.7	137.0	131.0	121.1	125.0
September	" ..	123.9	104.5	119.3	138.7	129.5	121.6	125.3
July	1961 ..	124.3	98.6	121.5	151.3	141.9	124.6	128.6
August	" ..	124.2	99.6	121.6	144.6	140.9	123.4	127.3
September	" ..	121.1	99.7	121.5	138.1	140.6	122.9	124.5
30-9-1961	..	120.7	99.5	121.4	137.6	140.5	123.5	124.4
7-10-1961	..	119.8	99.5	121.5	135.7	141.0	123.1	123.6
14-10-1961	..	121.1	99.5	121.7	136.3	140.5	123.9	124.5
21-10-1961	..	121.3	99.5	121.6	132.7	140.8	123.8	124.0

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS
(August 1939 = 100)

Period	Bombay			Delhi Bengal U.P.			Central Provinces		Madras	E.P.	Bihar	
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	All India†
1939 (Aug.-Dec.)	..	103	—	—	—	105	104	—	106	—	—	—
1955	..	322	338	217	130	321	371	364	133	321	134	135
1956	..	336	352	244	142	347	424	397	151	358	152	146
1957	..	352	368	259	150	364	448	422	162	374	157	157
1958	..	376	394	274	150	384	468	447	165	401	157	169
1959	..	393	412	308	158	384	469	498	163	429	166	173
1960	..	401	420	296	158	397	476	512	165	467	167	166
1961 February	..	401	420	296	163	389	488	491	165	470	171	164
March	..	404	423	296	163	392	483	488	165	479	169	167
April	..	409	428	296	165	389	471	490	165	482	169	166
May	..	412	431	296	166	389	464	490	166	479	171	166
June	..	414	433	302	167	389	474	498	166	478	171	167
July	..	418	437	—	171	406	482	498	166	480	172	168
August	..	419	438	—	171	410	491	501	—	181	—	—
September	..	417	436	—	169	410	491	499	—	479	—	—
October	..	—	—	—	—	—	—	—	—	480	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)
WEEK ENDED

	3-11-1961			27-10-1961			20-10-1961			13-10-1961		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	123.50	122.25	122.77	124.85	123.50	124.06	125.10	124.45	124.75	125.50	124.60	125.05
Silver (per kilogram)	207.20	206.50	206.77	206.90	205.40	206.18	206.25	204.90	205.31	206.30	205.30	205.90

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES				ASSETS					
	Notes in Circulation	Notes Held in Bank	Total Notes Issued (a)	Gold & Bullion (b)	Foreign Securities (c)	Total of (b+c) (b+c)	Percent- age of (a)	Rupee Coin	Rupee Securities	Total Assets
1956-57	1,475.77	18.75	1,494.52	40.02	545.98	586.00	39.21	115.93	755.22	1,494.52
				(117.76)		(663.37)	(44.37)			
1957-58	1,529.36	23.18	1,552.53	117.76	329.65	447.41	28.79	130.06	975.06	1,552.53
1958-59	1,593.88	19.34	1,613.21	117.76	182.04	299.80	18.58	133.99	1,179.42	1,613.21
1959-60	1,730.90	18.86	1,750.77	117.76	167.62	285.38	16.30	131.50	1,333.83	1,750.77
1960-61	1,863.13	18.94	1,882.07	117.76	134.99	255.75	13.4	126.84	1,502.48	1,882.07
Average of Fridays										
Aug. 1960	1,799.36	19.85	1,819.21	117.76	124.26	242.02	13.30	130.58	1,446.61	1,819.21
Sept. "	1,794.03	16.23	1,810.26	117.76	123.01	240.77	13.3	131.80	1,437.70	1,810.26
Oct. "	1,806.44	16.56	1,823.00	117.76	123.01	240.77	13.2	130.36	1,451.86	1,823.00
Aug. 1961	1,902.77	13.31	1,911.93	117.76	116.86	234.62	12.27	123.85	1,553.46	1,911.93
Sept. "	1,877.38	21.36	1,898.74	117.76	116.86	234.62	12.36	126.45	1,537.67	1,898.74
Oct. "	1,895.94	21.25	1,917.19	117.76	116.86	234.62	12.24	126.22	1,556.35	1,917.19
Week-Ending										
29-9-1961	1,857.24	34.80	1,892.04	117.76	116.86	234.62	12.40	128.61	1,528.80	1,892.04
6-10-1961	1,891.49	18.09	1,909.58	117.76	116.86	234.62	12.28	126.15	1,548.80	1,909.58
13-10-1961	1,906.13	12.91	1,919.04	117.76	116.86	234.62	12.23	125.55	1,558.86	1,919.04
20-10-1961	1,903.90	15.52	1,919.42	117.76	116.86	234.62	12.22	125.94	1,558.86	1,919.42
27-10-1961	1,882.25	38.48	1,920.73	117.76	116.86	234.62	12.22	127.25	1,558.86	1,920.73

BANKING DEPARTMENT

Period	Deposits					Other Liabilities	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad§	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Gov. ernment	Other Gov. ernments	Banks	Others	Total									
1956-57	57.52	14.10	52.46	19.73	143.81	91.21	245.02	18.91	5.69	64.77	4.89	85.34	51.82	13.60
1957-58	54.61	11.28	81.00	111.38	258.27	84.36	407.63	23.30	4.81	40.47	32.90	77.91	213.92	14.32
1958-59	57.62	20.80	87.53	118.73	284.67	71.71	441.44	19.41	6.18	25.57	28.23	65.83	284.49	11.73
1959-60	55.50	23.24	79.61	123.48	281.83	83.18	450.01	19.94	15.54	28.97	25.53	88.92	258.90	12.23
1960-61	61.73	21.27	97.30	98.76	279.06	100.33	464.39	19.02	28.71	20.74	38.19	132.78	209.56	15.38
Average of Fridays														
August 1960	60.44	23.00	118.40	120.40	322.25	76.19	483.43	19.92	23.55	21.64	37.69	117.00	251.73	11.89
Sept. "	67.44	30.27	108.27	92.64	298.61	78.01	461.63	16.32	18.76	20.71	28.88	142.08	222.85	12.03
Oct. "	56.65	28.05	104.94	89.43	279.07	85.39	449.45	16.64	14.98	18.33	29.93	125.78	231.40	12.40
August 1961	65.40	16.46	88.09	180.22	350.16	89.86	525.02	13.36	15.21	30.98	47.71	116.37	284.51	16.89
Sept. "	60.81	26.67	83.71	159.06	330.34	96.02	511.36	21.42	16.73	17.47	49.11	131.54	257.83	17.12
Oct. "	60.23	14.40	81.36	147.41	303.40	95.52	483.91	21.31	37.59	20.06	60.56	135.20	193.80	17.92
Week-Ending														
29-9-1961	59.46	22.49	78.47	146.69	307.12	99.80	419.92	34.86	12.77	12.87	49.36	133.33	231.24	17.49
6-10-1961	65.15	4.68	72.47	149.17	291.47	95.56	472.03	18.16	34.69	13.60	57.04	139.14	191.59	17.82
13-10-1961	61.07	3.98	82.10	147.12	294.27	92.93	472.20	12.95	50.05	10.02	63.37	136.18	181.71	17.91
20-10-1961	49.92	28.60	84.49	146.79	309.80	95.88	490.68	15.57	32.45	28.27	59.45	135.93	200.08	17.93
27-10-1961	64.78	20.33	86.37	146.55	318.04	97.71	500.74	38.54	23.15	28.33	62.38	129.53	200.81	18.01

* Average of Fridays. **Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. †Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. §Includes cash and short-term securities

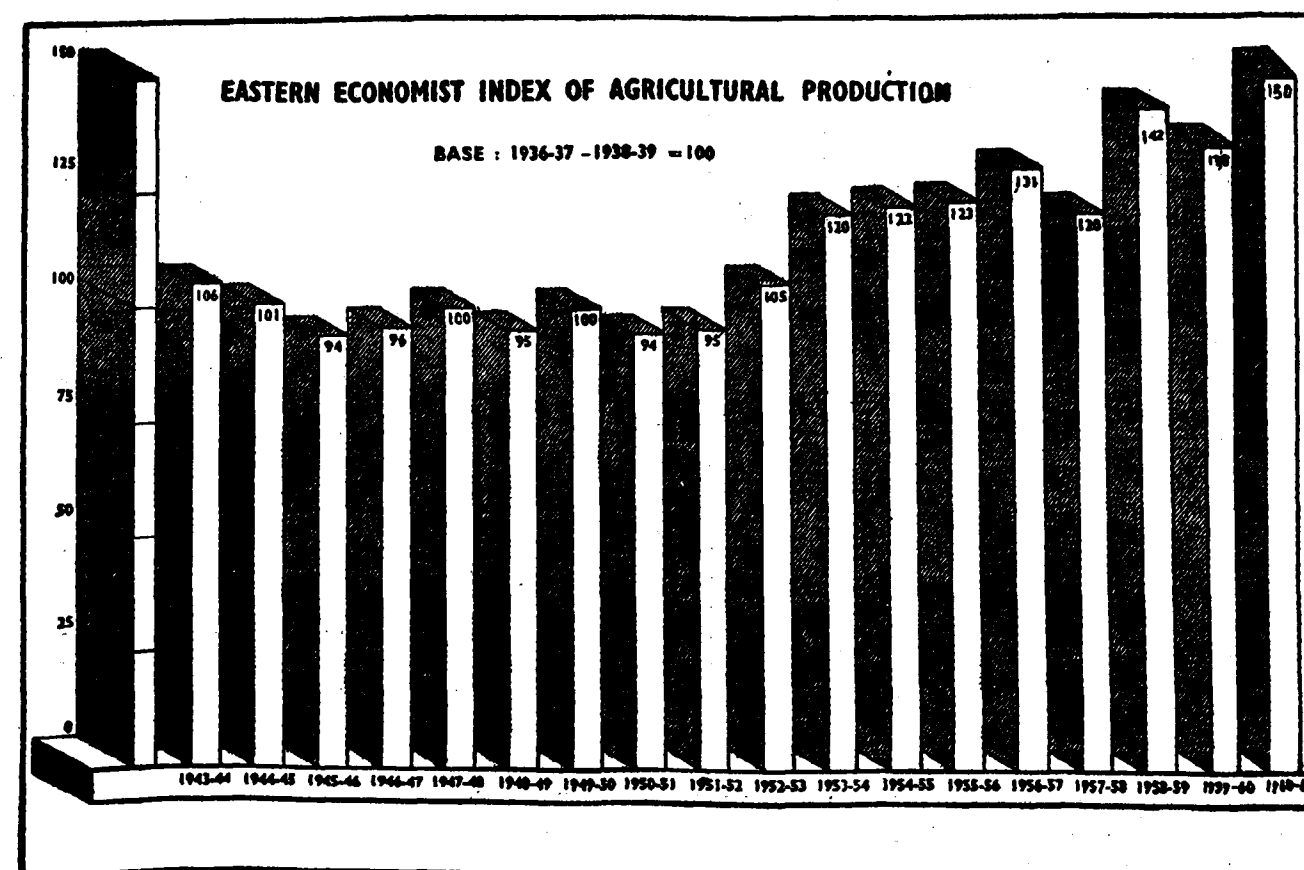
THE EASTERN ECONOMIST INDEX OF AGRICULTURAL PRODUCTION: 1950-51 — 1960-61

Base: Average for 1936-37 to 1938-39 = 100

	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60 (R)	1960-61 (P)
Foodgrains	91	91	104	122	121	122	130	117	142	140	150
Rice	88	90	98	118	107	118	123	108	132	135	147
Wheat	87	82	101	106	120	118	127	106	133	138	145
Millets	93	96	111	136	142	119	124	132	144	141	147
Gram	115	105	133	146	164	171	200	159	220	176	199
Fibres	85	100	98	105	112	112	131	129	136	111	143
Cotton	72	77	77	97	106	96	117	117	115	91	133
Jute	164	235	229	156	146	210	214	202	258	230	201
Oilseeds	103	104	100	111	127	114	124	112	136	122	136
Sesamum	113	110	113	132	147	115	110	88	128	98	72
Groundnut	109	97	92	114	131	121	134	141	153	125	139
Rape & Mustard	101	122	112	112	130	114	139	122	138	141	186
Linseed	85	73	83	83	91	97	90	59	105	101	96
Miscellaneous	127	126	127	130	141	150	154	151	155	160	166
Sugarcane	126	136	113	104	125	134	152	146	160	170	195
Tobacco	76	61	71	75	73	88	87	74	70	77	83
Tea	158	164	162	165	174	184	184	185	193	194	188
Coffee	116	130	142	184	156	219	266	277	277	304	389
General Index	94	95	105	120	122	123	131	120	142	138	150

(P) Provisional.

(R) Revised.



LATEST ALL-INDIA CROP ESTIMATES

Crop	Area ('000 acres)			Production ('000 tons)		
	1960-61 (Final Estimates)	1959-60 (Partially Revised Estimates)	Percentage Change of (1) over (2)	1960-61 (Final Estimates)	1959-60 (Partially Revised Estimates)	Percentage Change of (4) over (5)
	(1)	(2)	(3)	(4)	(5)	(6)
I. Foodgrains						
(a) Kharif, Cereals						
Rice	83,335	82,829	+ 0.6	33,700	30,963	+ 8.8
Jowar	42,108	42,158	- 0.1	9,085	8,004	+13.5
Bajra	28,063	26,750	+ 4.9	3,134	3,519	-10.9
Maize	10,758	10,706	+ 0.5	3,915	4,006	- 2.3
Ragi	5,760	5,964	- 3.4	1,640	1,904	-13.9
Small Millets	12,245	12,420	- 1.4	1,949	2,029	- 3.9
Total Kharif Cereals	182,269	180,827	+ 0.8	53,423	50,425	+ 5.9
(b) Rabi Cereals						
Wheat	31,751	32,542	- 2.4	10,648	10,089	+5.5
Barley	7,916	8,345	- 5.1	2,734	2,674	+ 2.2
Total Rabi Cereals	39,667	40,887	- 3.0	13,382	12,763	+ 4.8
Total Cereals	221,936	221,714	+ 0.1	66,805	63,188	+ 5.7
(c) Pulses						
Gram	23,483	25,372	- 7.4	6,207	5,502	+12.8
Tur	5,830	5,888	- 1.0	2,044	1,687	+22.6
Other pulses	28,354	28,880	- 1.8	4,216	4,365	- 3.4
Total pulses	57,667	60,140	- 4.1	12,467	11,534	+ 8.1
Total Foodgrains	279,603	281,854	- 0.8	79,272	74,722	+ 6.1
II. Oilseeds						
Groundnut (nuts in shell)	15,455	14,864	+ 4.0	4,354	3,942	+10.5
Castorseed	1,135	1,168	- 2.8	98	106	- 7.5
Sesamum	4,858	5,423	-10.4	288	359	-19.8
Rape and mustard	7,265	7,151	+ 1.6	1,380	1,047	+31.8
Linseed	4,233	4,804	-11.9	410	431	- 4.9
Total Oilseeds	32,946	33,410	- 1.4	6,530	5,885	+11.0
III. Fibres						
Cotton	18,971	18,804	+ 0.9	5,394*	3,678*	+46.7
Jute	1,529	1,685	- 9.3	4,030**	4,605**	-12.5
Mesta	694	704	- 1.4	1,147**	1,118**	+ 2.6
Sann - hemp	790	810	- 2.5	76§§	76§§	Nil
IV. Other Crops						
Sugarcane	5,734	5,220	+ 9.8	8,690§	7,671§	+13.3
Potatoes	884	881	+ 0.3	2,656	2,722	- 2.4
Black pepper	235	234	+ 0.4	26	26	Nil
Chillies (dry)	1,492	1,472	+ 1.4	363	337	+ 7.7
Ginger (dry)	44	41	+ 8.3	16	15	+ 7.9
Tobacco	392	370	+ 5.9	299	286	+ 4.6

* Yield in terms of lint cotton and in thousand bales of 392 lbs. each.

** Intermes of thousand bales of 400 lbs. each.

§ Yield in terms of gur.

§§ Relates to fibre only.



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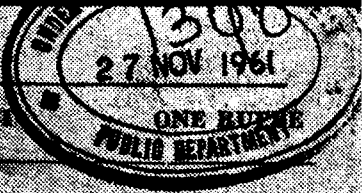


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THE EASTERN ECONOMIST

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THE EASTERN ECONOMIST

NOVEMBER 24, 1961.

The Congo: Confusion Worse Confounded

THE news from the Congo this week is no better than before and, indeed, there has been a report from New York to say that the acting Secretary-General, U Thant, is already having second thoughts on the vigorous pursuit of United Nations policy there. Whether this latter report is authorised or not, the fact that it has appeared in the world's Press is in itself an indication that doubts have appeared at the centre of the citadel of action. It is even more natural that these doubts should exist at the periphery, and that many nations previously anxious to contribute to the support of the United Nations in the Congo should start furiously to think what is involved, now that the original agency is itself bogged down both in mental and military confusion. The original request from the Government of the Congo which emanated from Mr. Patrice Lumumba has undergone so many metamorphoses that it is now a completely different affair. Is it possible for all the personalities to change (and change sides) without the original request losing all its basic value? Surely, this is the time to ask what the United Nations is doing in the Congo, and exactly what India is doing on her own and on the United Nations' behalf.

The original theory which seemed to most of us in India to justify the United Nations intervention was the belief that there was a nationalist struggle in which mercenaries—from Belgium in particular, but from other countries also—were anxious to defeat the national current and to raise local revolts, particularly in Katanga, dominated, it was thought, by foreign capitalists. A secondary, though at that time unargued case, was that the refusal of the United Nations to shoulder responsibility would imply inevitably that either the USSR or the United States would enter and make the Congo a bloody creature of cold war rivalries. The suggestion that there are other areas of the world where cold war rivalries do not enter physically in spite of the fact that the United Nations is not present, and that even in Berlin, which is the centre of the cold war controversy, war has been avoided without the physical presence of the United Nations, was brushed aside as either interested or naive. The view that United Nations' intervention is all that keeps the United States and the USSR from rushing to war in the Congo seems now a serious error. If they do not go to war in Berlin, they are far less likely to try conclusions in the Congo. It would be very surprising if either the USSR or the United States considered the Congo worth a nuclear war.

It is, therefore, in terms of the first argument, namely, that a national movement is being thwarted in its fulfilment of popular aspirations, that one might plead that the United Nations' adventure must continue. On the other hand, it is now patently clear that this is not a straight colonial problem. If Mr. Tshombe is the creature of colonialism, at least on paper Mr. Gizenga is not. And these are not the only large elements which challenge the United Nations in the Congo. It is also clear that if the United Nations has been called in to unite the Congo, then the record has shown that it has signally failed in its purpose. It now seems clear that the 15,000 effective troops in the Congo are unable to defend themselves in every area when attacked, far less carry out aggressive operations in other areas. Hardly any country would now wish to add to its troop strength there. And our Defence Minister was certainly right in declining to add to India's responsibilities. The question is why he agreed to so great a commitment in the Congo whilst leaving the Chinese open to commit a new act of aggression in Ladakh.

Indian public opinion, so far as the Prime Minister is concerned, is extraordinarily temperate and subdued. It is not, however, to be taken as acquiescing meekly in the double disaster which has overtaken us in the last month. As our active protest to the Chinese Government dated October 31 makes plain, India is now unable even to maintain her frontiers of six months ago. To have exported troops and aircraft on a mission of doubtful value in the Congo makes the situation even more reprehensible. If the country is not able, because it suffers from a paralysis of adulation, to censure the Prime Minister for his failure to defend the country or to prevent further aggression in Ladakh, after all his proud talk, it will certainly wreak its vengeance on the Defence Minister. It is foolish to assume that the Government of India, having accepted one serious defeat at Chinese hands, can now go on with more verbal jugglery to justify its helplessness. There is a decisive note of anger creeping into the Indian mind. In our pursuit of idealistic international commitments we have neglected our own domestic responsibilities. How long can the Indian people be made to believe that we lie supinely helpless before China, but can be supremely effective in maintaining the security of the Congo? This, surely, is a Pickwickian situation. It may well raise a smile abroad. It can only fill us with anger and humiliation at home.

New Chinese Aggression

THE written answer to a question by Mr. Bhakt Darshan on the first day of the current session of the Lok Sabha has electrified Delhi and presumably in due course of time will enrage the whole country. This is that further aggression has been committed by the Chinese Government and that the Government of India has now protested against "numerous incursions into Indian territory,

building new military roads close to the frontier in the middle and eastern sectors and deep inside Indian territory under unlawful Chinese occupation in the western sector." In effect the fears expressed in the Indian Press that the Government of India's defence arrangements in Ladakh were inadequate to stop further advance by the Chinese have proved true. The Prime Minister returns

to a situation which is full of failure on both the defence and the foreign policy fronts. The question that is being asked angrily is whether, when India increased commitments to the United Nations and sent aircraft abroad, there was evidence that the Chinese were pursuing their aggressive policy. Indian opinion will never accept the view that the troops released for the Congo were not available for battle on our own frontiers. It may be that they were not troops trained for high altitudes; it may be that the aircraft were not suitable for this purpose, but the argument that India can spend her scarce military resources abroad while being unable to maintain her own territorial integrity will never be accepted by any section of the Indian people. It is a deep mark of humiliation that we have now come to a point of accepting every new act of aggression as though it were inevitable.

In the last analysis the question as to whether our defence arrangements were adequate or not, will be proved by the result not by clever pleading. The result proves that our defence arrangements were not adequate. Both the Minister of Defence and the military authorities responsible for maintaining Indian territorial integrity must be held liable by Parliament for this great failure to carry out an

Public Sector Undertakings

WITH the rapid expansion of the public sector in the industrial field that has taken place during the Second Five-Year Plan and is envisaged under the current one, it is only appropriate that the Government should have bestowed some thought on efficient management of these concerns; the current approximately 3½ per cent return on the capital invested in State enterprises is obviously not what is desired. The Government has done well in finalising its decisions on the Krishna Menon Committee's report before the Third Plan has gone into strides.

The most important decision that the Government has taken is the constitution of a Joint Committee of Parliament to supervise the working of State undertakings. A draft motion for constitution of this Committee is said to be under consideration. The step is obviously in the right direction for public sector enterprises had become a matter of everybody's interference in the sense that all sorts of questions were put in Parliament on their working which had necessitated more than necessary control by the Ministry concerned. The constitution of the Joint Committee of Parliament, along with the decision to avoid in future appointment of Secretaries of the Ministries or departments of the Government on the Board of Directors of State undertakings, would lead to relaxation of bureaucratic control on them, imparting thereby greater autonomy in their working.

The Government's decision to debar Members of Parliament from becoming directors of public sector enterprises, however, is likely to provoke a controversy. The Krishna Menon Committee has vehemently expressed itself against the appointment of Parliament Members to these offices; it considers this practice to be altogether an unhealthy one and difficult to justify. But since holding of the office of directorship of a State enterprise has been declared by the Government

elementary obligation of national policy. We have now come to the point where the Chinese all over our frontiers are capable of inflicting severe and bitter humiliations upon our troops as well as upon our politicians. Surely this is not a situation in which either the Prime Minister or the Defence Minister can be at ease before the elections.

It is unfortunate that China and thus defence and foreign policy have become major issues in the political battle which is to be decided in the general elections. There can be no doubt whatever that in certain sensitive electorates this will involve a substantial fall of Congress prestige. It is likely in the North Bombay constituency where it will be raised more than anywhere else, that there will be a major defeat inflicted on the Defence Minister whose conduct of India's defence affairs leaves us thus pitifully helpless and humiliated before our foes. It is of little consequence that he has been rebuked this week in the United States, where he has been compelled to appear in a somewhat subdued role before President Kennedy. He will need to answer to the Indian electorate for his acts of omission and commission. It is essential, even if the Indian people are unable to defend their frontiers, that they should censure those who have failed in the discharge of their high duties. ...

an office which should not stand in the way of a person from becoming a Member of Parliament, presumably because there is no such restriction on the election of directors of private sector companies to Parliament, it is difficult to reconcile with the proposition why this onerous restriction should be there on Members of Parliament being appointed to the Boards of Directors of State enterprises. The experience of the industrially advanced countries of the West in this respect is, of course, not a true guide for the practice there varies. This rule probably will be enforced not so strictly because the Government has only recently appointed a Member of Rajya Sabha as the chairman of an undertaking in which both the State and the private sectors are partners.

One can find little fault with the decision on the appointment of directors of State undertakings from amongst persons having business connections and from amongst the ranks of the workers and senior officers of the undertakings themselves. The Government has rightly decided that no whole-time director of a major public sector undertaking should have any connection with private business; that is an unhealthy practice. Part-time directors of small State enterprises, however, may be appointed from these ranks provided no question of conflict of interest, whether direct or indirect, arises between the operations of public sector undertakings to which they are appointed and their own business interests. This should help in bridging the yawning gap that exists in regard to availability of top men in industrial leadership. But utmost care has to be exercised in the selection of such directors.

The decision to have, as far as possible, only full-time directors for public sector undertakings is equally appropriate for that would impart greater efficiency to these enterprises by obviating diversion of attention on the part of the management from its main task. The Government has similarly done well in empowering the Chairman

of the Board of Directors of a State undertaking with the ultimate responsibility for the working of the enterprise, thereby giving him the power to overrule the Board or to exercise his discretion before prior consultation with it if it is thought to be essential in the interest of the company.

Guest Editorial

Stalin's Secret Speech on Khrushchev

By WILLIAM REES-MOGG

UNTIL recently the study of Soviet policy was very much like the study of archaeology—one had to reconstruct the history of an inherently unknowable society by assembling broken fragments of evidence. Now Mr. Khrushchev has changed all that. Even if the whole debate is not yet out in the open, a large part of it is. The Communist Party in Russia is probably now less successful than the Conservative Party in England at the important political skill of presenting a united image to the public mind.

We have now even reached the point at which the Italian Communist Conference openly discusses whether the flood-tide of anti-Stalinism which Mr. Khrushchev has been boating upon will not in the end engulf Mr. Khrushchev himself. "What were you doing in the great purges, Daddy?" has become an unavoidable question in Communist life.

The broad division that has occurred is clear enough—indeed it can readily be described in the orthodox terms of Leninist-Stalinist theory. One can imagine Stalin, in his own familiar prose style producing his latest revision to "The Problems of Leninism" or perhaps he would produce a new work entitled "The Problems of Stalinism". It would go something like this:

"Stalinism developed in the historical period of the early revolution, when the infant socialist state was still weak and beset by enemies. It grew up in the period of wars and war preparations by the imperialist states, when the contradictions of capitalism were at their most acute, when the first direct proletarian onslaught on capitalism had been made and revanchist groups were preparing to fight back.

"The tasks of Stalinism were to protect the progress of the proletarian revolution and to develop the strength of the infant socialist state. The task of Stalinism was to change from the muzhik horse of poverty to the horse of large-scale machine industry.

"In order to achieve these tasks it was necessary to repress all the enemies of the state, both those Trotskyite gangs of assassins and spies who wanted to risk the development of the infant socialist state by left-wing adventurism, and the right-wing deviationists and latter-day Mensheviks as well.

"It was necessary to smash those hyena-enemies of the people who wanted to weaken the will of the people by modernism, by revisionism, by Jewish cosmopolitanism and by premature emphasis on consumer goods. Both right-wing and left-wing deviations were unmasked and crushed. (All rise and cheer, 'hail to our great leader, Comrade Stalin'. Prolonged and tumultuous applause.)

"In the early stages of revolution it is historically and dialectically correct for any Communist party to pursue this path, the path of historic rigour. That now is the position of China, of Albania, of our comrades in the German People's Republic

Quick decisions can raise productivity and efficiency to a marked degree and can go a long way in making State enterprises contribute their mite for financing the Third Plan which takes into account as much as Rs. 450 crores being available from these concerns for this purpose.

"It is not the position of Russia.

"Then we did not have a heavy industry: now we have one.

"Then we did not have sufficient defence preparations: now we are a strong country, mighty in defence.

"Then we had to prepare ourselves for the economic crisis of capitalism and for the attack of Hitlerite Germany and her open and secret allies: now we have overcome those attacks

"It is therefore no longer historically correct to say that Soviet vigilance must be primitive vigilance: on the contrary, comrades, it must be vigilance of a higher order, related to the needs of a society in which the work of construction has reached a new stage.

"As a result of our past work we have already achieved the objectives which other Communist parties are fighting for. Is there really any need after this to urge and spur on the country? This is obviously no longer necessary.

"It is, however, necessary to understand that there are four stages in the development of communism. The first stage of exploiting the contradictions of capitalism, of creating the revolution, of establishing the dictatorship of the proletariat. That is the stage of Leninism. What after all is Leninism? Leninism is Marxism of the era of imperialism and of the proletarian revolution.

"The second stage is the stage of securing the revolution, of putting industry, transport and agriculture on a modern technical basis, of building mighty defence forces, of liquidating counter-revolutionaries, deviationists, all who could strangle the infant revolution in its birth. That is the stage of Stalinism.

"The third stage is the stage of developing the revolution, of creating a socialist state of rising standards of consumption, strong enough in defence not to fear the moribund capitalism of the outside world, strong enough at home to afford Communist democracy, including full individual responsibility, and self-criticism. That is the present stage of Russia.

"The fourth stage is the stage of full communism, of the transition to a complete Communist society.

"It is for each country to judge in which stage of this historic process it should be placed. In some countries, like Great Britain, the first stage is only beginning, though imperialism is in open retreat. In many countries the stage of Stalinism is still a necessary reality. In Russia alone is the stage of Stalinism completed.

"But what are we to think, comrades, of a man who from the fancied superiority of the third stage taunts those who are in the second, or perhaps even the first? What are we to think of a man who enjoys the advantage of having passed through the stage of Stalinism in order to embar-

(Continued on page 968)

A DELHI DIARY

THE SURPRISE 'LAME DUCK'

THE Prime Minister arrived on Monday morning and plunged straight into troubled waters. An answer to a tricky question in the Lok Sabha, which opened on Monday, showed that the Chinese have made an advance over the previous positions in the western sector and the eastern sector; the Opposition was immediately full to overflowing in its indignation. The Prime Minister's attempt to intervene was unhelpful, and in the end the Speaker agreed to a separate debate in view of the "seriousness" of the situation which he recognised. Thus it comes about that the 'lame duck' session of Parliament has started on an aggressive and even exciting note. There are other matters which are likely to cause heated debate, one such being the handling of Colonel Bhattacharya's trial in Pakistan. The view that the Indian Government has done everything possible is not entertained by the Opposition or by the great majority of the Indian people. It is to be remembered that when Colonel Bhattacharya was first taken into custody, a reply in Parliament did not even reveal that he was a serving officer. From that error most people have concluded that the Government of India was not interested in the facts and now, probably wrongly, the assumption has been made that it could have done more to extricate a gallant officer from a very trying situation. Certainly, the exact evidence on which he has been convicted will come in time to Delhi and then perhaps the Government of India will know whether or not an error of any kind has been made, or a scapegoat has been found by Pakistan for reasons unknown. All in all, one might say that China and Pakistan now present a sorry picture of our foreign relations; these countries represent the most serious dent in the Prime Minister's prestige as India's Foreign Minister.

Parliament though interesting, has not for the great majority of people provided the leading points of interest of the week. The Indian Industries Fair is a powerful contender for both working time and entertainment; it has made inroads into both — Ministers of high and low degree not being excluded. The West German Pavilion was formally inaugurated by Mr. Manubhai Shah with much éclat last Saturday. Each of the other pavilions is having a reception and liquid assets (in the form of duty-free fluids) have flown merrily to attract guests as well as, less happily, gentlemen of the Press. The members of our fraternity are now in much demand, thereby raising not merely their velocity of circulation but also, it would seem, their prestige in the eyes of the public as a whole. One good turn deserves another. Thus it comes about that large paragraphs appear each day describing this or that pavilion and in the whirligig of time (meaning six weeks) no doubt, we shall get round to do credit to every participant in an exacting galaxy of ingenious display. We are likely to lose all proportion in the process. It is a fact that events of far greater importance are in store, possibly for this country as well as for the world. What, people were asking agitatedly in the grounds of the Vigyan Bhavan, where the World Council of Churches is meeting, is the significance of the President of Finland's being called to Moscow urgently? Can it be that the U.S.S.R. under Comrade Khrushchev is pursuing the (down and out) Stalinist line of good neighbourly policy?

THE WORLD COUNCIL OF CHURCHES

For the rest I am giving myself over to one of the most extraordinary assemblies of dignitaries that has visited Delhi in recent years. These are concerned with the meetings of the World Council of Churches

to which, on Monday, were added, by a resolution supported by a two-thirds majority, some 23 new members, including the Orthodox Church of Russia. In an assembly which includes Churchmen, one should not make comparisons because obviously Churchmen must proclaim and believe that they are equal being all children of God and, therefore, brothers of one another. But, perhaps, here too some are more equal than others. I am making a plunge for the character I find most interesting in a distinguished team of delegates which includes the Archbishop of Canterbury, Dr. Arthur Ramsey, Mr. Henry Luce of "Time-Life", Dr. Nathan Pusey, Head of Harvard University, and not least of all, Dr. Billy Graham, the famous Evangelist. The figure I choose — represented somewhat unflatteringly by my naughty cartoonist below — is no other than the Archbishop Nikodim of the Russian Orthodox Church. He is a fascinating character, the more remarkable because



Courtesy "The Hindustan Times"

at the age of 32 he has reached Patriarchal eminence; also because he has an apparatus by which he deals skilfully with the most difficult questions, including the relations between Church and State in the Soviet Union. He speaks with humour, of many things, including his television appearances at London, where, it occurred to him, that his large beard occupied an unduly prominent place. But his interest today is in the application for membership which his Church has made, largely under his guidance, to the World Council. Asked why the Russian Church wanted the membership of the Council, he explained that it was because they wanted more "contacts" and because "they wished to work with fellow clergymen for unity among the various Churches". His differences with the Russian State seem to be confined to the point that atheism is practised and preached by 9 million Communists, while he still has 200 million Christians on his side. He does not seem at all abashed by the fact that power exercised by the State is disproportionately large in religious matters. He insists that 20,000 orthodox churches, 35,000 priests, 40 monasteries, 5,000 monks and nuns are allowed, notwithstanding the propaganda for atheism, to enjoy "free" practice of their religion. Apparently being free, he made the decision to join the World Council without the sanction of the Kremlin. Thus there has been fulfilment again of the Biblical precept: "Render unto Caesar the things that are Caesar's and to God the things that are God's". For Archbishop Nikodim things are made easier by the fact that his Caesar is so benevolent. It would seem that Megatonism and Christian goodwill can form a happy combination in the pursuit of peaceful co-existence.

ARGUS.

THE WEEK'S NOTES

Japan

MR. IKEDA IN NEW DELHI

THIS MONDAY, New Delhi extended a warm and cordial welcome to Mr. Hayato Ikeda, Prime Minister of Japan. Mr. Ikeda's visit obviously has much wider import than that of his predecessor Mr. Kishi in 1957. Japan during the past three or four years has emerged as a rejuvenated and important entity in East Asia, both in the political and economic fields. She has shed to a great extent the isolation that was enjoined upon her because of the devastation caused by World War II and the peculiar association she came to have in the post-war years with the United States. An eloquent testimony to this fact is available in the political pressures evidenced in Japan in the recent past and her emergence as an important partner in the Colombo Plan and the Aid-India Club.

The remarkable recovery that Japan has witnessed during the past few years—it has been more spectacular than even in some of the war-devastated countries of the European Continent—contains not a few lessons for India which has embarked upon planned development to raise her masses from a level of dire poverty and squalor. Precisely for this reason a number of study teams and delegations have been going to Japan from here. Their tours have been of not inconsiderable value. A number of experts from Japan have also visited India in the past few years to advise her on the development of small-scale industries which are so essential for opening up of new avenues of employment for the educated and the unemployed in the countryside. One can only hope that this co-operation between the two countries will grow in the future.

In the political field, India and Japan have not a few common goals and objectives. In both the countries great experiments are being carried out in democracy, the success of which will have immense impact on the whole of Asia. Then there is the menace of Communist China and the all-important question of disarmament and use of nuclear weapons. An exchange of views between Mr. Ikeda and Mr. Nehru on these issues can obviously lead to a better understanding between the two countries.

Japan's interest in the economic development of India, evident from the fact that she has promised to provide assistance to the tune of Rs. 38.5 crores for the latter's Third Five-Year Plan, it is earnestly hoped, will only be heightened by the visit of Mr. Ikeda who has brought with him some prominent financial experts from his country.

Oil

A STATESMANLIKE UTTERANCE

MR. K. D. MALAVIYA'S statement on oil prices at the opening session of Parliament on Monday has been regarded as a moderate and statesmanlike utterance, leaving the door open for further negotiations for the Oil Companies. The Oil Companies have, in fact, sought a clarification and their current approach is also constructive. It would appear that, while there are prestige considerations on both sides, it is not the intention of either side to rule out a change from the current, somewhat rigid, position. So far as Mr. Malaviya is concerned, he has agreed to allow the Oil Companies import licences up to March, 1962, on the previous allo-

cations, which, in effect, is a recognition that the Damle oil prices may not be enforced till then. He has, of course, been careful to indicate that this is not a final decision of the Government and that, while negotiations are proceeding, the Government itself is committed to the Damle Report. The basic issue in this case, however, is not in regard to what decision the Damle Committee has taken or what Government, acting ex-parte, deems appropriate. The basic issue is whether or not there was not some ambiguity in the Damle Report in regard to the discounts available on refined products, especially middle distillates. If it is true that the Damle Report postulated discounts which are not available, the Government should not stand on prestige and argue that its decision is final. There is some justification for the view that the Government assumed that the Damle Committee finding on this point was factual, whereas actually it was based on an opinion and not a fact. Therefore, the chances of an agreement can be deemed bright, if both sides look at it as an issue of equity. India is short of foreign exchange and the Oil Companies must make a contribution facing this hard fact. On the other hand, Oil Companies marketing in India have to pay certain prices in foreign exchange for their oil supplies. The Government of India must equally face this hard fact that the Oil Companies cannot sustain indefinite losses merely because the Government of India has made a decision of this kind. Provided, therefore, equity and reason are the aims of both sides, an agreement can be quickly reached.

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Common Cadres

STEP TOWARDS NATIONAL INTEGRATION

AT LONG last the Union Home Ministry has taken a decision to constitute all-India cadres for engineering, medical and forest services. The question had been under consideration for a fairly long time, more precisely since the submission of the State Reorganisation Commission's report which had lent its powerful support to the idea. The Government's decision now obviously has been expedited by the anxiety to foster national integration by all possible means.

The role of common service cadres in fostering national integration can hardly be over-emphasized; it inculcates an idea of brotherhood amongst the people of various States. Apart from this, there is a case for having all-India cadres for such technical services. There is no denying the fact that the efficiency in these services in some States has been impaired not to an inconsiderable extent by dismantling of the common cadres for them in 1930's, particularly after the 1935 Act which brought in provincial autonomy. Some States even today might have reservations in lending their whole-hearted support to the measure, but the overriding considerations of national unity in the present times will perhaps prompt them to consent to the constitution of these services. Common cadres will enable recruitment of the best talent on a uniform standard for all the States.

To make these services a success, however, it is essential that the incumbents to these jobs should be caught young and on conditions of service attractive enough to enable them to serve in the remote corners of the country enthusiastically. The lure of the city today is very strong, especially amongst the educated. This can be overcome only if adequate safeguards are taken in matters of age and service conditions. With advance of age, it invariably becomes more difficult for one to uproot oneself from one's environments. There also arise difficulties in respect of language which hinder mobility from one State to another. In technical services such as engineering and health, this difficulty may not be so serious a handicap. But it has to be countenanced.

(Continued from page 965)

pass those parties of greater revolutionary ardour, who are still in that stage? (Voices, 'the swine'.)

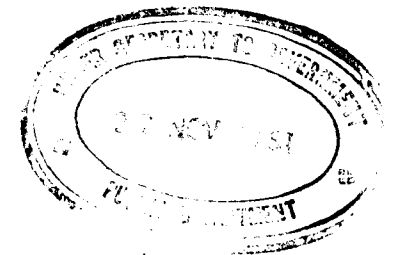
"Does the completion of the Stalinist process mean that we should tread down those countries which are still in that necessary state of historic development? No, comrades, it does not.

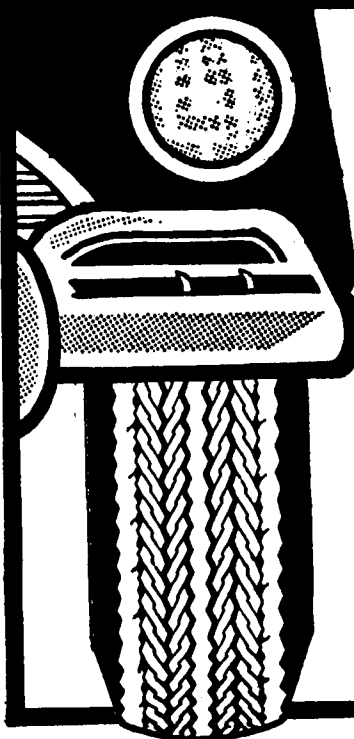
"The party will know how to deal with this unhealthy tendency. We shall continue the fight against the Khrushchev deviation. We shall fight, and fight, and fight again.... (Prolonged and stormy applause. Cries of 'Long live Comrade Stalin', 'Death to the traitor Khrushchev', 'Hail our immortal victor Stalin'. All rise. Ovation.)"

This would be the new chapter that Stalin would write, this would have been the address he would have delivered to the last Communist Party Conference if he had been able to defend himself. The remarkable thing is surely that the people who would also have written the chapter this way—including Mr. Molotov—were in fact defeated. The social forces in Russia which pushed the Soviet Government, and Mr. Khrushchev, that brilliantly sensitive politician, to a policy which was bound to shatter the unity of Communist dogma, must have been extremely strong.

Khrushchev's willingness to do so can in fact only be explained in three ways. The first is that the Russian people were so hostile to Stalinism that an open denunciation of Stalinism was the only way to retain power. The second, related to the first, is that the personal intrigues at the top of the Communist party forced Khrushchev to attack Stalin in order to destroy the political power of his opponents. The third is that the hydrogen bomb, the threat of nuclear war, forced the Russians to the view that they could not afford Stalinist satellites who might involve them in such a war.

Whatever the reason, we may be sure that Stalin would not have approved. We may be equally sure that the de-Stalinisation of Russia, the promulgation of a doctrine of fallibility, has weakened communism throughout the world.





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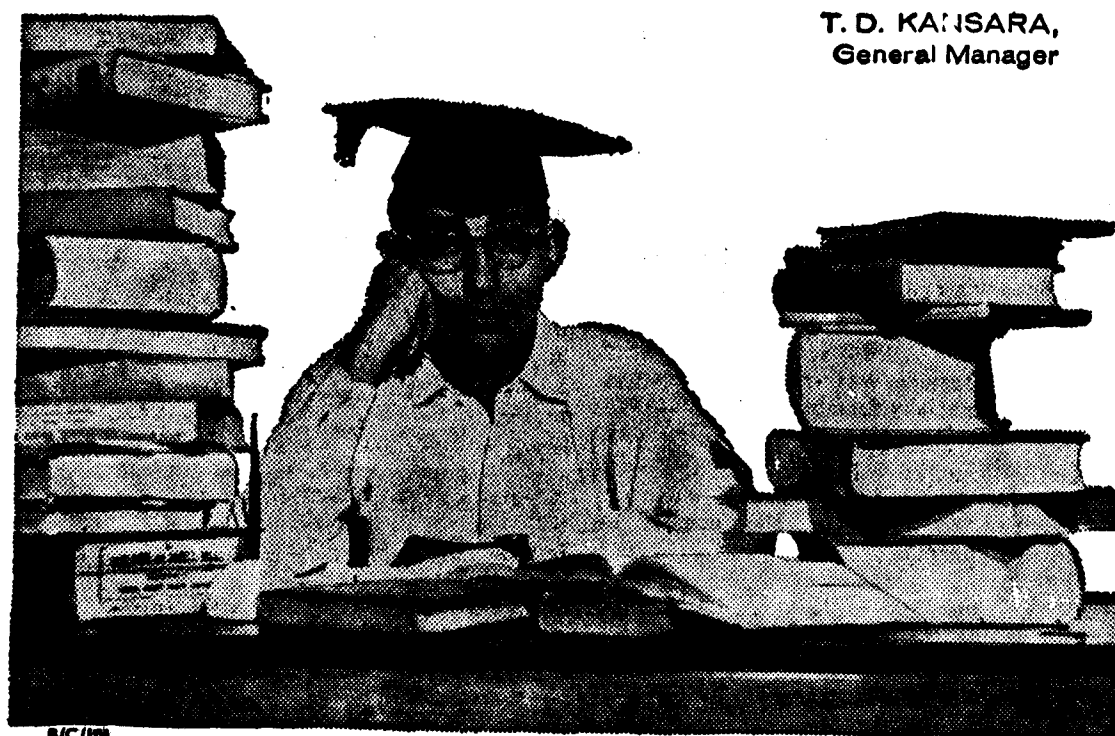
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The World Abroad

THE STERLING AREA AND THE COMMON MARKET

By ODYSSEUS

MY BET (as I was saying here last week) is that the U.K. will join the European Economic Community. The possibility has made a number of Commonwealth countries nervous of losing their present export markets in the U.K. The pros and cons are admirably set out in Michael Shanks's little book, "The Stagnant Society" (Penguin. London. 3sh. 6d.), which I commend to your attention. Don't be misled by the simplicity of Mr. Shanks's language into thinking that he lacks depth or authority.

Mr. Shanks debates the view, sometimes heard, that to act as the sterling area's banker imposes too big a strain on the U.K., and that she should reduce her commitments by ceasing to do so. The minority, who uphold this view, suggest that too much U.K. capital gets invested abroad which could better be used to strengthen the U.K.'s own economy. They add that in the early post-war years, the sterling system worked because the former colonial territories earned large dollar surpluses which could be used to support expansion in Australia, India, and elsewhere. But as more and more of these colonial territories become independent, they naturally tend to want themselves to spend any surpluses that they earn. The whole sterling area is hungry for capital. This will put increasing strains on the U.K., because (a) the overseas sterling countries openly regard free access to London's capital market as perhaps the chief advantage of membership; (b) the area will become more and more vulnerable to payments difficulties if all its members are simultaneously spending up to the hilt. If this happens, the domestic expansion of the U.K., as ultimate holder of the area's reserves, will be retarded, and her own ability to export enough to maintain the necessary reserves will suffer. Can the U.K., in short, afford to hold down her own expansion to enable India, Australia, Nigeria, Ghana, etc., to go ahead faster?

THE STERLING AREA OMELETTE

Whatever the answer, it is not that the U.K. should try to cease to act as the sterling area's banker. Because, first, as soon as it was realised that the U.K. had decided on such a policy, a run on the £ of fantastic size would start. Secondly, even on the unrealistic assumption that this could be prevented by watertight exchange control, the cost to the U.K. of paying off her sterling area creditors would be enormous, even if spread over some years. The sterling balances recently stood at £4,347 million, of which £2,577 million were held by sterling countries, and £604 million by international organisations. Reserves available, without selling overseas assets (as the U.K. did during the war) stood at £1,110 million. To repay £4,000 million, even without interest, over twenty years would add £200 million a year to the debit side of the balance of payments, which would more than offset the saving in the interest now paid on these balances. The whole operation would, moreover, be fraught with the risk to overseas sterling holders that the U.K.'s difficulties would be such as to threaten a disastrous devaluation of the £, in which they would be heavy losers. The sterling area omelette therefore seems unscramblable.

Mr. Shanks suggests that the UK should propose that, in return for free access to London's capital market, the sterling area members should agree on some co-ordination of their policies, and planning, to avoid the risk that all will go on a simultaneous spending

spree. More and more developing countries are launching five-year plans, and it should be possible to agree to co-ordinate these plans, so that the heavy buying of foreign equipment, which occurs at one stage in every plan, should be phased, so that it occurs in different countries at different times. Members ought to get together to submit their plans to a sterling area joint secretariat. Without some co-ordination, it is difficult to see how the sterling area can survive. If it collapses, all will suffer.

One function of such a secretariat would be to ensure a better distribution of London's investible funds. It would, for example, be reasonable to ask Australia to restrain her borrowings in favour of the hard up Afro-Asian members.

If the UK is to have sufficient reserves to work the sterling system smoothly and to increase funds for overseas investment, she must obviously get her own production costs down and increase her competitive ability to export. As I said last week, whether she joins the EEC or not, the possibility, either way, has initiated a tremendous amount of hard thinking in UK industry. If she joins the EEC, this should open an expanding market for UK exports, increase her own economic strength, and so her ability to aid the Commonwealth.

One of the reasons why German firms have been more successful in exporting than the British is that, after the war, they had to fight their way back into world markets the hard way, without the easy protected markets that the UK enjoyed in the Commonwealth. But if the only economic benefit from joining the EEC was to create keener competition for the UK, it would seem an unprofitable exercise in masochism. However, Mr. Shanks makes the sound point that the real economic value of the Common Market lies in the glittering opportunities that it offers to the successful: the rewards for efficiency should be far greater than the penalties for inefficiency. Membership of the EEC would compel the UK to eliminate her cosy high cost producers and to concentrate on what she does best, and the very size of the new market would enable her best producers to be even more efficient, and therefore to earn more than ever before.

THE COMMONWEALTH OR EUROPE?

A dwindling minority in the UK argue that if the UK has to choose between the Commonwealth and Europe, she must choose the Commonwealth. I am among the majority who agree with Mr. Shanks in arguing that the Commonwealth, as an economic unit, is not a viable choice. Apart from the fact that no Commonwealth member would accept it, the idea of a self-sufficient Commonwealth economic bloc, drawing its capital and manufactures from the UK, and sending its food and raw materials to the UK in return, is unrealistic. The idea was, in fact, given a trial run in the immediate post-war years, and progressively abandoned, to the relief of all concerned, in the 1950's.

Even if any one wanted to put the clock back, it could not be done, because the UK alone is not a big enough market to absorb the Commonwealth's entire output. Nor, in such circumstances, could the UK generate enough capital to meet all Commonwealth needs. And UK industry cannot supply the full range of manufactures for Commonwealth requirements. The experiment of the 1950's was abandoned because the

UK found it advantageous to buy her food and raw materials from an area wider than the Commonwealth, and because the Commonwealth discovered the advantages of alternative sources of supply for their imports of capital goods and manufactures.

One reason for this is that Commonwealth Markets have been growing disappointingly slowly because of the low level of commodity prices, a trend which seems to persist, if only because of the ever-growing competition from synthetic processes, as well as the obstinate determination of so many industrial countries to maintain their agricultural producers at the taxpayers' expense. This means, of course, that the primary producers earn less money, so that not only do they import less, but they prefer cheap to high quality goods, which means buying in, e.g., Japan, rather than in the UK.

The weakness of commodity prices naturally stimulates the Commonwealth developing countries to hasten their industrialisation. This (a) increases the tendency towards inflation and balance of payments difficulties in the sterling area, and (b) means a growing range of manufactures made locally in these countries behind tariffs, and falling imports.

These difficulties could be eased by more co-ordination of Commonwealth policies, but Mr. Shanks rightly points out that they could not be eliminated.

However, from all one reads in the vast mass of reports on trends in EEC countries, the Six are increasingly conscious of the absurdity of aiding the developing countries with capital goods and then refusing to buy the resulting manufactures, and if they remain nervous about importing temperate agricultural products, they are, on the other hand, anxious to maintain, and even increase, the flow of tropical agricultural products and

raw materials. Trade between the Six and the overseas Commonwealth has in fact been growing faster than between the UK and the Commonwealth.

Mr. Shanks believes (with Our Special West European Correspondent, if I interpret his dispatches correctly) that sooner or later the EEC will evolve a common central bank and a common currency. If the UK joins, sterling would eventually be merged in this currency, and its assets and liabilities taken over by the EEC's central bank, so that sterling's special responsibilities would be internationalised.

I do not know what the solution of all the triangular relations between the UK, the Commonwealth, and the EEC will be, but I am convinced that for the overseas Commonwealth to argue the UK to stay out of the EEC is unrealistic. It would mean the erosion of the UK's economic strength at an unpredictable rate, and correspondingly diminish the UK's capacity to buy from the Commonwealth and to lend to it. I may be naive, but I cannot understand Canada's screams over the possible loss of the UK market for her manufactures coming up against an EEC tariff wall. The one hope for an expanding market in the UK, not only for Canada's exports but for those of all Commonwealth countries, is that the UK will be admitted to the Common Market. In the short run, some Commonwealth exports must suffer. In the long run, they should gain. The main ground for optimism that (a) the UK will be admitted and (b) that ad hoc solutions for particular Commonwealth exports to the UK and to Europe will be found, seems to me to be that the EEC itself would suffer if its external tariff wall were such as to set off a chain reaction of economic crises from country to country across the world.

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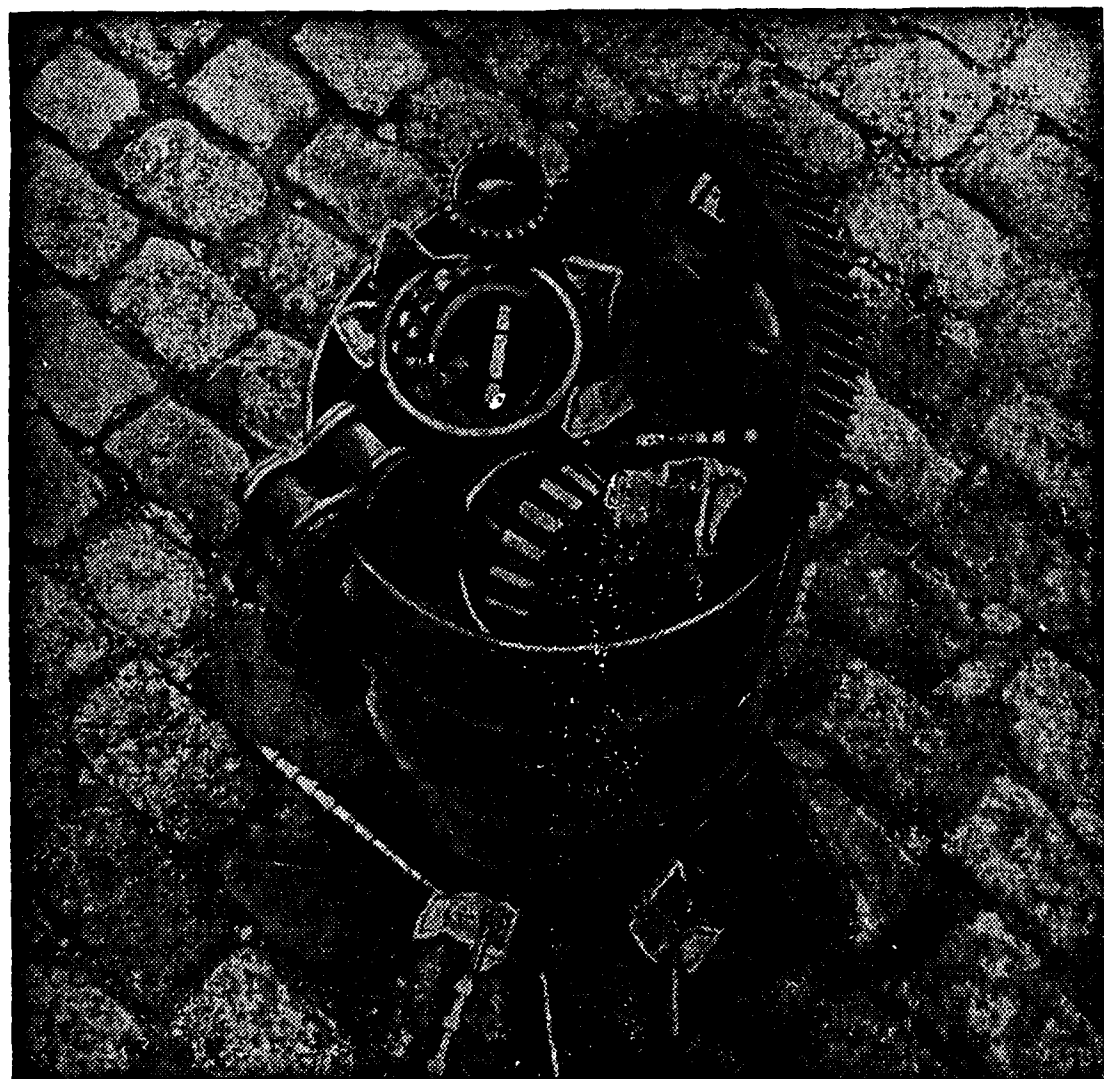
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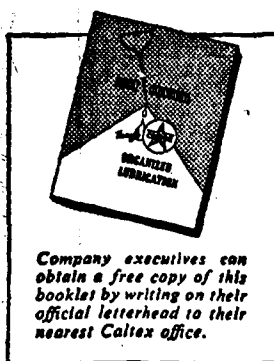
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The European Scene

A MORAL IN TRADE STATISTICS

From Our Special West European Correspondent

PARIS, November 20.

TWO recent reports emphasise the diminishing role of non-industrial countries in world trade: GATT's annual report, published this month in Geneva under the title "World Trade in 1960", and a review of "the recent evolution of European trade" published a few weeks before by the UN's Economic Commission for Europe. The facts that they report are extremely disquieting. The more so because, being devoted to recent developments only, neither report stresses that they are in fact dealing with a small phase in a long process, that has been going on for decades and may well continue for years to come. Before looking at the latest figures, it is as well to recall that between 1928 and 1956-57 world trade in manufactures grew three times as fast as trade in raw materials and food. This was due to two separate factors, both of them unfavourable to the raw material exports. Firstly, the countries that made and exported most of this swelling volume of manufactures became themselves producers of more food and raw materials, so that these articles entered less into international trade. Secondly, even within any one industrialised nation, the consumption of raw materials declined relative to the output of finished goods; for example in the past 30 years in the USA industrial production has grown twice as fast as the consumption of raw materials.

It follows inevitably that countries that rely on raw material exports will come to represent a smaller and smaller percentage of world trade. This decline has been hastened in the last few years by another factor that has quite different causes: the vast increase in trade between industrialised nations, because of the constitution of the Common Market, and of the liberalisation of several Continental countries' imports from industrialised nations not belonging to that association; also because of EFTA and of the removal of dollar-import restrictions throughout West Europe. The figures for 1960 reported by GATT and by the ECE have to be set in that context. They show that last year there occurred the most vigorous expansion in world trade since 1955, despite the slowdown of industrial production in the USA and Britain, and the slower rate of progress in some Common Market countries. The value of world exports rose by 11 per cent over 1959 and since there was a 1 per cent rise in prices this meant a 10 per cent increase in volume. However, both the rise in prices and the increase in the volume of trade were shared very unequally between manufactures and raw materials: prices of manufactures rose 3 per cent and the volume exported rose 12 per cent, whereas prices of raw materials were stable and the volume exported rose only 8 per cent. Worse, a good part of this increase in the volume of raw material and food exports actually reflects the better sales of farm produce by the USA and France; just over half the extra exports of raw materials of agricultural origin came from the USA. Thus the developing nations with only raw materials or food to sell lost on both counts: they earned little more, if at all, for their exports but had to pay more for their imports. Their exports brought them in \$27,000 million (+5 per cent) but their imports cost them \$28,600 million (+9 per cent). The deficit was in reality more than \$1,600 million (the difference between the two figures just quoted), because the export earnings given include the value of oil shipments from which are to be deducted the oil companies' profits. The real deficit of the raw material

exporting nations was about \$4,700 million, against \$3,300 million in 1959. This is to be compared with the total trade surplus achieved by the industrialised nations: \$2,200 million.

Perhaps last year was an especially unfavourable one for raw material exporters because of the recession in the USA, so we should look at the ECE figures for European trade, rather than GATT's global figures. We find that Europe's imports ("Europe" for the ECE means all the non-Communist economies of this region, not just the Common Market) from primary producers abroad increased last year by 8 per cent, against only 2 per cent in 1959. However this 8 per cent is the average of a 12 per cent jump in the first half and 4 per cent rise in the second half: imports, that is, slowed down as the growth rate declined in European industry. Moreover, the rise in imports from primary producers was extremely modest alongside the rise in European import from North America (+40 per cent) the rise in imports of Common Market countries from each other (+25 per cent) and the rise in imports of EFTA countries from each other (+15 per cent). These big increases are not due so much to discriminatory tariff preferences, which have so far played a small role, as to the high level of industrial activity. Trade has been increasing by leaps and bounds between the Common Market countries right from 1950; it simply gathered pace somewhat after 1958, when the Rome Treaty began to be implemented. Since that date, very notable increases in exports to the Common Market have been achieved by neighbouring industrialised countries like Switzerland, despite the beginnings of tariff discrimination. Thus the poor results achieved by primary produce exporters to Europe cannot be ascribed to the Common Market or EFTA, but reflect the fact that raw material suppliers nowadays get smaller benefits from boom conditions in the West.

The large expansion in European imports last year was due mostly to purchases of manufactures in other industrialised nations, especially North America. Imports of raw materials also increased, and substantially, but they were materials supplied by other industrialised nations, once again North America in particular. (The USA sent at least 2½ times as much non-ferrous metal to Europe last year as in 1959). The developing nations' share in European imports declined, even in traditional lines where tropical countries seemed to have assured markets. An example of this latter trend is fats and oils, of which industrialised countries are increasing their consumption only slowly whereas they are boosting their production rapidly as well as turning to other types of fats. Whale and fish oil are replacing tropical produce in margarine; the USA has boosted its domestic output of oilseeds (cotton, groundnut and soya) by 40 per cent in four years, the production of rape-seed is being perfected technically and has a great future, while the productivity of South Europe's olive trees is being multiplied rapidly.

Similarly there is intense competition for primary producers abroad from the farmers of the industrialised regions, especially North America and France where productivity has increased remarkably of late. This affects mainly semi-industrialised regions such as Australasia and South America, whose foodstuffs markets in West Europe are being threatened. Last year, for instance, there was a sharp fall in New Zealand butter

sales in Europe and a sharp rise in French sales. All of these producers accuse each other of dumping and no doubt they are all correct: farmers everywhere get more in their home market for their produce than they ask in the free world market. The interesting point to note is that this competitive dumping has two main beneficiaries: the United Kingdom and West Germany. These two highly industrialised nations, whose agriculture is just an expensive hobby, leave the subsidising of mass production farms to their industrial rivals, the USA, France, etc., then watch these rivals dump produce on the world market in competition with developing or semi-industrial nations—and collect the profits, in the shape of unrealistically low costs for their food, and some raw materials. Thus some industrial countries which also have a highly efficient farming community are not only stealing markets from less developed countries, they are virtually paying a subsidy to their main industrial rivals.

This is a curious situation, but my reason for drawing attention to it is that any attempt to change it will no doubt result in further loss of trade for countries that export largely or wholly raw materials. That is, if Continental farmers can oblige Britain and West Germany to buy their produce at or near cost prices (and that is what is meant by a "common agricultural policy" for Europe), markets will be lost by exporters of farm produce in Latin America and Australasia. The figures quoted above on the diminishing proportion in world trade held by primary exporters, and the growing proportion held by industrial nations, will then show an even greater disparity. However, the main reason for expecting this disparity to increase in the years to come is technological progress. This is already one of the main causes of the fall in exports of jute, sisal, natural rubber and wool reported last year by GATT, but for producers of those commodities "the worst is yet". Current expansion of capacity in polyethylene and other synthetic packaging materials, in synthetic rubber, man-made fibres, hard plastics and aluminium is little short of stupendous. In some of these products there is already over-production and dumping has begun from one industrial nation to another.

One is inclined to the mournful conclusion that all plans for stabilisation of natural commodity prices, for

guaranteed export earnings by developing countries, etc., are doomed to failure. None of these have yet been attempted on a large scale but even if resistances in Western countries were overcome and if some such plans were applied and succeeded in preventing the fluctuation or the deterioration of the terms of trade between manufactures and raw materials—still the developing nations would be left with a shrinking proportion of world trade. A smaller volume of the goods they produce is required by advancing industrial economies, and of that smaller volume a large part is being provided by agriculture and mining in the advanced countries themselves. So the mere maintenance of a high level of activity in those latter economies is no guarantee against falling revenues for overseas primary producers, and even the sharpest increase in activity in Western industry produces discouragingly small benefits for them.

If this is so, the only hope for the developing countries is to pursue their own industrialisation with renewed vigour. If the odds are moving ever further against primary production in favour of manufactures, and if notable increases in agricultural productivity can only be achieved in an industrialised economy, then the moral is clear. It is reinforced by a fact reported by ECE: the only type of goods from developing countries that have been imported in steadily rising volume into Europe over the past few years is industrial manufactures. Everywhere that developing countries rely on their farms, plantations and mines, they are losing; once their secondary industry has an export surplus, they begin to gain. Of course, there are considerable obstacles to an expansion of their industrial exports to Europe; the cries of "cheap labour", "unfair competition" and "annihilation of national industries" are familiar. However this should not discourage us. Opposition of that sort is probably easier to overcome than the opposition of European farmers, which is almost invincible; and Western industry can be persuaded more easily to contract some traditional branches (textiles, shoes, pottery, etc.) than to restrain progress in the dynamic synthetics industries. That is to say, relative loss of Western markets for food and raw materials seems ineluctable; expansion of Western markets for manufactures seems difficult but not impossible.

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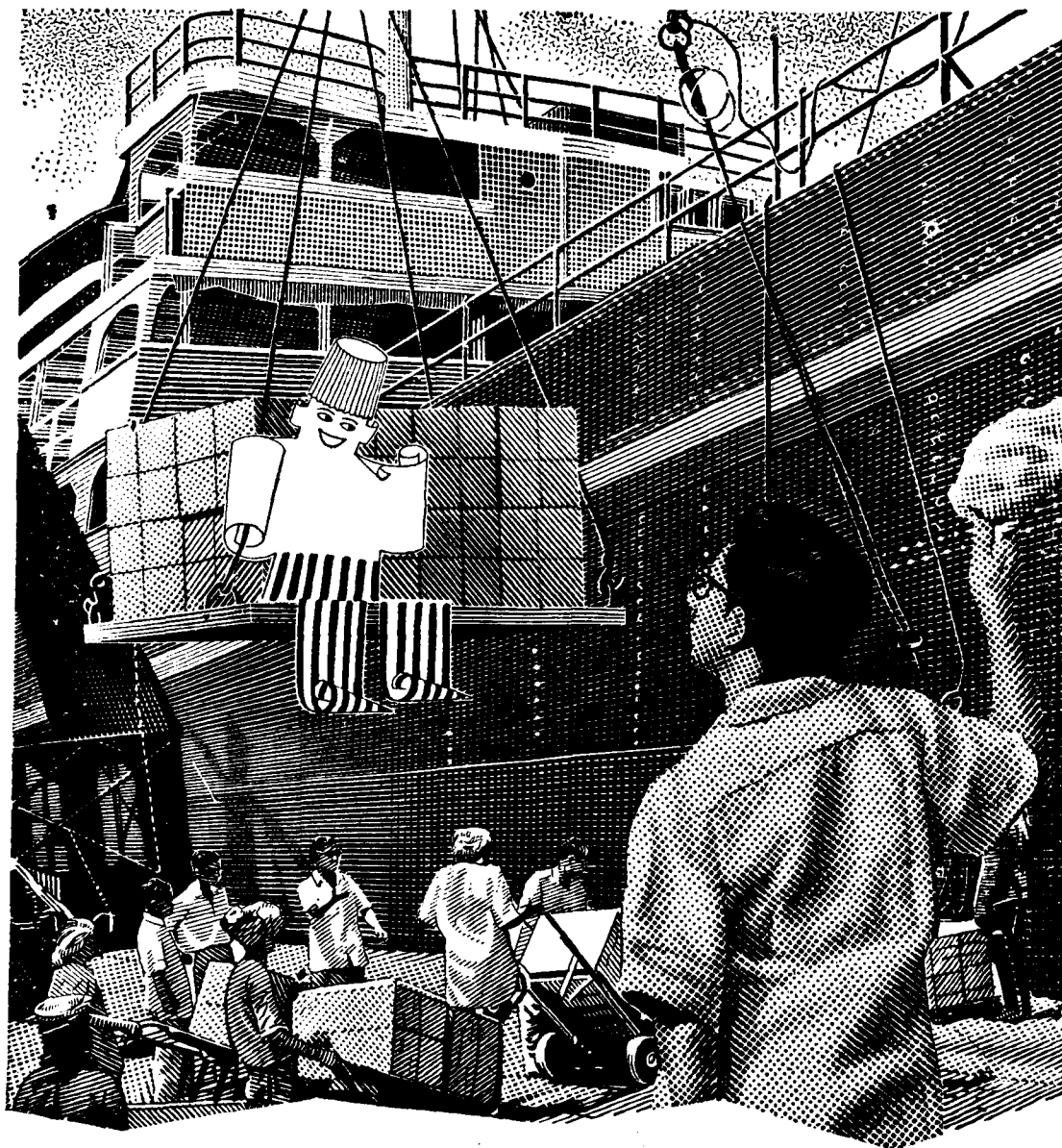
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Economic Report from the U.S.

O. E. C. D. MEETING

By GUY SIMS FITCH

WASHINGTON, November 15.

ONE of the world's most ambitious and potentially rewarding undertakings advances another step as the Organization for Economic Co-operation and Development (O.E.C.D.) holds its first ministerial meeting in Paris this week. This meeting is devoted to the proposition that the highest sustainable rate of economic growth among the 20 O.E.C.D. nations — which include the United States, Canada and many West European countries — can and should be stimulated through the co-operative endeavour of all. This, indeed, is one of the three main objectives of the O.E.C.D. The others concern enlarged and co-ordinated economic assistance to developing lands, and the further expansion of world's trade. Actually, O.E.C.D. is an outgrowth of the old and now defunct Organization for European Economic Co-operation (O.E.E.C.), of which the United States and Canada were not full members. The O.E.E.C. was set up in 1947 in connection with the use of Marshall Plan aid, and later branched out into other matters of European economic concern. With the convertibility of European currencies, and the recovery of Western Europe to its present state of vibrant prosperity, O.E.E.C. during the past year was transformed into the O.E.C.D. In other words, a strictly regional and largely inward looking European body has now been replaced by an Atlantic body with world-wide interests. At this week's first ministerial meeting, the United States is supporting a resolution that sets forth a common goal for O.E.C.D. economic growth. Mentioned prominently in this connection is a 50 per cent rise in the combined gross national product (GNP) — total output of goods and services — of all O.E.C.D. members by 1970.

Whatever the figure finally agreed on, it is clear that the acceptance of a growth formula represents an important area of general agreement among the O.E.C.D. nations. It not only recognizes that national economies can and should be dynamic, but it also provides an incentive for continued economic progress and points to a significant degree of co-operation in the formulation of internal policies to achieve the desired end. A 50 per cent growth rate over the nine years would represent a somewhat more rapid annual rate of expansion than the United States has experienced in recent years. It is noteworthy, however, that President Kennedy has characterized an annual U.S. growth rate of 4.5 per cent, which would be just about the rate required to achieve a 50 per cent growth goal over nine years, as well within the capability of the U.S. economy. Despite its current upsurge, moreover, the U.S. economy still contains some slack in the way of unused or partly used capacity. Taking up this slack would give the United States a start toward achieving whatever combined growth rate the O.E.C. officials might deem appropriate and feasible. In addition, of course, the United States will be adding substantially to its productive potential. The Kennedy administration already has undertaken several actions and proposed others to accelerate U.S. economic growth.

These include moves to spur business investment in plant and equipment through such devices as tax and depreciation incentives, programmes for worker training to meet the needs of a changing and expanding economy, internal area redevelopment activities, and monetary policy aimed at encouraging demand and business spending. It is not expected that each O.E.C.

country would necessarily maintain growth rates of the same magnitude each year; there are bound to be fluctuations and differences over the course of nine years. But if the goal of a combined 50 per cent G.N.P. rise is attained — and there is no reason to doubt that it will be — it would mean an increment to the combined G.N.P. of the O.E.C.D. members almost equal to the present U.S. G.N.P., which accounts for some 60 per cent of the total.

For 1961, the U.S. G.N.P. is estimated at about \$500,000 million, and the combined G.N.P. of all O.E.C.D. members, including the United States, at about \$900,000 million, thus a 50 per cent rise would be in the neighbourhood of \$450,000 million — certainly a sizeable expansion, especially when it is considered that these estimates are in constant dollars. This consideration of a target growth rate for O.E.C.D. is not a new or spur-of-the-moment approach. The original suggestion was made early this year, and can be said to represent much of the thinking within the organization.

It is clear, therefore, that the O.E.C.D. already has behind it a notable record of co-operative achievement during the past year, even before it came into official being this past September 30. Its economic policy committee was doing a good deal of groundwork in discussing questions of mutual concern, including economic growth and balance of payments difficulties. These discussions have been marked by a notable degree of frankness in the disclosure of problems, policies and prospects. Much work also has been done in the realm of capital requirements of less-developed lands. This subject has been handled through its development assistance committee (D.A.C.), originally known as the development assistance group (D.A.G.), of which Japan also is a member. Its efforts have been directed at enlarging the total economic aid effort of the capital-supplying nations, and at bringing greater unity and co-ordination into their bilateral assistance programmes. If O.E.C.D. progress does not appear to have been as marked in the field of trade expansion, it is because many important trade problems are being worked out in the larger arena of the 39-nation General Agreement on Tariffs and Trade (GATT). Still, much can be accomplished through O.E.C.D. in the handling of special problems. Particularly those that may relate to the European Common Market and the projected accession to that six-nation group of the United Kingdom and other West European countries.

While O.E.C.D. is not directly concerned with the foreign trade programme of the United States, there is little doubt that a sustained high rate of U.S. economic growth would make it easier for American industry and labour to adjust to new trading situations around the world. It also would help make possible the maintenance of large programmes of economic assistance to less-developed countries. These are considerations that could apply to other O.E.C.D. members as well. Fundamentally, then, in its conception and operation, O.E.C.D. recognizes the need for substantial international co-operation. Through it, independence is giving way to a marked degree of interdependence among modern industrial societies, with domestic policies taking into account the well-being of the entire community of Atlantic nations, and indeed, of all free nations everywhere.

Special Article**AGRICULTURAL ECONOMICS AND AGRICULTURAL PRODUCTION**

By R. S. SRIVASTAVA

AGRICULTURE occupies a crucial place in the economy of India. Consequently, constant and persistent emphasis has been laid for long, specially since Independence, on the need to raise the level of agricultural production in the country. Considerable progress has been made in this respect through the last two Plans. But in the policies and programmes there has generally been much less emphasis on the economic aspects of agriculture, as distinguished from its natural ones, than is warranted by virtue of their potentiality for increasing agricultural production. Therefore, the rate of agricultural progress can go up considerably, if this lacuna is removed.

THE DETERMINANTS OF PRODUCTIVITY

The success of a plan depends on the soundness of its conception, i.e. an understanding of the factors which influence the production process and on the effectiveness of policies and methods adopted to implement the plan. Production is an economic activity, calling for an economic use of certain resources known as factors or means of production or inputs, viz., land, labour, capital and organization.

The level of agricultural production during a particular period of time is a function of the aggregate quantum of the resources or inputs used, their quality and their average economic productivity or yield per unit. In order to increase production it is necessary either to raise all these factors or one or more of these without a proportionate reduction in the remainder.

Economic productivity may be expressed in relation to the total resources, land, labour, capital, organization, the total farm economy or in relation to certain selected constituent items, e.g., per acre of land, per farm owner, per unit of capital etc. In areas where surplus land is available, it is possible to raise productivity per man by resorting to extensive cultivation, i.e., increasing the input of land.

On the other hand, in countries like India where the pressure of population on land is heavy, there is greater need for raising productivity per acre but less scope due to the limitations inherent in the small scale farming. A large proportion of population being engaged in agriculture and almost all the available land being under cultivation, it is not possible to add to the inputs of land or labour. In fact there is need to divert some of these to non-agricultural uses. Among capital inputs also the choice is very limited. Use of costly machines and implements is not generally practicable not only on operational grounds but also because of the low investment potential of small farmers. In such circumstances, their use must await the emergence of the requisite size of farms. Changing the size-pattern of farming is a relatively long-term and difficult process, requiring certain fundamental adjustments in the pattern of values etc. Consequently in the present phase of our economic and social development, reliance has to be placed on a more intensive application of inputs, such as, seeds, fertilizers, irrigation, better organization and cultural care or what may be termed as items of 'working capital'. Increasing the quantum and/or productivity of these inputs, thus, constitutes the main plank of a short-term programme of increasing agricultural production in densely populated countries like India.

RESEARCH, EXTENSION AND ORGANIZATION

This too is a difficult task involving, as it does, concerted and co-ordinated efforts in many directions,

specially, research, extension and organisation. Research is needed for the discovery of better varieties of inputs and improved methods. Extension plays a twin role: extending the results of research to the farms by demonstrating the advantages of better methods (discovered in the course of research) and by creating an urge for adopting them, and communicating field problems to the research centres. After an urge for a change resulting from knowledge has been created, certain facilities are needed for its fulfilment. Therefore, organization is essential for enabling the smooth fulfilment of the urge. For example, to fulfil the urge for certain seeds and fertilizers, arrangement for the procurement and distribution of seeds at the proper time, of satisfactory quality and in adequate quantity is necessary. Technical know-how is to be imparted in regard to matters, such as, appropriate rate or dosage of seeds and fertilizers, preservation of seed so as to protect its germinating power, frequency of fertilizer application, line-sowing, Japanese method. This may be provided by the Government agencies, Government sponsored or voluntary institutions or progressive individuals.

These functions are closely inter-related. Research provides the subject-matter to the extension arm. The latter can extend to the cultivator only what it gets from the former. The quality of the knowledge, which is the basic and most important element of the extension programme, depends on the quality of research. On the other hand, the extent to which the extension workers perform the function of registering local problems and transmitting them to the research workers, to that extent will the latter be in a position to attune their projects and results to the regional needs. Efficiency of extension in this respect thus reacts on the efficiency of research.

Extension and organization also react on each other. The more successful the work of extension, the stronger and more widely-felt will be the urge for development. The weaker the urge the more likely it is to peter out when faced with obstacles to fulfilment. When the cultivators are attracted to sponsored practices, due to persuasion or other consideration, without a rational conviction rooted in economic benefit, the urge created is not of a strong character. The existence of a strong-willed body of cultivators for the adoption of certain practices is bound to egg the agencies concerned on to prompt and more effective measures for its fulfilment and also result in the establishment of voluntary methods to supplement the Government efforts. As the old saying goes, where there is a will, there is a way. The creation of the will is, therefore, a more fundamental fact. Given that, some way or the other will be found for its fulfilment. Similarly, the organizational efficiency also tells on the intensity and extent of the urge. The quicker and smoother the fulfilment, the more the chance for the continuance of the urge. The greater the delay and the difficulties in fulfilment, the greater the likelihood that the urge will fizzle out.

INADEQUATE EMPHASIS ON ECONOMIC ASPECTS

The policy has been conceived on right lines as research, extension and organization have been the important functions of the Agricultural Departments in the States for long. But its implementation has suffered from certain drawbacks, chiefly, lack of adequate emphasis on economic aspects in the research and ex-

tension stages. To take research first, the discoveries and practices, which are recommended for propagation are not, generally speaking, tested for their economic benefit. The criterion of better varieties is mainly increase in yield without a reckoning of the economic repercussions.

It is wrongly supposed that technical superiority is enough. What matters with the cultivator is really the economic superiority. To assess this, one has to balance the economic effects at a number of stages, from the beginning of the tilling operations to the disposal of the crop, such as sowing, irrigation, harvesting, sale quality, appearance and taste of the main products and by-products, relationship between supply and demand of the produce in question and of competitive commodities. These require research in the field of agricultural economics. No doubt there has been a growing recognition of this need. But the existing facilities and provisions in Universities and Government organizations are far too inadequate compared with its potentialities and with its relative importance in other countries like the U.K. and the U.S.A.

Let us now turn to the extension arm. Extension is the twin process of aiding the flow of knowledge from the research centres to the farm as well as from the farm to the research centres. The lack of emphasis on economic aspects at the research stage tells on the quality of knowledge available to extension workers. Some actual illustrations of this drawback may be noted. An improved variety of seed sometimes requires a

longer period of maturity and thus stands in the way of the cultivator's raising a second or a third crop. Inferiority in the taste of grain or poor quality of fodder tells on the price.

The effectiveness of extension is further marred greatly because the role of agricultural economics is even less appreciated at this than at the research stage. Provision is being gradually made for research in the field of agricultural economics in Government, non-Government and educational institutions. In the extension stage, this aspect is as yet almost completely neglected. The battery of specialists provided at various levels, block, district, State, and Centre, is conspicuous by the absence of agricultural economists, though a statistical progress assistant has been considered necessary. Consequently, the block personnel are not able to put through their programmes on economic grounds, i.e., to demonstrate to the cultivators the economic worth of the programmes. It is not enough for the programmes suggested to be economically worth while. It is also essential that extension workers are able to effectively bring home this worthwhileness to those actually engaged in production. The creation of an urge for adoption is really a task of convincing the cultivator of the economic value of measures and methods being sponsored. This is the weakest link in the chain.

The lesson of our experience, according to the above analysis, is that the adoption of economic aims and the provision of means not proven for economic worth go ill together.

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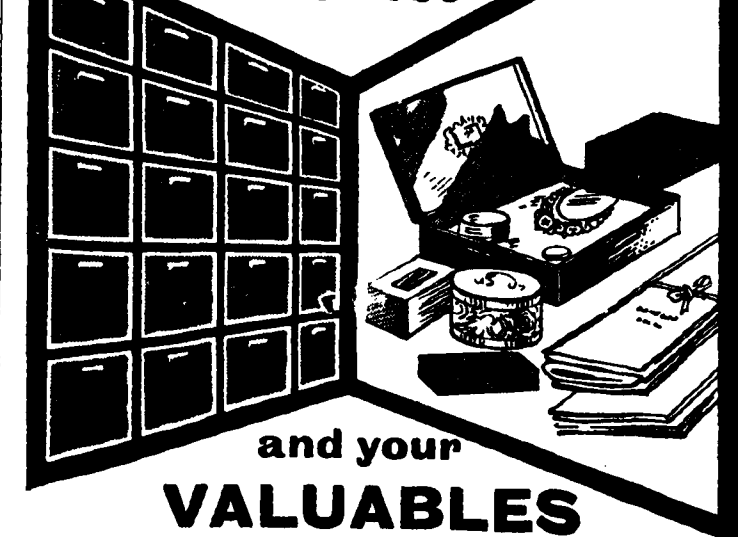
Notice is hereby given that interest at the rate of Rs. 25/- (less Indian Income Tax) per Rs. 1,000/- of Stock will be paid on 1st January 1962 to Debenture Stockholders registered on the books of the Company on 19th December 1961. Applications for transfers received at the Company's Office at Victoria House, P.B. 304, Chowringhee Square, Calcutta-1, up to 19th December 1961, will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above interest.

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THE BUSINESS WORLD

A Small Venture With a Big Achievement

By CROESUS

THESE are verily the days of small industries and if the same enthusiasts as are in charge of these industries today continue to shape policies after the coming General Elections, small industries even like Industrial Estates, are bound to have a field day. Whether or no one accepts the Union Minister for Industry Manubhai Shah's rather tall claims about the employment potentialities in the rural areas and the very small capital said to be required to start these industries, all must concede the generally useful role of the successful small industries in India. At any rate, after attending a function arranged by the Victory Flask Co. (Private) Ltd., and Kangan (Private) Ltd., to give a send-off to two of their technicians and listening to the few brief but to-the-point speeches made thereat, my respect both for small industries and for those who have started and made a success of them — more strength to their elbows — has increased considerably. It was a revelation to me, as much as to Maharashtra's Minister for Law and Labour, Mr. Shantilal Shah, who presided on the occasion, and to the several invitees to the function, that a modest industrial undertaking in a remote suburb of Bombay not only made its debut as early as 1942 when we had hardly begun to industrialise at the rate at which we are going ahead now, and that without any foreign collaboration, but is today in a position even to send its technical experts to foreign countries to teach know-how to them. For this is so much unlike what we see and hear daily. In fact, it is just the opposite of what we are accustomed to see and hear. Hardly any industrial venture, be it big or small, is started these days without some foreign collaboration or other. Even where such collaboration has been a virtual necessity by reason of our parlous foreign exchange resources there are as many instances — certainly more and not less — where the collaboration covers not only the cost of capital goods but of technical know-how as well. As Mr. Shantilal Shah observed, therefore, what the Victory Flask Co. (Private) Ltd., and Kangan (Private) Ltd., have done is singularly remarkable and there should be more and more of such instances if India has to hold her own as an industrial country in the comity of nations.

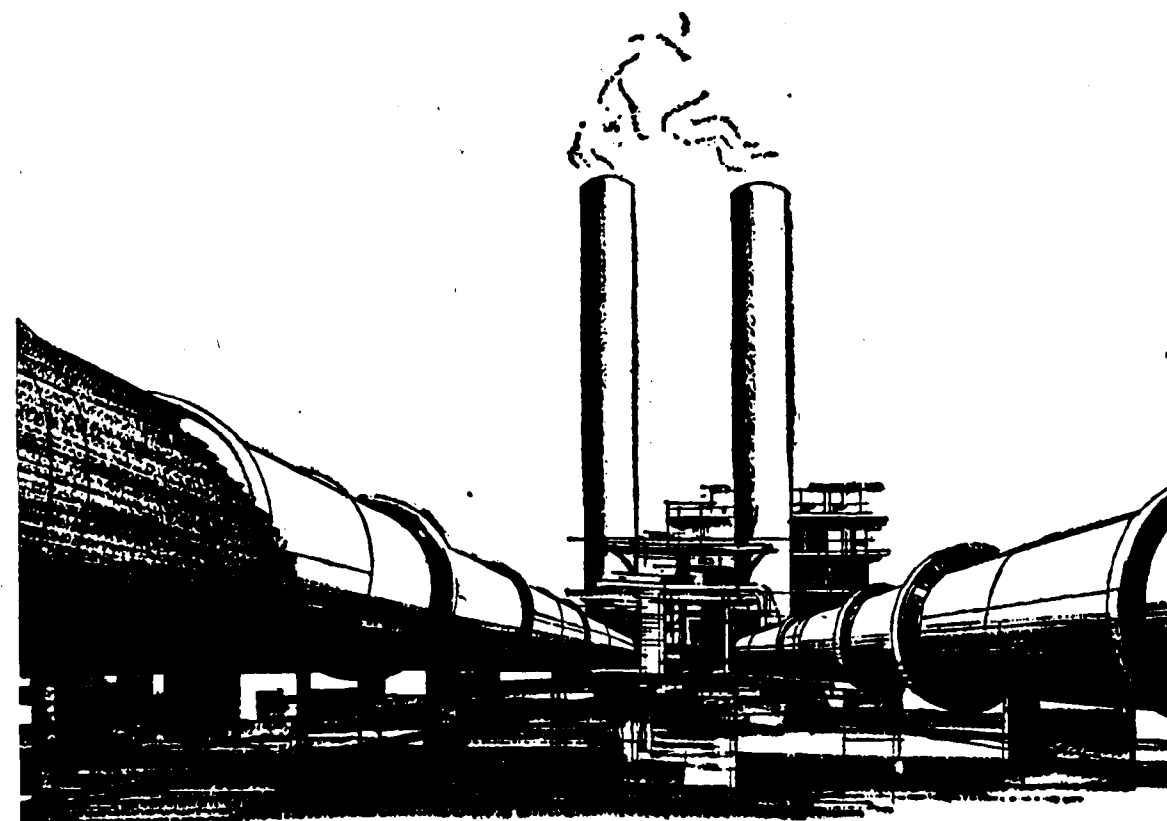
The two Indian technicians being deputed by Victory Flask (Private) Ltd. and Kangan (Private) Ltd., it is noteworthy, are Mr. Chakradeo, a chemist, and Mr. Landge, a worker, both having associations with the companies concerned almost right from the start. It speaks volumes for the farsightedness of Mr. Bhide, the painstaking Managing Director of the Company, and the Board of Directors that they should have afforded these opportunities to two of their technicians. In my opinion, acts like these go very far, much farther than any joint councils or labour participating schemes, about the suitability or adaptability of which to our country, where labour is still largely illiterate, the last word has yet to be said.

Now, let me say a few words about the vacuum

flask industry itself. Until the other day, may I confess, in so far as this industry went, my knowledge was verily a vacuum. Very few, I believe, know that it was in the year 1869 that one Andrews made the first experiments in the liquefaction of gases above the critical temperature of gases and that it was in 1881 that one Weinhold in Chemnitz (East Germany) — now known as Karl Marx Stadt — that made the first protection vessels against loss or gain of heat. But the well-known Dewar's Flask — which incorporated Dewar's great improvement of silvering the inside so as to reduce loss or gain of heat by radiation — took nine more years to come on the scene. It was a firm in East Germany (Thuringia) again that first put those flasks to commercial use by the popular trade name of 'Thermos'; the right to sell which was obtained later by Englishmen, French and Americans. Still, for the most part, thermos flasks were beyond the reach of the lower income groups, but Japan and Hong Kong started producing and selling these flasks on such a big scale that not only did the supply of these flasks become plentiful but their prices too were marked down to plebeian levels.

Although we have today four units —and more are to come—manufacturing vacuum flasks, it was not until 1942 that the first vacuum flask factory was started in India, and the credit for being the pioneers in the field thus goes the Victory Flask Co. That this company's products should successfully compete with the Japanese in variety and price alike is no mean tribute to this relatively less known unit of private enterprise, and I don't think it would be incorrect to venture the statement that there must be many more of such small venturesome enterprises dotting the length and breadth of this vast sub-continent making their own modest contribution to the economic development of our country.

The classical method of making vacuum flasks, I understand, is to blow two vessels separately, open and assemble them together by asbestos spacers and then silver and evacuate the air from the finished flask. But asbestos, though a good insulator, is not as efficient for vacuum purpose, in that it allows some heat to be lost. Victory Flask Co. have, since the past few years, developed a new technique by which the use of asbestos spacers is eliminated, which is a very big step forward, indeed, in the vacuum flask manufacturing industry. By adopting the new method, the Victory people are able to make their refills stronger and more efficient as far as thermal qualities go, and also free from the disagreeable black spots one notices practically on all refills generally. It is said that there are hardly two countries in the whole world today which have succeeded in eliminating this black spot on the refills and none of the other units manufacturing vacuum flasks in India, not even those with foreign collaboration, has succeeded in this, although their flasks are priced relatively higher, it is reported. No wonder then that Victory vacuum flasks have been used by even the



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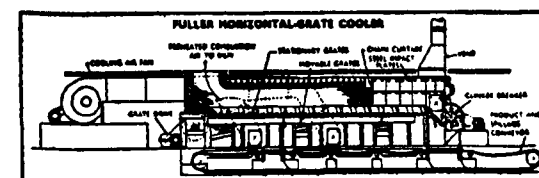
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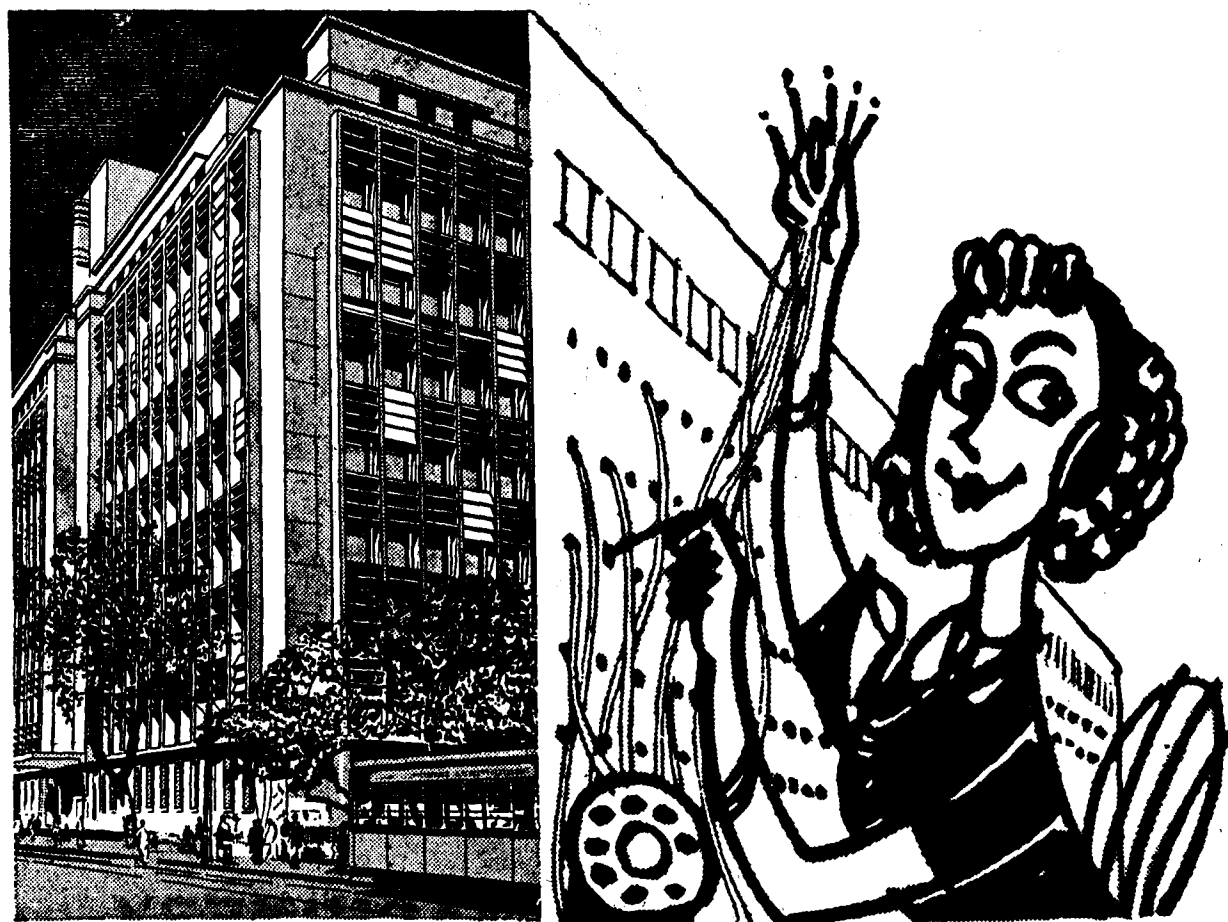
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National Physical Laboratory for temperatures at 250 degrees C below zero and by practically every Himalayan expedition team to the Everest, as also by Prime Minister Nehru on his trip to Bhutan.

Wherever one sees the spirit of humility and the ambition to achieve great things manifest themselves, one can safely predict a bright future. Victory's Managing Director who regards that "a worker is a

student throughout" and feels that he is not satisfied with his company's "small achievement", has these qualities in an abundant measure, he can legitimately expect to realise his ambition not only to find lucrative export markets for his vacuum flasks but also to make a success of his company's project to manufacture fibre glass, toughened glass, and syringes. India has a place for, and needs any number of such small really enterprising and imaginative undertakings.

Coal Transport: Muddled Situation

THE insufficiency of transport still continues to be the most potent deterrent to the planned production of coal and industrial output. The imbalance between the availability of transport and the requirement of coal is so great that it is likely to affect the Plan itself by hindering output and raising production costs.

A clear picture of this transport insufficiency has been provided by Mr. Darab C. Driver in his address to the tenth annual general meeting of the Coal Consumers' Association of India. Whatever may be the reason for the failure of coal transport, it needs to be emphasised that a much greater effort will be required to solve the problem. Thinking in this sphere has so far been muddled and the setting up of coal dumps and other measures have by no means eased the situation. And from all evidence it appears that there is little hope of improvement in the Third Plan. According to Sir B. P. Singh Roy, Chairman, Coal Transport Advisory Committee, a stepping up of coal production from 60 million tons to 97 million tons under the Third Plan would require railway wagons in the following order:

Year	Wagon Requirements Per Day
1961-62	7,183
1962-63	8,561
1963-64	9,910
1964-65	11,502
1965-66	12,339

The question now is where these wagons are to come from since the railways can provide at present only about 5,865 wagons. It was admitted by high officials of the Planning Commission at a Press Conference recently that the railways' capacity to dispatch coal wagons above Moghulsarai would continue to be below requirements and the coal dump scheme was not the panacea for the coal muddle that it was once imagined to be. The fate of the scheme to transport two million tons of coal annually by the DVC navigational canal is, according to all indications, at its pathetic worst. The canal should have been completed by 1959, but

due to floods last year, it is now scheduled for commissioning into operation by the middle of next year. A Committee has been appointed by the Coal Controller to examine the possibilities and economy of carrying coal through this canal. But the way the matter has been handled so far would mean that the potentialities of this canal to move coal cannot be exploited for at least another two or three years. Then again the price of coal is likely to rise further in the Third Five-Year Plan; the tendency towards it is visible in clear terms. The Government's decision to levy 2½ per cent royalty on the f.o.r. price of coal raised from areas leased prior to October, 1949, large accumulation of coal stocks at pit-heads, necessitating greater finance to service them, rising prices of explosives, machinery and spare parts, increasing need for stowing, deeper mining and washing and washing of coal and better amenities for labour etc. are, for instance, some of the factors that are likely to bring about an increase in coal prices. From the middle of 1955 to January 1961, there has been an increase in the price of coal including cesses etc. of more than 45 per cent and it seems certain that similar factors will operate for an increase in the Third Plan.

Although heavy box type wagons have recently been put on the manufacturing list, they have their own disadvantages and are likely to add to the cost of industries receiving their coal in such wagons. There are no weighbridges to weigh these heavy wagons. So unscrupulous suppliers underload such wagons sometimes to the extent of 30 per cent and make the consumers pay according to the wagon capacity. Then again mechanical devices in large-sized works for unloading old type 4-wheelers cannot be used for this new type wagon and at times the extra cost of unloading comes to more than 30 per cent. It seems, therefore, that the situation is not going to be relieved for some time. Consolation, however, may be derived from the fact that a working group headed by the Planning Commission Adviser for Transport and Industry is engaged in the thorough examination of the coal problem. It is to be hoped that the findings of this working group will help in setting the house in order at least to some extent. In the meantime, as has been suggested by Mr. Driver, it would not be a bad idea, in view of the present shortage of transport and good quality coal, to ascertain how far oil can meet the deficiency and at what reduction in price.

Business Notes

Industrial Training

APPRENTICE BILL APPROVED

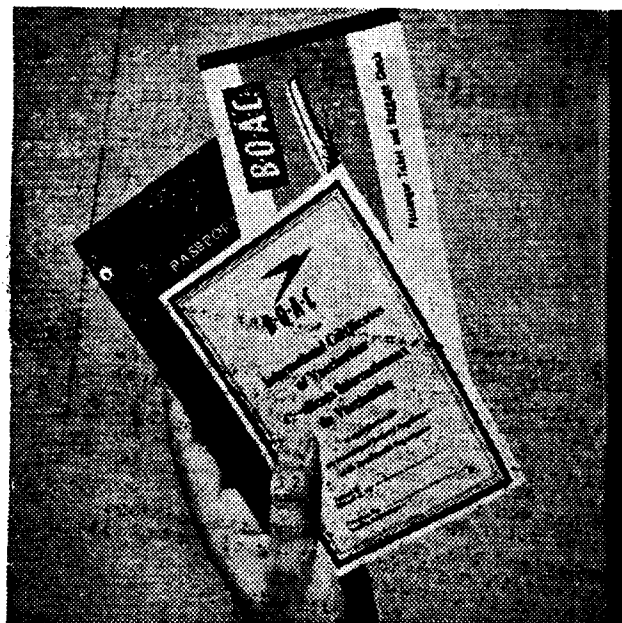
THE APPROVING of the Apprentice Bill by the Lok Sabha, which seeks to regulate the training of youngmen in the public and private sector industries is to be hailed as a step in the right direction. India needs a large number of trained technicians to execute its Third Plan. Happily, this has been visualised in time and it can be hoped that this measure would set right

the things that have so far been in jeopardy. The Ministry of Labour and Employment is particularly to be congratulated for coming out with this measure. It will not only remove the paucity of trained technicians to a great extent but may also put on right footing the training programme in general.

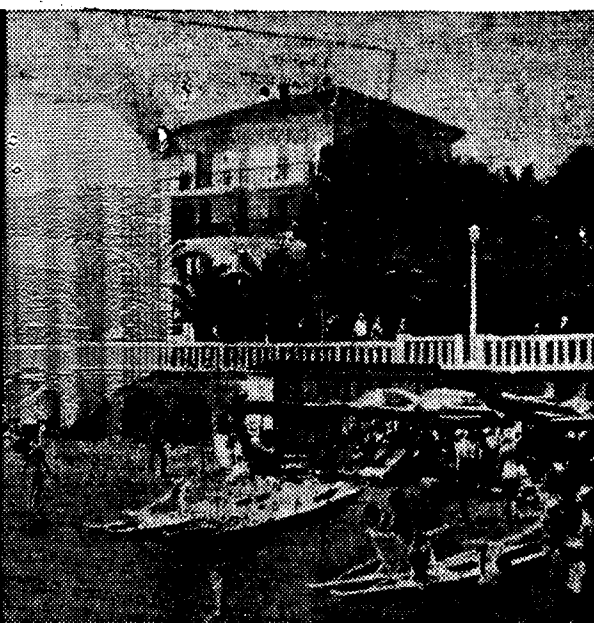
This measure is likely to come as a boon to those particularly who were unable to take advantage of technical schools, colleges and universities but were fit to be trained as skilled workers. The grievances of

27 NOV 1961
PUBLIC DEPARTMENT

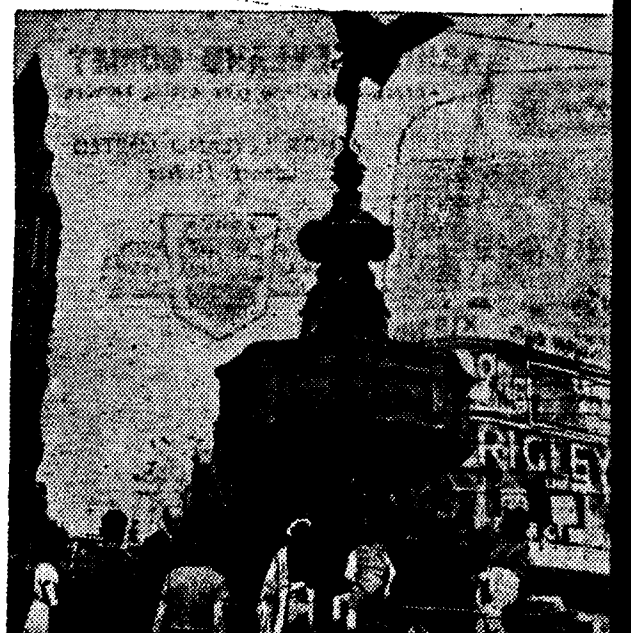
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the advanced countries should earmark one per cent of their national incomes for investment in these countries. There is a lot of logic and force in this argument because with the development of under-developed countries there can be brought about an expansion in world trade. The most comforting factor was that the U.S.A. and the U.K. were conscious of the vital importance of increasing export markets for countries in the Colombo Plan region and of the stabilisation of commodity prices. The task that lies ahead is indeed a colossal one and it is now for the Colombo Plan countries themselves to pull their weight together.

Industry

BASF TO START NEW VENTURE

IT IS likely that Basf, a West German concern, may start new ventures in India. The possibilities are being fully explored as was disclosed the other day at a Press Conference by Mr. F. Sinn, the company's export manager on the West German pavilion at the Indian Industries Fair. The goods that are displayed in the West German pavilion by Basf are of considerable interest. They are of the nature of Nitrophoska, known as complete fertilizer, dyestuffs, illustrated on dyed and printed fabrics, and other textile auxiliaries. Bases material for nylon production and polyester fibres like caproactam, AH salt, moulding compounds like polystyrol, lupolen, ultramid and styropor, plastic dispersion for the surface coating of paper and fabrics like acronal, diofan and lutofan, and synthetic adhesives for wood-working like eaurit and kauresin are also being exhibited.

This company is already collaborating with R. A. Cole Limited in setting up a factory for the manufacture of expandable polystyrene beads. To render technical assistance to Indian industries specially textiles, paints, printing inks and paper, it has also set up Chemicolour Private Ltd. Besides, a technical service station in India is being organized by Basf where qualified Indian and European technicians have been posted. A large number of Indian chemists and engineers are also being trained in its factories in West Germany. Its interest in the public sector industries is equally great. Hindustan Organic Chemicals Ltd. is a joint venture of several well-known German companies including Basf and the Government of India. If the plans of Basf go through, India is likely to have a splendid variety of goods which are useful both to industrialists and householders.

Food Processing

REGAINING LOST GROUND

TO HELP India's food processing industry regain foreign markets, a three pronged effort was considered essential at a two-day Convention held in New Delhi recently. This industry has lost a good deal to Australia on account of heavy freight charges and lack of modern equipment. This three-pronged effort implies arranging of cheaper and better raw materials, reduction of overhead costs and importing of modern equipment. Besides this, it was decided to set up an export promotion council to promote exports. Without the aid of proper equipment, it was stated, a workman in India turns out only 25 cans a day as against 1,000 cans per worker in modernised factories in Australia.

The unfortunate fact in this situation is that no foreign exchange can be spared for the import of equipment.

It was pointed out on behalf of the manufacturers that while the cost of bottles for keeping jams and

squashes was Rs. 16 a gross in Britain, it was Rs. 50 a gross in India. The freight charges from Bombay to London are 222 shillings per ton, as against 175 shilling from Australia to London. These comparisons showed that India's food processing industry, with all its potentialities, was losing a battle against Australia in foreign markets.

The supply of sugar to the industry for products meant for exports at the international price of Rs. 13 a maund, as was the practice in Australia, was urged upon by the convention. The Development Council having agreed in principle, the decision is now resting with the Government to act upon. It is expected that with the supply of cheaper sugar, the exports of the industry might become four-fold. It would not be inappropriate to mention in this context that following the recommendations of the Development Council for food processing industries, a subsidy of Rs. 500 per ton on tin plates used for open top cans for packing condensed milk, meat products and canned fish has been extended from the financial year 1961-62.

Agricultural Labour

WEST BENGAL ENQUIRY

THE SECOND VOLUME of Agricultural Labour Enquiry report pertaining to West Bengal has now been published. The enquiry in the State was conducted in 251 villages on the principle of stratified random sampling but staggered evenly over a period of 12 months. Data on employment, unemployment, wages and earnings, income, expenditure and indebtedness were collected from 2,094 agricultural labour households. One of the objects of the second enquiry was to assess the impact of developmental schemes undertaken during the First Plan on the condition of agricultural labourers as between 1950-51 and 1956-57.

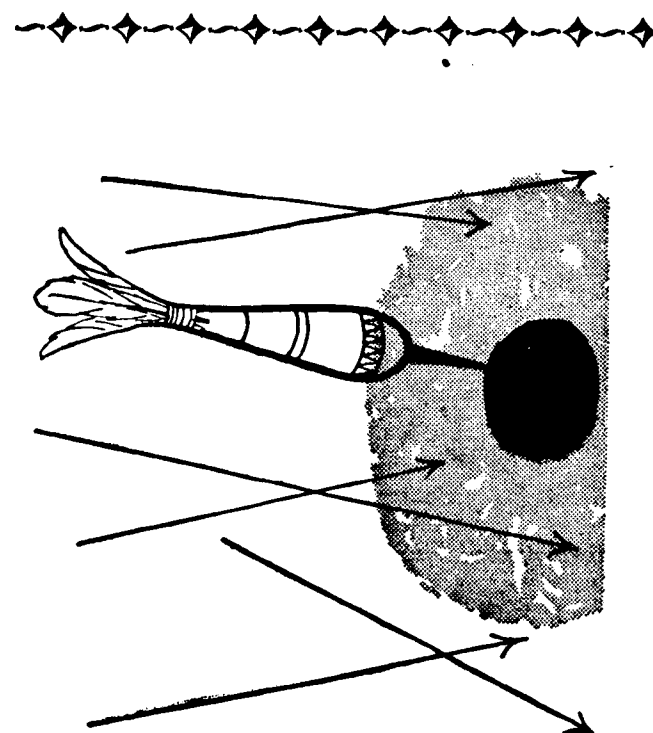
The report reveals that the estimated number of agricultural labour households in West Bengal went up by about 8.9 per cent i.e. from 10,78,000 in 1950-51 to 11,63,100 in 1956-57. During this period the percentage of landless agricultural labour households went up from 53.71 to 63.49. According to the enquiry attached labour households in 1956-57 accounted for 21.31 per cent of the total for the State, the remainder being casual labour households. The average size of the agricultural labour household rose from 4.0 in 1950-51 to 4.30 in 1956-57. The average number of wage earners was 1.52 per household compared with 1.50 in 1950-51.

Regarding employment in West Bengal the report says that casual daily male workers were employed on an average, for wages for 232 days in 1950-51 and 227 days in 1956-57. They were self-employed for 40 days in 1950-51 and for about 25 days in 1956-57. They were unemployed for 113 days in 1956-57 as against 93 days in 1950-51. The average annual income of an agricultural labour household in 1950-51 was Rs. 608, while it was Rs. 657 in 1956-57. So far as indebtedness is concerned, about 69 per cent of agricultural labour households were indebted during 1956-57 as against 33 per cent in 1950-51. The enquiry provides an insight into the working of agricultural labour force and should be helpful in working out norms for the welfare of agricultural labourers.

Panyam Cements

SATISFACTORY PROGRESS

PRESIDING OVER the 6th Annual General Meeting of the Panyam Cements and Mineral Industries Ltd. held on August 31, 1961, at Kurnool, Andhra Pradesh, T. S. Sundaram, Chairman of the Board of Directors,



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told the shareholders that the company has earned a net profit of Rs. 11,78,934 during the year under report after providing Rs. 10,20,231 for depreciation including extra depreciation. This substantial profit has enabled the company to make provision for payment of the arrears of dividends on Preference Shares at 6 per cent tax-free.

The Government of India, after examining in detail the report of the Tariff Commission, has fixed for the Company highest price for portland cement. The high cost of production of the new units, Mr. Sundaram thinks, is mainly due to the steep increase in the capital costs.

The factory is now on its way to expansion with orders for a 300-ton Unit placed with the indigenous suppliers Messrs. ACC, Vickers, Babcock Ltd., Bombay. The budgeted outlay for the expansion project estimated at Rs. 120 lakhs will be met by the proposed issue of share capital of Rs. 46.36 lakhs and borrowings. The Company has secured a long-term loan of Rs. 40 lakhs from the Industrial Credit and Investment Corporation of India Limited and medium-term loan of Rs. 20 lakhs under the scheme of Refinance Corporation for Industry through the Company's bankers, The Bank of Baroda Ltd. The Authorised share capital is proposed to be enhanced by Rs. 1 crore.

Engineering

FORMATION OF TWO NEW COMPANIES

TWO NEW industrial plants are likely to be set up soon at Baddarpur, near Delhi. One of these plants would be for the production of drop forged tools and the other would be for the manufacture of semi-conductors and rectifiers, including selenium rectifier stocks cartridges and photovoltaic cells. For the production of drop forged tools, an agreement has been reached with Techno-Export of Czechoslovakia. The entire plant and machinery is to be supplied by this foreign concern. This concern will also provide the technical know-how and train Indian technicians in Czechoslovakia. The promoters of the new company, Usha Forgings and Stampings Ltd. are Messrs Rm Krishan Kulwant Rai of Delhi. Orders for Rs. 14 lakhs worth of machinery have already been placed for the first stage of manufacture. The plant will have the capacity to produce 300 tons a year of double ended spanners, combination pliers, rose nails, wrenches and other tools for machine shops.

The promoters of the company which is to manufacture rectifiers and semi-conductors are also Messrs. Ramkrishan Kulwant Rai. In this case technical collaboration has been obtained from International Rectifier Corporation, a U.S. firm of repute. The project will cost Rs. 25 lakhs and the U.S. firm's share in the capital of the new company would be to the extent of 50 per cent. Both these plants are expected to go into production by the middle of 1962.

New Issues

INDIA CARBON

TWO COMPANIES — India Carbon Limited and East-end Paper Industries — will be entering the market in the next few days for raising capital to start their manufacturing programme, the former in Assam and the latter in West Bengal.

India Carbon Limited is offering 1,18,000 equity shares of Rs. 10 each for public subscription at par. The subscription list opens on December 4 and will close on December 9, or earlier at the discretion of the directors but not before December 6. The proceeds of the issue will go to finance partly the Rs. 80-lakh project of the company to produce calcined petroleum

coke and calcined anthracite coal. The factory is to be set up at Gauhati near the public sector Nunmati refinery which, along with the Digboi refinery, would be providing the company with its primary raw material — raw petroleum coke. Anthracite coal of the required quality will be imported from Jammu and Kashmir mines which are said to have sufficient deposits of this type of coal. The plant is expected to go into production before the end of 1962.

Technical collaboration has been secured from Messrs. Great Lake Carbon Corporation of the United States who will also be participating in the equity capital of the company to the tune of Rs. 16 lakhs — Rs. 12 lakhs in the shape of subscription to equity capital against cash and Rs. 4 lakhs in lieu of "technical know-how and show-how" fees. The Government of Assam is as well participating in this venture by subscribing Rs. 10 lakhs in the form of redeemable cumulative preference shares. The authorised capital of the company is Rs. 1.50 crores. The issued capital is Rs. 50 lakhs.

Of the total cost of the project, estimated around Rs. 80 lakhs, Rs. 30 lakhs will be secured in the form of loans from the Industrial Credit and Investment Corporation of India and/or from the Export-Import Bank, Washington. The Export-Import Bank and the ICICI have already agreed in principle to grant these loans. The former will be making its loan available in U.S. dollars and the latter in Indian rupees on a long-term basis.

Calcined petroleum coke is one of the basic materials required in the manufacture of aluminium and other electro-chemical and electro-metallurgical products viz. Ferro-Alloy, Ferro-Manganese, Ferro-Silicon, Calcium Carbide etc. At present India is entirely dependent on imports of this type of coke, whose requirements will only grow with the rising tempo of industrial activity. India Carbon is the first company in this country to undertake the production of calcined petroleum coke and calcined anthracite coal. Its Gauhati plant is expected to result in a saving of foreign exchange to the tune of Rs. 1.2 crores annually. Besides this saving, some foreign exchange may also be earned by the export of calcined petroleum coke after meeting the home consumption in full.

EASTEND PAPER

EASTEND PAPER INDUSTRIES LIMITED is offering for public subscription 2,00,000 equity shares of Rs. 10 each. The subscription list opens on November 24 and shall close on November 28 or later at the discretion of the directors. The authorised capital of the company is Rs. 35 lakhs, all consisting of equity shares of Rs. 10 each. The issue capital is Rs. 30 lakhs, of which shares worth Rs. 5,11,250 have already been subscribed by the directors of the company and their friends. Another 48,875 shares are intended to be reserved for them.

The company proposes to set up a plant at Bansberia in the Hoogly district of West Bengal for the manufacture of paper and boards from rice straw which is available in abundance in the neighbourhood. It is also intended to use waste paper and at a later stage sabi grass as raw materials.

The capital outlay on the project is estimated around Rs. 60 lakhs. Since the share capital would provide only Rs. 30 lakhs, loans are being arranged from the Industrial Finance Corporation (Rs. 20 lakhs) and from the company's bankers (Rs. 10 lakhs). When in full production, the output of the company would amount to nearly 3,000 tons a year.

The plant is expected to be commissioned early in 1963. Contracts for the supply of plant and machinery have already been finalised with Nichimen and Co. Ltd., Tokyo

FROM THE CAPITAL'S CORRIDORS

CEMENT INDUSTRY

AS envisaged in the Third Five-Year Plan the Union Ministry of Commerce and Industry is planning to renew its efforts to step up the installed capacity for the manufacture of cement to 18 million tons a year from the present level of licensed capacity of 16.36 million tons, of which about 9 million tons is installed. There are three undertakings at present licensed to manufacture cement-making machinery, namely, A.C.C. in collaboration with the British Consortium, A.V.B. which is setting up its plant at Durgapur; K.C.D. in collaboration with the French firm, FIVES LILLE and Sahu-Jain in collaboration with the Danish firm, F. L. Smith. In addition, Skoda of Czechoslovakia and KRUPPS of West Germany have shown interest in cement machine making projects. It should be noted that by 1964, India will be manufacturing eight cement making plants.

The Tariff Commission on cement whose report has been published had anticipated in their first inquiry in 1958 that 16 factories then existing would have expanded their capacity and 16 new factories would be established by the end of 1960. They, therefore, estimated that as a result of these developments total annual rated capacity of the industry would rise from 6.43 million tonnes in 1957 to 12.52 million tonnes in 1960. Reviewing the actual position that obtained at the time of the present Commission they observed that only 10 old factories had increased their capacity, six new factories had come up and the total capacity of the industry had risen to 9.50 million tonnes only. The old factories which failed to expand their capacities as originally planned are Lakheri and Dwarka of A.C.C. group, Kalyanpur, Orissa Cement, Mysore Iron and U.P. Government factory.

Commenting on the future expansion of the industry and the target of 15 million tons fixed in the Third Five-Year Plan, the Commission observed that if all the new schemes materialised as scheduled, the additional capacity likely to be established by the middle of 1964 would be of the order of 2.06 million tonnes. This was to be achieved by expansion in nine of the existing factories and by the establishment of eight new factories, giving the following picture:

	Additional annual capa- city likely to be established	Total annual capa- city	No. of cement fac- tories
	(Million tonnes)	(Million tonnes)	
As at the end of April 1961	..	9.50	34
During July 1961 to June 1962	0.63	10.13	37
During July 1962 to June 1963	0.36	10.49	39
During July 1963 to June 1964	1.07	11.56	42
TOTAL	2.06	..	..

According to the data furnished by the industry and the Development Wing additional capacity of the order of 2.41 million tonnes is likely to be established after June 1964. Further, schemes for the manufacture of portland blast furnace slag cement by five of the existing factories (Sindri and Drug of A.C.C. group, Orissa Cement, Sone Valley and Rohtas) have been licensed

but progress thereon has been held up for want of details regarding composition and availability of slag from the steel plants.

The Planning Commission had estimated the demand for cement at 13 million tons (13.20 million tonnes) in 1965-66 and to meet this fixed a target of 15 million tons (15.24 million tonnes) of capacity to be achieved by the end of Third Plan period. Together with the estimates of the Planning Commission, the manufacturers of cement had also given their own estimates. For example, A.C.C. had estimated the demand at 9.13 million tonnes for 1961, 10.04 for 1962 and 11.05 for 1963. It had based its estimates on a consumption figure of 7.02 million tonnes in 1960 plus an unsatisfied demand of about 1.28 million tonnes and had assumed an annual increase of 10 per cent (cumulative) in the demand. Other manufacturers furnished divergent figures and their estimates ranged from 8 million to 11 million tons for 1961, 9.28 million to 13 million tons for 1962 and 10.57 million to 13 million tons for 1963. The State Trading Corporation also furnished data relating to actual dispatches of cement during 1958, 1959 and 1960, which are as follows:

	Million tonnes
1958	6.04
1959	6.70
1960	7.64

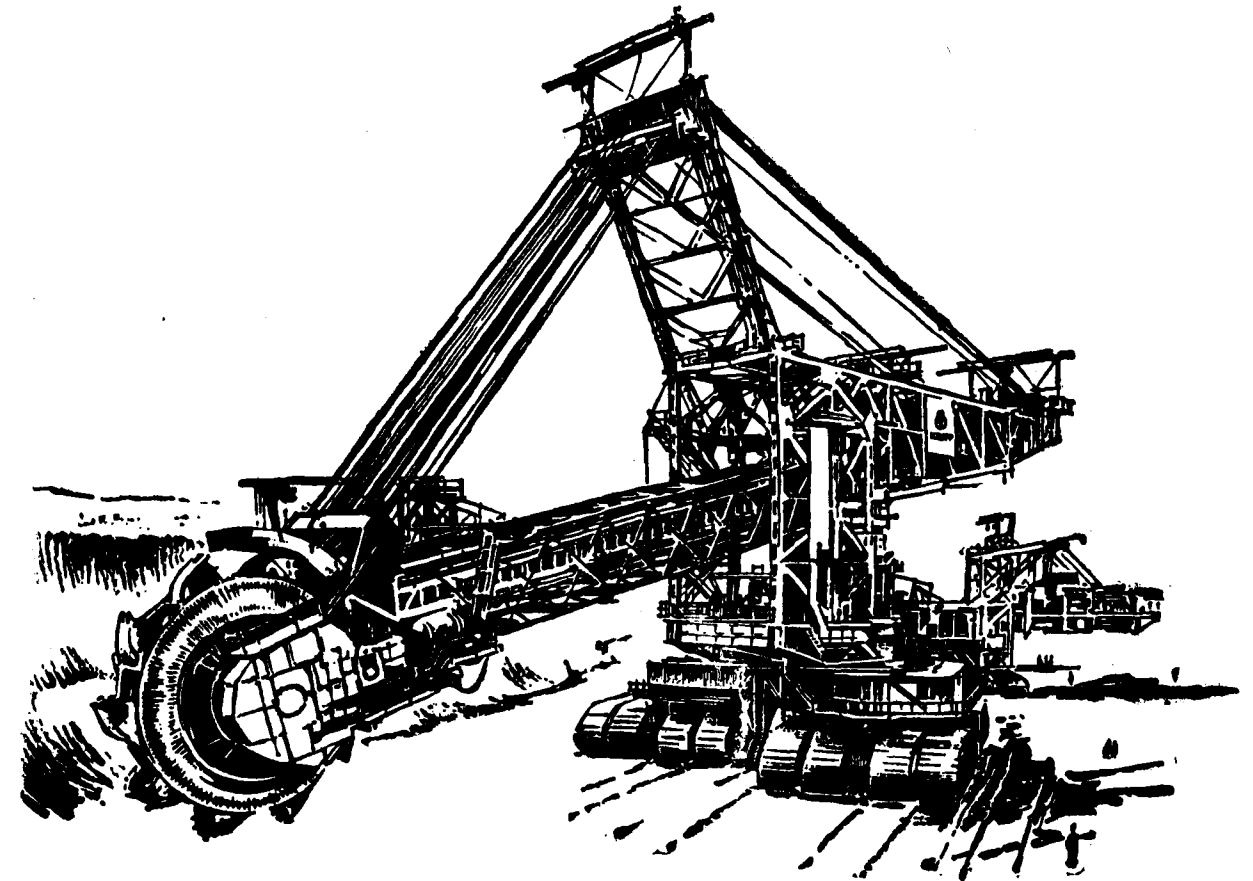
These divergent figures of estimates were discussed at a public inquiry and the consensus of opinion was that the unsatisfied demand in 1960 was less than 10 per cent of the despatches of cement during that year. According to this view, therefore, the potential demand for 1960 was about 8 million tonnes. "As regards the future, it was agreed that taking into consideration the increased tempo of industrial development and constructional activity in both the public and the private sectors for the Third Plan period it would not be wrong to assume a cumulative annual increase of 12½ per cent in future demand". The Tariff Commission forecast that the demand for 1961 would be of the order of 9 million tonnes and that it would rise by 12½ a year to 12.8 million tonnes in 1964.

Giving their views on the productive capacity that would be required for meeting the growing potential demand in the country, the Commission observes "that the aggregate annual capacity would be 11.56 million tons at the end of June 1964. As against this the demand during that year was estimated at 12.80 million tons." Considering the condition of the existing plants, difficulties regarding quality and transport of coal, etc. the maximum utilisation of capacity, the Commission opined could not be expected to go beyond 90 to 95 per cent, over all. On this basis, production in 1964 was, therefore, not likely to exceed 10.40 to 10.98 million tonnes. In other words, shortfall in supply of cement that year would be of the order of 1.8 million tons. The Commission, therefore, argues "that there was an urgent need for licensing additional capacity of cement manufacture and also for taking active steps to ensure that such capacity was actually installed and commissioned progressively by 1964."

Referring to the policy of the Union Government in regard to the granting of new licenses which was that "licenses would be granted as far as possible to new entrepreneurs, that is, persons or groups of persons who did not hold any licenses for a cement factory", the Tariff Commission suggested that in view of the time lag and considerable capital

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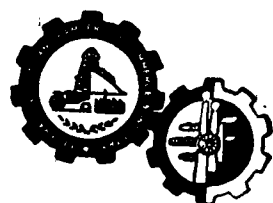
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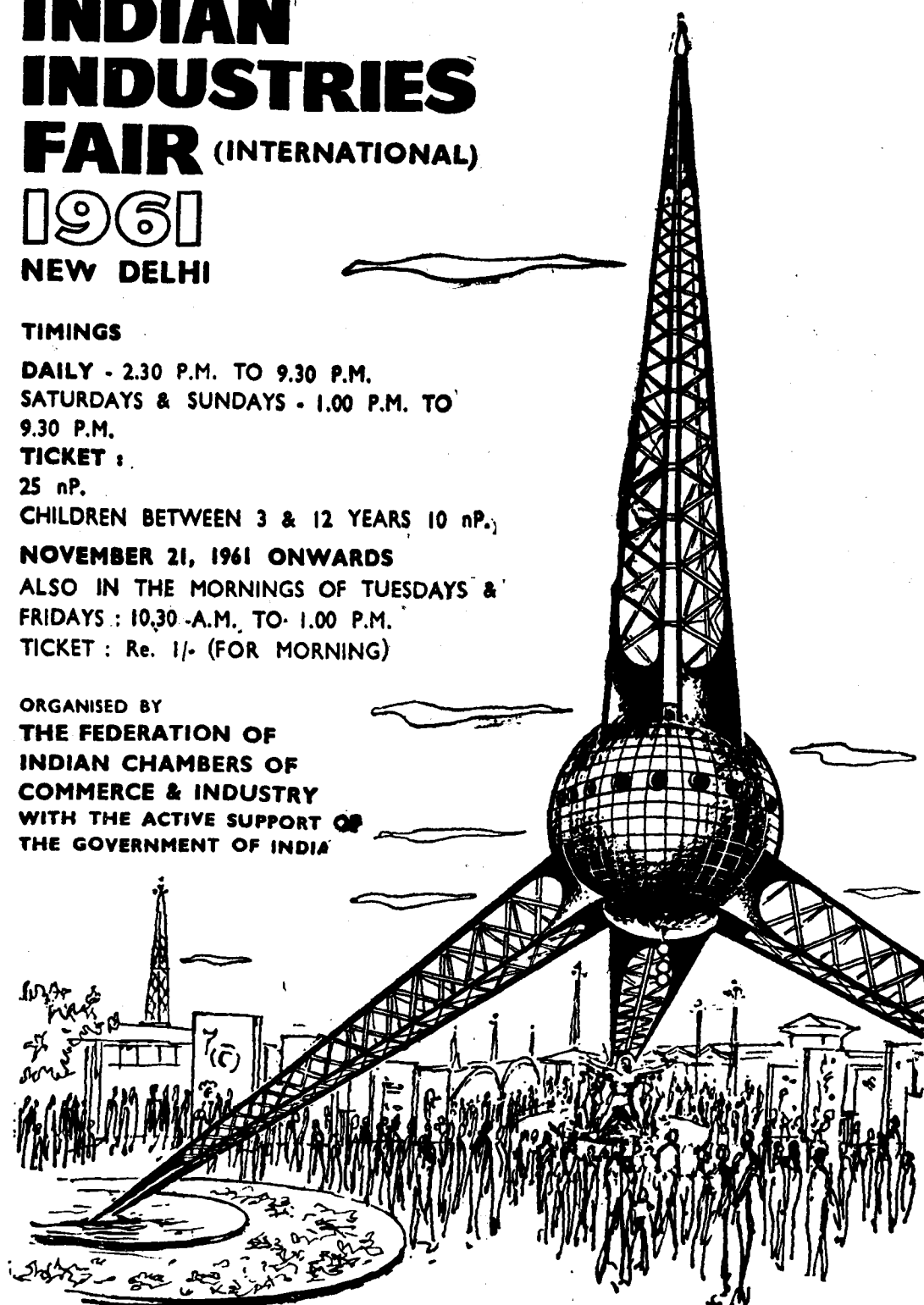
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not be available to new entrants, the Government should adopt a flexible policy as regards licensing of additional capacity and that established producers having resources and know-how were not discouraged or prevented from implementing their schemes of establishing new cement units or adding to existing capacity. With regard to the present near-famine conditions for cement, the Commission warned that this situation might persist "unless vigorous steps were taken side by side urgently to step up the prevailing low percentage of utilisation of installed capacity in many units." They further observed that "current shortage of cement which was of the order of 1 million tonnes was partially due to physical shortages which actually exist and also to the psychology of scarcity which leads to inflation of demands." As indicated earlier that production which was running at the rate of 86.2 per cent of the rated capacity, the output could be stepped up quickly by another 5 per cent namely, by about 0.5 million tons a year, if adequate supplies of coal were ensured. The Commission also recommended that the economy in consumption might be obtained, if the government departments and projects which were consuming nearly 45 to 50 per cent of the indigenous production of cement should, as a temporary measure, make use of alternative building material such as lime-mortar in the construction of residential buildings.

STATE UNDERTAKINGS

The Minister of Industry, Shri Manubhai Shah, announced in the Lok Sabha on Monday the Government's decisions on the main recommendations made

in the Report of the Krishna Menon Committee on State Undertakings. The Government have accepted the Committee's recommendations that a Joint Committee of Parliament on State Undertakings should be appointed. A draft motion for constituting the committee was under consideration. The Government have also accepted the recommendations that Members of Parliament should not be appointed to Boards of Management. It has also been decided that the Secretary of any Ministry or Department should not be appointed as a Director on the Board of Directors of any Government companies and that no Officer assigned ordinary Secretariat duties would be appointed as a Director in more than three or four companies at the maximum.

Regarding the appointment of Directors with business connections to the Board of Directors of public sector undertakings, the policy would be that no whole-time director should have any connection with business. Part-time directors might be appointed provided no question of conflict of interest, whether direct or indirect, would arise between the operations of the public sector undertakings to which they were appointed and their own business interest. Care should be taken in judging the likely conflict of interest in appointment. As regards the reservation of all appointments on the Board to company employees, the Minister stated that it was likely to meet with practical difficulties. The proposal that an employee, when appointed to be a Director, should continue to hold his previous post in the company was not practical and might lead to friction in practice. Where an employee was considered to hold the post of a Director, he would be made a full-time Director.

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The Minister added that it had now been decided that the Chairman and the Managing Director should be appointed by Government and, except in the case of very small concerns, should be full-time. On the powers of the Chairman of the Board of Directors of State Undertakings, the Krishna Menon Committee had recommended that the Chairman, who had ultimate responsibility, should have the power to over-rule the Board or to exercise his discretion without prior consultation of the Board, if he thought it essential in the interest of the Company. The Government have decided that the Chairman should be given the power to reserve for the President's decision any matter, which, in his opinion, should be so reserved. It had also been decided that the Article giving power to any Director to withhold action on any proposal or decision taken by the Board, until Central Government's approval was obtained, should be deleted from the Article of Association of other Companies.

U.S. GRANT TO INDIA

The United States Government has concluded four agreements with the Government of India providing for grants totalling Rs. 26.4 crores (\$55 million) for national highways, dairy development, soil and water conservation and groundwater exploration projects. This amount will come out of the money earmarked as grants to the Government of India from the sale proceeds of agricultural commodities supplied to India under U.S. Public Law 480. The grants will cover the anticipated expenditure on the projects during the first two years of the Third Five-Year Plan.

Bulk of the grant, Rs. 20 crores, will be utilised for the improvement of national highways whose mileage was 15,000 at the end of the Second Five-Year Plan. About 787 schemes have been carried over to the Third Plan and work has begun on a number of new schemes. A sum of Rs. 3.6 crores will be utilised for milk schemes in Amritsar, Bangalore, Barauni, Calcutta, Hyderabad, Jabalpur, Kanpur, Kozhikode, Madras, Madurai, Nagpur, Surat, Vijayawada and Worli and also for research projects undertaken by the National Dairy Research Institute in the Punjab and the Dairy Science College, Gujarat.

Rs. 2 crores have been earmarked for soil conservation projects in the catchment areas of Bhakra Nangal, Damodar Valley Corporation, Machkund, Hirakud, Chambal, Kosi, Mayurakshi, Kundah, Tungabhadra and Ramganga projects. Part of this development programme includes contour bunding and terracing, afforestation, pasture development and control of landslides. A sum of Rs. 80 lakhs is intended for the groundwater exploration programme. Under this programme, a hundred exploratory wells a year will be drilled in Andhra Pradesh, Assam, Bihar, Gujarat, Kerala, Madhya Pradesh, Madras, Maharashtra, Mysore, Orissa, Punjab, Rajasthan, Uttar Pradesh, West Bengal, Himachal Pradesh and Tripura. During the Second Plan, 287 tubewells were drilled with American assistance.

INDO-POLISH TRADE AGREEMENT

A trade agreement between India and Poland was concluded during the week with an exchange of letters.

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Business Manager,

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It is anticipated that during 1962, trade between the two countries may increase appreciably. Commodities to be imported in India will include machinery items and capital goods, power generating equipment, industrial raw materials, non-ferrous metal, newsprint, etc. The exports from India to Poland, on the other hand, will be engineering items, textile machinery, steel products, collapsible tubes, asbestos yarn and fibres, semi-products of pharmaceutical production, sports goods, handicrafts, tinned tropical fruits and juices, tinned fish and prawns, coir goods, etc. apart from other traditional items like tea, coffee, spices, etc.

INDO-INDONESIAN TRADE TALKS

Talks for promoting trade and economic relations between India and Indonesia opened in Delhi last week. The Indonesian Mission, which arrived here during that week, is led by Mr. Haroon Al Rashid Saleh, Director, Division of Economic Affairs, Department of Foreign Affairs of Indonesia. Further talks will be held after the return of the Mission from its tour of important industrial and commercial centres in India.

INDO-SOVIET TRADE

The progress of trade between India and U.S.S.R. was reviewed during the discussion between Deputy Minister for Foreign Trade of the Government of the U.S.S.R. and the Government of India. Letters were exchanged between the two Governments expressing satisfaction on the increase of trade between the two countries. During the discussion the U.S.S.R. delegation was acquainted with new items like light engineering goods, chemicals, asbestos, textiles and coke oven bye-products and other manufactured goods which were available for export from India.

The fourth Agreement in the field of international commercial arbitration entered into by the Federation with the business organisations abroad is with the Soviet Union, the first three agreements being with Japan, U.S.A. and German Democratic Republic. The arbitration clause to be included in contracts between the Soviet foreign trade organisations, on one side, and the Indian parties, on the other side, runs as follows:

"Any dispute or claim which may arise out of the present contract or in connection with the same is to be referred, with exclusion of the jurisdiction of the ordinary courts, to decision by arbitration. If the defendant in such dispute or claim is a Soviet foreign trade organization, the arbitration will be conducted in the Foreign Trade Arbitration Commission under the U.S.S.R. Chamber of Commerce, Moscow, in accordance with Rules of Procedure of the said Commission. If the defendant in such dispute or claim is an Indian physical or juridical party, the arbitration will be conducted by the Arbitration Tribunal of the Federation of Indian Chambers of Commerce and Industry, New Delhi, in accordance with the Rules of Procedure of the said Tribunal. The award of the respective arbitration will be binding upon both parties."

The agreement also provides for periodical meetings between the competent representatives of the Foreign Trade Arbitration Commission of the U.S.S.R. Chamber of Commerce and the Arbitration Tribunal of the Federation to discuss general questions relating to the fulfilment of the present Agreement.

BUSINESS FOR LOK SABHA

Of the twenty sittings of the Lok Sabha, which

began its Winter Session on Monday, four half days are allotted for Private Members' business, including two half days for non-official resolutions. Two hundred and ten resolutions have so far been admitted, covering a wide field of governmental activities. There are resolutions demanding nationalisation of industries like Sugar, Film, Oil, Iron and Steel, Jute and Foreign Trade in general including export trade in jute, in particular. Another set of resolutions seek to canalise the entire foreign assistance to Indian industries through Government of India, to enquire into economic and political consequences of increased foreign private investment in various industries; and to enquire into the sources and utilization of the large funds received by various foreign and Indian missionary societies.

Two members from Uttar Pradesh and Bihar respectively would like the Government to fix the price of sugar cane at Rs. 2 and Rs. 2½ per maund. Communists and Socialist members, through joint resolutions have urged the re-instatement of Government employees dismissed for participation in July 1960 strike. The other resolutions ask for more wage boards, for banning the production of vanaspati, for starting a newspaper in the public sector, for postponing the establishment of fourth steel plant till the existing three steel plants in the public sector are completed, for stabilising prices of essential commodities, for an enquiry into the workings of the Community Development Projects, of Air India International, Indian Airlines Corporation.

As a result of ballot held on November 9, six resolutions were admitted for discussion on November 24, the first place having been drawn for a resolution asking Government to give a final ultimatum to the Portuguese Government to withdraw from Goa, Daman and Diu. This leaves another half a day for which another resolution should await the fortunes of the ballot box. In addition, notice has been tabled for sixty-three "No-Day yet named" motions.

Besides, three bills, as passed by the Rajya Sabha, one bill, as reported by the Select Committee, another bill in the Select Committee stage and eight other bills are pending before Lok Sabha for disposal. In addition, twenty bills as reported in the last issue of "The Eastern Economist" have so far been put down on the order paper.

TYRE MANUFACTURE

Two tyre manufacturing factories were formally inaugurated this week—one at Ballabgarh about 21 miles from Delhi and the other near Madras.

The Ballabgarh factory, owned by nearly 49,000 Indian shareholders and the Goodyear, U.S.A., was inaugurated by the Vice-President, Dr. S. Radhakrishnan, who described it as symbol of Indo-U.S. collaboration. Housed on a 71-acre plot with 1,80,000 square ft. built, the factory is the most modern in its equipment. When in full production, it will be turning out 750 tyres a day on three-shift basis besides tubes and camelback (equivalent to an annual output of 2,13,000 tyres). The present programme envisages manufacture of tyres and tubes for passenger cars, buses, trucks, tractors and animal drawn vehicles. Generous provision has, however, been made for further expansion to 1,000 tyres a day, equivalent to 5,10,000 tyres per annum. Under the expansion programme, tyres for all uses would be pro-

duced by this factory, including aeroplane tyres. Decision to go in for the manufacture of this special type tyres would, of course, depend on how far testing facilities are secured by the company.

The total cost of setting up this project is estimated at Rs. 6 crores. The company has an authorised and issued capital of Rs. 2,00,15,000. It issued to the Indian public 4 lakh equity shares of Rs. 10 each with a premium of Rs. 7 per share. Of the 89,000 applicants, nearly 49,000 were allotted shares, thus making this company the second largest in regard to Indian shareholding, the first being the Tata Iron and Steel Company. The company has received assistance, from the U.S. Export-Import Bank to the tune of Rs. 2.25 crores out of the PL 480 funds accumulated to the credit of the U.S. Government through sale of agricultural products.

One hinderance that the company is envisaged to face in reaching full capacity is the power shortage which has necessitated curtailment of the present output (the factory has been in operation since August last) to only 250 tyres a day on two-shift basis. The Punjab Government, however, has promised to extend all assistance in the matter and before long it is expected that the required amount of electricity would be made available to it.

Mr. E. J. Thomas, Chairman of Goodyear, U.S.A., the parent company of Goodyear India, welcoming the Vice-President at the inauguration ceremony, paid handsome tribute to the economic development this country has achieved under the first two Plans and to the Indian talent in manning giant enterprises. One of the main

considerations which prompted his company to go in for a manufacturing programme in this country, Mr. Thomas said, was the impression made by the strong Indian sales and loyal dealer organisations built up by Mr. R. E. O. Carey, the Goodyear representative in India, and his associates through the years. The political stability that is obtained in India today along with vast market which this country provides, Mr. Thomas opined, should help in attracting foreign private investment to this country.

The Ballabgarh factory is the 59th in the chain of Goodyear manufacturing units all over the world.

The second tyre manufacturing factory whose pilot plant has been inaugurated near Madras by the Madras Chief Minister, Mr. Kamaraja Nadar, has an installed capacity to produce 1,000 tyres and a similar number of tubes per day for use in road transport. This factory is scheduled for commissioning into production by June next year. Work on the main factory is going on round the clock since the ambition of the promoters and the collaborators is to commission the same in a record time of only 10 months of obtaining the Government's permission to set up the plant.

The pilot plant will be producing only 30 tyres a day. It will primarily be run for giving the requisite experience to the factory's workers, technicians and engineers.

This factory has been set up in collaboration with Mansfield Tyre and Rubber Company of the United States.

We reckon our production in 1960-61 to be 69,552 tonnes of rolled products and 5,624 tonnes of castings. In other words a rise of 48% over the previous year. In 1951-52 MUKAND employed 1,064; in April 1961—2,306. Over the past ten years production figures have soared—13,615 tonnes of rolled products and 704 tonnes of castings in 1951-52; and 425% more in 1960-61.

	57/58	58/59	59/60	60/61
		(Rs. in lacs)		
CAPITAL	51	51	71	61
Depreciation provided to date	32	36	41	50
Profits retained in business to date	25	35	45	57
Profit for the year	19	30	31	53
Dividend for the year	5	5	8	19

MUKAND manufactures high grade steel products—bars, rods and castings. Presently an expansion programme is under way. It will cope with the growing flux of big orders—like the one placed by the Railways with MUKAND in October 1961 for 4,862 sets of Centre Buffer Couplers valued at Rs. 1,14,00,000.

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COMPANY AFFAIRS

CAPITAL ISSUES

Of the eight companies which have been authorised new capital issues, four will issue bonus shares and the other four equities. The consent of the Controller of Capital Issues for all the issues is valid for 12 months. The following are the details:

Glaxo Laboratories:

Glaxo Laboratories (India) Private Limited, Bombay, has been accorded permission to the issue of further capital of Rs. 1 crores in 10,00,000 equity shares of Rs. 10 each to be issued as bonus shares on capitalisation of reserves.

Gammon India:

Gammon India Private Limited, Bombay, incorporated in 1922 and engaged in business as Civil Engineers and Contractors, has been given consent to the issue of 2,50,000 equity shares of Rs. 10 each as fully paid up bonus shares on capitalisation of its reserves to the extent of Rs. 25 lakhs. The company's existing paid up capital is Rs. 30 lakhs. It will issue five bonus shares to the holders of six shares.

New Commercial Mills:

New Commercial Mills Company Limited, Ahmedabad, has been granted consent to the issue of bonus capital of Rs. 14,31,750 divided into 5,772 equity shares of Rs. 250 each. The bonus shares will be issued to the existing equity shareholders of the company in the ratio of one bonus share for every five equity shares held, on capitalisation of the Share Premium Account of the company.

Devashola (Nilgiri) Tea Estates:

The Devashola (Nilgiri) Tea Estates Company Ltd., Madras, has been granted consent to issue equity bonus shares of the value of Rs. 2,40,000 on capitalisation of the company's reserves to a like extent. The bonus shares will be issued in proportion of 2 bonus shares for every 5 shares held by the existing shareholders.

Seshasayee Industries:

Seshasayee Industries Limited, Madras, has been granted consent to issue further capital of Rs. 40 lakhs in the form of equity shares of Rs. 10 each for cash at par. The proceeds of the issue will be utilised for the manufacture of H.T. & L.T. porcelain insulators, transformer bushings etc.

Simco Meters:

Simco Meters Limited, Madras, has been granted consent to issue capital of Rs. 35 lakhs consisting of equity shares worth Rs. 32 lakhs and 9 per cent preference shares of Rs. 3 lakhs for cash at par. The proceeds will be utilised for the manufacture of house service electricity meters, in collaboration with Denis Ferranti Meters Limited, U.K.

Southern Brick Works:

Southern Brick Works (Private) Limited, Madras, has been granted consent to issue equity capital of Rs. 25 lakhs for cash at par privately. The proceeds of the issue will be utilised for starting a factory in Madras for the manufacture of bricks and tiles.

Perfect Pottery Company:

The Perfect Pottery Company Limited, Jabalpur, Madhya Pradesh, having a paid-up capital of Rs. 22,52,400 to-date has been accorded consent to the issue of further capital of Rs. 5,93,850 divided in 11,877 equity

shares of Rs. 50 each to the existing equity shareholders in the ratio of one new share for three shares held, for cash at par. The proceeds of the issue will be utilised for establishing a new works at Bharatpur for the manufacture of 7,200 tons of Stoneware Pipes and 7,200 tons of Refractory Firebricks annually.

THE PREMIER AUTOMOBILES

The Company's report for the year 1960-61 discloses a rise in the gross profit by Rs. 39.98 lakhs to Rs. 193.86 lakhs and net profit by about Rs. 18 lakhs after providing Rs. 56.44 lakhs for depreciation. This has been made possible as a result of an improvement in the sales from Rs. 20.94 crores to Rs. 22.73 crores. The directors have recommended that the dividend should be maintained at Rs. 9 per share subject to tax. After providing for the proposed dividend which will absorb Rs. 49.82 lakhs against Rs. 30.97 lakhs and making necessary adjustments, a sum of Rs. 4.75 lakhs is carried forward against Rs. 3.23 lakhs brought in.

The Directors have stated that all the components of the Fiat transmission including gears, sliding sleeves and hubs were now being produced at the Company's factory. The Company hopes to mount locally-made transmission and Fiat cars before long.

The Company has also sought the sanction of the Government for the issue of further equity capital of Rs. 2 crores in shares of Rs. 100 each. The proceeds of the issue are to be utilised for financing the Company's sheet metal project.

H.E.H. THE NIZAM'S CHARITABLE TRUST

The Nizam's Charitable Trust have shown a surplus of income over expenditure as at 31st March, 1961. The Trustees have reported that the market value of the assets of the Trust have increased to Rs. 6,21,00,000 as against Rs. 6,17,00,000 shown last year in spite of the fact that shares of the book value of Rs. 50 lakhs of three Companies were sold at a premium and the sale proceeds invested in Government securities. This investment in Government securities has, however, resulted in a decrease in income from Rs. 41,03,142 in 1959-60 to Rs. 33,64,936 in the year under review.

The Trustees have set apart a sum of Rs. 30 lakhs to construct an Orthopaedic Hospital in Hyderabad with 200 beds to be completed by the middle of 1963. During the year under review over Rs. 21 lakhs were spent on the various old and new beneficent activities of the Trust. The Trust Fund which opened at Rs. 4,90,00,000.00 closed at Rs. 5,83,50,784.62.

FRIED KRUPP

Fried Krupp, a German firm, which will complete its 150th year of existence this month, is at present building 52 large wharf cranes for the extension of harbour facilities at Calcutta and Madras. The firm will also deliver, in the first part 1962, 15 large tyre-curing presses to a tyre factory in India.

Krupp supplies to India in recent years include 90 locomotives, 3 cement factories, 5 weirs, a large 12 kilometer conveyor system for an open-cut lignite mine, as well as a low shaft furnace, a number of cranes, oil mills, cable-making and stranding machines, can-making machines, steel structures of various kinds and rolled steel products.

From 1957 to the present time alone, the firm's deliveries to India amounted to a value of 225 million DM, a considerable part of which went for supplies and equipment for the Rourkela Iron and Steel Works.

*Company Meeting***PANYAM CEMENTS & MINERAL INDUSTRIES LTD.****Cement Nagar, Kurnool Dt., A. P.**

Speech delivered by Sri T. S. Sundaram, Chairman, Board of Directors of Panyam Cements and Mineral Industries Ltd., at the Sixth Annual General Meeting held on Tuesday, 14th November, 1961, at Cement Nagar.

Gentlemen,

It gives me great pleasure to welcome you to the SIXTH ANNUAL GENERAL MEETING of the Company. The Audited Statements of Accounts for the year ended 31st August, 1961, along with your Directors' Report on the affairs of the Company have been circulated to you and with your permission, I shall take them as read.

It is a matter of gratification to one and all of us that the result of the working of the Company during the year under review has been exceedingly satisfactory. As you will have noted the Profit and Loss Account shows a net profit of Rs. 11,78,934 after providing Rs. 10,20,231 for depreciation including extra shift depreciation. This substantial profit has enabled us to completely write off the preliminary expenses, commission and brokerage of Rs. 40,469 and to make provision for payment of the arrears of dividends on Preference Shares of Rs. 3,72,000 from the date of allotment to 31st August, 1960, at 6 per cent tax-free, i.e. 8-4/7 per cent subject to deduction of tax.

The Managing Agents have waived their remuneration for the second year in succession. I have to place on record on your behalf our sincere gratitude to the Managing Agents for their generous gesture.

I am glad to inform you that the Government of India, after examining the report of the Tariff Commission on the Retention Price payable to the Cement Industry, have fixed for our Company the highest price fixed for Portland Cement. Underlining the importance of the industry, the Commission had proposed prices which will help its development to achieve the capacity target fixed by the Planning Commission. Whilst right and due emphasis has been laid by the Government of India and also the Tariff Commission on improvement of efficiency and reduction in the production costs of the industry, I hope it is appreciated that the high cost of production of the units of this capital intensive industry, especially of those which have come into being in recent years, is mainly due to the steep increase in the capital costs. With the cost of coal and purchased power and railway freight determined or influenced by Government's policies, Wages and salaries fixed by Wage Boards, prices of inventory stores steadily rising and the production targets getting adversely affected by unforeseen circumstances such as coal shortage or wagon shortage and power cuts, only little is left in the hands of the producers to reduce their production costs.

As you are aware, the size of the Cement Plant is one of the important factors influencing its productivity. I hope the Government, keeping in view the

overall, balanced and rational development of this industry to exploit the raw material deposits in all parts of the country, will ensure by their licensing and other policies that the new units are given preference, encouragement and facilities to expand to more economic sizes.

I welcome the Government's decision to allow the State Trading Corporation to continue in the field of cement distribution.

I am happy to inform you that work on the expansion of our Factory is progressing satisfactorily. Orders have been placed for a 300-ton Unit with the indigenous suppliers, Messrs. ACC, Vickers, Babcock Ltd., Bombay. The equipment is due to be delivered during the second half of 1962 by which time civil construction works are also scheduled to be completed. The plant is expected to be commissioned in the second quarter of 1963.

It is proposed to enhance the Authorised Share Capital of the Company from Rs. 1 crore to Rs. 2 crores. The appropriate resolution with regard to this and the present capital issue for Rs. 46.36 lakhs are being placed before you. I am sure we will have your enthusiastic co-operation in making this issue a success.

As mentioned in my last year's speech, the budgeted outlay for this expansion project is estimated at Rs. 120 lakhs. This will be met by the proposed issue of Share Capital of Rs. 46.36 lakhs and borrowings. You will be glad to hear that your Directors have been successful in securing a long-term loan of Rs. 40 lakhs from the Industrial Credit and Investment Corporation of India Ltd., Bombay, and a medium term loan of Rs. 20 lakhs under the Scheme of Refinance Corporation for Industry through our Bankers, The Bank of Baroda Ltd.

I come now to the pleasant part of my duty of expressing our thanks to our Managing Agents for the care and interest evinced by them in the management of the Company and officers, members of the staff and operatives of all categories for their sense of duty and hard work willingly rendered by them.

I now have pleasure in moving that the Directors' Report and the Audited Statements of Accounts for the year ended 31st August, 1961 with the Auditors' Report attached thereto, be adopted.

T. S. SUNDARAM.
Chairman.

Note: The above statement is not a report of the proceedings of the Annual General Meeting referred to.



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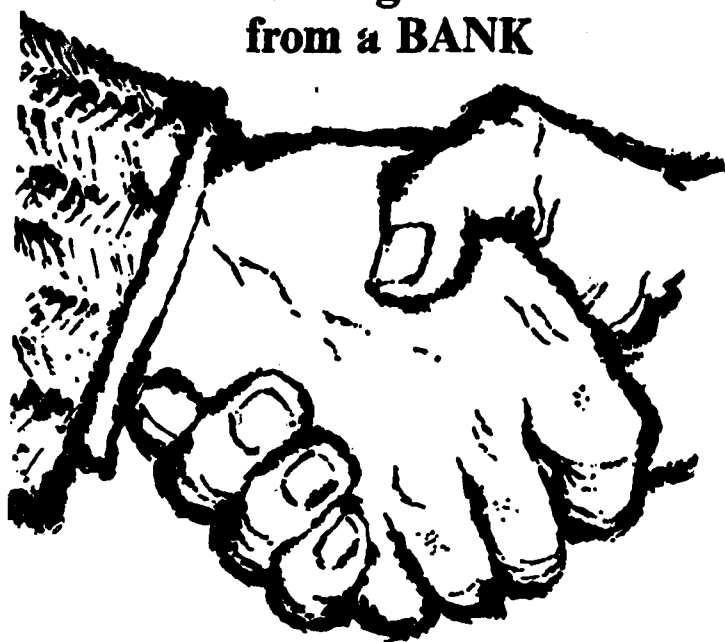
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Capital Authorised	...	Rs. 3,50,00,000
Capital Issued and Subscribed	...	Rs. 3,00,00,000
Capital Paid-up	...	Rs. 1,50,00,000
Reserve Fund & Other Reserves	...	Rs. 1,61,14,860
Working Funds	...	over Rs. 109,86,20,000

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H.E.H. THE NIZAM'S CHARITABLE TRUST

*Seventh Annual Report for the Year
Ended 31st March, 1961.*

1. The H.E.H. The Nizam's Charitable Trust was created by His Exalted Highness the Nizam of Hyderabad on June 14, 1954, with a corpus of the face value of Rs. 4,90,00,000 (Rupees four crores and ninety lacs) for relief of the poor, support of religious institutions, provision of medical aid, advancement of education and for any other objects of public utility in India in general and particularly for people in the former State of Hyderabad.

2. During the year, the Board of Trustees comprised of:

- | | |
|---|-----------|
| i) Prince Mukarram Jah Bahadur | Chairman |
| ii) Sir Said-ul-Mulk, Nawab of Chhatari | Member |
| iii) Nawab Zain Yar Jung Bahadur | Member |
| iv) Shri V. P. Menon | Member |
| v) Mr. Shavax Ardeshir Lal | Member |
| Khan Bahadur C. B. Taraporvala | Secretary |

The Trustees place on record their feeling of grief and loss on the death of their esteemed colleague, Nawab Zain Yar Jung Bahadur, on 16th May, 1961, and their profound appreciation of the services rendered by him. His Exalted Highness the Nizam of Hyderabad, by virtue of the powers reserved to him, under the Trust Deed, in respect of this Trust, appointed Nawab Shah Nawaz Jung Bahadur, as an additional Trustee of this Trust, from 12th June 1961, in the place of the deceased.

3. During the period under review, six meetings of the Board of Trustees were held to deal with the affairs of the Trust, including the consideration of applications received from various public institutions and individuals, for donations, lumpsum grants, medical aid, scholarships etc.

4. The Trustees received, during the year, a very large number of applications from poor and destitute persons, from unemployed people and poor students. The Trustees themselves caused proper investigations to be made before granting relief. The applications dealt with during the year under review are classified under the following broad categories, showing the relief or assistance granted: (1) 581 poor and destitute persons and widows, who are unable to work and have, therefore, no other means of income, were granted maintenance allowances ranging from 5 to Rs. 20 per mensem. (2) Special maintenance allowances ranging from Rs. 25 to Rs. 50 per mensem, were paid to 10 widows and poor and destitute persons who had no other source of income. (3) 917 poor and deserving students were granted scholarships ranging from Rs. 10 to Rs. 20 per mensem. (4) 66 students were awarded special scholarships ranging from Rs. 25 to Rs. 125 per mensem, for higher technical studies.

In all 5,378 beneficiaries (practically all of whom belong to Hyderabad), including those who were recipients of financial aid before, drew either maintenance

allowances or scholarships under the four categories referred to above, as on 31st March, 1961, and the total of such payments during the period under review amounted to Rs. 8,80,842.06. 1,088 patients (almost all of whom belonged to Andhra Pradesh) suffering from T.B., Cancer, Leprosy and other diseases, were granted lumpsum financial aid for medical relief. The total amount of medical aid granted to such patients, during the period under report, amounted to Rs. 1,00,950. 891 poor and deserving students (practically all of whom belonged to Hyderabad) were granted lumpsum financial aid, ranging from Rs. 50 to Rs. 200, towards payment of their admission fees, examination fees and for purchase of books, instruments etc. The total sum of such financial aid, during the year under review, amounted to Rs. 87,135. Special lumpsum educational aid amounting to Rs. 10,911 was granted to 3 scholars for Scientific Research and preparation of Thesis etc.

5. The Trustees, according to the rules framed by them for grant of Foreign Scholarships, invited applications, offering Foreign Scholarships in Mechanical Engineering, Metallurgy and Pharmacology. The applications received were submitted to Committees of experts formed in consultation with the Vice-Chancellor, Osmania University, and on the recommendations of the Committees, the Trustees granted four full and four part scholarships for studies abroad. In addition to these, lumpsum scholarships for higher education

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abroad (including passage money) amounting in all to Rs. 2,24,850.83 were provided by the Trust.

6: Special lumpsum grants aggregating Rs. 8,22,600 were given to Schools, Colleges and other Institutions, Sanatoria and other beneficial objects of public utility.

7. During the year under review, recurring grants for periods ranging from 1 to 3 years were granted to (21) educational and technical institutions.

8. During the year under review M/s. A. F. Ferguson & Co., Chartered Accountants, who were appointed by the Auditor-General of India to audit the accounts of the Trust from its inception and to enquire into "the truth, the legality and the propriety of the various transactions and investments of the Trustees", completed their work and submitted their report to the Supreme Court of India through the Auditor-General of India. The Trustees, as decided by them last year, invested Rs. 2 lacs in Government Small Savings Schemes and Rupees one crore in 4 per cent Andhra Pradesh State Development Loan and 4½ per cent Andhra Pradesh State Electricity Board Bonds. They have further invested Rs. 10 lacs in sound Preference Shares yielding 8 per cent per annum, to make good, to an extent, the short-fall in the income of the Trust on account of the lower yield of Government Securities.

9. The market value of the assets of the Trust has increased to Rs. 6,21,00,000 as against Rs. 6,17,00,000 shown last year, in spite of the fact that shares of the book value of Rs. 50 lacs of three companies which were the subject of comments in certain quarters were sold at a premium and the sale proceeds invested in Government Securities. This has, however, resulted in a decrease in income, from Rs. 41,03,142 in 1959-60 to Rs. 33,64,936 in the year under report.

10. In pursuance of the decision of the Trustees, regarding construction of an Orthopaedic Hospital in Hyderabad, a Governing Board has been constituted and registered as an autonomous body under the Societies Registration Act No. I of 1950 Fasli on 16th July, 1960, with the Trustees and Secretary of this Trust, and four representatives of the Government of Andhra Pradesh, namely, the Secretary to Government, Health, Housing and Municipal Administration Department, the Secretary to Government, Finance Department, the Director of Medical Services and the Professor of Orthopaedics, Osmania Medical College, as its members, and the sum of Rs. 30 lacs set apart by the Trustees for this purpose was handed over to the above Board. A site measuring about 19 acres in Khairatabad, situated within 3 miles of other major general hospitals, in the twin cities of Hyderabad and Secunderabad, was purchased at a cost of Rs. 2,90,000 for the construction of an Orthopaedic Hospital with provision for 200 beds. The members of the Executive Committee are evincing keen interest for the early accomplishment of this scheme. It is estimated that the construction would be completed in the first half of 1963, and the hospital would begin functioning in the latter half of the same year.

11. With a view to implement the project for the establishment of a school for training artisans and mechanics, to which a reference was made in the previous report, the Trustees, in collaboration with the authorities of the Alladin Technical Institute, constituted a Society called "H.E.H. the Nizam & Alladin Technical Education Society" which has since been

registered under the Hyderabad Societies Registration Act I of 1950 Fasli. The Trustees have contributed Rs. 10 lacs to this Society, to enable them to implement their scheme of technical education in Hyderabad, and the Alladin Mecca-Madina Trust have agreed to continue their contribution of Rs. 30,000 per annum to the Society for the same purpose. A beginning has been made and the scheme is likely to be finalised and put into shape during the current year.

12. The Trustees were disbursing large sums of money every year by way of lumpsum financial aid to poor students for purchase of books, instruments etc. The amounts, so paid, were misused in some cases, as the Trust Office has no control on hundreds of recipients who are sanctioned such lumpsum grants. The Trustees have, therefore, created a "Text Book Lending Library", in collaboration with the Rotary Club of Hyderabad, for the purpose of providing books to poor students in Hyderabad, Secunderabad, Adikmet, Bolarum and the contiguous areas, especially in colleges and institutions established within the city limits and affiliated to the Osmania University, or preparing for examinations held by such other examining bodies functioning within the city limits as may be recognised by the Governing Council of the Society.

A PASSENGER FROM WEST BENGAL WRITES.....

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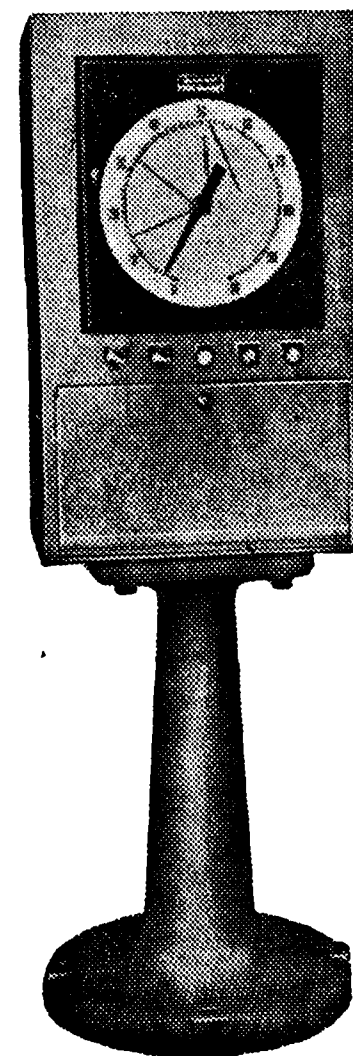
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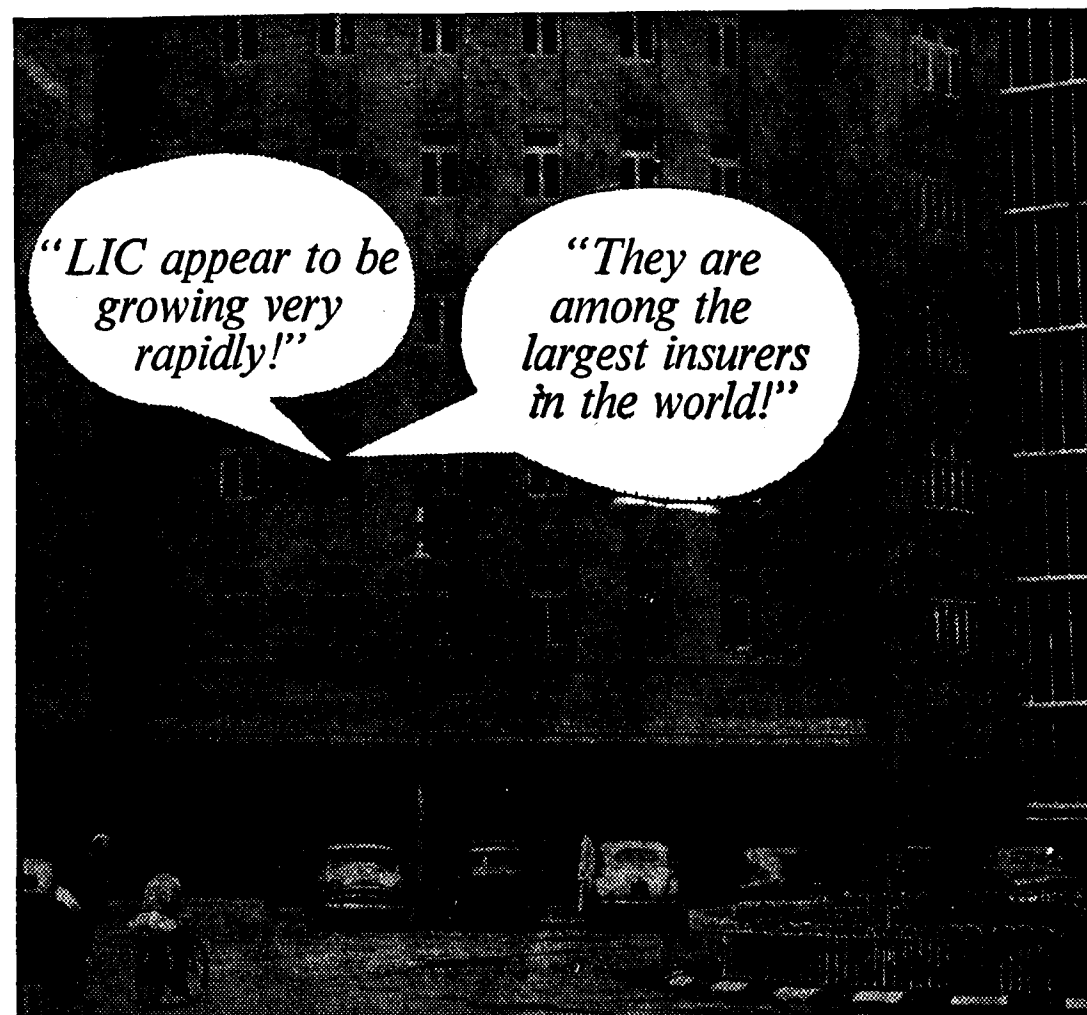
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Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Food articles & Tobacco	Liquor	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures			All Commo- dities
						Inter- mediate Products	Finished Products	Total	
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61	..	120.0	110.0	119.6	145.4	130.5	122.8	123.9	124.8
July 1960	..	124.0	109.6	119.5	137.2	130.4	119.4	121.0	121.0
August	"	123.8	106.7	119.7	137.0	131.0	121.1	122.6	125.0
September	"	123.9	104.5	119.3	138.7	129.5	121.6	122.7	125.3
July 1961	..	124.3	98.6	121.5	151.3	141.9	124.6	127.0	128.6
August	"	124.3	99.9	122.0	144.6	140.9	123.7	126.1	127.4
September	"	121.1	99.7	121.9	138.1	140.6	122.9	125.4	124.6
14-10-1961	..	121.1	99.5	121.7	136.3	140.5	123.9	126.2	124.5
21-10-1961	..	121.3	99.5	121.6	132.7	140.8	123.8	126.2	124.0
28-10-1961	..	121.3	99.5	122.0	135.9	139.5	124.5	126.6	124.7
4-11-1960	..	121.7	99.2	122.0	135.8	140.0	125.4	126.9	124.9

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS (August 1939 = 100)

Period	Bombay				Delhi Bengal U.P.			Central Provinces		Madras	E.P.	Bihar	All India†
	Bombay	Bombay June 1944=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†		
1939 (Aug.-Dec.)	..	103	—	—	—	105	104	—	106	—	—	—	
1955	..	322	338	217	130	321	371	364	133	321	134	135	132
1956	..	336	352	244	142	347	424	397	151	358	152	146	145
1957	..	352	368	259	150	364	448	422	162	374	157	157	152
1958	..	376	394	274	150	384	468	447	165	401	157	169	161
1959	..	393	412	308	158	384	469	468	163	429	166	173	168
1960	..	401	420	296	158	397	476	512	165	467	167	166	171
1961 February	..	401	420	296	163	389	488	491	165	470	171	164	170
March	..	404	423	296	163	392	483	488	165	479	169	167	171
April	..	409	428	296	165	389	471	490	165	482	169	166	170
May	..	412	431	296	166	389	464	490	166	479	171	166	171*
June	..	414	433	302	167	389	474	498	166	478	171	167	172
July	..	418	437	—	171	406	482	498	166	480	172	168	173
August	..	419	438	—	171	410	491	501	—	181	—	—	—
September	..	417	436	—	169	410	491	499	—	479	—	—	—
October	..	—	—	—	—	—	499	—	—	480	—	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT) WEEK ENDED

	3-11-1961			27-10-1961			20-10-1961			13-10-1961		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	123.50	122.25	122.77	124.85	123.50	124.06	125.10	124.45	124.75	125.50	124.60	125.00
Silver (per kilogram)	207.20	206.50	206.77	206.90	205.40	206.18	206.25	204.90	205.31	206.30	205.30	205.60

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Bank- ing Dept.	Total Notes Issued (a)	Gold & Bullion (b)	Coin & Securities (c)	Foreign Securities (c)	Total of (b+c) as Percent- age of (a)	Rupee Coin	Rupee Securities	Total Assets
1956-57 ..	1,475,77	18,75	1,494,52	40,02	545,98	586,00	39.21	115,93	755,22	1,494,52
				(117,76)		(663,37)	(44.37)			
1957-58 ..	1,529,36	23,18	1,552,53	117,76	329,65	447,41	28.79	1,30,06	975,06	1,552,53
1958-59 ..	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
1959-60 ..	1,730,90	19,86	1,750,77	117,76	167,62	285,38	16.30	131,50	1,333,83	1,750,77
1960-61 ..	1,863,13	18,94	1,882,07	117,76	134,99	255,75	13.4	126,84	1,502,48	1,882,07
Average of Fridays										
Aug. 1960 ..	1,799,36	19,85	1,819,21	117,76	124,26	242,02	13.30	130,58	1,446,61	1,819,21
Sept. " ..	1,794,03	16,23	1,810,26	117,76	123,01	240,77	13.3	131,80	1,437,70	1,810,26
Oct. " ..	1,806,44	16,56	1,823,00	117,76	123,01	240,77	13.2	130,36	1,451,86	1,823,00
Aug. 1961 ..	1,902,77	13,31	1,911,93	117,76	116,86	234,62	12.27	123,85	1,553,46	1,911,93
Sept. " ..	1,877,38	21,36	1,898,74	117,76	116,86	234,62	12.36	126,45	1,537,67	1,898,74
Oct. " ..	1,895,94	21,25	1,917,19	117,76	116,86	234,62	12.24	126,22	1,556,35	1,917,19
Week-Ending										
29-9-1961 ..	1,857,24	34,80	1,892,04	117,76	116,86	234,62	12.40	128,61	1,528,80	1,892,04
6-10-1961 ..	1,891,49	18,09	1,909,58	117,76	116,86	234,62	12.28	126,15	1,548,80	1,909,58
13-10-1961 ..	1,906,13	12,91	1,919,04	117,76	116,86	234,62	12.23	125,55	1,558,86	1,919,04
20-10-1961 ..	1,903,90	15,52	1,919,42	117,76	116,86	234,62	12.22	125,94	1,558,86	1,919,42
27-10-1961 ..	1,882,25	38,48	1,920,73	117,76	116,86	234,62	12.22	127,25	1,558,86	1,920,73

BANKING DEPARTMENT

Period	Deposits					Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad‡	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Gov. ernment	Other Gov. ernments	Banks	Others	Total									
1956-57 ..	57,52	14,10	52,46	19,73	143,81	91,21	245,02	18,91	5,69	64,77	4,89	85,34	51,82	13,60
1957-58 ..	54,61	11,28	81,00	111,38	258,27	84,36	407,63	23,30	4,81	40,47	32,90	77,91	213,92	14,32
1958-59 ..	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,18	25,57	28,23	65,83	284,49	11,73
1959-60 ..	55,50	23,24	79,61	123,48	281,83	83,18	450,01	19,94	15,54	28,97	25,53	88,92	256,90	12,22
1960-61 ..	61,73	21,27	97,30	98,76	279,06	100,33	464,39	19,02	28,71	20,74	38,19	132,78	209,56	15,38
Average of Fridays														
August 1960 ..	60,44	23,00	118,40	120,40	322,25	76,19	483,43	19,92	23,55	21,64	37,69	117,00	251,73	11,89
Sept. " ..	67,44	30,27	108,27	92,64	298,61	78,01	461,63	16,32	18,76	20,71	28,88	142,08	222,85	12,03
Oct. " ..	56,65	28,05	104,94	89,43	279,07	85,39	449,45	16,64	14,98	18,33	29,93	125,78	231,40	12,40
August 1961 ..	65,40	16,46	88,09	180,22	350,16	89,86	525,02	13,36	15,21	30,98	47,71	116,37	284,51	16,89
Sept. " ..	60,81	26,67	83,71	159,06	330,34	96,02	511,36	21,42	16,73	17,47	49,11	131,54	257,83	17,12
Oct. " ..	60,23	14,40	81,36	147,41	303,40	95,52	483,91	21,31	37,59	20,06	60,56	135,20	193,80	17,92
Week-Ending														
29-9-1961 ..	59,46	22,49	78,47	146,69	307,12	99,80	419,92	34,86	12,77	12,87	49,36	133,33	231,24	17,49
6-10-1961 ..	65,15	4,68	72,47	149,17	291,47	95,56	472,03	18,16	34,69	13,60	57,04	139,14	191,59	17,82
13-10-1961 ..	61,07	3,98	82,10	147,12	294,27	92,93	472,20	12,95	50,05	10,02	63,37	136,18	181,71	17,91
20-10-1961 ..	49,92	28,60	84,49	146,79	309,80	95,88	490,68	15,57	32,45	28,27	59,45	135,93	200,08	17,93
27-10-1961 ..	64,78	20,33	86,37	146,55	318,04	97,71	500,74	38,54	23,15	28,33	62,38	129,53	200,81	18,01

* Average of Fridays. **Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. †Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. ‡Includes cash and short-term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES				Cash (Note+Coins)	Balances with Reserve Bank	(5+6) as per- centage of (4)	Advances (8)	Bills Dis- counted as per- centage of (4)	(8+9) Investments in Govern- ment Secur- ities in India	
	Demand	Time	Total (2+3)								
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
1954-55	..	559,62	351,86	911,55	32,66	53,91	9.50	468,39	84,66	60.68	339,74
1955-56	..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	63.02	370,71
1956-57	..	653,34	453,92	1,107,26	36,94	50,23	7.96	626,08	155,56†	71.39	359,35
1957-58	..	723,89	619,19	1,343,08	39,34	77,55	8.72	723,79	167,83†	66.39	385,54
1958-59	..	735,93	860,33	1,596,26	40,30	83,99	7.74	766,56	133,58†	56.39	565,14
1959-60	..	745,83	1,086,79	1,832,62	44,84	75,81	6.58	842,75	144,59†	53.88	725,20
1960-61	..	794,49	1,155,87	1,950,36	47,04	93,09	7.17	995,75	163,35	59.43	688,52
Average of Fridays											
May	1961	845,27	1,108,21	1,953,48	48,43	73,26	6.23	1,085,24	194,17	65.49	548,23
June	1961	837,02	1,119,91	1,956,93	48,46	79,72	6.55	1,102,90	179,40	65.53	542,17
July	1961	843,35	1,133,99	1,977,34	46,71	88,73	6.85	1,100,57	156,31	63.56	562,78
August	1961	837,73	1,148,50	1,986,23	45,86	83,13	6.49	1,087,85	1,151,04	62.38	589,50
Sept.	1961	839,19	1,142,64	1,981,83	44,78	79,11	6.25	1,076,93	159,71	62.00	609,85
October	1961	844,70	1,138,11	1,982,81	48,54	77,49	6.35	1,062,70	179,75	62.66	615,28
Week Ending											
6-10-1961	..	838,16	1,138,73	1,976,89	45,62	74,92	6.09	1,068,15	177,31	63.00	611,65
13-10-1961	..	841,44	1,135,60	1,977,04	45,38	77,17	6.19	1,068,32	177,70	63.02	611,63
20-10-1961	..	846,54	1,136,88	1,983,42	52,62	76,46	6.51	1,064,07	179,11	62.68	612,89
27-10-1961	..	852,66	1,141,24	1,993,90	50,53	81,41	6.62	1,050,26	184,88	61.95	624,93

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Rs. in Lakhs)

Last Friday	Deposit Money with the Public					
	Money supply with the public	Total currency with the public	Total	Demand Liabilities of banks	Other Deposits with Reserve Bank†	Total variation in money supply
(1)	(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1954-55 ..	1,920,63	1,311,77	608,86	599,16	9,71	+126,65
1955-56 ..	2,184,32	1,505,09	679,23	667,22	12,01	+263,69
1956-57 ..	2,312,89	1,556,50	756,39	744,74	11,65	+128,57
1957-58 ..	2,388,83	1,606,60	782,22	762,36	19,87	+ 75,94
1958-59 ..	2,498,76	1,724,53	774,23	754,98	19,25	+109,92
1960-61 ..	2,900,89	2,027,04	873,85	854,89	18,96	+197,76
February 1961 ..	2,816,56	1,966,28	850,28	829,74	20,54	+ 23,90
March " ..	2,910,89	2,027,04	883,85	864,89	18,96	+ 94,33
April " ..	2,915,44	2,025,80	889,64	870,42	19,22	+ 4,55
May " ..	2,872,60	2,010,82	861,77	841,53	20,24	- 42,84
June " ..	2,872,22	1,969,63	902,60	877,78	24,82	- 38
July " ..	2,808,66	1,937,50	871,88*	850,00	21,15	- 63,56
August " ..	2,796,36*	1,920,34*	878,03	857,54*	20,49*	- 9,71*
September " ..	2,776,22*	1,900,56*	875,64*	857,45*	18,18	- 23,19*

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.
Source: Monthly Bulletin of Reserve Bank.

INDEX NUMBERS OF WHOLESALE PRICES — IMPORTANT COMMODITIES

(1952-53 = 100)

Average of months/ Average of weeks		Rice	Wheat	Jowar	Bajra	Gram	Ground- nut Oil	Mustard Oil	Sugar	Gur	Tea
1955-56	..	78	72	67	84	49	74	104	94	88	170
1956-57	..	97	88	123	122	71	104	176	95	100	165
1957-58	..	105	88	114	126	68	105	164	110	107	164
1958-59	..	105	105	105	126	96	107	148	121	131	169
1959-60	..	105	96	119	126	75	118	150	124	161	186
1960-61	..	108	90	122	130	87	138	168	127	136	206
October 1960	..	111	90	125	137	91	144	165	127	142	216
November	..	106	90	126	135	93	138	173	127	141	218
December	..	102	90	120	131	93	135	177	127	126	N.A.
January 1961	..	99	91	113	132	94	141	184	127	120	N.A.
February	..	101	91	110	130	92	144	184	127	116	213
March	..	101	91	110	128	90	153	179	127	112	208
April	..	101	88	110	130	79	154	169	127	114	216
May	..	103	86	109	134	76	152	168	127	116	198
June	..	106	86	113	141	81	159	169	127	122	206
July	..	108	88	118	145	81	160	175	127	121	220
August	..	110	89	113	142	82	149	174	127	123	218
September	..	110	87	107	128	81	141	173	127	122	190
2-9-1961	..	110	87	108*	132	79	143	174	127	123	189
9-9-1961	..	110	87	107*	131*	81	139	173	127	123	180
16-9-1961	..	110	87	104*	126	82	141	173	127	123	176*
23-9-1961	..	109	88	106*	123	81	143	173	127	121	186
30-9-1961	..	109	87	107*	125	81	136	174	127	120	221

Average of months/ Average of weeks		Spices & Tobacco Condi- ments	Coal	Cotton Raw	Jute Raw	Ground nut	Cotton Manu- factures	Jute Manu- factures	Silk & Rayon Manu- factures	Machi- nery
1955-56	..	110	77	101	97	117	79	105	96	102
1956-57	..	97	80	116	111	126	111	116	95	88
1957-58	..	96	92	128	106	133	108	116	95	86
1958-59	..	127	93	133	99	118	117	112	87	93
1959-60	..	152	98	135	106	125	131	117	91	96
1960-61	..	128	111	141	112	210	146	128	131	104
October 1960	..	129	116	141	114	225	142	130	136	102
November	..	130	121	141	111	232	140	129	142	102
December	..	126	114	141	110	226	143	129	143	102
January 1961	..	125	113	141	111	248	151	128	155	104
February	..	124	113	141	110	280	153	128	168	112
March	..	122	114	141	111	271	159	127	162	117
April	..	123	111	141	110	243	162	127	142	117
May	..	128	101	141	110	245	162	127	137	115
June	..	151	95	141	110	208	167	126	125	117
July	..	145	93	141	107	215	171	126	131	119
August	..	143	95	141	105	180	167	128	121	118*
September	..	143	95	141	104	155	156	128	114	119
2-9-1961	..	142	95*	141	103*	149*	164	128*	113	119*
9-9-1961	..	142	95*	141	103*	156*	156	128*	113	119*
16-9-1961	..	146	95*	141	104*	157*	156	128*	114	119*
23-9-1961	..	144	95*	141	104*	160*	155	128*	114	119*
30-9-1961	..	144	95*	141	106*	156*	152*	128*	118	119*

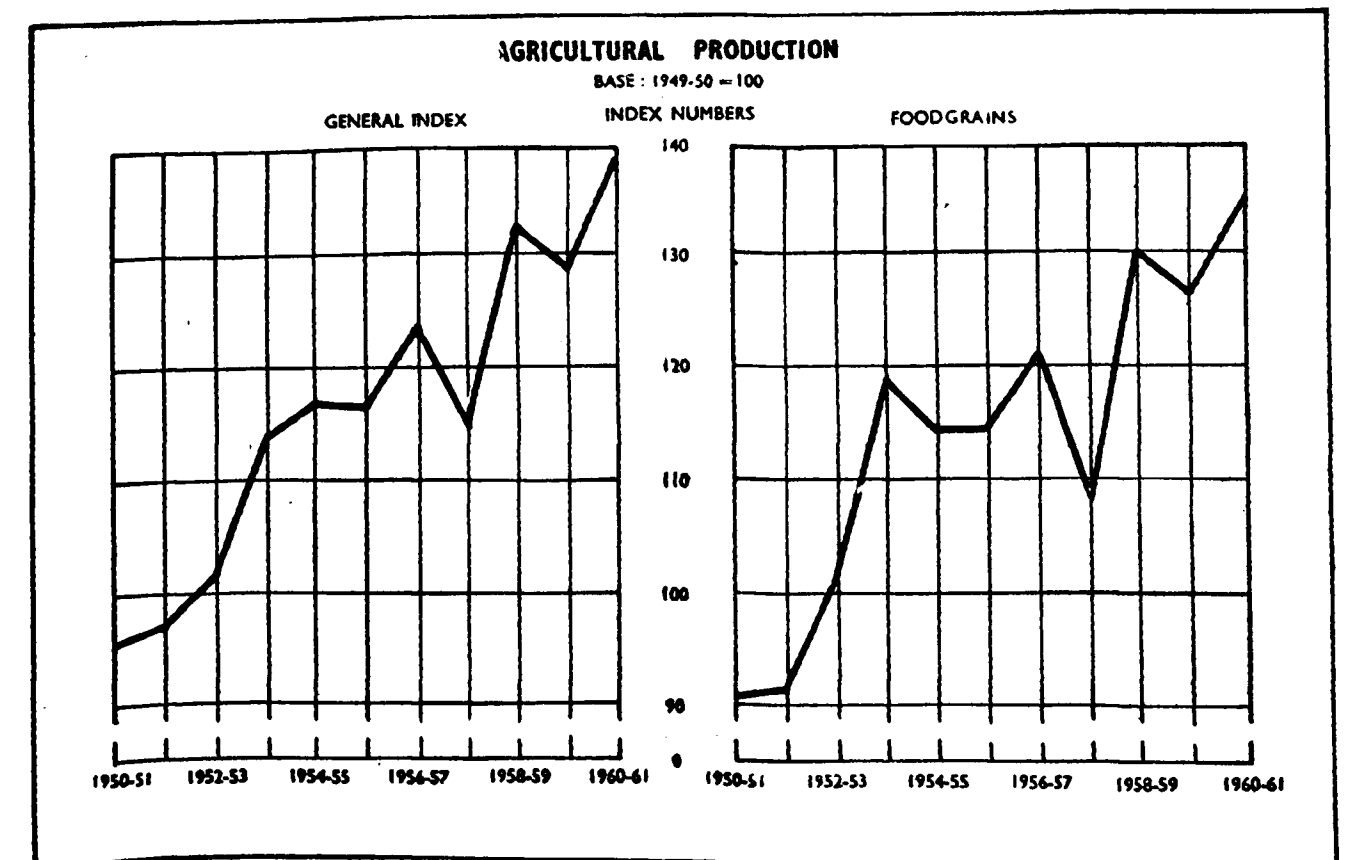
* Estimated.

INDEX NUMBERS OF AGRICULTURAL PRODUCTION: 1950-51 — 1960-61

[Base: Crop year ending June 1950 = 100]

Commodity	Weights	1950-51	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61
1) Foodgrains	..	66.9	90.5	115.3	120.8	109.2	130.0	126.6
a) Cereals*	..	58.3	90.3	114.9	120.5	109.9	129.3	127.6
i) Rice	..	35.3	97.9	114.2	120.4	105.6	127.5	125.2
ii) Wheat	..	8.5	101.1	131.3	140.7	118.5	147.0	151.8
iii) Jowar	..	5.0	89.8	96.7	105.3	124.1	127.3	116.9
iv) Bajra	..	2.7	83.8	108.3	90.1	113.5	120.7	112.1
v) Maize	..	2.1	84.4	112.3	132.8	135.9	134.3	145.1
b) Pulses**	..	8.6	91.7	118.4	122.9	104.4	135.1	119.9
Gram	..	3.7	98.0	138.9	159.8	129.1	179.4	143.4
Other Pulses	..	3.8	85.6	103.9	91.9	88.1	105.3	106.4
2) Non-foodgrains	..	33.1	105.9	119.9	131.5	129.4	136.1	132.8
a) Oilseeds †	..	9.9	98.5	108.6	120.3	118.9	133.4	122.0
i) Groundnut	..	5.7	101.4	112.4	127.2	137.5	142.7	128.9
ii) Rapeseed and Mustard	..	2.0	94.6	105.8	128.3	114.8	128.2	131.0
iii) Linseed	..	0.8	87.8	97.1	90.3	60.0	105.2	105.0
b) Fibres §§	..	4.5	108.6	149.7	170.7	164.4	174.2	141.2
i) Cotton	..	2.8	110.7	153.9	181.2	178.8	176.6	138.5
ii) Jute	..	1.4	106.3	135.8	138.7	128.8	158.7	140.7
c) Plantation Crops	..	3.6	104.0	113.2	123.0	122.7	127.3	128.1
i) Tea	..	3.3	103.8	107.2	117.2	115.7	119.4	119.6
ii) Coffee	..	0.2	112.3	196.1	204.1	229.8	240.8	255.2
iii) Rubber	..	0.1	93.8	146.1	152.9	140.1	160.2	154.6
d) Miscellaneous Crops†	..	15.1	110.3	120.1	129.2	127.5	128.6	138.5
i) Sugarcane	..	8.7	113.7	119.8	137.2	138.1	138.7	149.6
ii) Tobacco	..	1.9	97.3	112.9	113.7	89.4	98.9	105.0
3) General Index	..	100.0	95.6	116.8	124.3	115.9	132.0	128.7

* Includes Ragi, Small Millets, and Barley besides Rice, Wheat, Jowar, Bajra and Maize. ** Includes Gram, Tur, and other Pulses. † Includes Groundnut, Sesamum, Rape and Mustard, Linseed and Castor seed. §§ Includes Cotton, Jute and Mesta. ‡ Comprises Sugarcane, Tobacco, Potato, Pepper, Chillies and Ginger.



AGRICULTURAL SITUATION IN YUGOSLAVIA

AREA, PRODUCTION, AND YIELD PER HECTARE

			Average		1957	1958	1959	1960
			1930-39	1951-60				
Area, ('000) hectares								
Wheat	..	..	2,140	1,900	1,970	1,990	2,130	2,060
Rye	..	..	250	264	256	248	236	213
Maize	..	..	2,600	2,470	2,590	2,390	2,580	2,570
Hemp	..	..	42	49	52	52	39	37
Tobacco	..	..	15	42	56	53	49	39
Sugar Beet		..	35	79	83	71	81	78
Potatoes	..	..	275	264	285	277	290	288
Production ('000 Tons)								
Wheat	..	..	2,430	2,510	3,100	2,450	4,130	3,570
Rye	..	..	212	249	280	241	265	233
Maize	..	..	4,300	4,200	5,660	3,950	6,670	6,120
Hemp	..	..	250	240	5,660	262	241	200
Tobacco	..	..	15	36	63	39	46	31
Sugar Beet		..	616	1,600	2,030	1,480	2,420	2,320
Potatoes	..	..	1,650	2,280	3,310	2,620	2,760	3,160
Plums	..	..	505	645	588	544	1,210	208
Apples	..	..	141	182	106	306	236	160
Grapes	..	..	790	892	907	1,190	954	742
Yield per Hectare, Quintals								
Wheat	..	..	11	13	16	12	19	17
Rye	..	..	9	9	11	11	11	11
Maize	..	..	16	17	22	17	26	24
Hemp	..	..	59	49	60	51	62	54
Tobacco	..	..	10	9	11	7	9	8
Sugar Beet		..	176	202	246	207	297	295
Potatoes	..	..	60	87	115	94	94	110
Plums	..	..	18	11	11	29	21	4
Apples	..	..	12	19	11	10	21	14

CONSUMPTION OF MANUFACTURED FERTILIZERS (Tons)

	1939	1956	1957	1958	1959
TOTAL	30,695	447,721	761,542	982,213	1,136,867
Nitrogenous	11,787	191,625	281,771	363,419	385,399
Phosphatic	18,847	201,922	354,117	447,889	576,391
Potash	61	54,174	125,654	170,905	175,077

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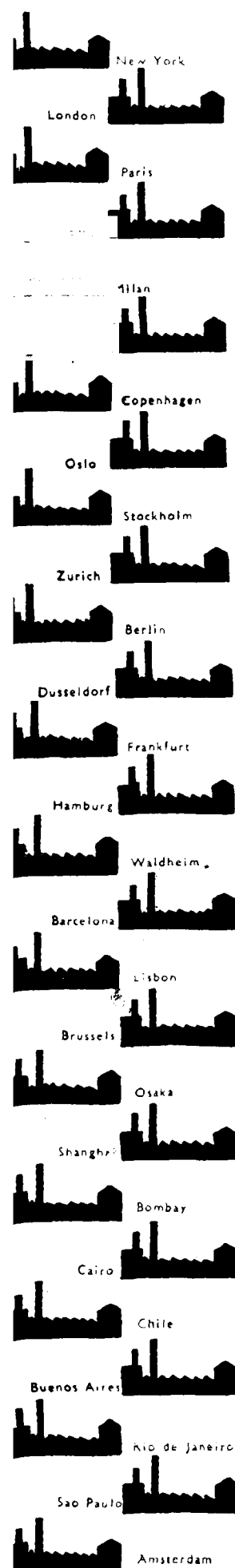
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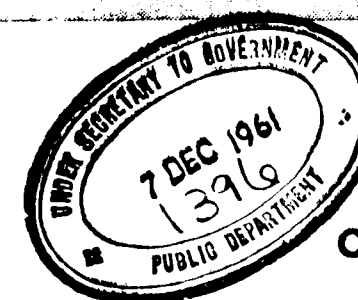
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THE EASTERN ECONOMIST

VOL. XXXVII. NO. 22.

NEW DELHI: DECEMBER 1, 1961.

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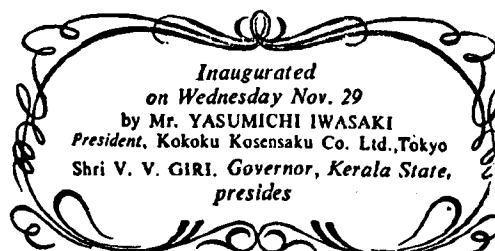
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THE EASTERN ECONOMIST

DECEMBER 1, 1961.

Nuclear Testing: Back to a Treaty?

THE news that both sides are going back to the Conference Table at Geneva after exploding their bombs is the best news of the week. Exactly how much optimism can be attached to it will naturally be read in historical context; and that is not very encouraging. For two years the Geneva test ban negotiations went back and forth with fluctuating hopes and despair and then ended in the megaton explosions. Under the stress of international tension, multiplied extremely, it seems, by the neurosis of nuclear detonation, international psychology itself has become unpredictable. What has been gained by either side by the failure to reach an agreement in the first two years of the negotiations? Almost none can give a positive answer and yet almost no one can be sure that the statement of either side blaming the other is devoid of truth. But the fact remains that the megaton explosions were a mighty denial of all negotiations. The U.S.S.R. will never escape in India criticism for having departed from the Conference Table to explode its terrible toys.

While there was much to be said for this view and the American explanation of the case formulated in a well-publicised booklet on the nuclear ban treaty, who can be quite sure that the display of Russia's tremendous nuclear armoury in megaton explosions has not encouraged new negotiations at the Conference Table? Can it be that the psychology of fear is now more important than the claims of pure reason in making the great nations of the world advance constructively to a Conference Table? It is the Russian claim that, but for the megaton explosions, disarmament talks would have taken place in an "unreal" atmosphere. It is the American claim that the megaton explosions have shown that their own reading of the Russian mind has been proved once again. Undoubtedly, the world is better ready to negotiate on the threshold of annihilation than it is in the calmer days of negotiated peace. Undoubtedly, the display of determination by the USSR has

shown what should have been known that, in the single-minded pursuit of its aims, the Soviet Union will disregard neutral opinion whenever it suits its purpose. It has kept its eye on its enemies and certainly it is plausible to argue that the mood for negotiation has been brought closer by the display of Russia's strength. Similarly, on Berlin there might have been no negotiations unless Mr. Khrushchev had presented his notorious ultimatum. But if each ultimatum is to be presented only to advance negotiation why not negotiate in the first instance? It is inevitable in the face of nuclear weapons on both sides that the ultimatum will be withdrawn or suspended—as it has been on three occasions on Berlin already—and thus suffer from the diminishing marginal utility. Is not the world making itself fairly ridiculous by operating on a psychology of fear, which contains attackers and defenders alike? The Conference Table approach for nuclear powers is the only one that has merit in our time.

It is the more unfortunate that we who have advocated this method are losing faith in ourselves. Those of us who live, so to speak, at the mercy of others since we do not possess nuclear bombs and cannot decisively influence those who have it, must wonder whether or not neutral opinion in the nuclear age has suffered a major decline. But if, as most of us still contend, the Gandhian message is full of meaning, one can view with some little alarm the angry appeals for the use of force now being made in India which might reduce our international position as peacemakers in the world. Sabre-rattling might be a good maker of morale for countries whose power of attack and defence can stand up to all challenges. *The Eastern Economist* holds the view that the breaking off of negotiations between the Indian Union and China will be as great an error as was the error of breaking off the Geneva talks. But while we talk diplomatically let us keep our powder dry.

Fertilizer Prices

THE cold reception that has been accorded by the Union Cabinet, at its this week's meeting, to Mr. S.K. Patil's proposal to cut pool prices of chemical fertilizers by Rs. 14 per ton is bound to dampen his enthusiasm to make the country self-sufficient in food and some essential agricultural raw materials by the end of the current Plan. Mr. Patil, indeed, had put forth his case ably when he pleaded before the Cabinet that the agriculturist needed the imperative incentive in the form of lower fertilizer prices if the Third Plan agricultural targets—which, in fact, may have to be exceeded in view of the rapidly increasing population of the country—are to be achieved. India today is on the threshold of the fertilizer revolution in her agrarian economy and any measure that helps in hastening this revolution is welcome.

The objection raised by the Union Finance Minister, Mr. Morarji Desai,—with which the Planning Commission is also reported to have concurred—against the proposed measure, though plausible on the face of it, is hardly convincing. The public sector enterprises—owned by the Centre as well as the States—it has been argued, would be required to contribute no less than Rs. 450 crores towards the finances needed for the implementation of the Third Plan. And if fertilizer prices are cut, it will lead to

accruing of lower profits to the State-owned fertilizer manufacturing units which would, in turn, upset the entire scheme of financing the Plan. *The Eastern Economist*, of course, has been pleading that the price policy of public sector enterprises should be such as to enable them to contribute materially towards financing the Plan. But at the same time it is the view of this Journal that this policy has to be flexible in the case of State undertakings where there may be certain other overriding considerations to be taken note of. The case of fertilizer units falls in this category. The small fall that might occur in the profits of the State-owned fertilizer factories, consequent upon a cut in fertilizer prices, will obviously be more than compensated by increased agricultural production which can have very healthy effects on the economy as a whole.

One might also argue that some reduction in fertilizer prices is warranted even to make the working of the public sector fertilizer manufacturing units more efficient. Artificially rigged up prices always contain an element of protection and invariably result in the management becoming complacent about reducing the overhead costs. Further, the estimates of the Planning Commission and the Finance Ministry of the contribution to be made by the State-owned fertilizer factories

towards financing of the Plan may not even otherwise be fulfilled. One has only to recall in this regard the terrible setback that has been caused to the output at Sindri by shortage of coal supplies of the right quality. If the Union Cabinet can put up with such cases, there is no reason why it should stand in the way of a deliberate cut in fertilizer prices which is to be effected in the larger interests of the country's agrarian economy.

Meanwhile, the Government's decision to go in for an installed capacity of 1.1 million tons of nitrogenous fertilizers to enable the production of such fertilizers to increase to one million tons, as stipulated in the Third Plan, is a step in the right direction. There is even a case for having some more installed capacity in this respect, arising out of the fact that there occurs invariably inordinate delay in this country in the setting up of new plants. If the targets of fertilizer pro-

duction fixed in the Plan are exceeded as a sequel to having higher installed capacity, it will be all to the good. Equally welcome is the decision of the Government to allow issuance of new licences for granulation of mixed fertilizers to the existing undertakings, subject to the condition that the firms should make their own arrangements for foreign exchange required to import components of the plants and equipment for the purpose. Though nitrogen is the limiting factor of fertility of soil in India, the soil here does react favourably to the use of potash and phosphoric acid when applied in conjunction with nitrogenous fertilizers. There is at present a great leeway in making the Indian peasant conscious of this fact. This can be made up through an active propaganda and demonstration programme relating to the use of mixed fertilizers. Lower prices for fertilizers in general can be the first important step in this battle.

The State Financial Corporations

THE eighth annual conference of the State Financial Corporations was in no sense a routine meeting. Their progress and operations were subjected to a searching examination and not a little outspoken criticism. The utility of this conference was enhanced by the fact that the representatives of the relevant Ministries of the Union Government, the Industrial Finance Corporation of India, the Industrial Credit and Investment Corporation of India and the State Bank of India enriched the deliberations by their active participation.

A depressing feature of the working of these State Financial Corporations has been their inability to meet their commitments of guaranteed dividends. During the last few years, in almost all cases, these Corporations needed subvention from their States for honouring this obligation. This state of affairs cannot be allowed to continue for long without creating conditions of stagnation in these Corporations. During the past few years these Corporations have come in for severe criticism because of their persisting incapacity to expedite the procedure for screening of loan applications and lack of innovation in expanding their business. Reasonable complaints are mounting up in regard to the time-consuming formalities of screening of all applications for loans put up by the small and medium-scale industries. Some of the entrepreneurs have been scared away from these Corporations because their reliance on them tended to prolong the completion of their projects and, indirectly, enhanced the initial cost. In some cases arrangements made for obtaining supplementary finance fell through. The Governor of the Reserve Bank of India, Mr. H. V. R. Iengar, stressed in a pointed manner the urgency of shedding all such practices which ultimately result in thwarting their own growth and restrict their potential to play an effective role in the industrial development of the country.

While the State Financial Corporations cater to the needs of the medium and small scale industries, the bigger units look to the Industrial Finance Corporation of India and the I.C.I.C.I. for accommodation. The total assets of all the 15 State Financial Corporations are hardly 60 per cent of those of the Industrial Finance Corporation of India, which is a sharp reminder that the Corporations at the State level have to accelerate the rate of their operations if they are to meet the challenge of expansion in the economy. The growth in the past eight years has been slow and halting mainly because of the irksome adher-

ence to their red-tape. This is not to suggest that the screening is superfluous. In fact, it is vital that sound banking principles must govern all the dealings of the Corporation. But it is of the essence of sound bank management that shrewd judgment must be exercised as to where to be liberal or meticulous. The lesson needs to be driven home to the Corporations that industries at the medium and small scale level are progressing at a very fast rate due to the overall speedy expansion of the economy and their extra-conservative policy can be instrumental in hampering their own growth as well as that of the industries.

Amongst the 15 State Financial Corporations, the Madras State Financial Corporation alone has steadily increased its operations by venturing in participation of the equity capital of companies, by drawing loans from the Refinance Corporation and by refusing to be tied down by arbitrary upper and lower limits of loan advances, with the result that it now stands at the top of all the State Financial Corporations. The Financial Corporations in Bombay and Punjab take the second and the third ranks in so far as the total assets are concerned. The Corporations in Gujarat, Orissa and Jammu and Kashmir have not been able to contribute substantially to the industrial development of the States as their total assets are still below the one-crore rupees mark; unless drastic steps are taken in the working of these Corporations, the stalemate is likely to continue. These Corporations will have to spread themselves out in the large untapped areas of their States in order to provide assistance to industrialists who are far removed from the State capitals. They will also have to strengthen the machinery for checking and screening the applications, and, if necessary, undertake some calculated risks for encouraging industrialisation in their zones.

The working results of all the 15 State Financial Corporations indicate that they suffer not from any lack of resources; as against the resources of the order of Rs. 33.08 crores, at the end of September 1961, loans and advances were of the order of Rs. 19.53 crores, the balance being either in the shape of cash or in investments. It is the poor expansion of provision of industrial credit which casts a reflection on their progress. This is so because the State Financial Corporations, unlike the Industrial Finance Corporation of India, cannot draw upon the resources of the Reserve Bank of India for raising loans simultaneously with the creation of demand. In the case of these Corporations the resources have to be mobilised before any commitment can

be made. This has naturally resulted in the time-lag between the raising of resources and their disbursement. If the tempo of their working is to be hastened, it is necessary that the State Financial Corporations should be placed on a par with the Industrial Finance Corporation of India in this regard.

The most vital decision taken at the Conference was the clarifications finally offered by the Reserve Bank that there was no ban on the participation by the State Financial Corporations in

How Forward is the Forward Market?

AT no time has the Forward Markets Commission been subjected to such severe criticism as in the past few days. A redeeming feature of this criticism, however, is that no one has accused the F.M.C. of being partial either to this section or that. Criticisms have mainly centred around the propriety of the timing of its action, rather than against the action itself, although opinions are also somewhat divided about the advisability of the F.M.C.'s actions as such. There has been criticism, for example, of the F.M.C.'s action in imposing a ceiling on futures prices during the currency of a contract as much as about the actual levels of the ceilings. But, save for a small interested section, there would appear to be more or less general approval of the action in the context of the prevailing price situation. That there is imperative need to arrest the rising spiral of prices has been accepted by all, a point which has been lately high-lighted by the report of the Tamilnad Congress Sub-Committee, headed by Mr. T. T. Krishnamachari, which examined the problem of rising prices of essential commodities. The T.C.S., it is reliably understood, has strongly criticised the Union Government's attitude towards the question.

Towards the end of October, it may be recalled, the Mustard Futures developed a sudden bullish trend owing to a variety of factors. For one thing, the contract was nearing its maturity; secondly, there was a relatively shorter crop, and, thirdly, as a result partly of the second factor, there was a bigger demand. The result was a rise of nearly Rs. 3 for mustard seed in Delhi during the second week of November, as against a rise of around 70 nP. during the preceding week. In retrospect, it would appear that the introduction of special margin in respect of Mustard Seed Futures has not been wholly unjustified in the light of the subsequent price trends, at any rate immediate.

Then came the intervention in the Jute and Jute Goods Futures Market. But, here, it is significant that the initiative came not from the F.M.C. but from the trade itself. The trade organisation concerned, namely the East India Jute and Hessian Exchange, Calcutta, apprehended trouble when there was a squeeze in the hessians and jute goods following an acute shortage of ready goods and suspended the market for three days, (14th, 15th and 16th November) with a view to checking an undue rise in prices and to curbing speculation. It has been admitted, even by critics that, but for this timely action of the trade body, the upward trend in prices in this market would have gathered momentum. If these and other measures taken by the East India Jute and Hessian Exchange received the blessings of the F.M.C., surely the F.M.C. cannot be blamed; on the other hand, the prompt co-operation and guidance extended by the F.M.C. to that body requires to be commended.

Then came the most controversial intervention, as it has since proved to be, in the Oilseeds and Oil Futures Market. It may be noted that the Oilseeds and Oils Futures Market has attract-

ed the attention of the F.M.C. more often and also more than any other commodity in the market. The sudden suspension of the market from October 28, for almost a week and the subsequent permission to resume trading from November 6 under certain restrictions have evoked both appreciation and abuse. The F.M.C.'s action has been described by some as a successful retrieval from an awkward situation created by the F.M.C. itself when it placed a ceiling (Rs. 215 for 250 kg. on groundnuts and Rs. 17.65 for 10 kg. for groundnut oil) in Bombay with similar maxima at parity prices in other recognised centres and postponed (until further notice) outward payments to "longs", in respect of transactions in groundnut and groundnut oil contracts. The background to this was the sharp fluctuation in groundnut futures, which began trading at Rs. 220 with a ceiling of Rs. 225 and a floor of Rs. 175. The permission to resume futures trading without any restrictions in the closing days of June was probably deliberate and, in the context of the prevailing Indian and international situation (favourable monsoon prospects of high crop, downward trend in world prices, etc.), it was not surprising that the bears took full advantage of the position and brought down the prices sharply from about Rs. 225 early in July to about Rs. 195 in the beginning of October. It was at this stage that the bulls began to play their cards and, assisted by co-operative interests, on the one hand, and the delay in the crop movement on the other, they took up the prices sharply to Rs. 207 (the peak touched at one time was even higher at Rs. 211!) and forced the hands, as it were, of the F.M.C.

Now it is not so much the intervention as such as the introduction of a ceiling of Rs. 215 and the timing of the intervention, that is fixing the ceiling during the currency of a contract, that have evoked criticism. It has been stated, for instance, that when the contract had almost touched a level of Rs. 225 on the very first day itself of its opening, the decision to fix a ceiling at Rs. 215 was unwise. Again, the fixing of a ceiling during the currency of the contract has been characterised as highly arbitrary.

The F.M.C. is neither perfect nor fool-proof. Indeed, on occasions, it has blundered and blundered badly at that being too conscious of its extraordinary powers (although be it said to its credit it has not used all of them). If only because of this it is suggested with all seriousness that the F.M.C. study all its decisions so far, the extent of their effectiveness or otherwise, and the reasons for their failure on not a few occasions, and then, above all, keep an open mind to receive any impartial and constructive criticism freely from whatever quarter with a view to making its work more acceptable to the trade and more useful to the nation. It is only when the F.M.C. fails to respond that one need think seriously of a change in its composition or an amendment to the Forward Markets Act.

A DELHI DIARY

BOUQUETS

THE event of the week has been the arrival of Major Yuri Gagarin who, as was only to be expected, has taken Delhi by storm. Those of us who have met and shaken hands with the hero have tended to brag about the reflected glory which we have enjoyed. I justify those who have had this arrogance by arguing that, in some mysterious way, they have also touched outer space; for Yuri Gagarin is the only thing currently outside the Soviet Union which has been in true outer space and returned. Two things equal to the same thing are, by the grand Euclidean equation, equal to one another. In much the same way, may one say that those who have touched a man who has glimpsed outer space have had a glimpse of outer space themselves? I know this is by no means equally true. But one does get a glimpse in talking with Yuri Gagarin of a supreme vision which none of us have been able to see and yet, miraculously, have been able to experience. The U.S.S.R. Embassy had done very well to put on at the Reception given, on the evening of November 30, by the Ambassador and Madame Benediktov for Major Gagarin, a coloured picture showing Major Titov and his feat—or rather its—before and after. The picture was nothing glorious as a sequence, but it was superbly interesting in Gagarin's presence. Sometimes seeing is believing, and sometimes it is even more. Seeing Yuri Gagarin and then seeing the picture one has more than a belief in the triumph of the Soviet cosmonauts. One has a belief in the supreme courage of men and their eternal triumph over Nature.

GREATER THAN COLUMBUS?

I have little patience with those who are now arguing that Yuri Gagarin was not as great a discoverer as Christopher Columbus. The theory is that science has so far advanced today that Yuri Gagarin was not surrounded by the uncertainties which must have, at all times, weighed heavily on Christopher Columbus' mind. Secondly, he was protected from the harsh elements in his spaceship more perfectly than the petty vessels in which Christopher Columbus was going round the world, based only on a favourable wind and upon the mercy of Providence. I cannot understand this denigration of outer space discovery today. Did anyone know, until Yuri Gagarin showed that it was possible, that re-entry could be made in the earth's atmosphere without the whole of the little spaceship and its gallant occupant being burnt to cinders? Did anyone ever have, in real life, to deal with the battles of weightlessness? There was nothing more than some theoretical equation with which to maintain faith in the venture. One instance mentioned by Yuri Gagarin was to the effect that as he looked out of the window of the spaceship, his whole ship was aglow with fire due to the incandescence while cutting back into the earth's "heavy" atmosphere. Secondly, how can one ever have theoretical knowledge which can precisely measure conditions in outer space where the full facts are unknown? This voyage of discovery was as momentous as that of Christopher Columbus and I, therefore, argue that the attempt to detract something from Yuri Gagarin's superb performance is largely a matter of backward looking—a deep disease in the human mind. Or has it partaken also of that great disease in our time which is called the Cold War? I believe that even in a shooting war, Albert Einstein, a great citizen of an "enemy" country, was received everywhere with honour and gratitude in the World War I. Can we not show that in Cold War I science and its admirers have no nationality and no prejudices? It matters little today whether Christopher Columbus was Italian, Portuguese or Spanish; he seems to have some roots from all three. It should matter not at all that Yuri Gagarin is a Russian. The greatest thing about him is that he has illuminated a new page in the annals of the human race.

There are naturally attempts to translate outer space in other respects. I reproduce, without descrip-

tion, the outrageous attempts of my naughty cartoonist to pass from the sublime to the ridiculous!

What a Life!



How do you like OUR Space-men, Major Gagarin?

Courtesy "The Hindustan Times"

BRICKBATS

If there have been bouquets this week, there have also been brickbats. Master Tara Singh, again elected President of the Shiromani Akali Dal, has been found guilty by the religious commission of the Panj Piyaras, for violating his own vow and has been subjected to what seems to us terrible punishment. The punishment has been decreed in words such as these:

1. He should arrange one akhand path (incessant reading of the Granth Sahib at the Akal Takht).
2. Besides his daily routine prayers, he should recite for a month Jap Sahib containing the sayings of Guru Gobind Singh.
3. He should offer karah parshad (halwa) worth Rs. 125.
4. He should clean the shoes of a congregation in Gurdwara for five days.
5. He should clean the used utensils for five days in a langar (free kitchen).

It has suddenly been discovered that this punishment is 'historic'. I was totally unaware, I must confess, that the religious heads of the Sikh community exercised this tremendous sway over everyone in their community. But it now transpires, for the glory of the community as well as for the recognition of its discipline, that Maharaja Ranjit Singh, over a hundred years ago, was ordered by the Panj Piyaras—the five big religious priests—to undergo a similar self-purifying punishment for the sin of marrying a Muslim woman who had not been converted. People tell me that the great Maharaja was whipped and had to undergo the same punishment of cleaning utensils and did so in public exhibiting the discipline of what might be called the Church Militant in its most militant form. I do not know whether there is political strength to be found in this decree which implies that the Punjabi Suba is a high religious issue and that those who fail in its achievement are to be punished by the maximum severity of the Sikh canon law. One asks whether or not punishments of this kind are suitable for a secular State. It would be a terrible thing, however, if every politician in the Indian Union is brought before a bar of religious heads of his community. Which of them would appear unscathed? Perhaps this is an additional argument for the truly secular State!

ARGUS.

THE WEEK'S NOTES

Malayasia

IMPARTING STABILITY TO S.-E. ASIA

THE FORMATION of Malayasia—a Federation of Malaya, Singapore, North Borneo, Sarawak and Brunei—as envisaged in the joint communique issued in London last week after Tenku Abdul Rehman's confabulations with Mr. Macmillan, is a step, which though will encounter some hurdles, would go a long way in imparting political stability to South-East Asia. The Malayan Prime Minister's earlier opposition to the move for unincorporation of the Crown Colony Singapore and Malaya has apparently softened with the prospects of inclusion of North Borneo, Sarawak and Brunei in the Federation. The enlarged Federation would give the people of Malay origin a majority as compared to the Malaya-Singapore Federation in which the chances of Chinese domination were there.

Whether North Borneo, Sarawak and Brunei, which are yet to attain their independent status, would ultimately join the Federation is not certain. But judging from Tenku's optimism, there may not be any great difficulty in their becoming partners in this family. Their attitude towards the proposed federal set-up is likely to be conditioned to a great extent by the amicable settlement that has been achieved recently between the Malayan Premier and Lee Kuan Yew, the Prime Minister of Singapore, which gives special status to this island in the Federation. The Federal Government will be responsible for only defence, external affairs and internal security; the general direction and control of Singapore's economy would continue to be vested in the hands of the State Cabinet. Singapore, thus, will be able to maintain its free port status which has brought immense prosperity to it. Further, the Malayan Premier has shown commendable resilience in agreeing to the continuance of the British naval base at Singapore, though Malaya has always refused to join the South-East Asia Treaty Organisation of which Singapore forms a vital link. The acquiescence of Tenku Abdul Rehman in this arrangement has obviously emanated from the Malaya-U.K. Defence Treaty of 1957 under which the consent of the Malayan Government has to be obtained in all cases where the British troops stationed in Singapore have to be deployed in non-Malayan situations.

The formation of the Federation should give a great fillip to the economic development of this region. Malaya is one of the premier producers of rubber and tin in the world. Besides, it exports large quantities of copra, coconut oil and palm oil. Brunei and Sarawak will add to the material prosperity of the Federation because of their oil industry. Singapore's tourist and entrepot trade should strengthen the Federation's economy further. A politically and economically strong Malayasia would be in a better position to counter the menace of Communist China in South-East Asia than its constituents individually can do.

Assam

DEFENCELESS BORDERS?

ONE MIGHT not give any credence to reports from Pakistan of a sinister move there for adjustment of the boundary between East Pakistan and India, but one can hardly ignore the serious threat which infiltration by Pakistani nationals into the border districts of Assam poses. The population of Assam, as disclosed by the recent census, has gone up abnormally by 34.3 per cent, from 8.8 million in 1951 to 11.9 million in 1961. Partly this population explosion reflects the opening up of new avenues of employment, consequent upon the discovery of large oil reserves in the area and the development of new industries, which have

attracted people from the other States of the Union, and partly it may be due to higher birth rate and lower death rate. But there is no denying the fact that there have entered illegally into this border State large number of persons from East Bengal, may be for seeking employment to escape the privations which they would have encountered in their home country. This is apparent from the staggering increase in the Muslim population of the State. The Government of India is collecting details about these illegal immigrants from Pakistan. But unofficial estimates put this figure at over two lakhs upto the middle of 1961.

This large-scale infiltration from East Bengal does little credit to the border authorities on the Indian side. Along with the Chinese incursions across the McMahon Line, it shows how ineffective our border defence in the east is. The reason that India's border with East Bengal, being a long one, would require huge investment if barbed wire fencing is erected is hardly tenable. So is the plea that if army is put in charge it would lend exaggeration to the issue which according to the official circles is unwarranted. Uncontrolled inflow of Pakistani nationals into a border State, especially when it is sparsely populated and contains a proved oilfield of immense value, can create an unhappy situation any day. The misgivings expressed by the Opposition Members in the Lok Sabha last week, therefore, are not misplaced. It is earnestly hoped that the Government would take energetic measure to stop this illegal inflow before the situation worsens. Meanwhile, all efforts should be directed towards screening these illegal entrants and repatriating them to Pakistan.

Constitution

AN ILL-CONCEIVED AMENDMENT

THE PROPOSAL to amend the Constitution to enable the election of the President despite completion of elections to Parliament and State Legislatures in territories snowbound during the winter months, though apparently well-intentioned, has implications which probably have not been fully weighed. Every member of the State Legislatures and Parliament has a right to vote for the highest office in the country and to belittle the importance of this fact in the case of representatives of these hilly districts is something which can hardly be justified. The real complication arising out of the proposed measure may not be clear as long as one single political party has an overwhelming representation in the State Legislatures and the two Houses of Parliament. But the eventuality of there occurring a tie in the voting for the President's election, however remote, cannot be ruled out. The Constitution has to provide for it.

Apart from this consideration, there is another important factor which should be a deterrent to the amendment of the relevant clauses in the Constitution, especially at the present juncture when Chinese are in forcible occupation of a fairly wide strip of the Indian territory in this snowy region. The amendment will give them a mighty handle in their propaganda and misconceived expansionary plans. They can well argue that since we have virtually deprived the representatives of this area of the right to vote in the Presidential election, we have relinquished our claims on the territory occupied by China or claimed by her.

The proper way to complete the elections, which includes the election of the President, in the shortest possible period without creating undue complications is to hold the elections at a time when the ballot box is easily accessible to all the voters in the country. Alternatively, the election of the President may be staggered by about a year after the elections to the State Legislatures and the Parliament.

The World Abroad

INDIA'S UNITY: THE EXAMPLE OF EUROPE

By ODYSSEUS

A WEEKLY COMMENTATOR, who is struggling to interpret the changing kaleidoscope of current affairs—Is Berlin worth risking an atomic war? What will be the effect of the Common Market on India's prospects of foreign borrowing? and so on—is forced by the limited space at his disposal to assume that his readers are broadly familiar with the background history, or the basic principles, of the problem that he discusses.

On the other hand, memories are short, life hurries on, and civil servants, diplomats, business executives, and even commentators, need periodically to remind themselves of the background—to catch up on their reading, in fact.

I take it to be one of this column's jobs to be on the look-out for new books which may be of particular value to busy people with the minimum of leisure. An outstanding example, which has just come across my desk, is "The Challenge of the Common Market" (Blackwell, Oxford, 1961. Paper back. 150 pages Price 10sh. 6d.) by U. W. Kitzinger. For six years, Mr. Kitzinger was one of the senior economists of the Council of Europe at Strasbourg, and he was secretary of its Economic Committee while the Common Market was being negotiated. He has taken advantage of his inside knowledge to write a clear exposition of the mainsprings of the post-war movement towards European unity.

Those who are struggling to bring unity into the sprawling diversities of the sub-continent of India must sometimes feel dismayed and discouraged by the vastness of their task. When will the lion of the Sikhs be induced to lie down with the tiger of Bengal and the nilgai of Mysore, with the crescent moon of Islam glowing overhead? They should be inspired by the story that Mr. Kitzinger has to tell, since the diversities of European races and languages, the clash of regional economic interests, and the persistence of ancient national animosities, were, in 1945, perhaps even greater and deeper than those of India.

THE MEN WHO ACHIEVED EUROPEAN UNITY

The Europeans who, contemplating the physical devastations and the spiritual ravages of war, cried "Never again!" were a handful of lone individuals. Robert Schuman, in 1945 a Frenchman, had been born a German and had served in the German army in World War I. Alcide de Gaspari, an Italian, born a citizen of the Austro-Hungarian empire, had been a member of the Viennes Parliament when Austria was at war with Italy in World War I. Konrad Adenauer, a German, had been the anti-Prussian mayor of Cologne, who toyed with the idea of separating the Rhineland from Prussia after World War I. These three were Catholics. But the stalwarts of the "European idea" came also from the ranks of the fiercely anti-clerical Left, organised in the early post-war years in the Movement for a Socialist United States of Europe. The Belgian Socialist, Paul Henri Spaak, was a powerful individual driving force; he refused to acknowledge defeat after the failure in 1954 to secure the European Defence Community, and doggedly picking up the splintered pieces of European unity, pushed ahead with the drafting of the Treaty of Rome. Guy Mollet, the French Socialist, secured the votes of 100 out of 101

French Socialist M.P.'s in favour of the Treaty. Jean Monnet, father of the French Planning Commission, saw far wider than national planning, and envisaged a free trade area for the coal and steel industries of Europe, from which eventually emerged the European Coal and Steel Community. Today, these and many other individuals must feel a wondering satisfaction as they look round the European Economic Community, and see other countries queueing up to seek admission.

The great movements of history do not spring, fully fledged, out of the air. They germinate in the minds and hearts, and come to fruition from the determination of individuals. That is why I feel that all those concerned to combat separatist tendencies in India should be encouraged and inspired by Mr. Kitzinger's little book.

From the beginnings of European Economic Community, Mr. Kitzinger guides us to the Rome Treaties, through the Common Market's challenges to GATT, to national agricultural policies, and to the products of North America, the UK, and the Commonwealth, and then on to analyse the problems of the EEC's developing relations with Africa and Asia.

At the present time, Africa is divided into separate preferential systems along the old colonial frontiers. For many tropical products, especially for cocoa, coffee, and tea, there are now two separate preferential areas in Europe: the UK granting preferences on Commonwealth imports, and the EEC on imports from the associates of the Six. In addition, there are countries, such as Liberia, Ethiopia, Tunis, and Morocco, left outside both preferential areas. This situation is as much a political as an economic anomaly.

WORLD SOLUTION FOR A WORLD PROBLEM

As part of various proposals to enable the UK to join the EEC, it has been suggested that the EEC and the Commonwealth should extend their tariff preferences to each other and give their respective associates joint preferences. This would naturally be opposed by India, Asia, South America, the USA, Japan, and GATT. Nor would it be in the interests of the free world as a whole.

The time has come to ask what the purpose of tariffs on tropical produce is. Only in a few examples, such as vegetable oils, can a tariff be held to protect domestic interests. At a time when the industrialised countries are trying to find capital to help the developing countries, it is merely self-defeating to impose levies, which not only distort the consumer's choice but, above all, restrict the amounts that the developing countries can earn for themselves. The German consumption tax on coffee, for example, in 1959 alone brought in \$180 million—almost the amount that Germany is due to contribute to the European Development Fund in the whole first five years!

This gives point to the worldwide solution proposed by President Kennedy, that all industrial countries should abolish tariffs, consumption taxes, and quotas on tropical produce. There are signs that the European Economic Commission would welcome such tariff disarmament. But since it implies abandoning discrimi-

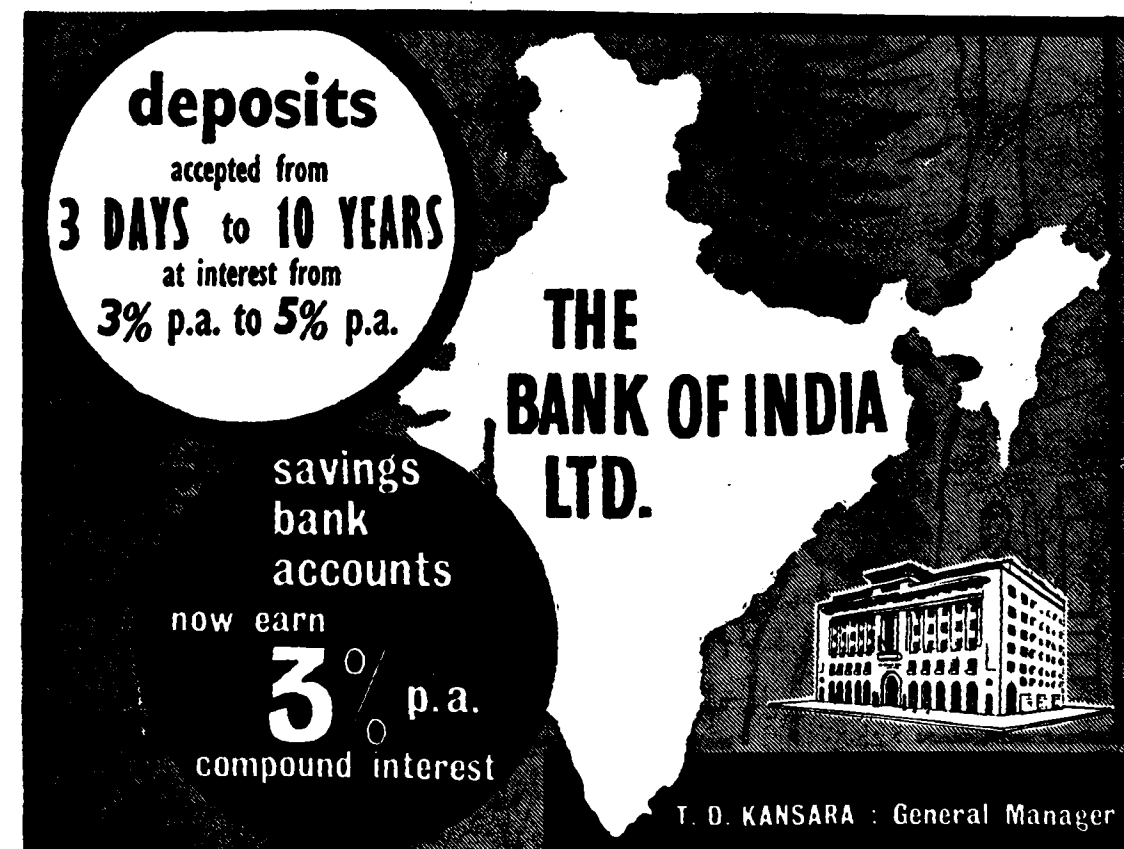
nation in favour of former French territories, it must reckon with opposition from France and the present associated territories. This opposition could be appeased if at the same time other measures of aid for tropical producers were instituted.

Because, after all, tariffs and tariff discrimination are only minor factors in determining the export income of tropical producers. As India knows only too well, the world level of commodity prices is far more important. During the year 1958, the main tropical products, whose total exported value was \$25,000 million were subject to average price fluctuations of 23 per cent. In the same year, the USA, the UK, and France, between them, gave investment aid totalling \$3,000 million to the Asian and African countries, which are the main producers of tropical goods. A drop of 12 per cent in the average price is thus enough to wipe out the entire flow of development aid into the countries.

Stable prices for tropical products must be the first concern of all interested in the political stability of the tropical producing countries. The world's free economic market is, in fact, the market of the free political world. By buying up half of Guinea's banana crop for several years ahead at a favourable price, the USSR won political sympathies in a way which vast gifts of capital might not. A rise in the world market price could, of course, make the deal look less attractive. But the USSR, with its centralised buying, can give better terms to any country willing to form political links with

her. The Communist bloc, at the present stage of improving its living standards, may soon turn out to be the world's fastest growing market for tropical products. No Western country would wish to try to prevent tropical producers from making any trade agreements with the USSR that they like, but Mr. Kitzinger rightly points out that the West should be keenly alive to the need to be itself also an attractive trade partner.

This is a problem which the Six, even in collaboration with the UK market for tropical products, cannot solve by themselves. Any solution depends on American co-operation, and this may well be one of the most important tasks of the new Organisation for Economic Co-operation and Development. The US Government has suggested that if both the Six and the Commonwealth dismantle the protection in favour of their respective tropical producers, the USA could contribute to a general compensation fund to help the tropical producers to stand on their own feet despite the loss of special protection. If agreement is reached on the minimum that each consuming country would pledge itself to buy, and the maximum that each producing country would sell, the producers could draw on the compensation fund in lean years and pledge themselves to replenish it as prices improved. The practical difficulties of such a solution are enormous, but then so were the practical difficulties which faced, in 1945, the courageous individuals who, within fifteen years, had overcome them and seen their dreams come true in the creation of the European Economic Community itself.



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MAG. SAN. 278

*The European Scene***FRENCH PLAN APPROVED**

From Our Special West European Correspondent

PARIS, November 25.

FRANCE'S "fourth plan of economic and social equipment" was definitively approved by the Cabinet this week, after being voted last week-end by 130 against 15 (with 42 abstentions) by the Economic and Social Council, a sort of third House of Parliament nominated on corporative principles to represent professions and economic groups. Its application is thus assured as from the first of next year, whereupon France's national objective will be a 24 per cent expansion of her economy by the end of 1965. This Plan has benefitted from much more publicity than its predecessors; one may say "benefitted" even though some of this publicity was ill-informed, indeed misleading, because the main thing with a plan in a free society is that its aims should be as widely known as possible. A plan that might remain totally inapplicable if it were left to a government hampered by democratic rules can become a reality and a success if enough people take notice of it and freely adjust their projects to its forecasts. For that, they need to be told about it, to be induced to think about it, and to look through it for the few lines of text that concern their own particular business or their own region. Publicity that secures this is welcome, even if it leaves private individuals with a false idea of the role and efficacy of the plan in the nation's life in general.

The extra publicity given to the Fourth Plan in France itself is in line with the style of the Gaullist regime, which prefers the enunciation of long-range ambitions to day-to-day negotiation with parliamentary lobbies. Deputies naturally conceive the nation's development in budgetary terms, for the annual Finance Bill is the big event of their year; anti-parliamentarians prefer a plan which is written outside parliament and which, if it appeals directly to economic groups over the heads of their deputies, can serve as a limitation on budgetary innovation. The extra publicity secured by the Fourth Plan outside France had other causes. France's economic recovery, which began in 1951 and was stabilised in 1957-58, became known just when the Fourth Plan was being framed, and many people seem to have jumped to the conclusion that there was a cause-and-effect connection between the plans and this nation's prosperity. That would be exceedingly difficult to prove, and as far as I know no French economist or administrator has ever made such a claim. It would be easier to argue that some measure of co-ordination of investment plans and some sort of long-term wage policy were essential for a modern democracy, which wanted to do too many things at once, all of them entailing investments that take several years to mature. Planning, then, would be less "the secret of success" than just one of the things an expanding democracy must do to avoid inflationary dispersion of effort.

Nevertheless, the idea that planning is the secret of recent (and insecure) French successes has got abroad, and is not likely to be diminished by the despatch of a British mission to Paris lately to study French planning techniques. This "homage of Keynes's disciples to the descendants of Colbert", as Raymond Aron has called it, does not mean that London now believes that the fount of economic wisdoms is by the Seine. Indeed, writing this week from England, Aron suggests less flattering reasons: French expansion, just because it is less spectacular than West German or Italian, seems a more reasonable ambition to Britain's conservative leaders; and French success seems less explicable than the German and Italian miracles, which British opinion has come to take for granted. In other words, there is the feeling on the other side of the Channel that

if the French can do it, then surely anyone can; and since British thought was already turning to planning methods for the same reasons as Belgium and a number of other countries, there is no harm in looking at French experience.

This very reasonable attitude is far removed from the curious enthusiasm for French planning methods that has been shown in some places, and not least in India, this year. No one here has been tempted to imagine that France has discovered some new secret, or even a firm formula, for planning expansion. On the contrary, as has several times been emphasised on this page, French planning techniques are in constant evolution; for a time this year they even seemed to be on the verge of radical revision. They are interesting precisely for their suppleness and empiricism, their willingness to follow rather than dictate the evolution of the economy, more than for their "success". After all, the Third Plan that is just ending (1958-61) set a "target" of a 4.9 per cent annual growth rate (against more than 6 per cent in the Third Plan) but this could not be attained in the first two years because of the payments crisis and deflationary reform, so a new interim plan was written whose objectives for this year do not seem likely to be reached. The four years will show a growth rate of barely 4 per cent, against the 4.9 projected in 1958.

For the target-setters of rigid national planning this would count as a failure, but because no one conceives planning in that spirit here, it does not diminish attachment to liberal planning. The targets of the Fourth Plan have been set in the knowledge that similar upsets are perfectly probable; if they occur, interim targets will be specified and no one will think it tragic if even they are not attained. The important thing is to co-ordinate efforts as one goes along, in order to make the best out of circumstances over which one cannot pretend to have control. The number of circumstances over which France has no control has notably increased in recent years, with the return to freer trade, convertibility of currencies and the like. To hold one's own in these conditions requires a constant discipline, and it may be that Plan targets will have to be sacrificed to the need to hold prices, protect reserves or increase exports. But given a willingness to revise Plan targets in accordance with changing circumstances, there is no contradiction between planning and the discipline required by the more open Western trading system; indeed an economy that seeks to plan the best use of resources and the most equitable division of gains can, if it attaches no sacred importance to initial targets, make easier adjustments to unstable international trading conditions. Nonetheless, planning naturally tries to reduce the number of unknown and unstable variables in the domestic field, and this effort must extend to the international sphere: French planners must press for some sort of six-nation planning in the Common Market. Mere propaganda "targets" such as the Organisation for Economic Co-operation and Development has just assigned to the Western world will not serve; there must be some effort to co-ordinate outlays in basic industries or at least to harmonise inflation rates. There is as yet no sign of this in the Common Market, and this is the biggest uncertainty that presides over the launching of the Fourth French Plan.

One would be much less inclined to believe that France had solved the problem of planning in a free society if one had followed the deliberations last week-end of the Economic and Social Council, where the above-mentioned vote took place on the Fourth Plan. The division of opinion was fairly profound and the

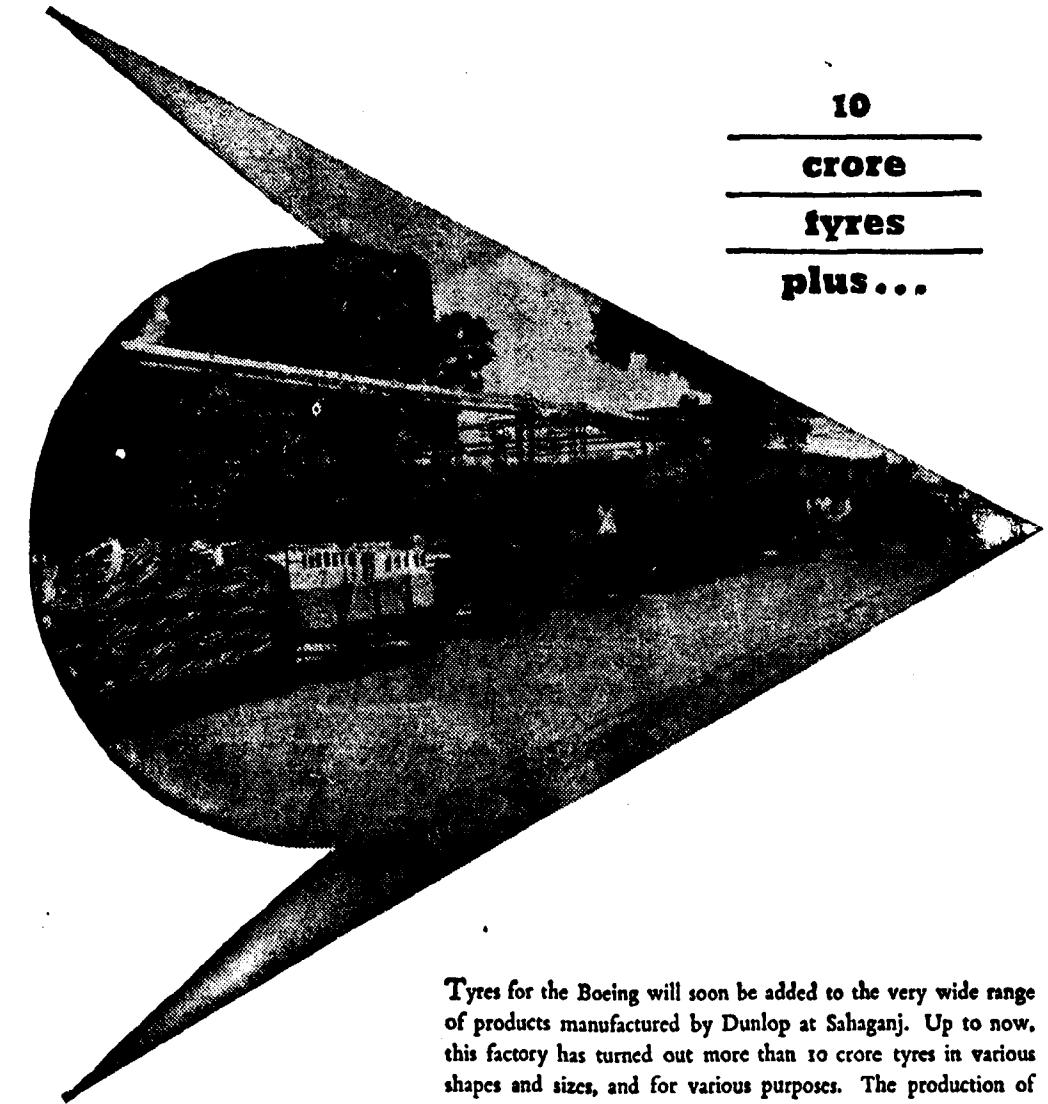
criticisms numerous. Admittedly, the opposition of 15 adverse votes was composed almost entirely of the delegates of the Communist-dominated CGT trade unions, the Communist line being outright rejection of any democratic planning. Even then, this vote provoked a crisis in the party ranks, for M. Pierre Lebrun, secretary of the CGT, resigned in protest against the Communists' refusal to so much as look at a Plan produced by a democratic regime. The large body of abstentionists was composed of private employers; the majority came from the democratic trade unions, the nationalised concerns, agriculturalists, artisans, the co-operatives, representatives of the middle class and of family organisations, and the independent personalities nominated for their competence. All the criticisms expressed concerned the inadequate power of compulsion left to the planners in regard to laggard enterprises or administrations that failed to meet their targets. Only one orator said explicitly that French planning should stay at the "indicative" stage; all the rest openly urged, or tacitly accepted, the idea of making the plan "imperative", at least in some respects. Notably, there was a widespread unwillingness to leave the division of increases in national revenue to "the market"; some positive intervention was favoured to ensure that the nation's planned profits were distributed in accord with some political notion of equity.

These suggestions concerned, of course, only gains: actually achieved increases in national revenue. There was no egalitarian demagoguery, and no inclination to distribute profits before they are earned (this being a sure way of never earning them). But it seems that once a democracy acquires some confidence in its ability to plan expansion, it immediately begins to think of planning a more equitable distribution of the benefits

of that expansion. And once it has the experience of several liberal plans, and sees how general expansion can be held up by laggard sectors, it begins to toy with the idea of obliging defaulters to keep up with the rest of the team. Some may see in this the beginning of an illiberal trend, which they will blame on the practice of planning itself. But as long as the general level of expansion is set by the majority of free economic agents, and not dictated by a commissariat of planners, and as long as progress is being brought about by a free-market economy, it is not necessarily a departure from the contemporary conception of liberalism to exercise democratic authority to make certain corrections and adjustments.

None of this strain of thinking is reflected in the text of the Fourth Plan, which has only the methods and weapons of the earlier Plans. But I think it very likely that it will be reflected in the implementation of the coming Plan. The Council gave notice that it would keep careful watch over the Government's own activities, especially in agricultural and community investments, because the inefficiency of the administration itself has been a major cause of Plan shortfalls in the past. And it demanded a bigger say in the periodic reviews of the distribution of the national revenue. Thus the new Plan is the same sort of project on paper but it starts out in an atmosphere of greater determination to enforce targets and to spread gains equitably. Since foreign interest in French planning was fanned this year by the reports that it was achieving notable economic progress without the least disturbance of the market mechanism, without the use of constraint in recalcitrant sectors and without socialist intervention in income distribution, there is the danger that foreign opinion will be one jump behind French opinion, which is showing signs of evolution on just these points.

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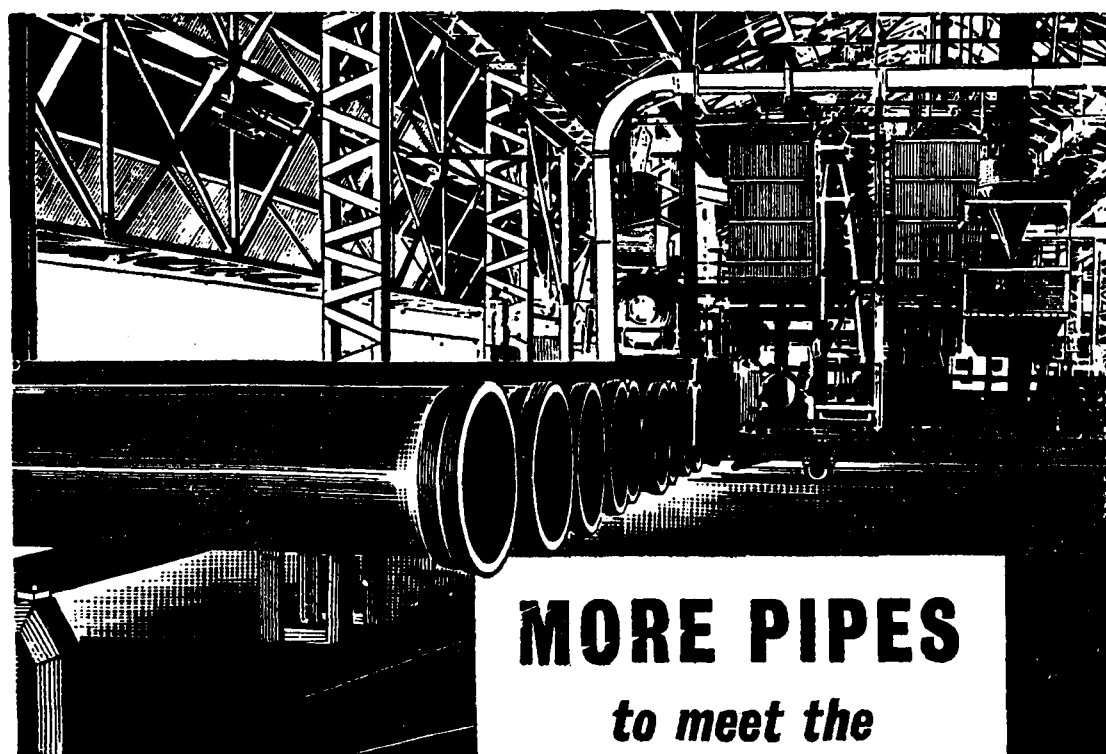


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Our West German Letter

HIS MAJESTY—THE WORKER

From Our West German Correspondent

BONN, November 29.

THERE is the tiny little town of Beilstein in the Federal State Baden-Wuerttemberg, most certainly unknown to majority of Germans, which suddenly saw itself in the news. The reason for it: the town-clerk was looking for a charwomen to clean the tiny little town hall and its adjoining rooms. When a public notice in the tiny little gazette to this effect did not have the desired result, the town-clerk published another notice which caused at the same time an uproar and made him the laughing stock in the press beyond his township. He said in this notice that the usual cleaning utensils were to be found in front of his office and he would not receive any female visitor between 18 and 50 years who had not cleaned before some of the rooms for at least 30 minutes. We shall not go into details, it might suffice to say that the wives of shopkeepers and craftsmen told the town-clerk that they were cleaning shops and workshops themselves and suggested to him that his wife and daughter should do likewise. At any rate, this incident shows the present situation of the labour market in Germany — there is a tremendous shortage of labour everywhere. And as to charwomen, they prefer to go to factories where they have a five-day week, proper leave, better pay etc. We shall come back to the problem of domestic servants.

You enter a hotel: the receptionist is from Morocco, the waiters of its restaurant are from Italy, the room maids from Spain, and the boots from Turkey — a kind of "UNO pocket edition". Lakhs of foreign workers, about five to six, in Germany are happy that they have escaped the calamity of unemployment in their home countries. Their salaries are equal to those of their German colleagues and so are all the facilities like paid leave etc. Now that the Christmas holidays are approaching, the German Railways have arranged for special trains to bring these people to their dear ones. As they cannot go all at the same time which would upset the production programme of factories, mines etc., the first batches have already started. The other day television went to cover the departure of one such train. An Italian worker told the interviewer that he was earning 700 DM a month, of which he kept about 100 DM and sent the balance home. He hails from Sicily where his family needs about another 100 DM a month and so 500 DM go to the savings bank. Although this example will not hold good for all, one can safely say that foreign workers are definitely earning higher wages here than in their home countries. From experience one has learnt to provide them with more comfortable accommodation than it had been possible in the beginning, and the German radio stations have started to send special programmes in their respective languages.

THE PROBLEM OF FOREIGN LABOUR

Still, there is a fly in the ointment. It has happened not once but many a time that a foreign woman with her children turned up in a manager's office telling him that she was going to stay with her husband. She had, therefore, to get proper accommodation or she would take him home straightaway. The manager is not an ogre and agrees that families should not be separated. He is in a dilemma. He has not even or not yet sufficient flats or cottages for his German workers. Yet, the foreign worker who came completely unskilled to his job has now learnt the trade and has become a

first class man. To train him and paying his passage to and fro has meant an investment of quite a lot of money. So, our manager would not like to lose him. What to do? These are problems which have not yet been solved.

Not only West Germany needs foreign workers. In Switzerland, for instance, which has a population of 5 million, not less than 550,000 foreign workers, amongst them four lakhs from Italy, are employed. Recently, Italy's Minister of Labour, Signor Fiorentino Sullo, demanded from the Swiss Government that his countrymen should enjoy the same facilities as in their home country, in respect to social insurance, family allowances etc. Furthermore, the Minister asked that the right of domicile should also be granted to the families of the Italian workers who were separated from their wives and children. As to the latter, schools where they could be taught in their mother-tongue should be established, the more so as Italian is one of the three acknowledged languages in Switzerland. In case the Swiss Government did not show any willingness to comply with these suggestions, the immigration into Switzerland, the Minister announced, would have to be restricted or even stopped, which means upsetting the apple-cart of the Swiss industry.

ENI CALLS ITALIANS BACK

In this context a news item from Luxemburg is quite interesting, the more so as it has a slight humorous touch. Italy's famous State-owned ENTE NAZIONALE INDROCARBURI Oil Group (ENI), which includes chemical and other industrial undertakings, recently advertised in Luxemburg newspapers jobs for Italian workers in Italy! Nearly 27 per cent of Luxemburg's labour force is composed of foreigners, and if Italian workers there prefer to accept ENI's offer, it can have a devastating effect on the industry of this small but highly industrialised country. The majority of foreign workers in European countries when they arrive are unskilled men, but many of them receive a good training and there is a great chance that they will find suitable and comparatively well-paid jobs in Italy's prospering industry. But it is also known that Italian workers who returned home from Germany for good because better conditions had been offered to them, have now only one desire — to return to their German workshops. At any rate, the race after foreign workers will be won by the European country which is treating them best. About a year ago, it had already been suggested in a "West German Letter" of this periodical to consider the employment of Tibetan refugees in European countries. The climate would be more suitable for them than in India and even the language should not prove a handicap as one can see from the example of the other foreign workers. The Tibetans would not even be the first Asiatics in Europe as already Japanese are working in German mines.

Intimately connected with the lack of labour in West Germany is the mobility of labour, i.e., workers are inclined to change their jobs if they think they can improve their conditions. But from the employer's point of view the situation looks bad. In a statement of the Union of German Employers Associations, it is said in this connection that the expenses for training new men are tremendous. In 1960 six million labourers and employees (engineers, foremen, clerks etc.) changed their place of work. The expenses for advertising for and enlisting as well as training new men amount to

1,000 DM per head which in fact means a loss of 6 billion DM in one year to the country's economy. Besides, with this high rate of mobility the continuity of production is also bound to suffer. But who will stop in a free country, a workman from looking for a better job?

The five-day week is gaining more and more ground in the Federal Republic. According to the latest observations, 52 per cent of all employees are working in undertakings with a five-day week. Some factories which were closing down on one or two Saturdays a month, have now generally switched over to five working days. It is generally not the big enterprise which has introduced the shortened working time but mostly the middle-sized or small-scale factory. In 70 per cent of these two categories the chimneys do not smoke on Saturdays.

THE RIGHT OF CO-DECISION

Since slightly more than 10 years workers in the coal and steel industry have enjoyed the so-called "right of co-decision". The question whether this right has satisfied expectations is now being discussed by the trade unions. Employees have since then their representatives on the boards of directors and one of their delegates is attached to the management. One fact is certain. It is that many of the apprehensions which were alleged when this reform was introduced have proved groundless. The experience of this decade has shown that these representatives, mostly trade union leaders, did not close eyes to the necessary measures which were in the interest of the enterprise to keep it competitive. The employees have generally elected members who had a sound education and a good knowledge of business as well as of technical matters. The trade unions now suggest that this active participation of employees should also be introduced in the other branches of industry. Before the employers of the coal and steel industry have not expressed their views one has to wait whether this "right of co-decision" could be called a success. But it seems that industrial leaders will remain silent for the time being. There is still a boom in Germany and they would not like to disturb their relatively good relations with their employees by a perhaps unpleasant statement. The final demand of the trade unions in this regard is the further democratisation of the industry in order that their members who are now, as they say, "industrial subjects" become in future "industrial citizens".

In a similar direction points another demand of the trade unions. They want a change of the law which regulates the composition of chambers of commerce and industry; in fact, they demand their representation in these corporations. But they obviously overshoot the mark by interpreting the construction of these chambers as "the outcome of haughtiness to decide alone over public undertakings". Finally, the trade unions ask that a ninth and tenth year should be added to the primary school education as, according to their views, boys as well as girls do not show the indispensable maturity when leaving school. Furthermore, the training methods as well as the prototype-workshops have to be modernized to make the apprentice fit for his job.

THE OVERWORKED HOUSEWIFE

There are only a very small number of people who can afford to keep a housemaid who now-a-days demands at least a limited number of working hours per day, one or two free afternoons per week, paid leave, an airy room with radio if not with television etc. One has worked out that keeping a housemaid amounts today, including food, social insurance etc., to about 400 to 500 DM a month. An overwhelming majority of housewives who have even the greatest difficulty to get a charwoman for a couple of hours perhaps twice a week, are overworked. Some German travelling agencies offer now for the next holiday season (1962) bungalows with a serving housemaid in Spain and Italy where there is still considerable unemployment. The price per person and week in such a bungalow comes to 35 to 80 DM (according to the number of rooms) which includes not only the wages for the housemaid but also the charges for electricity, water and gas. In case of language difficulties between the guests and the housemaid, an interpreter of the travelling agency will assist to overcome them.

Still, there are families who simply cannot afford to go to Spain or Italy. But their housewives are equally overworked and need rest very badly. Here the Catholic Church has created a very wise and useful institution. In special seminars, female "family helpers" are trained for the purpose of substituting the housewife for about four weeks. And the housewife is then sent to a health resort where special homes (now more than a hundred) with all comfort are waiting for her. The whole expenses for this scheme which is spread all over West Germany are paid by charity associations.

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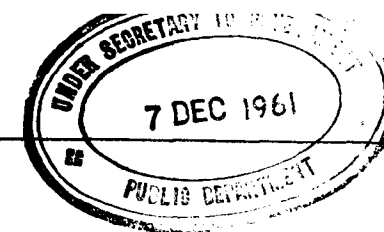
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Economic Report from the U.S.

BRISK ECONOMIC ADVANCE

By GUY SIMS FITCH

WASHINGTON, November 22.

AS anticipated, what began as a year of recession is ending as a year of brisk economic advance for the United States. That advance has been underway since the early months of 1961, and most of the experts, both government and private, confidentially expect the U.S. economy to continue its vigorous expansion through 1962. Probably the best and most comprehensive measurement of the U.S. economy's 1961 performance is the gross national product (GNP), or total output of goods and services. For 1961 as a whole, the GNP currently is being estimated at about \$520,000 million. This represents a solid three per cent gain over the 1960 level. This yearly comparison, however, is not entirely representative of the basic trend or of the magnitude of the change that has taken place in the economy. The fact is that the GNP rose by some five per cent from the first to the third quarter of 1961, and the rise is expected to exceed seven per cent in the fourth quarter. This would bring the total output of goods and services to a year-end annual rate of \$540,000 million or more. The improvement in the economy has been fully reflected in the incomes of American consumers and businessmen. From January to September, the personal income of all Americans rose at an annual rate of more than four per cent—or about \$50 after taxes for every man, woman and child in the United States. Indicative of the continuing expansion, the income rise picked up even more strength in October, reaching an annual rate of \$425,000 million, nearly \$4,000 million above the September rate.

Business earnings, always much smaller than consumer income, also have picked up. By the third quarter, corporate profits after taxes were up 20 per cent from the \$20,000 million annual rate of the first quarter. Along with these income gains have come significant employment increases. While the labour force was gaining two million people from January to October, the number of people employed rose by 3.4 million to a new high in October—67.8 million. Unemployment in October was down to 3.9 million from January's 5.4 million. On the production side, the physical volume of industrial output has increased by more than ten per cent during 1961 to 113 per cent of the 1957 average. Construction, a key industry, is expected to hit a new annual high, with new building valued at \$56,700 million. These gains in production, income and employment have been accompanied by a marked stability in price levels. Wholesale prices actually fell by one per cent between January and September, while consumer prices have risen only seven-tenths of one per cent.

Looking ahead, Government experts anticipate that the vigorous and essentially non-inflationary economic advance will continue, with the GNP reaching an annual rate of \$565,000 million to \$570,000 million by the middle of 1962. Most private economists tend to agree with this view. By and large, a comfortable expansion in general business activity is foreseen, with the majority of experts anticipating that the GNP will average out at about \$560,000 million for 1962 as a whole—which would represent a gain of seven per cent over the estimated 1961 level. Much of the vigour and speed of the current economic recovery is founded on the prompt measures taken by the administration

of President Kennedy and by the U.S. Congress to expand demand and strengthen the markets for goods and services. Among these measures were: extension of unemployment compensation beyond normal limits; early payment of income tax refunds; speed-ups in Government procurement and construction; financial aid to distressed areas affected by changes in industrial patterns; and an extensive housing programme. These actions, which entailed sizable increases in Government outlays, reflect the administration's philosophy that the Federal Budget is a positive and flexible instrument to be used in different ways at different times for achieving high employment with stable prices.

None of this should be taken to mean that the Kennedy Administration is completely satisfied with the U.S. economy as it stands today. While notable progress has been made during the past year, administration officials are cognizant of the problems that remain in meeting the challenges of a dynamic, modern economic society. Unemployment must be reduced further, the business rise must be maintained, and the nation's long-term economic growth rate accelerated if the U.S. economy is to reach its full potential. The important consideration in all, this is that the Kennedy Administration is taking a hard and sober look at the economy and its requirements, and is prepared to take the steps necessary to promote and sustain a high rate of non-inflationary expansion.

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Special Article**THE AVRO-748 : A CRITIQUE**

THE successful first public flight of the Indian-built Avro-748 on Monday has naturally for the time being obliterated all the criticism which has figured over some months on this particular project. There is, undoubtedly, a feeling of great elation that the plane has proved worthy so far as its initial tests are concerned. The fact that a good deal of the machine was imported does not detract from the fact that our engineers at Kanpur have done a good job of assembly in an operation which, by any standards, is complicated in a country insufficiently equipped with personnel in this field. It is right, too, that on the eve of the General Elections the Prime Minister should claim that this is a Government success. It certainly owes a great deal to the inspiration given to it by the Prime Minister and the Defence Minister. No one would wish at this hour of elation to deny that there was courage and daring in the manufacture of an aircraft which has yet to enter airline service in Britain or elsewhere. Indeed, it is believed it has not yet received its certificate of airworthiness in Britain, though it is believed this is only a question of time. It is not in any way to detract from the substantial performance that has been made that "The Eastern Economist" presents some reflections on the whole project now to be seen in somewhat altered perspective.

Some competent critics would say that this is the wrong design for an aircraft in India. The alternative which was suggested by Lockheed, however, was equally unproved, and between one paper design and another it is difficult for the layman to come to a conclusion. It is a fact, however, that the aircraft now in flight is somewhat different from the paper design and it has been rumoured that it has collected a substantial additional weight which newspaper reports said at one time was as much as 3,000 lbs. If this is true — and official sources have admitted some significant addition to weight — then its seating capacity, as a civil aviation aircraft, would have been considerably reduced and, therefore, it would seem that the contention that it would be non-commercial as an aircraft, might well be proved. The country is certainly entitled to know exactly what are the facts on this point. Does the success of the Ministry of Defence finally disprove the Department of Civil Aviation's fears, or is there something to be said on both sides? If there is nothing in the previous criticisms, surely the point that there should be a single aircraft serving both defence and civil needs could be reconsidered. On the other hand, if it is wholly unsuitable for commercial operation, has much been gained by an aircraft which is likely to be very much more costly than one manufactured abroad? This is inevitable in view of the production schedule, which seems to be only 12 aircraft in 1963, 18 in 1964 and 36 in 1965. It would also be extremely doubtful, in view of the delays which have attended the first prototype, that the schedules laid down would be even approximately achieved. It would seem, therefore, that this is still commercially a dangerous loser.

There remains also a disturbing question as to whether or not, in terms of comfort and other advantages, such as speed and turn-round, this propeller aircraft would work suitably with other aircraft in the

coming jet age. The extreme distaste with which most passengers now view travelling in a Dakota is partly connected with speed and comfort, but it is also connected with the new psychology which is associated with "modern" travel in the jet age. Some would say, notwithstanding its advantages in terms of landing space, this is an aircraft which is not very suitable for the future. Most of its technical features are derived from the past. It is of no consequence to the civil user of aircraft that his aircraft can take off in a very short space. On the other hand, it might have significant defence advantages which should not be ignored, but why should passengers who have landing space be denied jet-speed and convenience to suit a military contingency?

After the technical issues have been exhausted, there is the difficult question as to what India has gained in terms of the future productive capacity. While great credit should go to the skilful technicians and workers of the Indian Air Force who built the first aircraft, one wonders whether India should dissipate the efforts on her senior Air Force personnel while she has not fully accomplished its major task of defence of India. By diverting senior officers to the manufacture of aircraft, which cannot be considered a vitally strategic role, — since in any case, the number of aircraft produced is so insignificant and these aircraft do not at the present time live without foreign dependence — are we not weakening ourselves? In fact, what has been achieved is merely a licence from the United Kingdom company and the whole of their design and manufacturing units are still made in U.K. from which the great majority of parts still need to be taken. In other words, there is no strategic advantage in deploying technical men of the air on a project which leaves us still terribly dependent on the United Kingdom for supplies and design personnel. We have gained nothing, it seems, but some prestige.

This is not the time for a detailed audit to be made, because a prototype must necessarily always be much more costly than an aircraft produced on production basis. But it is still necessary to see to what extent allocations made on this project have been exceeded within the audit year. The fact that the aircraft has taken six months more than was originally scheduled suggests that it has greatly exceeded its costs in building. This would not matter if there were great savings to be found in other respects. This does not seem at the moment to have been established. All in all, one, therefore, looks upon the flight of this aircraft with mixed feelings. Patriots would like to think that it was a breakthrough on both the technical and strategic fronts. Unfortunately, it is neither. It is, however, a proud beginning, and it may be that after tests have been made, the right aircraft for civil aviation will be found. Almost certainly the answer is that the Avro-748 is not that aircraft, but the country can well be allowed to test all things and hold fast to those which are good. It is probable on balance that, for their respective purposes, the Ministry of Defence and the Department of Civil Aviation have both seen right. For the country as a whole it is not so easy to judge, though it is likely that the I.A.C. was right to refuse this aircraft for its purposes.

THE BUSINESS WORLD

Argentina's Monetary Stabilization

By J. VIJAYATUNGA

ARGENTINA is one of the richest countries in the world. But much of this natural wealth still remains to be exploited. Still, her population of 20,959,100 has one of the highest standards of living. The per capita income is \$700 a year. All this would seem to indicate that the Argentinians have all that they need. The fact, however, is that they do not. This fact has never been realized so acutely by Argentinians as under the Government which was formed when Dr. Arturo Frondizi assumed office in May 1958, having been elected by a sweeping majority in the February 1958 general elections.

Argentina in 1958 was on the brink of bankruptcy. From 1946 to 1955 (the period of the Peron regime) by a series of exchange controls and multiple exchange rates the budget had been manipulated without the people at large becoming aware of the danger they were heading to. There were high wages all right. The descamisados (shirtless ones) were getting State relief and were getting used to a paternal government which gave them assurances. As increasing demand for exports was met by inflation. But actually the country's monetary reserves were strained to the utmost and Argentina's international credit was exhausted.

Argentina has always had a neutralist policy and remained neutral during the first world war. But against the general wishes of the Argentinians, the regime adopted an anti-American, pro-Nazi policy which resulted in America stopping her imports from Argentina and in Argentina becoming isolated economically. So the Peron regime resorted to the one device left—to inflation. Inflation has been defined as "excess liquidity pushing prices upwards". The excess liquidity resulting from higher export proceeds is a controllable form of inflation. But deliberate inflation on the part of a government for the purpose of creating demand and employment, for providing cheap capital for industrial development, is a kind of inflation which pushes a country headlong down the precipice. Argentina had reached this stage by 1955. The Argentine peso had devalued to a fantastic degree. Taxes soared incredibly. The worst phase was after 1951 when Peron having got the Constitution amended to enable him to be re-elected (according to the Argentine Constitution of 1953, a President or a Vice-President could not be re-elected to a second term while yet in office) gambled more recklessly than ever with the country's economy. The situation reached a climax, and powerful elements in the army, navy, and air force took over in a bloodless coup, the "dictator" being forced to leave the country. In the general elections which followed Dr. Arturo Frondizi, the candidate of the Union Civica Radical Intransigente Party, was elected President.

No Argentine President assumed office under worse aspects. The treasury was empty. Almost the entire reserves of the social security systems, an estimated 300 million dollars had been taken away by the ex-President. The farms had been deserted and the "shirtless ones" had flocked to Buenos Aires lured by the assur-

ance of doles and security. The foreign exchange resources had been exhausted in buying luxuries from Europe—Paris gowns and costly European and American cars. Such wealth as remained was owned by a few families who preferred to invest it in European securities rather than investing it in Argentine industry.

Frondizi brought down wages: he abolished arbitrary price controls: he did away with social programmes which had been foisted upon the workers to lull them into false security. He flung a challenge to Argentine industrialists. Argentina, though an oil-producing country, had to import petroleum which led to a deficit of 300 million dollars in her balance of trade. It was more than an economic problem, according to President Frondizi. Dependence on a foreign country on such a vital item as petrol was a slur on Argentina's national pride, its very sovereignty. Frondizi had given much thought to the subject. As far back as 1954 he had published a book "Petroleomy Politicia" (Petroleum and Politics).

So within two months of his taking office he called a meeting at Government House, Buenos Aires, and explained the implications of the oil problem both in terms of revenue and in prestige. He urged Argentine industrialists to exploit to the utmost the country's oil resources. The State, he assured them, would give them every support. "The Battle of Oil," as it was called, was launched.

This year (1961) the President was able to announce success of the scheme. Speaking at Comodoro Rivadavia, the South Atlantic city, which is one of the chief oil-fields, President Frondizi said: "The battle is won in such a measure and to such an extent that this victory will definitely constitute the starting point of a bright future in the economic life of the country."

Figures substantiate this claim. According to Yacimientos Petroliferos Fiscales (YPF), the State Petroleum Board, in 1957 Argentina produced 5,400,000 cubic metres of crude oil. In 1959 production reached 10,200,000 cubic metres. By the end of 1961 a target of 15,000,000 cubic metres will be achieved.

In terms of money, this means that whereas in 1957 Argentina spent 300 million dollars on foreign petrol, in 1960 she spent only 124 millions dollars, and during the first five months of 1961 only 16 million dollars. In the course of three years of Frondizi's term of office more than 250 million U.S. dollars have been saved. Of the total estimated consumption of petroleum in Argentina, YPF now accounts for 58 per cent, while Shell supplies 20.1 per cent, Esso 16 per cent, and smaller companies 5.9 per cent. Argentina expects to be self-sufficient in this vital product within the next few years.

Under the impetus given by the Frondizi Government Argentina has become alive to the immense potentialities of petroleum by-products. According to

Dr. Roberto Nobel, Editor of the progressive journal 'Clarín', "In the United States there are 200 processing companies and 400 industrial plants, from which stem some 16 million tons of petroleum by-products, with a net worth of over 4,200 million dollars, a figure which represents 55 per cent of the American chemical industry.

Oil production was the first major industry to which the Frondizi Government turned its attention. But iron, steel, coal, thermal and hydro-electric schemes, roads and highways—all these are now priorities in Argentina's monetary stabilization and economic development plans. Argentina has vast deposits of every kind of mineral—coal, lead, silver, zinc, tin, iron ore, gold, titanium, copper, selenium, radioactive ore, sulphur, wolfram, baritine, fluorite, beryllium, chromium, mica, borates etc. The exploitation of these and the creation of heavy and light industries is on the national development plan of Argentina. They are not long-term projects. The pace has been so accelerated that some Argentinians feel that with their temperament for getting things done, they might achieve their targets very quickly.

The immediate task that President Frondizi and his advisers had to face was to curb the social unrest and restrict the economic insecurity and above all stop inflation, so that by building up a national reserve foreign capital could flow in. The Plan for Monetary Stabilization and the Plan for Economic Development in terms of the greater plan of national economic expansion were launched simultaneously.

To begin with, the exchange market was unified with a single rate of exchange for the peso, free and fluctuating according to supply and demand. Import licences were abolished, credit was limited to financing imports, prices were brought down and subsidies removed (in 1959 there was an increase of 100 per cent in the index price), and retrenchment in public administration was drastically adopted. By freezing vacancies, pensioning off government servants who were statutorily dispensable, and by making "only those appointments that were absolutely essential" the Government effected great savings. The Frondizi Government created such an atmosphere of stability that international credit was forthcoming and the Argentine peso picked up and has remained at the rate of 83 Argentine pesos to the American dollar. Gold and foreign exchange reserves increased from 179 to 703 million dollars during the last two years. The re-establishment of confidence in the Argentine peso has been a considerable achievement. Thus the budgetary distortions created by the previous regime have been set right and the heavy public indebtedness reduced, and investment in key sectors given an incentive.

How all this was achieved may not be appreciated fully unless we know that at the beginning of 1959 the gross foreign exchange reserves of Argentina amounted to only 130 million dollars, equivalent to one month's imports. But the confidence ensured by the Frondizi Government was such that a package deal with the IMF, the U.S. Treasury, the Exim Bank, the DLF, and a group of New York banks was readily available. In 1960 conditions were easier and, in all, credits to the tune of over 500 million dollars were obtained.

With the restoration of the Argentine peso to its normal value, foreign investments began to flow in. As a result of Frondizi's state visit to the U.S. in 1958 and through agreements reached, nearly 500 million dollars of American investments flowed into Argentina. Dr. Frondizi has plainly stated: "In Latin America we are short of capital. This is true and we are prepared to obtain it from abroad. But if it is true that we must look to other parts of the world, it is also true that we must turn our eyes to our own soil."

Argentina's two-century-old trade with India is still maintained. Argentina imports 20 million dollars worth of goods, chiefly jute and hessian, from India annually. India has serious competitors in Pakistan, Thailand and Formosa, all of whom offer competitive terms. India's imports from Argentina amount to only 50 thousand dollars a year. But whichever way the trade balance between the two countries turns, we have much to gain from closer relations with Argentina.

We must also remember that Argentina does not think solely of her economic prosperity. Argentina thinks in terms of Latin America and this has been a dream of Dr. Arturo Frondizi. Even before the establishment of the European Common Market Dr. Frondizi had mooted the idea of a Latin American Free Trade Area (LAFTA). In 1959, at a meeting in Montevideo, Argentina, Brazil, Chile, Paraguay, Peru, Uruguay and Mexico signed an agreement on a free trade area. Colombia and Ecuador are prospective members. Argentina and Brazil are the main trading partners of LAFTA. The keynote of LAFTA is private enterprise. Government policies and negotiations require the co-operation of private management for tariff reductions, for better import-export opportunities. To quote Dr. Arturo Frondizi from his speech at the University of Chile, Santiago, on April 15, 1958: "It is true that the creation of wealth is the task of society and not of the State, but the latter, conscious of its responsibility, can and must contribute to the economic development by removing the obstacles which stand in the way, and by taking positive steps which will promote and carry it through."

Business Notes

Shipping

INDIA COMMITTEE OF LLOYD'S REGISTER

INDIAN SHIPPING may be said to have received a new international status on November 27, 1961. For, on that day was formed in Bombay the India Committee of Lloyd's Register of Shipping. Appropriately enough, the inauguration took place in "Scindia House", from where the late Mr. Walchand Hirachand used to carry on his struggle for the survival of Indian Shipping against severe foreign competition. The formation of the India Committee indicates the recognition by Lloyd's Register of Shipping of India's growing importance as a maritime and industrial nation. It also provides a means whereby Indian views can be expressed in the Lloyd's General Committee. The India Committee con-

sists of Sir A. Ramaswami Mudaliar as Chairman (as Chairman of the India Committee, Sir Ramaswami becomes an ex-officio member of the General Committee), Mrs. Sumati Morarjee as Deputy Chairman and Mr. J. P. Bhargava, Sir Jehangir Ghandy, Mr. G. T. Kamdar, Mr. D. M. Khatau, Mr. G. L. Mehta, Sir Biren Mookerjee, Mr. H. K. Shah, Mr. Vasant J. Sheth, Mr. Pratapsinh S. Vallabhdas and Mr. C. P. Srinivasa as members. Incidentally, Mrs. Sumati Morarjee is the first lady member of any such National Committee of Lloyd's. Mr. A. C. Grover, a Deputy-Chairman and Treasurer, and Mr. W. J. Ferguson, Secretary and Chief Executive, of Lloyd's Register of Shipping attended the inaugural meeting of the Committee.

For many years, Lloyd's Register of Shipping has had National Committees in leading shipping and ship-building countries in order to ensure that the Society's

practices reflect international experience and opinion. The India Committee of Lloyd's Register of Shipping, which was inaugurated last Monday, is the twelfth of such National Committee to be formed and has the following objects:

It will provide an effective means of placing at the disposal of the shipping interests in India, the experience and knowledge of Lloyd's Register of Shipping. The Committee will be in a position to discuss the rules and requirements of Lloyd's Register of Shipping in their application to India and make recommendations thereon to the General Committee of Lloyd's Register in London. It will supervise the activities of Lloyd's Society in India and make representations thereon to the General Committee in London. It will, from time to time, originate proposals which may be considered expedient and send it to the General Committee for consideration. The Committee will meet once in a quarter, and the meetings will be held mainly in Bombay or Calcutta, though they may also be held in Delhi or Madras.

A Technical Committee has also been formed, consisting of technicians connected with shipping, ship repairing, shipbuilding and other allied interests. A representative of the Technical Committee may be nominated to attend the meeting of the Technical Committee of the Society in London. It is expected that, with the natural growth of Indian Shipping, the India Committee will prove a very useful auxiliary.

Provident Fund

PERFORMANCE DURING 1960-61

THAT OVER 12,000 established factories and establishments employing 29.29 lakh workmen were covered by the Employees' Provident Fund Scheme during 1960-61 is revealed by the annual report of the Fund. Initially the scheme was applicable to six well organized industries and now covers 47 industries, the recent additions being mica mines, plywood, automobile servicing and repairing industry, etc. The scheme now covers a wider range because it was applicable to the establishments employing 50 or more persons (20 in the case of newspaper establishments) if these had completed three years of their existence. In the face of persistent demand from workers of smaller units, the Act was amended with effect from December 31, 1960, so that it is applicable to establishments employing 20 or more persons. Another important amendment which came into effect this year was in respect of the advance the members could get from the scheme. Till recently the members could get the advance to meet expenses in connection with their serious or prolonged illness or that of a member of their families and for financing their life insurance policies. The scheme has now been amended enabling a member to get a non-refundable advance for the purpose of dwelling house or dwelling site or for the construction of a dwelling house or dwelling site or for the construction of a dwelling house under the Subsidised Housing Scheme for Industrial workers. This seems to be an encouraging development.

There has been some controversy regarding the rate of contribution which at the moment continues to be 6½ per cent of basic wages, dearness allowance, retaining allowance and cash value of food concession. An equivalent sum is contributed by the employer. A member may, if he desires, voluntarily contribute as his own share upto 8-1/3 per cent of the contribution of the employer. In such a case the contribution of the employer remains restricted to 6½ per cent. The report reveals that as many as 32,000 members voluntarily had contributed higher rates. The proposal to increase the rate of contribution from 6½ per cent to 8-1/3 per cent in respect of four of the six industries initially

covered under the Act was referred by the Government to a specially constituted technical committee under the chairmanship of Mr. M. R. Meher, President, Industrial Court, Bombay, for holding an investigation as to which of these industries are unable to bear the additional financial burden. The report in respect of these four industries — paper, electrical, mechanical or general engineering products and iron and steel — was received by the Government in June 1961 and is being studied. The final decision by the Government is still awaited.

Foreign Companies

INDIANISATION OF THE STAFF

A STATEMENT of Indianisation of the staff of foreign companies was placed on the table of the Lok Sabha last week. The statement gives employment details for 1,208 foreign-owned or controlled companies operating in this country. A perusal of the statement would reveal that there has not been rapid Indianisation at the top level. Indians drawing salaries above Rs. 3,000 have increased only from 372 to 689 as a proportion of the number of employees at that level.

It will be wrong to exercise any pressure on the companies to proceed rapidly in Indianising the staff at the top level. The fact is that there are very few Indians available to man these top posts. The State undertakings are inviting highly qualified technicians to give them advice on technical matters and the granting of income-tax concessions to foreign specialists is again a recognition of the dearth of qualified technicians in this country to prepare the requisite technical schemes for various projects. So under the circumstances the importation of qualified people would seem to be a normal and desirable procedure.

It cannot also be denied that the foreign companies have been collaborating with the Government of India to a considerable degree. So far as the Indianisation of posts carrying salaries below Rs. 1,000 is concerned, it may be specified that it was virtually completed by 1955. From then onwards, there has been a steady rise in the number of Indians employed at higher levels. Indian in the salary group between Rs. 1,000 to Rs. 2,000 have increased from Rs. 5,575 to 7,907 between 1958 and 1961. The higher and later figure forms as much as 88.9 per cent of the total employed in that category. As the economy of the country progresses, the existing situation is likely to be set right. Things, of course, cannot be done overnight. Training schemes are under way and in due course of time it is expected the necessity to import highly qualified people from abroad would be put to an end.

Jute

STABILIZING PRICES

THE QUESTION of stabilizing jute prices has been engaging the attention of the Government for some time. At one time, it was considered that a floor price should be fixed for jute. The idea had to be given up because it was thought that it might lead to many complications. Besides, considerations like competition in overseas market had to be kept in view.

It may be mentioned that the fall in jute prices has been gradual. The price of Assam Bottom variety at Calcutta ranged between Rs. 33 and Rs. 35 a maund throughout September and October, 1961. In November there was a further fall and the price touched the level of Rs. 30 a maund on the 20th of this month. But the price of Rs. 30 has been the middle man's price in Calcutta and in the interior stations the price has been even lower. In Orissa, the price was about Rs. 25. Such price variations can, of course, take place because of the fact that there is likely to be variation in accordance with the transport and other factors

involved. Anyhow it is a matter of relief that something at least has been done in this sphere. A buffer stock agency constituted by the Indian Jute Mills' Association will now conduct a jute purchase operation in the market with a view to stabilizing prices. This has been decided upon as an alternative to a floor price for jute. This agency would enter the market as and when prices tend to fall to uneconomic levels. The formal registration is now awaited and pending the registration of the agency, Indian Jute Mills' Association has asked its member mills to make purchases. As a result jute mills in India have stepped up their purchases of raw jute considerably. The total quantity of jute purchased by the mills in the four months ended October, 1961, was 2,492,000 bales. It was 1,797,000 bales in the similar 1960 period.

The agency should be able to impart stability to the market by its judicious operation and thus assure to the grower an economic price for his produce.

Hind Lamps

FLUORESCENT TUBES AND AUTOMATIC BULB-BLOWING PLANT

THE INSTALLATION of automatic bulb-blowing and fluorescent tube plants at the Hind Lamps Factory at Shikohabad, 40 miles from Agra, is to be welcomed for it would help in obtaining self-sufficiency in many of the items of daily electrical use. Nearly 10 years ago when Hind Lamps was established, only 15.4 million general lighting lamps and other types of lamps were manufactured in India. There was not any production of miniature lamps or of fluorescent tubes. The position in regard to components was not happy either. Glass shells were manufactured in a limited quantity and there was no production of lamp caps and glass tubings. Credit goes to Hind Lamps that it is now meeting entire requirements of glass shells and caps for lamps from indigenous sources and is manufacturing a substantial part of the requirements of glass tubing and lamps. The saving in foreign exchange that has been brought about is over Rs. 30 lakhs per annum that used to be spent on the import of copper, zinc and chemicals needed in the manufacture of components.

The production target for lamps was fixed only at 65 million instead of 100 million, because of the reason that the Government of India wanted to save the much-needed foreign exchange. With the commissioning of the automatic bulb-blowing plant the capacity of Hind Lamps for manufacturing glass sheets will rise to about 30 million a year. The fluorescent tube plant will produce one million tubes a year on a single-shift basis. Incidentally, the installation of these two plants completes the expansion programme of Hind Lamps envisaged during the Second Plan. The programme for the Third Plan is quite ambitious and given the proper facilities like the supply of electricity, there is every possibility that Hind Lamps might be able to achieve the desired target. With the supply of electricity to more villages the future for the electrical goods industry, of course, seems bright. So far electricity has reached only 23,000 villages of the 500,000 villages in India.

The installation of these plants will not only be helpful in producing items of daily electrical use but would also help in solving the problem of unemployment in the State of Uttar Pradesh to a certain extent. It is comforting to note that the State Government realizes the importance of electricity for the industrial development and has allocated Rs. 109 crores for the generation of power in the State's Third Plan. If the plans of Hind Lamps go through in the Third Plan, there is every possibility that it may be able to manufacture all lamps and tube components.

STC

ANNUAL REPORT FOR 1960-61

A PERUSAL of STC's annual report for 1960-61 published recently reveals an expansion in the activities of the State Trading Corporation in the field of India's foreign trade. The report says that the total turnover increased from Rs. 43 crores during the nine months — July 1959 to March 1960 — to Rs. 65 crores in 1960-61. Exports handled by the Corporation had risen from Rs. 23.23 crores to Rs. 36.6 crores. Private trade and industry had been assisted to import essential capital goods and raw materials and other commodities and to export finished goods to the total value of Rs. 20 crores without any charge for its services. The Corporation also handled indirect business on behalf of industry and trade to the tune of Rs. 28 crores in return for a nominal service charge. With a view to expanding trade with various countries in Western Europe the Corporation finalised several trade arrangements. These arrangements, it is expected, would afford opportunities for catering to difficult markets and retaining them, particularly in view of adverse trade balance with the European (OEEC) countries in the past. There has also been further enlargement of trade with the countries with whom bilateral trade agreements have been entered into by the Government.

In the field of exports the sizable increase has been in respect of ores and mineral products which accounted for 52 per cent of the total turnover as against 44 per cent during the preceding year. In respect of manganese ore where the position has not been happy in the past, the Corporation took a series of measures to step up exports.

On the import front the Corporation was able to arrange imports in respect of several items like caustic soda, muriate potash fertilizers, raw silk, non-ferrous metals, lubricating oils, art silk, yarn, etc. As regards prospects for business in 1961-62, the report mentions that iron exports would be stepped up by 2 lakh tons to 32 lakh tons. Pertaining to the profit and loss account, the report records a net profit of Rs. 1.44 crores.

Although all this seems to be encouraging, it should not be taken for granted that all is well with the State Trading Corporation. It might claim to be faultless, but the snag is that the Corporation is manned by personnel who are not much familiar with trading and accustomed to bureaucratic methods. This outlook will, of course, have to be changed if it is to increase its business and bring in more profits for the economy. Since a lot of criticism has been voiced in and outside the Lok Sabha, in spite of the encouraging reports that are issued every year, it would be quite fair to appoint a committee which should evaluate the working of the Corporation during the past five years. In this way the public would be in a position to know the exact position. In fact the Corporation itself should take such an initiative and clear the doubts that linger in the minds of people who have been critical of the Corporation's activities.

Pimpri

COMMENDABLE PROGRESS

THE PROGRESS made by the Penicillin Factory at Pimpri deserves many plaudits. It has now reached a stage when it can be proud of its record. In the year 1960-61, the factory made a net profit of Rs. 79 lakhs. Profit apart, its production has helped in bringing down the price of penicillin which can easily be said to be now within the reach of the masses. It will be interesting to observe that as a result of increased production at Pimpri international cartels were forced to reduce their prices. The production of finished peni-

cillin tested and passed during 1960-61 was 42.76 million mega units as against the target of 35 million mega units for the year and against the actual production of 33.15 m.m.u. in the previous year. Its expansion programme is under way. The 60 per cent expansion scheme is complete, as a result of which the production capacity has gone upto 40 m.m.u. per annum. The target for the year 1961-62 is 45 m.m.u. of finished penicillin. A streptomycin project with a capacity of 40-45 tons per year at an estimated cost of Rs. 210 lakhs is expected to go into production before 31st March, 1962.

One may recall that at one time the prices of penicillin were prohibitive. A kilogram of streptomycin used to cost Rs. 450. But now with the progress made at Pimpri a kilogram of it is available for Rs. 120 only. In October 1959, the bulk price of penicillin was reduced from 69 nP. to 50 nP per mega unit. This obviously is a welcome relief.

Penicillin factory at Pimpri has been receiving valuable help and assistance from agencies like WHO and UNICEF. It would be interesting to note that by November 1964, this factory will be completely independent and would not require any assistance which was essential in the initial stages. Another notable factor is that there is not a single foreigner employed at Pimpri and the entire running is by Indians. The record that the Penicillin Factory at Pimpri has set up is indeed commendable and it is only to be hoped that other state enterprises would follow in its foot steps.

Hungarian Collaboration

FIVE NEW SCHEMES

THE PROPOSALS of five private companies for collaboration with Hungarian concerns have been approved by the Government of India envisaging the manufacture of chemical machinery, electric hoists wind shield glass and fluorescent lamps and glass tubes. The participating Indian companies are: New Standard Engineering Co. Ltd., Bombay; Garlic and Company (P) Ltd., Bombay; Light Glass Industries, Bombay; The National Instruments Ltd., Bombay and Zenith Lamps and Electricals Ltd., Madras.

New Standard Engineering Co. has entered into an agreement with Messrs. Nikex Hungarian Trading Co., Budapest, to set up a plant for the manufacture of chemical machinery in India. Under the agreement which is to run for ten years, the Hungarian company will receive, apart from Rs. 2.5 lakhs in lump sum as fee for the supply of technical documents, royalty of 5 per cent subject to Indian taxes. Garlic and Co. has signed an agreement with the same Hungarian company for setting up a plant to manufacture electric hoists. Under the terms of the agreement, the Hungarian concern will get a royalty at 5 per cent subject to Indian taxes. It will also be reimbursed for its expenditure on the preparation and supply of drawings and designs for the plant upto a sum of Rs. 2.30 lakhs. The agreement will be for ten years. Light Glass Industry has secured the collaboration of Messrs. Kompvax Hungarian Trading Co. for Factory Equipment, Budapest, for setting up a plant to manufacture wind shield glass for automobiles. The National Instruments Ltd. has entered into an agreement for 10 years with Messrs. Metrimex Hungarian Trading Co. for Instruments, Budapest, under which the Hungarian company will be entitled to a royalty of 4 per cent subject to taxes. Zenith Lamps and Electricals Ltd., has signed an agreement with M/s. United Incandescent Lamps and Electricals Co. Ltd., Tungstran, to set up a plant for the manufacture of fluorescent lamps and glass tubes. The Indian Company has been allowed to import machinery and equipment worth about Rs. 13.52 lakhs for fluorescent tubes and Rs. 3.32 lakhs for glass tube plants. It has not to pay royalty or technical fee to the Hungarian Company.

Netar Krishna Shegals (Private) Ltd., New Delhi is already manufacturing watt-hour electric meters in collaboration with M/s. Meter Factory Ganz, Budapest. Under the terms of the agreement, the Indian company will pay Rs. 1,32,800 for the supply of technical know-how in instalments. In addition, it will pay a royalty, subject to Indian income-tax per meter as follows: On production of first 12 months (Rs. 0.1875), on production of 13th to 24th months (Rs. 0.3750), on production of 25th to 36th months, (Rs. 0.5625), and balance period of agreements (Rs. 0.7500). The agreement is for four years.

Collaboration has also been sought by the Andhra Pradesh Industries Development Corporation Limited. It has submitted an application for the grant of licence under the Industries (Development & Regulation) Act, 1961, for setting up an integrated glass factory at Hyderabad which will manufacture 12,500 tons of sheet and plate glass per annum, 12,000 tons of glass hollowware per annum, 1,800 tons of glass shells and tubes per annum and 1,500 tons of crystal glass per annum. The proposal is at present under the consideration of the Union Government involving, as it does, installation of capital equipment worth Rs. 134 lakhs including the value of imported equipment Rs. 80 lakhs. The details of the scheme are awaited from the Hungarian organizations.

Pharmaceuticals

CIBA'S NEW PROJECT

IT IS somewhat heartening to note that CIBA of India Ltd., Bombay, who are already licensed under the Industries (Development & Regulation) Act for the manufacture of drugs and pharmaceuticals now propose to manufacture in India four of the items which they were hitherto importing from abroad. These items are Esidrex, Nepresol, Entobex and Dianabol. Such a step would not only go a long way in making India less dependent for her requirements on foreign supplies but would save India of the much needed foreign exchange. On the basis of prices furnished by the Company, the following table will show the foreign exchange savings made against each item per kgs:

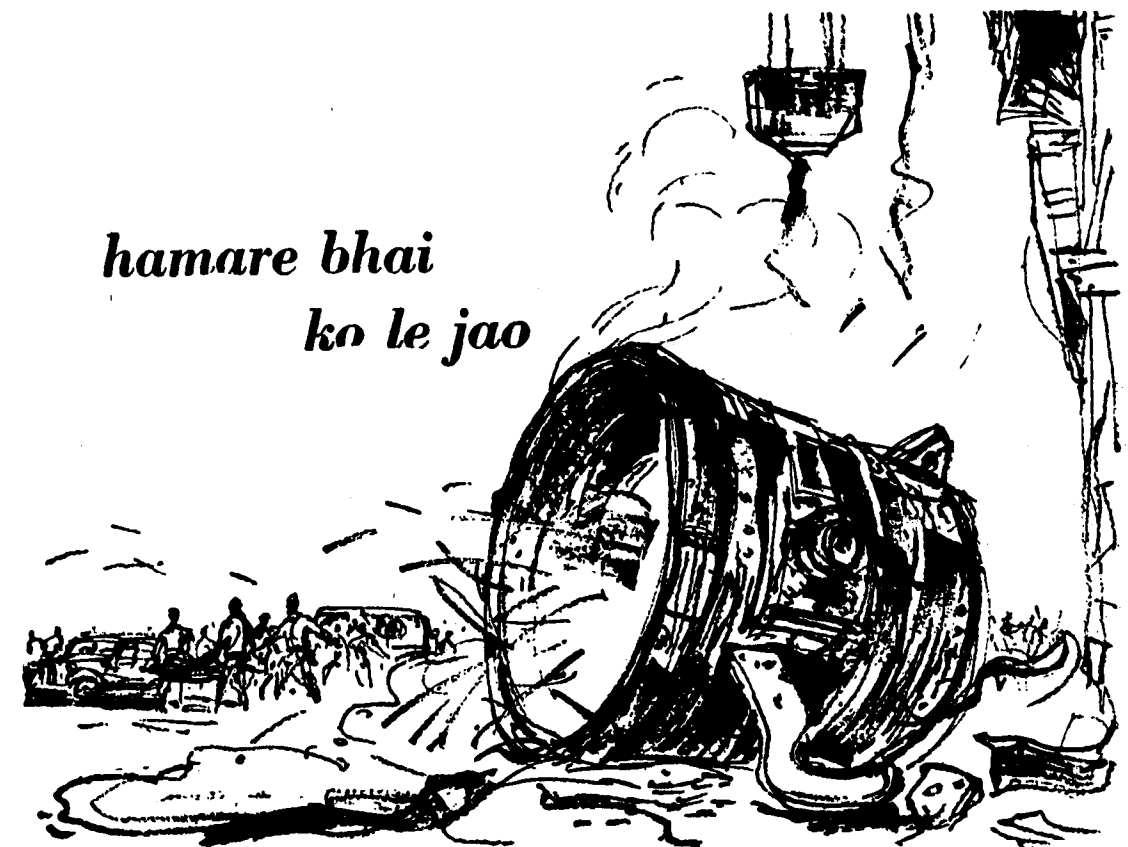
1. Dianabol	..	Rs. 27.052
2. Esidrex	..	Rs. 99
3. Nepresol	..	Rs. 1,335
4. Entobex	..	Rs. 210

CIBA also propose to expand their capacity of certain hormone products, Testosterone esters and progesterone esters with the help of their present foreign collaborators, CIBA Ltd. of Basle, Switzerland. They plan to set up a multi-purpose plant for undertaking in the earlier stages certain synthetic hormones and other drugs, in addition to an independent Research Laboratory to investigate new drugs and improved methods of production. This is likely to help in developing methods for large-scale production of newer drugs. The imported equipment which is estimated to cost Rs. 18 lakhs will be obtained from their Swiss collaborators against a tax free loan, bearing an interest of 6 per cent. It is anticipated that on the implementation of the project, CIBA would be able to save Rs. 5,35,752 on the basis of actual current imports and Rs. 13,99,171 on the basis of the proposed capacities.

CORRIGENDUM

Madras State Electricity Board

The issue price of the 4½ per cent Madras State Electricity Board bonds 1971 should read as Rs. 99.50 per cent instead of Rs. 90.50 per cent as has inadvertently appeared in the advertisements of the Board on pages 642 and 685 of "The Eastern Economist," dated the 6th and 13th October, 1961.



hamare bhai
ko le jao

It happened some years ago in the steel melting shops at the Jamshedpur works. A large ladle, carrying 75 tons of molten iron, suddenly crashed to the ground with a deafening noise from an overhead crane. The spattering sparks and red-hot metal seriously injured a number of brick-layers working at what seemed to be a safe distance. The air was rent with the frenzied shouts of the men and the hissing of steam.

The first ambulance could remove only five of the injured to the hospital. General Manager Keenan could take only three more in his car. He chose the three who had a better chance of survival than the rest. One of these men, a Hindu worker, however, re-

fused to go. "Do not take me away", he said. Disregarding his own agony, he feebly nodded towards a half-burnt Muslim colleague, and said: "Hamare bhai ko le jao." As Keenan recalls, "The Hindu who was in pain and danger of death remembered, not that the Mohammedan was of a different faith, but that he was his brother."

This feeling of comradeship, born of the common bond of labour, is the spirit that characterises Jamshedpur, where industry is not merely a source of livelihood but a way of life.

JAMSHEDPUR

THE STEEL CITY

The Tata Iron and Steel Company Limited

WTN 53509

BOOK REVIEWS

CONTEMPORARY POLITICS: A RIGHTIST'S VIEW

Satyam Eva Jayate by C. Rajagopalachari, in two volumes, Bharatan Publications, Madras, Price Rs. 6/- per volume.

Reading the brief and modest preface in Rajaji's first volume, which he has described as "a bundle of weekly outpourings of sincere feelings" on several topics of current interest, one is apt at first to miss its real quality—but not beyond the first few pages. One quickly realises that in the penetrating analysis of the policies of the present Government, is the beginning of "a movement for freedom," of "revolt against the policy of increasing regimentation introduced by the Congress party." It is not necessary to agree with him on every point to appreciate how timely and essential it is to build up a real Opposition. This veteran statesman is campaigning with remarkable conviction and vitality against what he fears may be the inevitable result of Congress policies, namely, "totalitarianism" and "an extension or a mockery of the democracy which we promised to ourselves in 1950, and in the wiping out of all the guarantees of freedom inscribed in the Constitution."

Rajaji has covered a wide range of subjects in this volume, and a reprint of the articles written for a weekly journal is bound to result in a measure of repetition of certain views and sentiments. On some of these, notably those like religion and philosophy, nuclear weapons, India's official language, etc., he has written separately, elaborating his standpoint in far greater detail than is possible in articles intended for a weekly journal.

'Satyam Eva Jayate', the title of the volume under review, reflects the author's deep-rooted conviction which Einstein once described, a few weeks before his death in 1955, as "faith in the universal law of righteousness." Rajaji was first in free India's political field, because of his clear insight and vast experience, to perceive the urgent need for developing "scope for a free and open discussion and criticism." His complaint is that "the Almighty Party Apparatus is sapping the strength of the people and that is vital to democracy." And "since the Congress party is swinging to the Left, what is wanted for the body politic is not an ultra or outer Left, but a strong and articulate Right." He favours the separation of general elections to the State legislatures from those for Parliament. "These," he suggests, "should be held on different dates, so that the electoral issues in the States may not be mixed up with all-India issues and strangled out of life."

Commending independent thinking as a vital feature of democratic functioning, he expresses the fear that "if subservience and slavish adulation take the place of independent thinking and criticism is never resorted to but with fear and trepidation, the atmosphere quickly breeds the political diseases peculiar to democracy." Again and again, Rajaji expounds with the zeal of an ardent gospeller the genesis of the Swatantra Party: "the new party seeks to oppose the trend of the ruling Congress party to adopt the ways and ideals of the Communists in its eagerness to prevent the Communists from going forward."

In a reminiscent mood, Rajaji refers to his relationship with Gandhiji in an article entitled, "The way to peace." "He (Gandhiji) always felt acute pleasure when I agreed with him! For he had found that of his half-a-dozen colleagues I was the one most inclined to disagree when he laid down the law."

His answer to the criticism often levelled against the Swatantra party that it stands for conservatism is that "conservatism is not lack of patriotism or fervour; it is consistent with the concern for the poor, it is wisdom and good management of national resources, and can help as much in social welfare as any other party labelling itself Socialist." What he objects to is "power without wisdom." Quoting Bertrand Russell who once said, "the spread of power without wisdom is utterly terrifying, and I cannot much blame those whom it reduces to despair," he condemns a tendency increasingly prevalent in the Congress, namely, "the slightest attempt at dissent (from Mr. Nehru) meets with stern disapproval and is, so to say, nipped in the bud."

On Socialism, as introduced by the Congress, Rajaji has clear-cut and emphatic views. It has bred "corruption, mismanagement and bureaucratic wastefulness." Gandhiji's alternative was, he asserts with many passages from his writings to support his claim, entirely different in character from the Marxian solution—being based on religion. Gandhiji had stated, "I do not like the assumptions underlying many of the presuppositions in the Socialist programme which go to show there is necessarily antagonism between the classes and the masses, or between the labourers and the capitalists. . . . If you have only State production, men will become morally and intellectually paupers and they will forget their responsibility." As Rajaji puts it, "the question is whether we want a way of life or prison discipline." "What is recommended may seem to be a long road, but shorter roads do not lead to the goal, though they may give sadist satisfaction."

A number of articles underline this point: regarding "welfare without freedom" Rajaji observes, "State compulsion, direct and indirect, as a substitute for people's character and the expansion of the size and function of the bureaucratic machine—these are supposed to usher in paradise. Communism is anathema, but all the same it is the pattern of Communism we are asked to work out for our happiness." Elaborating this point he observes "the only way worth living is the way that Socrates, Buddha, Christ and the Rishis of India preached, which included sympathy and helpful co-operation in its hygienic forces and excludes collectivism."

Strongly as Rajaji is opposed to Communism, he has no doubt in his mind that the methods adopted to bring about the downfall of the Communist Ministry in Kerala was "laying the axe at the root of parliamentary democracy" in that State. He does "not like the Communist party, but this is not the way to deal with it. . . . It is through the Constitution and the Constitution alone that we should deal with the Communists."

While under parliamentary democracy governments are brought into power by majorities, "this does not give them the authority to extinguish or restrain the individual freedom of any one except for the maintenance of peace and order. . . . It will lead to the development of a new ruling class and it is tyranny." Rajaji sees no difference between "the Nehru-guided Congress party and the orthodox Communists." In fact, he holds that "the uncandid and gripping totalitarianism (of the former) is worse than the avowed totalitarianism (of the latter)."

The volume, which is dedicated to Khasa Subba Rau, contains a well-deserved and very touching tribute. "Here is a rare man, look at him from any

(Continued on page 1050)

FROM THE CAPITAL'S CORRIDORS

ENGINEERING INDUSTRIES

IN accordance with the new procedure adopted by the Union Ministry of Industries to save time, following are some of the Engineering Industries in respect of which licences may be granted, without reference to the Licensing Committee.

1. A.C.S.R. and all aluminium conductors.
2. Agricultural tractors.
3. Automobile instruments.
4. Bare Copper strips.
5. Antimony.
6. Automatic pirn winding machines.
7. Bearings - thin - Walled.
8. Bifurcated rivets.
9. Calculating machines.
10. Conduit pipes.
11. Coated abrasives.
12. Crawler tractors.
13. Dumpers and scrapers.
14. Earth moving machines.
15. Electric fans.
16. Expanded metals.
17. High carbon steel blades.
18. Hosiery needles.
19. Jute cutting knives.
20. Machine screws, set screws, coach screws.
21. Mild steel Bright Bars and Bars and Shaftings.
22. Radiators.
23. Railway points and crossings.
24. Railway wagons and railway wagon parts.
25. Road rollers except expansions.
26. Sewing machines.
27. Shovels.
28. Telephone relays.
29. Twist drills.
30. Washing machines and drying machines.
31. Wire ropes.
32. Gelatine — technical, edible and photographic.
33. Hollow-ware including table and pressedware and glass bottles made on semi-automatic machines.
34. Hard board.
35. Insecticidal formulations (other than BHC & DDT).
36. Methanol.
37. Pesticidal formulations.
38. Plasticizers.
39. Poly-vinyl acetate.
40. Rayon and Staple fibre (other than acetate filament yarn and acetate and viscose staple fibre).
41. Boilers and steam generating plant.
42. Boats and crafts for fishing industry.
43. Conveyors — chain belt and screws.
44. Construction machinery.
45. Electrical motors above 20 H.P. and special motors above 20 H.P.
46. E.O.T. cranes and wharf cranes.
47. Fabricated structurals (heavy).
48. Industrial machinery.
49. Machine tools.
50. Precision industrial instruments.
51. Small tools such as cutters, and cutting tools (except saws of all types).
52. Sluice gates and gearings.
53. Structural ropeways.
54. Transformers above 33 KV.
55. Tungsten carbide brazing of tips.
56. Winches (land marine).

SUGAR EXPORTS

Details about sugar exports effected so far this year were given in the Lok Sabha on Tuesday by the

Union Deputy Minister for Food and Agriculture, Mr. A. M. Thomas. The total quantity exported upto November 12, he said, was about 2,28,000 metric tons — 1,38,000 tons to the United States and 90,000 tons to the other countries. The average f.o.b. realisation on these exports were estimated at Rs. 536 per metric ton to the U.S.A. and Rs. 411 per metric ton in respect of other countries, bringing in foreign exchange to the tune of Rs. 11.5 crores. The amount of subsidy the Government will have to pay to the industry to meet the loss on these exports is yet to be worked out. Tentatively, it has been estimated around Rs. 5.5 crores.

Meanwhile, the U.S. Government has agreed to resumption of sugar shipments from India on the understanding that all the future consignments would be equated against the next year's quota and held in bond at ports if they arrived before December 31. Announcing this at a Press Conference here on Wednesday last, the U.S. Ambassador, Mr. J. K. Galbraith stated that this understanding had been reached on the belief that the question of import quota for Indian sugar for the first half of 1962 would be resolved well before the new shipments reached the U.S. shore. The U.S. decision on the quota for the next year, it is hoped, would be favourable to India.

The Indian Sugar Mills Association has made a plea to the Government to regulate the releases of sugar for the domestic market on the ground that since the industry had to pay a fixed statutory price for cane, it was entitled to fair price for its product. Sugar prices in the domestic market have shown a downward trend, especially in respect of sugar produced by sulphitation process, during the past one and a half months as a sequel to removal of distribution and price control on the commodity. Bold crystal sugar, however, is still being quoted at a slight premium over the controlled rates, presumably because of greater demand for it.

CAUSTIC SODA, SODA ASH AND CALCIUM CARBIDE INDUSTRIES

The Government of India has accepted the Tariff Commission's recommendation that protection granted to the caustic soda industry should be continued for a further period of three years, i.e., upto December 31, 1964, at the existing rate of duty, namely, 30 per cent *ad valorem* (preferential) and 40 per cent *ad valorem* (standard). The Government's resolution on Tariff Commission's recommendations was published here on November 24.

The resolution further says that the Government has taken note of certain other ancillary recommendations of the Commission and steps would be taken to implement them as far as possible. These ancillary recommendations are:

1. While licensing additional capacity for caustic soda, existing units should be encouraged to expand their capacity to an economic size. In licensing new units also due attention should be paid to the importance of setting up plants of large capacity in areas advantageously situated with regard to power and common salt.

2. Caustic soda is a basic raw material for a large number of industries. It is, therefore, of paramount importance that it should be made cheaper. This aspect should be borne in mind while licensing further capacity for chemical caustic soda.

3. The railways should take necessary steps to increase the allotment of tank wagons (broad-gauge and meter gauge) for movement of liquid caustic soda and also consider the question of adjusting railway freight in such a way that movement of liquid caustic soda over long distance is encouraged.

4. The higher freight rate for bulk movement of salt under class 37.5-A of Goods Tariff need not be enforced if a consumer undertakes to carry out protective measures for wagons as required by the railways. The railways should, in consultation with the manufacturers of caustic soda, evolve a workable arrangement for bulk movement of salt in wagons and extend the facilities to cover long distance movement of salt.

The Union Government has drawn the attention of the State Governments to the recommendation of the Commission that the State Electricity Boards should be requested not to effect the increases in electricity rates charged from the caustic soda industry during the Second Plan period.

The Government of India have also accepted Tariff Commission's recommendation that protection to Soda Ash and Calcium Carbide industries should be continued for a further period of three years ending December 31, 1964 at the existing rates of protective duties namely Rs. 8.37 per quintal (preferential) and Rs. 11.32 per quintal (standard) for Soda Ash and 50 per cent *ad-valorem* for Calcium Carbide. The Government resolutions on the Tariff Commission's recommendations were published on November 27, 1961.

IRON AND STEEL INDUSTRY

The Union Government has decided to constitute a Wage Board for Iron and Steel Industry with Mr. G. K. Shinde, ex-Chief Justice of the former Madhya Bharat High Court, as Chairman. According to Mr. Abid Ali, Deputy Labour Minister, the other members of the Board will include Mr. Akbar Ali Khan, M.P., Mr. Gopeshwar (representing the public sector) and Mr. Saradindu Gupta (representing the private sector) and Mr. Michael John and Mr. Gopeshwar (representing the labour). The Board will aim at achieving the maximum standardisation in both the public and the private sectors of steel industry in regard to remuneration. The terms of reference of the Board are, however, expected to be finalised soon.

FERRO-MANGANESE INDUSTRY

The Government of India have decided to constitute a Committee to consider various problems relating to the Ferro-Manganese Industry.

Shri N. N. Wanchoo, Secretary, Department of Iron and Steel, Ministry of Steel, Mines and Fuel, will be the Chairman of the Committee. Other members of the Committee are: Shri B. D. Kalelkar, Senior Industrial Adviser, Ministry of Commerce and Industry; Shri A. B. Guha, Coal Mining Adviser, Department of Mines and Fuel; Shri K. L. Ghei, Joint Secretary, Ministry of Finance; Shri Jagjit Singh, Director (Traffic), Ministry of Railways and Shri M. Satyapal of the Planning Commission. Shri A. N. Banerji, Iron and Steel Controller of the Government of India, will be the Member-Secretary.

The Committee will study the ways and means of ensuring regular supply of raw materials of requisite quality and consider the question of railway freight for movement of raw materials and finished products. It

will also study the economics of production with special reference to cost of transport of ore, power costs, manufacturing process and use of by-products, etc. Problems relating to export and marketing abroad of the ferro-manganese and any other connected matter will also be studied by the Committee. The Committee will submit its report as early as possible, preferably by the end of February, 1962.

MANGANESE ORE

Yet another case of a State Government contesting the claims of the Union Government in the matter of holding equity shares has come to light. The Government of India, it will be recalled, recently reached an out of court settlement with a British firm, which held a 100-year mining lease for manganese ore in the pre-independence Central Provinces. Under the terms of the settlement, a new limited liability committee was to be formed in which the Government of India were to hold fifty-one per cent of the equity capital, the remainder was to be shared by the British company and Indian investors, including Indian Mining Association. In order to provide an incentive, the Government of India had offered twelve and a half per cent in the equity capital each to the States of Maharashtra and Madhya Pradesh, retaining twenty-six per cent itself. The Government of Maharashtra has now demanded twenty-six per cent in the share capital.

BHILAI STEEL PLANT

The Government of India has approved the Russian project report for the expansion of the Russian-built Bhilai Steel Plant from one million tons to 2.5 million tons at an estimated cost of Rs. 128 crores, including Rs. 60 crores in foreign exchange which are already provided by the Soviet Union. When fully commissioned, the expanded plant will produce 500,000 tons each of rails and merchant sections, 250,000 tons of heavy structurals, 300,000 tons of wire rods and 400,000 tons of billets, making a total of 14,50,000 tons as against 7,75,000 tons at present. The Plant in addition will produce 300,000 tons of pig iron.

Tenders for the expansion of the German-built Rourkela Steel Plant by 0.8 million tons have already gone out and those for the Durgapur Plant by 0.6 million tons are being issued by end of year.

MYSORE IRON AND STEEL WORKS

The expansion of the Mysore Iron and Steel Works raising their capacity from 30,000 tons of steel ingots to 100,000 tons per annum, which was originally included in the Second Five-Year Plan will now be executed during the Third Five-Year Plan. The new items included in this expansion are the L. D. Plant and Electric Furnace for steel making, a Billet and Light Structural Mill and ancillary schemes for expansion of yard, foundry, etc. In addition, the Works will be completing, during the Third Plan period, the installation of the Sintering Plant and the Ferro-Silicon Plant which were undertaken during the Second Five-Year Plan period.

A proposal for the setting up of a Tool and Alloy Steel Plant with a capacity of 15,000 tons per annum is also under the consideration of Government.

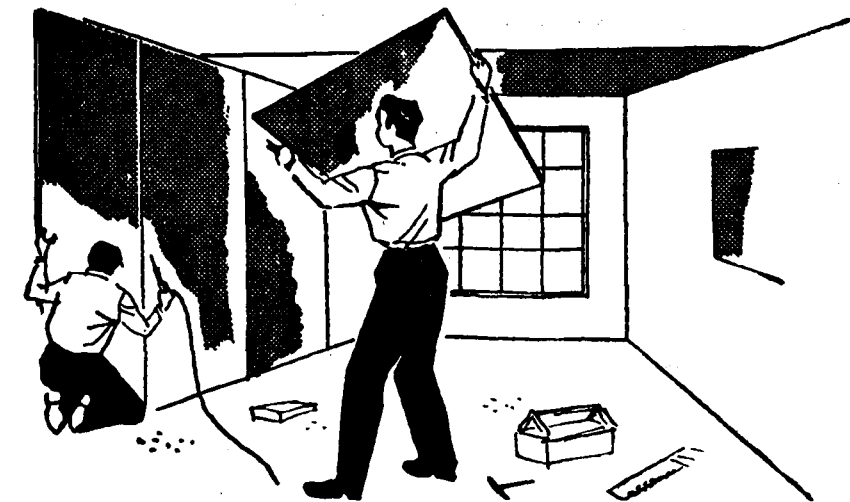
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waterlogging, the International Development Association (IDA) yesterday extended to India three development credits totalling \$22.5 million for projects to increase agricultural production in three States. A credit of \$8 million will assist the Salandi Project in Orissa for the irrigation of 225,000 acres. Another credit of \$4.5 million will help finance the completion of the Shetrunji Project in Gujarat for the irrigation of 86,000 acres. The third credit of \$10 million will assist a project of flood protection and surface drainage of about 8 million acres in the Punjab.

The credits extended are repayable in foreign exchange over a term of 50 years and are free of interest. Repayment will begin after a ten-year grace period. The repayment of the irrigation credits will begin on April 15, 1972 and that of the drainage credit on May 15, 1972. Thereafter, 1 per cent per annum of the principal will be repayable for ten years and three per cent per annum will be repayable each year for the final 30 years. A service charge of 1 per cent per annum on the amounts withdrawn and outstanding will be made to meet IDA's administrative costs.

The Salandi Irrigation Project includes the construction of a dam on the Salandi River, a main canal 45 miles long and about 450 miles of distribution canals as well as related structures necessary for the operation and maintenance of the dam and the canals. Extension services are well established in the area. In addition, the State Government will provide technical assistance to farmers in the planning, construction and operation of field channels and in the establishment and operation of a training programme to improve techniques of irrigation farming. As a result, it is expected that full use will be made of the available irrigation water sooner than is usually the case in this country. The total cost of the project is estimated at the equivalent of \$16 million. The State Government will provide 40 per cent of the financing needed and the Centre will provide 60 per cent as a loan, most of which will come from the proceeds of the IDA credit.

The Shetrunji Irrigation Project will irrigate 86,000 acres of land in Gujarat. It is already partially built including a dam across the Shetrunji River. The work now to be undertaken to complete the project consists of the construction of main canals about 94 miles long and distribution canals, houses, workshops, buildings and service roads. The State Government will provide technical services to farmers to bring about prompt utilisation of the available water. The lands most suitable for irrigation will be selected on the basis of a detailed soil survey now being carried out. The State Government will organise two demonstration farms and provide extension services for improving techniques of irrigation farming. As a consequence, it is expected that, like the Salandi Project, irrigation water will be fully utilised sooner than is usual. The total estimated cost of the project is the equivalent of \$9 million. Half of the money will be provided by the State Government and the other half given as a loan from the Central Government of the equivalent of \$4.5 million IDA credit.

Punjab Flood Protection and Drainage Works will help Punjab tackle the problem of flood damage by building embankments along the rivers to contain them and by construction of a system of adequate surface drainage. The Project being assisted by the IDA credit consists of the construction of 17 miles of embankment along rivers, the enlargement of 300 miles of existing drains and the excavation of 2000 miles of new drains. The estimated cost of the works is of the equivalent

of \$20 million. The Government of India will finance the entire cost through loans to the State Government, half of which represents the \$10 million IDA credit.

RICE

Two Working Parties of the International Rice Commission, one dealing with rice production and protection and the other with soils, water and fertiliser practices, will meet in Delhi from December 11 to 16, 1961. Delegates from about 30 countries are expected to attend the meetings which will be inaugurated by Shri S. K. Patil.

The Working Parties will discuss a number of subjects, such as reduction in the number of rice varieties and intensified breeding of varieties with wide adaptability; large-scale distribution of recommended seed varieties to farmers; steps to fight insect pests of paddy; better storage practices for paddy and rice; training programmes for storage personnel; efficiency of different fertiliser materials as well as methods of application and soil analysis. There will also be a discussion on the preliminary report of the survey of the fertilizer economy of the Asia and Far East Region.

DAIRY INDUSTRY

The following four firms have been granted licences by the Ministry of Commerce and Industry under the Industries (Development and Regulation) Act, 1951 for the manufacture of various types of dairy equipment in collaboration with foreign manufacturers:

(In lakhs of Rs.)	
Name of the Firm	Annual Capacity
1 Messrs. Larsen and Toubro Ltd., Bombay	106
2 Messrs. A. P. V. Engineering Co. (P) Ltd., Calcutta	47
3 Messrs. Vulcan Trading Co., (P) Ltd., Bombay	26
4 Messrs. Alfa Laval (I) Private Limited, Bombay	78

Messrs. Larsen and Toubro and Messrs. A. P. V. Engineering Company are already manufacturing a few items of dairy equipment while Messrs. Vulcan Trading Company and Messrs. Alfa Laval are expected to go into production by the middle of 1962.

SHIPPING RATES

It will be recalled that the Delegation of the Conference Lines after visiting New Delhi went to Pakistan to place its case for an increase in freight rates. As is already known, Pakistan had a bargaining counter provided by a German Shipping Line, which had offered to carry jute at much lower rates. To meet this challenge, the Conference Lines had offered to carry jute by tramp steamers. This alternative, it appears, is not acceptable to Dundee Jute Industry, which would like speedier carriage of jute than would be possible by tramp steamers. The British Shipping Delegation has returned to England. Meanwhile, India can

watch with interest the development during which there would be no increase in freight rates.

AIRCRAFT INDUSTRY

Mr. B. C. Vallieres, the President of the Syndicate of French Aeronautical Industries, offered French collaboration and assistance in the manufacture of civil and military aircraft in India. Mr. Vallieres further stated that his country could also supply components and accessories in India to help indigenous production, in addition to providing technical assistance in research, design and flight-testing fields. According to Mr. Vallieres, who was talking to Pressmen at the French Pavilion at the Indian Industries Fair, a Caravelle would be flown to India by March or April next for purposes of demonstration.

INDIAN INDUSTRIES FAIR

As more and more pavilions are being opened to the public at the Indian Industries Fair, currently being held at the sprawling Exhibition Grounds on the Mathura Road here, the number of visitors to the Fair goes on increasing. Nearly 95 per cent of the pavilions are now more or less complete. The rest are expected to be put into shape in another couple of days. The Fair, thus, will be in full swing from Monday next.

Situated in the north-west sector of the Fair are the pavilions of the private sector industries in India, probably the most exquisite among them being the Birla Industries pavilion which tells the epic story of one of the biggest industrial houses in the country. Displayed here are a wide range of consumer goods as well as machinery manufactured by various Birla enterprises. As one enters the pavilion, one views Prime Minister Nehru's grand vision of emergent India. Alongside is depicted the story of investment that would have gone into the Indian economy under the first three Plans. The contribution that Birla Industries are making towards converting an Indian home into a cosy and comfortable one is amiably depicted by laying out a modern home. Steel furniture for this home has been provided by Allwyn, jute and linoleum floorings by another Birla enterprise, fans by Orient, tapestry by Sirsik, cooking appliances again by Allwyn, sugar, tea and vegetable ghee by various Birla group industries, music by Jhankar Radios and conveyance by Hind cycles and Hindustan Motors. The roofing for the house and the fittings in the bathroom have been provided by the Charminar Asbestos Co. Elsewhere are shown a wide variety of fabrics — rayon, cotton and woollen — manufactured by Gwalior Rayon, Century, Jiyajeerao and Digjam. Of special interest to the visiting public in the present cold weather should be the woollen suitings and blankets produced by Digjam in a wide range of attractive colours and designs. A luxury coach, fully air-conditioned, is also there on view. To delight the young ones, there are Morton sweets.

Tatas have also put up an impressive show. They display at their pavilion, one of the biggest at the Fair, the various products which this house manufactures — from soaps and perfumes to heavy machinery and locomotives. The pavilion is divided into three sections, one displaying the products of the Tata Engineering and Locomotive Company, the second devoted to the display of textiles, costumes, chemicals etc., and the third one showing the manufactures of Voltas. In the TELCO section are displayed a number of photographs and charts which throw light on the various manufacturing activities of this company. On view are also two Tata-Mercedes-Benz buses (one of them a luxury bus, fully air-conditioned), a cut-out model of a diesel engine, an 8.5 tons jointless spun wheel cast by the steel foundry of the works, a core grinding machine, a couple of hydraulic presses, drilling machines, multi-

spindles, heavy P.H. excavators, diesel shunting engines etc., — all designed by TELCO engineers. In the second section are displayed exquisite textiles manufactured by Tata mills, toilets, washing soaps, hair oils, shampoos, cosmetics, perfumes, edible oils and a wide variety of chemicals. A small sector in this section displays the products of Tata-Fison — insecticides, fungicides, herbicides, rodenticides, and acaricides — which are of particular interest to the farmers. The Voltas section displays various kinds of engineering goods, agricultural implements, domestic and industrial air-conditioners and water coolers.

The arch-shaped pavilion set up by the Walchand Group of Industries tells the story of the growth of this industrial house. On display in this pavilion are beautiful models of Rihand, Koyna and Vaitrana dams (completed by Messrs. Hindustan Construction Company, one of the Walchand Group enterprises) and sugar-making and vanaspati-making machinery (produced by Walchandnagar Industries Ltd.). There are also on display here the products of Cooper Engineering Ltd. These include slotting and shaping machines, huge vertical turret lathes, various sizes of diesel engines and a powerloom. The products of Indian Hume Pipe Company have been shown in the form of specimens of pipes used in the Koyna project and several other works successfully completed by the company. The products of this group in the field of automobiles are displayed in another pavilion set up by Messrs Premier Automobiles Ltd.

An important foreign pavilion that has been thrown open to the public this week is that of Italy. Though a medium-sized pavilion as compared to the pavilions of the other foreign countries participating in the Fair, the various exhibits displayed here are well laid out. Of particular interest in this pavilion are the latest model of Fiat 2300 (being displayed for the first time in the world), a pressing machine (claimed to be one of the best in the world) and an Amut machine which can produce all sorts of plastic moulds.

(Continued from page 1044)

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B. SHIVA RAO

COMMERCE AND FINANCE

Vyapar, Annual Diwali Number; Bombay; Editor H. Z. Gilani; Price Rs. 1.50.

'Vyapar', India's only Bi-weekly Journal of Commerce, Finance and Industry, published from Bombay in Gujarati, edited by Mr. H. Z. Gilani, has brought out its twelfth Annual Diwali Number.

Although the main theme of this special number is India's Export Promotion, the number also contains many informative and interesting articles on several other different aspects of interest to industry and trade contributed by experts, each eminent in his or her own line, like Dr. Jivraj Mehta, Chief Minister, Gujarat, Mr. H. M. Patel, Mr. H. T. Parekh, Sm. Sumati Morarji and Prof. D. T. Lakdawala, Mahesh Bhatt, J. Dholakia and Dr. R. K. Amin, among others.

The Annual has also published the views of a number of prominent brokers on the Outlook for Stocks and shares, Bullion, Cotton and Seeds during the year 1961-62. This is an annual feature of 'Vy-par' which investors always eagerly look forward to read.

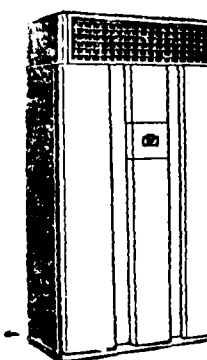
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COMPANY AFFAIRS

TITAGHUR PAPER

The directors of Titaghur Paper Mills Co., Ltd. in their annual review for the year to March 31, 1961 reveal that the sale proceeds during the year were lower at Rs. 9.52 crores against Rs. 9.86 crores during the previous year. This was partly due to the reduced selling prices of paper and paper board. The general working of the Company otherwise was quite satisfactory. If a machine in the mills in West Bengal had to be closed down it was compensated by higher output in another mill. One more mill was being erected to raise output of the Company. The closure of a mill was essential due to transport difficulties and non-availability of trained labour. The directors have pointed out that stocks of bamboo at their mills have been barely adequate throughout the year and paddy straw and bagasse had to be used as supplementary raw materials. Lack of wagons for the despatch of paper, which enjoys a low priority, has resulted in the accumulations of stocks at the mills.

The profit and loss account shows a profit of Rs. 23.92 lakhs after making provision for tax and depreciation which is far below the last year's profit of Rs. 55.142 lakhs. The directors have transferred Rs. 8 lakhs from dividend acquisition reserve. A sum of Rs. 6.26 lakhs has been transferred to statutory development reserve. Interim dividend for the year to March 31, 1961 on first cumulative preference shares, second cumulative preference shares, transferred ordinary shares and 'A' and 'B' ordinary shares absorbed Rs. 12.51 lakhs. The directors have proposed the payment of another Rs. 12.54 lakhs as a payment of final dividends for the year subject to deduction of tax on first cumulative preference shares at the rate of 10.4 per cent per annum, on second cumulative preference shares at the rate of 5.85 per cent per annum, on preferred ordinary shares at the rate of 13 per cent per annum and on 'A' and 'B' ordinary shares at Re. 1 per share.

MYSORE CHEMICALS AND FERTILISERS

The working of the Mysore Chemicals and Fertilizers Ltd. for the year to March 31, 1961 shows all round progress. Output during the year has been the highest on record and the sales too touched the peak figure of Rs. 50.52 lakhs against Rs. 47.55 in the previous year. This improved working is partly due to the fact that there were fewer interruptions and the manufacture of mixed fertilizers were also stepped up due to the growing demand in the country. The directors still believe that the electrical charges levied on the Company for the supply of energy are far too high and are a great burden on the finances of the country. This in addition to other handicaps such as the reduction in the selling rate of superphosphate fixed by the Government, the necessity for payment of heavy clearing charges at Madras and Cochin on account of non-availability of sufficient wagons for the movement of raw materials and the steep rise in the price of certain chemicals affected the financial reserves of the Company to some extent during the year under review. The directors have complained that the Government of Mysore has enhanced tax to be paid on electricity from 0.7 nP to 1.5nP per unit which would aggravate the problems of costs faced by the Company.

The Company is busy with its expansion programme and an order for a 50-ton capacity sulphuric acid plant has already been placed which is likely to operate towards the end of December 1961. Industrial licence has also been received by the Company for putting up a fully mechanised superphosphate plant which will increase the output of superphosphate to 33,000 tons per annum.

The Company recorded a profit of Rs. 3.13 lakhs after making provision for depreciation and develop-

ment rebate. The directors have proposed the payment of a dividend of 10 per cent (Re. 1 for a share of Rs. 10 each), subject to tax, which will absorb Rs. 2.48 lakhs.

CAPITAL ISSUES

Seven companies have been granted consent by the Controller of Capital Issues for the issue of a total capital of Rs. 1.8 crores. Of these six companies will issue equity shares and one company ordinary shares. The consent is valid for a period of 12 month in each case:

Modella Woollens Ltd., Bombay, has been granted consent to issue capital of Rs. 65 lakhs divided into 6,50,000 equity shares of Rs. 10 each for cash at par. Of this, shares of the value of Rs. 13.33 lakhs shall be issued to the foreign collaborator, Messrs Robert Jowett and Sons Ltd., Bedford, the U.K. The proceeds of the issue shall be utilised for the manufacture of woollen shoddy yarn and wool tops.

Nuboard Manufacturing Company Ltd., Bombay, a Company recently incorporated in Maharashtra for the manufacture of chipboard in collaboration with the Indian nationals resident in British East Africa, has been accorded consent to the issue of Rs. 25 lakhs in equity shares of Rs. 10 each. Of this, 50 per cent will be allotted to the foreign collaborators, against the supply of machinery and the balance for cash at par. The requisite licence under the Industries (Development and Regulation) Act has been granted.

Thomas Mouget and Co. (India) Private Ltd., proposed to be incorporated in West Bengal, has been granted consent to the issue of capital of Rs. 37.60 lakhs in 37,600 equity shares of Rs. 100 each. The Company is being formed for undertaking the recovery of iron and steel scraps from the steel melting shop slag at the Durgapur Steel Project. Messrs Thomas Mouget and Co. Ltd., of Redcar, England, will invest shares worth Rs. 27.82 lakhs, being the cost of plant and machinery to be supplied by them.

Electro Equipments Corporation Private Ltd., Bombay, has been granted consent to issue capital of Rs. 24,99,800 divided into 3,49,980 equity shares of Rs. 10 each for cash at par. The proceeds of the issue will be utilised for financing the expansion from 60,000 meters per annum on a single shift basis to 2,20,000 meters per annum on a double shift basis. The Company is now proposed to be converted into a public company. The Company has subscribed a paid-up capital of Rs. 10,00,200 in equity shares of Rs. 10 each.

Calcutta Credit Corporation Ltd., engaged in business as financier of automobile vehicles and development of lands and buildings, has been granted consent to the issue of capital of Rs. 15 lakhs in 1.5 lakh equity shares of Rs. 10 each. Of this, 1 lakh shares shall be issued for cash at par and 50,000 shares shall be issued as bonus shares on capitalisation of its reserves to the extent of Rs. 5 lakhs. The Company's existing paid-up capital is Rs. 14 lakhs.

Assam Government Marketing Corporation Ltd. Shillong, has been granted consent to the issue of further capital of Rs. 10,00,000 in equity shares of Rs. 100 each for cash at par. All the shares will be issued to the Government of Assam. The proceeds will be utilised for the implementation of some new schemes of marketing of small-scale industry products. The present paid-up capital is Rs. 4,83,000 in equity shares.

The Federal Bank Ltd., Alwaye, has been granted consent to the issue of capital of Rs. 1,14,280 divided into 5,714 ordinary shares of Rs. 20 each for cash at par to the existing shareholders on right basis. The object of the proposed issue is to maintain a better ratio between the paid-up capital and deposits. The present paid-up capital is Rs. 3,85,720.

Company Meetings

TUBE INVESTMENTS OF INDIA LIMITED

Twelfth Annual General Meeting CHAIRMAN'S REVIEW

Speech delivered by Sir A. Ramaswami Mudaliar, K.C.S.I., D.C.L. (Oxon), Chairman, Tube Investments of India Limited to the Shareholders at the Twelfth Annual General Meeting held on 29th November, 1961.

Gentlemen,

I have much pleasure in extending to you a cordial welcome to this the Twelfth Annual General Meeting of the shareholders of Tube Investments of India Ltd.

The directors' report, the balance sheet and audited accounts for the year ended 31st July, 1961 have been in your hands for some time and with your permission I shall take them as read.

The financial results of the working of the company during the year have been gratifying and as mentioned in the directors' report, the net profit for the year is a little over Rs. 55 lakhs. In accordance with the policy adopted by the directors of a cautious appropriation of the net profits having regard to future liabilities, the recommended dividend is the same as in the last year, being Rs. 10 per share subject to tax.

In view of the various schemes your company has undertaken, some of which will come into production in the course of the present financial year, it has been desirable to transfer a substantial amount to the general reserve. In connection with these schemes, plant and machinery costing a sizable amount have begun to arrive and are expected to be installed during the year.

In my speech last year I referred to the legal provision regarding the development rebate and how and when it was to be provided for. The response of the Government of India to the appeals by Industrialists in this connection has not resulted in the grant of the request for spreading over a period of years, the provision for development rebate, but has only resulted in the amount being reduced from 25 per cent to 20 per cent. This can hardly give any satisfaction to Industrialists trying to set up new industries or expand existing ones. It seems to be taken for granted by the Government that as Industrialists are coming forward in large numbers and applying for permission to establish new industries or increase capacity of existing ones, there is apparently no need to give the relief that has been almost unanimously asked for. Having regard to the fact that a large percentage of the development rebate has to be provided in the year of the installation of the plant and taking into consideration as already stated, the plant and machinery that have to be installed, your directors have carried forward the somewhat large sums of over Rs. 12 lakhs from the net profits to the next year. I trust that this cautious policy will be appreciated by you.

I do not desire to repeat the difficulties that I pointed out in my last speech about the power supply in this part of the State; but one factor has emerged during discussions with the Authorities which must cause concern to several of the Industrialists in the north and south of Madras State. The Electricity Board draws its supply of power for distribution to industries from two sources — from the Hydro-Electric Power Stations and from the Thermal Power Stations. It is a fact that the power generated by the Hydro-electric works is necessarily cheaper than the Thermal Power generated in this State, owing to the fact that the most important raw material, coal, has to come from great distances and freight charges either by sea or rail are necessarily very heavy. While

it can be recognised that the cost of these two different kinds of power must differ widely, it is extraordinary to note that Industrialists in the favoured zone where Hydro Electric Power is being supplied are charged very much less than those who are supplied power from Thermal Stations. In fact the charges are double in the latter case. This is an anomalous situation amounting to discrimination as between industry and industry and when it is remembered that the budget of the Madras Electricity Board is one budget, it is difficult to justify it in any way. I trust that the Electricity Board and the Government will consider the obvious justice of having a uniform rate in the State for all industries and that if it is not possible immediately, to bring about that uniformity, a phased programme of reduced charges in one case and correspondingly increased charges in the other case will be adopted which will ultimately bring about that uniformity within the State itself, having regard to one agency like the Madras Electricity Board being in charge of all power. This reform is urgently called for.

The chain factory to which I referred last year has gone into production and is producing to the limit of the present factory area available, and it is, hoped that it will come up to the planned programme as soon as the plant is shifted to the new building which is under erection, I need hardly emphasise that the chain for bicycle is one of its most important parts and the Indian Standards Institution has a task to see that chains produced anywhere comply with proper standards.

The machinery for saddles has been installed and it is gratifying to note that the saddles produced within the last few weeks have been very satisfactory. The saddles are now being offered to the market.

The import content of components of our cycles is now a negligible figure being .025 per cent and such items as are being imported are those which are not yet manufactured in this country. With the installation of a new cold rolled mill we shall have the tube factory at Avadi supporting itself from indigenous supplies provided such supplies are continuous and of the quality required. Apart from tubes required for cycles, different kinds of mechanical tubing and high quality cylinder tubes for shock absorber manufacture are in production.

The two subsidiary companies, TI Diamond Chain Ltd., and TI Miller Ltd., are progressing satisfactorily. The former, in addition to bicycle chains now produced, are expected to start manufacture of industrial chains.

In all these projects and developments, I must gratefully acknowledge the ready help and valuable advice which the company has received from its associates. Messrs. Tube Investments Ltd., U.K., and other companies in their group. The new foreign collaborators for chains and lamps have also given their best advice and help and placed their technical know-how at the disposal of the factories.

We are grateful both to the Government of India and to the Government of Madras for the interest that they have shown in the development of this company.

(Continued at the bottom of page 1056)

THE DECCAN SUGAR AND ABKHARI COMPANY LIMITED

Sixty-Fifth Annual General Meeting

MR. C. R. SRINIVASAN'S REVIEW

BEFORE commencing the proceedings of the Sixty-fifth Annual General Meeting of the Shareholders of the Company held on 27th November, 1961, Mr. C. R. Srinivasan, Chairman, made the following statement and requested Shareholders to observe 2 minutes silence in memory of Mr. H. I. Wonfor, a past Chairman and Director of the Company.

"Before commencing the proceedings of the meeting it is my melancholy duty to convey to you a most distressing piece of news. I refer to the untimely and altogether unexpected death of Mr. H. I. Wonfor on Friday morning. He arrived from England for consultations on many matters of business on Thursday noon. I found him in very good spirits and I was talking to him till 9 p.m. Next morning I heard the tragic news that he had died in his sleep. I believe all of you know him or heard of him as one of the prime architects of the new deal in the Parry Group of Companies. Personally, I have moved with him in close intimacy for the last 25 years and with every passing year our friendship has found fresh points of contact and concord. He was a friend of this country in the fullest sense of the word and had faith abundant in its destiny. It almost looks as though he came to die in the land of his adoption where he had spent the greater part of his fruitful life. May God rest his soul in peace. I will ask you to stand up and observe 2 minutes silence in memory of a great Britisher who has served this country as well as any Indian could have, and in doing so, served his own country also."

In his review of the working of the Company the Chairman said:

"It gives me pleasure to welcome you to the Sixty-fifth Annual General Meeting of this Company.

The Accounts for the year ended 31st May, 1961 and the Report of the Directors thereon have been in your hands for the statutory period and with your permission I shall take them as read.

The results contained therein reflect the position that was forecast in my statement at the last Annual General Meeting, namely that stocks at our factories would build up due to the increase in the all-India sugar production. Releases of sugar for sale by Government were severely restricted and this accounts for the drop in turnover of not less than Rs. 86 lakhs compared with the previous year.

This is the major reason for the reduction of Rs. 8.50 lakhs in our Net Profit before Taxation. I would mention that although the Company received a bonus in the shape of a rebate of Excise Duty of some Rs. 4 lakhs for increased production, this was more than offset by the contributions of not less than Rs. 6.50 lakhs that had to be made towards Sugar Export losses.

Thus, bearing in mind the need to conserve the resources of the Company, your Directors have been reluctantly forced to recommend a lower final dividend of 13½ per cent for the year under review as against 18½ per cent paid for the last year, thus making the total for the year 21 per cent against 25½ per cent last year.

In other respects I consider that the printed Accounts and the Notes thereon are self-explanatory and do not require further specific comment, but I shall, of course, welcome any questions thereon at the conclusion of my speech.

As you may have seen from the Report before you, the quantity of cane crushed and sugar produced during

the year at Samalkot and Pugalur constitute a record for both factories. While this achievement, by itself, is gratifying, the immediate benefit was, as I have just said, largely lost by reason of smaller releases of sugar from both factories. The policy of the Government of India is to release every month a fixed percentage of the production of each factory, the total quantity released being the estimated all-India consumption for the month, excluding exports for which special releases are made from time to time. The effect of this policy is to make available in the States of U.P. and Bihar a much larger quantity than can be consumed in those States. Under controlled conditions, much of this surplus was allotted to other States including Madras and Kerala, in spite of the fact that the Southern Region as a whole is self-sufficient and had no need to import anything like the quantities allotted by Government during the control period.

Now that decontrol has come in the wake of over-production, with uncertain prospects as to the size of exports, we are entering a period of unstable prices and selling pressure. Already prices have come down by about Rs. 20 per tonne. We can only hope that they will become stabilised at a level which would not have serious repercussions on all sugar manufacturers.

The rehabilitation and consolidation of Samalkot Factory to which I referred in my speech last year is proceeding. The suppliers of the fourth mill are expecting shortly the licence to import the foreign components. All going well, it is hoped to instal the mill in time for the 1963-64 season.

I stated in my speech last year that orders had been placed for almost all the equipment required for the expansion of Pugalur Factory from 1,000 tons to 1,250 tons cane per day, at an estimated cost of between Rs. 25 lakhs and Rs. 30 lakhs. The advantages of expansion need no emphasis. A lower cost of manufacture from higher output enhances the ability of a unit to withstand competition in times of abundance of supplies, but considering the position in which the industry is today, it would be wise to review decisions taken under somewhat different conditions a year or so ago. Your Directors, after careful consideration, have come to the conclusion that it would do no harm to go a little slow with the expansion scheme. Accordingly, the proposed extension originally scheduled to be completed before the 1962-63 season will be delayed probably by another year. These considerations however do not apply to the Samalkot factory where the more urgent need is rehabilitation and not expansion.

An interesting development in connection with Pugalur Factory is an agreement made with Seshasayee Paper and Boards Limited whereby they will supply the factory with two oil-fired boilers and the necessary oil fuel to burn in them, and in return take all the bagasse produced in the factory for the manufacture of paper in their new factory near Erode. No capital expenditure will be incurred by the Company, and while no monetary remuneration will be received for the bagasse, it is hoped that the oil-fired boilers will provide steadier working conditions with a constant steam pressure, thus resulting in slightly reduced working costs. In the interests of the industrial development of the country this is a welcome step and I am sure our co-operation will be appreciated. The present position is that an application for an import licence for the two boilers

made by Seshasayee Paper and Boards Limited is pending with the Government of India.

The Tariff Commission's Report on the Price Linking Formula is still under consideration of the Government of India. We continue to be in the unhappy position of not knowing the final price for cane for the years 1958-59, 1959-60 and 1960-61. Reasonable provision has been made in the Accounts for these years, and some interim payments have been made to the growers.

The distillery at Samalkot is not doing very well. Our main market is West Bengal where competition is keen. To add to our difficulties, the Government of India have fixed a very low ex-distillery price under the Ethyl Alcohol Price Control Order 1961. If we sold at this price, we would be making a considerable loss. Representations have been made to Government to consider the question of price for smaller distilleries after an examination of their actual costs. It is to be hoped that the Price Control Order will not be enforced in the meantime.

Sales of Carbonic Acid Gas were not unsatisfactory but, here again, there is severe competition in a restricted field. Nevertheless, this section of the factory makes a useful contribution to Overheads.

Our relations with Labour and Staff during the course of the year have remained satisfactory. The Sugar Wage Board recommendations have been published and accepted by Government, and preliminary arrangements have now been made for negotiations with Staff and Labour, both at Samalkot and Pugalur, with a view to arriving at a long-term agreement on future terms of service. It is hoped we shall be able to conclude a settlement with the Unions on suitable lines.

Now you will expect me to say something about future prospects. In my speech to you last year I stressed that a state of over-production was being reached and, in the event, the present position is worse than I envisaged at that time.

The sugar year 1960-61 started with a carry forward of 5½ lakh tons which is generous but not unduly so. Five lakh tons is generally considered the carry forward required to take care of any unexpected shortfall in production. Production for the year 1960-61 reached the record figure of only just short of 30 lakh tons against which internal consumption has amounted to only 21 lakh tons and in addition 2.7 lakh tons have been, or are to be, exported by the 31st December, 1961.

You will see, therefore, that we started the current sugar year 1961-62 with a stock of 11.8 lakh tons and, allowing for the buffer stock of 5 lakh tons, there is 6.8 lakh tons surplus. As you all know, Government is trying to adjust the position by stipulating that factories shall only produce ninety per cent of their highest production in the preceding two years; various exemptions however are being made in favour of new factories and those with a small output and which for various reasons did not reach a certain minimum production in 1959-60 and 1960-61. In the result I therefore fear that we must look forward to a production of very nearly 30 lakh tons again during the current year. I sounded a note of warning last year when I said that the bulk of next year's sugar crop is already in the ground. It is very difficult to see how factories which have registered cane for their full requirements are going to deal with their excess production. In the case of our two factories, I am glad to say that as production last year reached record figures, we are unlikely to exceed the ninety per cent target this year, and I, therefore, hope that the question of payment of the penal excise duty will not arise. Other factories are not so fortunately placed and there must be considerable hardship in those areas where there is no jaggery industry to take up the surplus if factories refuse to crush all the

cane offered. Even if the surplus cane is used to produce jaggery, or khandsari sugar, this is likely to be offered at give away prices which in turn will restrict the offtake of factory sugar. Government have still not made any announcement regarding sugar cane prices for the 1962-63 season, and with all the earnestness I can command I would urge Government to set at rest without delay the anxiety of growers and millers. Ministers have admitted in Parliament that the current sugarcane price is attractive compared with the realization from other crops, and if it were not, how is the increase of over 8 lakhs acres under sugarcane during the last two seasons, mostly in U.P., to be explained? The simplest and most efficacious way of reducing the production of sugar in the country to something approximately to the country's requirements is an adjustment of cane prices by an emphasis on payment for quality, and may I take this opportunity of pleading once again for a floor price which will cover growers' out-of-pocket expenses, the balance to be paid on the basis of quality. This I consider one of the most important aspects of the problem, both to meet the immediate situation and to build up an industry which may stand a chance of competing in the world markets in the future. As long as cane is paid for on the basis of weight irrespective of quality, I fear that India will be priced out of the export market.

Other steps which might be taken to remedy the situation are to cancel a number of licences for additional factories already granted, but for which no effective steps have yet been taken. Government have announced that they will not licence any further new factories, but this does not go far enough. There may be difficulties in the way of cancelling licences already granted, but is it fair to allow factories to go into production with little chance of operating profitably, to the detriment of the interests of shareholders? There is general agreement that the demand for sugar in the country must be stimulated to mop up the surplus production and there is no reason why this should not be done. The average annual consumption per capita of the population in India is 5.5 kg. compared with 47 kg. in U.S.A. and 55 kg. in U.K. The significant fact is that the annual consumption in 1957 was 20 lakh tons and in that year the then Finance Minister doubled the excise duty on sugar with a view, as he said, to restrict consumption and to make sugar available for export. How well he succeeded in the first part of his intention is shown in the offtake for subsequent years.

1958	20.5 lakh tons
1959	20.7 lakh tons
1960	20.2 lakh tons
1961	21.0 lakh tons (estimated)

It is significant that offtake should have remained static over this period despite the increase in the population, and surely this is evidence enough that the decision of 1957 should be reversed and the excise duty reduced by fifty per cent. Our people want sugar, but at a price they can afford to pay.

There has been much talk about exporting our surplus production and earning valuable foreign exchange, but even if the Government, the industry, and the growers are prepared to subsidise exports, such exports can only absorb a small part of India's surplus production. India has become a member of the International Sugar Agreement, a step which was necessary to enable her to take advantage of the American quota, and her rights under this Agreement are not likely to exceed 1,50,000 tons per annum. What our quota will be from America this year is anyone's guess, but we well know what happened to the initial quota of 2,25,000 tons which, overnight, was cut by 50,000 tons. It would be wise to realise that U.S.A. has her own problems and

we cannot expect her to accommodate us at all costs. Efforts are also being made for a quota for supply to Great Britain under the Commonwealth Sugar Agreement, but the latest information is that this is not likely to materialise. It is, therefore, unlikely that India's exports will reach 5,00,000 tons, and this, only at a loss of something on an average of Rs. 300 per ton after full rebate of excise duty, cane cess, etc. We doubtless need foreign exchange, but some may ask whether it cannot be bought at too high a price.

Andhra State is already surplus in the production of sugar and Madras State is approaching that condition. As long as Government maintain the system of monthly releases adjusted to the approximate offtake of the markets, I think a price level can be held which will give a reasonable margin of profit, but I would be failing in my duty if I did not warn you that the industry is passing through a most difficult time and I wonder if we have seen the worst yet. Stocks are moving, but not as fast as they are accumulating, and this is a situation which cannot go on indefinitely. There are two difficulties to be faced — one, financial; and the other, physical. By the time our two factories stop crushing in April next, we expect to be holding stocks amounting to 23,000 tons and valued at Rs. 1.84 crores. That is a heavy enough burden to carry financially. Any further addition will be a severe strain. The purely physical problem needs no explanation from me. No Company can go on building godowns indefinitely to store unwanted stocks, nor does sugar quality improve through storage. I, therefore, fear that a further and probably more drastic restriction of production may have to be enforced during the 1962-63 season.

In my opinion, the crisis in the industry, and it is a crisis although the Food Minister denied this at the last annual general meeting of the Indian Sugar Mills Association, cannot be met by exports. Exports can only be made at a substantial loss which the industry cannot afford to bear. The solution lies in increasing national consumption, and this can be done by paying for cane on the basis of quality, and also reducing the excise duty on sugar which will make sugar available at cheaper rates. Should consumption then rise faster than expected, the capacity is available, and it should be easy to match increased consumption with increased production.

And now, may I strike a personal note before I close. I joined the Board of this Company in 1943 and have functioned as its Chairman from 1956. The Company is in fine fettle and during the past few years in particular, shareholders have gathered a rich harvest in dividends. At the moment the outlook may not be quite so promising, but there is no need to take a pessimistic view. I have indicated some of the correctives the situation calls for and I have no doubt Government will give serious thought to the problems posed, once the General Elections in the offing are over. The malaise affects the whole industry and not a particular unit and sugar represents too large an investment in our national economy to be ignored. We have been dealing with problems of sugar so far only in terms of internal and external consumption as edible sugar — sugar as a detergent is coming into the picture and if expectations are not belied, quite a new outlet for sugar may perhaps enter our calculations. So let us wait and hope for the best; and in that confident hope let me bid you farewell. This is the last meeting of the general body that I shall preside over. A few weeks back when I had occasion to address the shareholders of Perrys Confectionery Limited, I told them that I have decided to retire from all active work and from the Boards of all Companies I have been associated with, as soon as convenient, for reasons of health. I regret I have to say the same thing to you. I have carried a heavy burden on my shoulders these fifty years

and need rest. I am sure you will not begrudge it. My best wishes are with the companies I have lived and worked for — God Bless You."

The Report and Accounts for the year ended 31st May, 1961, were adopted and a final dividend for that year at the rate of 15.5 per cent, subject to deduction of tax, on the Company's Ordinary Share Capital was declared payable on the 28th November, 1961.

The retiring Directors, Sir T. S. Venkataraman and Kumararajan M. A. M. Muthian Chettiar of Chettinad, were re-elected and the retiring Auditors, Messrs. Lovelock and Lewes, were re-appointed.

Mr. G. N. Noel-Tod, in proposing a vote of thanks to the Chairman, said:

"At this Meeting, which Mr. Srinivasan has said is the last over which he will preside as Chairman, it is fitting that I, who have been associated with him on the Board since 1954, should propose a vote of thanks.

It is difficult for me to realise that my association with Mr. Srinivasan in this Company will before long terminate. It has been a great experience for me to have worked for these years with, and under the guidance of, Mr. Srinivasan.

Mr. Srinivasan has pointed out that of recent years Shareholders have consistently enjoyed good dividends and I can assure you that the build-up of the Company to its present level of prosperity has been, in no small measure, due to Mr. Srinivasan's leadership as Chairman of the Board. It would be idle for me to attempt to disguise the fact that there have in the past been differences of opinion between the Board and certain Shareholders. Such differences of opinion must inevitably arise from time to time, and do in fact arise in other companies. Nor in this Company are they unique to the time of Mr. Srinivasan's Chairmanship. I remember well the apprehensions of Shareholders as to the conduct of the affairs of the Company by the Board and the Managing Agents in the early fifties when, due to disease in the cane, the Pugalur factory had temporarily to be closed. Consistently, however, this Board has always had as its objective the achievement of maximum prosperity for the Company. Equally, I do not doubt that Shareholders have the same objective, the differences of opinion relate only to the methods adopted to achieve this end.

I would like on your behalf to thank Mr. Srinivasan for his services to the Company over the past 18 years and to wish him many happy years in retirement."

On behalf of the Shareholders, Mr. S. Srinivasa Iyer, desired it to be recorded that the Company greatly appreciated the services of the Chairman and this was carried with acclamation.

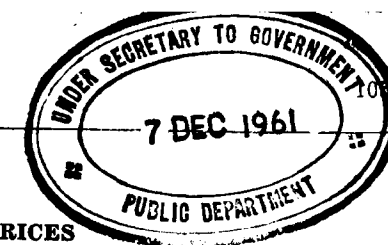
N.B.: This does not purport to be a report of the proceedings of the Annual General Meeting.

(Continued from page 1053)

and the facilities they have afforded and the advice they have given in its expansion.

Our relations with all our employees including factory labour have been of the most cordial kind and it is a pleasant acknowledgment to make that all of them have been eager to promote the progress of the company and thereby its ever expanding programmes. I therefore acknowledge with thanks the excellent and enthusiastic co-operation we have received from all our officers and from our staff both in the administrative offices and in the factories.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.



Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Food articles & Tobacco	Liquor Light and Lubricants	Industrial Raw materials	Manufactures			All Commo- dities
					Inter- mediate Products	Finished Products	Total	
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.7	92.5
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.7	117.1
1960-61	..	120.0	110.0	119.6	145.4	130.5	122.8	124.8
August	1960	123.8	106.7	119.7	137.0	131.0	121.1	125.0
September	"	123.9	104.5	119.3	138.7	129.5	121.6	125.3
October	"	121.8	113.5	119.9	146.6	130.2	123.8	126.3
August	1961	124.3	99.9	122.0	144.6	140.9	123.7	127.4
September	"	121.1	99.7	121.9	138.1	140.6	122.9	124.6
October	"	120.9	99.5	121.8	135.3	140.5	123.9	124.2
14-10-1961	..	121.1	99.5	121.7	136.3	140.5	123.9	124.5
21-10-1961	..	121.3	99.5	121.6	132.7	140.8	123.8	124.0
28-10-1961	..	121.3	99.5	122.0	135.9	139.5	124.5	124.7
4-11-1960	..	121.7	99.2	122.0	135.8	140.0	125.4	124.9

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS (August 1939 = 100)

Period	Bombay			Delhi Bengal U.P.			Central Provinces		Madras	E.P.	Bihar	
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhit	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	All India†
1939 (Aug.-Dec.)	..	103	—	—	—	105	104	—	106	—	—	—
1955	..	322	338	217	120	321	371	364	133	321	134	135
1956	..	336	352	244	142	347	424	397	151	358	152	146
1957	..	352	368	259	150	364	448	422	162	374	157	157
1958	..	376	394	274	150	384	468	447	165	401	157	169
1959	..	393	412	308	158	384	469	498	163	429	166	173
1960	..	401	420	296	158	397	476	512	165	467	167	166
1961 February	..	401	420	296	163	389	488	491	165	470	171	164
March	..	404	423	296	163	392	483	488	165	479	169	167
April	..	409	428	296	165	389	471	490	165	482	169	166
May	..	412	431	296	166	389	464	490	166	479	171	166
June	..	414	433	302	167	389	474	498	166	478	171	167
July	..	418	437	—	171	406	482	498	166	480	172	168
August	..	419	438	—	171	410	491	501	—	181	—	—
September	..	417	436	—	169	410	491	499	—	479	—	—
October	..	—	—	—	168	—	499	—	—	480	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT) WEEK ENDED

	17-11-1961			10-11-1961			3-11-1961			27-10-1961		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	124.70	123.30	123.88	124.45	123.40	123.98	123.50	122.25	122.77	124.85	123.50	124.06
Silver (per kilogram)	209.60	207.15	208.65	207.40	206.60	206.98	207.20	206.50	206.77	206.90	205.40	206.18

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

LIABILITIES					ASSETS						
Period		Notes in Circulation	Notes Held in Banking Dept.	Total Notes Issued (a)	Gold & Bullion (b)	Coin Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1956-57	..	1,475,77	18,75	1,494,52	40.02 (117,76)	545,98	586,00 (663,37)	39.21 (44.37)	115,93	755,22	1,494,52
1957-58	..	1,529,36	23,18	1,552,53	117,76	329,65	447,41	28.79	1,30,06	975,06	1,552,53
1958-59	..	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
1959-60	..	1,730,90	19,86	1,750,77	117,76	167,62	285,38	16.30	131,50	1,333,83	1,750,77
1960-61	..	1,863,13	18,94	1,882,07	117,76	134,99	255,75	13.4	126,84	1,502,48	1,882,07
Average of Fridays											
Aug. 1960	..	1,799,36	19,85	1,819,21	117,76	124,26	242,02	13.30	130,58	1,446,61	1,819,21
Sept. "	..	1,794,03	16,23	1,810,26	117,76	123,01	240,77	13.3	131,80	1,437,70	1,810,26
Oct. "	..	1,806,44	16,56	1,823,00	117,76	123,01	240,77	13.2	130,36	1,451,86	1,823,00
Aug. 1961	..	1,902,77	13,31	1,911,93	117,76	116,86	234,62	12.27	123,85	1,553,46	1,911,93
Sept. "	..	1,877,38	21,36	1,898,74	117,76	116,86	234,62	12.36	126,45	1,537,67	1,898,74
Oct. "	..	1,895,94	21,25	1,917,19	117,76	116,86	234,62	12.24	126,22	1,556,35	1,917,19
Week-Ending											
6-10-1961	..	1,891,49	18,09	1,909,58	117,76	116,86	234,62	12.28	126,15	1,548,80	1,909,58
13-10-1961	..	1,906,13	12,91	1,919,04	117,76	116,86	234,62	12.23	125,55	1,558,86	1,919,04
20-10-1961	..	1,903,90	15,52	1,919,42	117,76	116,86	234,62	12.22	125,94	1,558,86	1,919,42
27-10-1961	..	1,882,25	38,48	1,920,73	117,76	116,86	234,62	12.22	127,25	1,558,86	1,920,73
3-11-1961	..	1,904,26	13,86	1,918,13	117,76	116,86	234,62	12.23	124,65	1,558,86	1,918,13
10-11-1961	..	1,946,53	18,85	1,965,38	117,76	116,86	234,62	11.93	121,92	1,608,84	1,965,38

BANKING DEPARTMENT

Period	Deposits					Other Liabilities†	Total Liabilities & Assets*	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad‡	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Gov- ernment	Other Gov- ernments	Banks	Others	Total									
1956-57	57,52	14,10	52,46	19,73	143,81	91,21	245,02	18,91	5,69	64,77	4,89	85,34	51,82	13,60
1957-58	54,61	11,28	81,00	111,38	258,27	84,36	407,63	23,30	4,81	40,47	32,90	77,91	213,92	14,32
1958-59	57,62	20,80	87,53	118,73	284,67	71,71	414,44	19,41	6,18	25,57	28,23	65,83	284,49	11,73
1959-60	55,50	23,24	79,61	123,48	281,83	83,18	450,01	19,94	15,54	28,97	25,53	88,92	258,90	12,22
1960-61	61,73	21,27	97,30	98,76	279,06	100,33	464,39	19,02	28,71	20,74	38,19	132,78	209,56	15,38
Average of Fridays														
August 1960	60,44	23,00	118,40	120,40	322,25	76,19	483,43	19,92	23,55	21,64	37,69	117,00	251,73	11,89
Sept. "	67,44	30,27	108,27	92,64	298,61	78,01	461,63	16,32	18,76	20,71	28,88	142,08	222,85	12,03
Oct. "	56,65	28,05	104,94	89,43	279,07	85,33	449,45	16,64	14,98	18,33	29,93	125,78	231,40	12,40
August 1961	65,40	16,46	88,09	180,22	350,16	89,06	525,02	13,36	15,21	30,98	47,71	116,37	284,51	16,89
Sept. "	60,81	26,67	83,71	159,06	330,34	96,02	511,36	21,42	16,73	17,47	49,11	131,54	257,83	17,12
Oct. "	60,23	14,40	81,36	147,41	303,40	95,52	483,91	21,31	37,59	20,06	60,56	135,20	193,80	17,92
Week-Ending														
13-10-1961	61,07	3,98	82,10	147,12	294,27	92,93	472,20	12,95	50,05	10,02	63,37	136,18	181,71	17,91
20-10-1961	49,92	28,60	84,49	146,79	309,80	95,88	490,68	15,57	32,45	28,27	59,45	135,93	200,08	17,93
27-10-1961	64,78	20,33	86,37	146,55	318,04	97,71	500,74	38,54	23,15	28,33	62,38	129,53	200,81	18,01
3-11-1961	62,86	17,66	74,17	146,42	301,10	98,80	484,90	13,93	25,22	20,53	63,97	141,82	200,84	18,59
10-11-1961	65,40	10,22	77,65	146,90	300,18	96,58	481,76	18,90	46,85	25,74	65,85	154,70	150,99	18,73

* Average of Fridays. **Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. †Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 7 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. ‡Includes cash and short-term securities

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Note+Coins)	Balances with Reserve Bank of (4)	Advances as per- centage of (6)	Bills Dis- counted as per- centage of (8)	Investments in Govern- ment Secur- ities in India
	Demand	Time	Total (2+3)					
1954-55	559,62	351,86	911,55	32,66	53,91	9.50	468,39	84,66
1955-56	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08
1956-57	653,34	453,92	1,107,26	36,94	50,23	7.96	626,08	155,56†
1957-58	723,89	619,19	1,343,08	39,34	77,55	8.72	723,79	167,83†
1958-59	735,93	860,33	1,596,26	40,30	83,99	7.74	766,56	133,58†
1959-60	745,83	1,086,79	1,832,62	44,84	75,81	6.58	842,75	144,59†
1960-61	794,49	1,155,87	1,950,36	47,04	93,09	7.17	995,75	163,35
Average of Fridays								
May 1961	845,27	1,108,21	1,953,48	48,43	73,26	6.23	1,085,24	194,17
June 1961	837,02	1,119,91	1,956,93	48,46	79,72	6.55	1,102,90	179,40
July 1961	843,35	1,133,99	1,977,34	46,71	88,73	6.85	1,100,57	156,31
August 1961	837,73	1,148,50	1,986,23	45,86	83,13	6.49	1,087,85	1,151,04
Sept. 1961	839,19	1,142,64	1,981,83	44,78	79,11	6.25	1,076,93	159,71
October 1961	844,70	1,138,11	1,982,81	48,54	77,49	6.35	1,062,70	179,75
Week Ending								
20-10-1961	846,54	1,136,88	1,983,42	52,62	76,46	6.51	1,064,07	179,11
27-10-1961	852,66	1,141,24	1,993,90	50,53	81,41	6.62	1,050,26	184,88
3-11-1961	832,08	1,141,68	1,973,76	50,83	73,37	6.29	1,053,48	185,84
10-11-1961	836,96	1,135,98	1,972,94	55,10	71,20	6.40	1,056,37	188,94

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Rs. in Lakhs)

Last Friday	Deposit Money with the Public					
	Money supply with the public	Total currency with the public	Total	Demand liabi- lities of banks	Other Depo- sits with Reserve Bank†	Total variation in money supply
(1)	(2) = (3)+(4)	(3)	(4)	(5)	(6)	(7)
1954-55	1,920.63	1,311,77	608,86	599,16	9,71	+126.65
1955-56	2,184.32	1,505,09	679,23	667,22	12,01	+263.69
1956-57	2,312.89	1,556,50	756,39	744,74	11,65	+128.57
1957-58	2,388.83	1,606,60	782,22	762,36	19,87	+ 75.94
1958-59	2,498.76	1,724,53	774,23	754,98	19,25	+109.92
1960-61	2,900.89	2,027,04	873,85	854,89	18,96	+197.76
February 1961	2,816.56	1,966,28	850,28	829,74	20,54	+ 23.90
March "	2,910.89	2,027,04	883,85	864,89	18,96	+ 94.33
April "	2,915.44	2,025,80	889,64	870,42	19,22	+ 4.55
May "	2,872.60	2,010,82	861,77	841,53	20,24	- 42.84
June "	2,872.22	1,969,63	902,60	877,78	24,82	- 38
July "	2,808.66	1,937,50	871,88*	850,00	21,15	- 63.56
August "	2,798.36*	1,920,34*	878,03	857,54*	20,49*	- 9.71*
September "	2,776.22*	1,900,58*	875,64*	857,45*	18,18	- 23.19*

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.
Source: Monthly Bulletin of Reserve Bank.

INDIAN UNION

WORKING RESULTS OF OIL COMPANIES: 1956-59

Items	Burmah Shell				Standard Vacuum			
	1956	1957	1958	1959	1956	1957	1958	1959
1. Capital Employed (Rs. crores)								
(i) Fixed Assets	11.99	13.01	13.22	13.06	6.36	6.79	6.45	6.61
(ii) Working Capital	33.12	38.12	38.13	35.91	9.08	8.58	8.76	9.44
(iii) Total Capital Employed	45.11	51.13	51.35	48.97	15.44	15.37	15.21	16.05
2. Turnover (Rs. crores)	113.58	129.15	132.43	145.56	49.13	56.14	62.06	69.35
3. Quantity Sold (In million Imperial gallons)	819.90	884.30	900.36	940.22	333.36	380.36	418.64	486.90
4. Profits before Tax (Rs. crores)	8.58	8.05	8.35	7.24	3.10	3.29	3.56	3.20
5. Indicators of Profitability								
(i) Gross Profits (item 4) as percentage of total capital employed (item 1)	19.02	15.75	16.27	14.78	20.10	21.40	23.43	19.90
(ii) Gross Profits (item 4) as percentage of turnover (item 2)	7.55	6.23	6.31	4.97	6.32	6.86	5.74	4.61
(iii) Profits per Gallon Sold (4÷3)	0.105	0.091	0.093	0.077	0.093	0.086	0.085	0.066
Items	Caltex				Indo-Burma Petroleum			
	1956	1957	1958	1959	1956	1957	1958	1959
1 Capital Employed (Rs. crores)								
(i) Fixed Assets	4.79	5.43	5.71	6.08	0.33	0.44	0.48	0.48
(ii) Working Capital	3.25	6.51	4.90	5.82	0.07	0.15	0.21	0.74
(iii) Total Capital Employed	8.04	11.94	10.61	11.90	0.40	0.59	0.69	1.22
2. Turnover (Rs. crores)	31.19	36.08	39.63	47.15	4.82	5.59	8.46	9.90
3. Quantity Sold (in million Imperial gallons)	211.33	227.54	250.91	293.96	36.95	43.38	43.79	50.90
4. Profits before Tax (Rs. crores)	1.14	1.01	0.83	0.32	0.28	0.38	0.22	0.38
5. Indicators of Profitability								
(i) Gross Profits (item 4) as percentage of Total Capital Employed (Item 1)	14.15	8.47	7.87	2.69	71.05	64.58	32.39	30.92
(ii) Gross Profits (item 4) as percentage of turnover (item 2)	3.65	2.80	2.11	0.68	5.86	6.87	2.65	3.82
(iii) Profit per Gallon Sold (4÷3)	0.054	0.044	0.033	0.011	0.08	0.09	0.05	0.07

Note: 1. The "turnover" for Burmah Shell includes international bunker sales but excludes sales by Indo-Burma Petroleum Company in Burmah Shell area and sales of Colas and Wax.

2. The "turnover" for Standard Vacuum includes international bunker sales for the years 1956-58 and Hot Heavy Pitch for all the years.

INDIAN UNION

WORKING RESULTS OF BURMAH OIL AND WESTERN INDIA

Items	Burmah Oil				Western India Oil Distributing Co.		
	1956	1957	1958	1959	1957	1958	1959
1. Capital Employed (Rs. lakhs)							
(i) Fixed Assets	19.28	22.86	25.86	28.85	2.55	4.19	3.20
(ii) Working Capital	138.19	105.86	166.42	131.98	3.51	7.62	13.51
(iii) Total Capital Employed	157.47	128.72	192.28	160.83	6.06	11.81	16.71
2. Turnover (Rs. lakhs)	1375.76	1536.97	1524.35	1554.04	43.06	92.08	151.00
3. Quantities sold (In million Imperial gallons) 220.16	247.27	252.94	278.50		3.84	8.42	13.54
4. Profits before tax (Rs. lakhs)	78.96	61.81	156.54	83.85	2.94	8.99	13.29
5. Indicators of Profitability							
(i) Gross profits (item 4) as percentage of total capital employed (item 1)	50.14	48.02	81.41	52.14	48.56	76.11	79.54
(ii) Gross profits (item 4) as percentage of turnover (item 2)	5.74	4.02	10.27	5.40	6.84	9.76	8.80
(iii) Profits per gallon sold (4÷3)	0.036	0.025	0.062	0.030	0.077	0.107	0.099

CONSUMPTION* OF PETROLEUM PRODUCTS: 1955-60

(Lakh long tons)

Products	1955	1956	1957	1958	1959	1960
1. Bulk Refined Products	39.02	42.20	46.00	48.04	53.87	59.62
Percentage increase over 1954	111	120	131	136	153	169
2. Bitumen and Bituminous Products	2.44	2.68	2.42	2.64	2.99	4.02
Percentage increase over 1954	100	110	99	108	122	164
3. Lubricants and Greases	N.A.	2.00	2.12	1.59	2.88	3.62
Percentage increase over 1954	..	100	106	80	144	181
4. Specialities	1.16	1.21	1.22	1.25	1.27	1.41
Percentage increase over 1954	106	111	111	115	117	130
Total	42.62	48.09	51.76	53.52	61.01	68.67

* Excluding deliveries to Foreign Bunkers.

DEMAND† OF PETROLEUM PRODUCTS*: 1961-65

(Lakh metric tons)

Products	1961	1962	1963	1964	1965
1. Bulk refined products	64.94	71.66	79.42	88.06	98.01
2. Bitumen and bituminous compounds	4.25	4.51	5.04	5.68	6.38
3. Lubricants and greases	2.91	3.18	3.47	3.80	4.16
4. Specialities	1.82	2.26	2.40	2.57	2.75
TOTAL	73.92	81.61	90.33	100.11	111.30

* Excluding deliveries to Foreign Bunkers.

† As estimated by the Sterling Committee of the Oil Advisory Committee.

Source: Report of the Oil Price Enquiry Committee.

INDIAN UNION

PRODUCTION OF PETROLEUM AND PETROLEUM PRODUCTS

(Metric tons)

		Monthly Average							
Products		1951	1955	1956	1957	1958	1959	1960	1961*
I.	Crude Petroleum	22,014	27,941	32,006	35,731	35,477	36,768	37,445	36,966
II.	Petroleum Products . . .	20,744	251,980	324,204	370,689	397,699	429,358	479,813	513,428
	1. Light Distillates (a) ..	4,234	66,467	80,353	86,788	82,215	79,248	87,260	89,090
	2. Kerosenes (b)	4,318	37,424	45,468	51,480	53,597	61,330	77,605	84,260
	3. Diesels (c)	3,641	49,363	59,270	77,220	99,319	118,264	133,300	137,650
	4. Lubricants (d)	1,947	1,355	1,439	1,439	1,524	1,794	1,799	1,983
	5. Bitumen (e)	339	7,112	13,716	14,733	18,882	24,201	33,315	37,681
	6. Heavy Ends (f)	1,439	83,994	118,031	133,272	137,421	140,218	141,066	157,479
	7. Other Products (g) .. .	4,826	6,266	5,927	5,757	4,741	4,303	5,468	5,285

* Average of 7 months.

(a) Aviation Gasoline | Motor Spirit | Solvent Oil | Liquid Petroleum Gas.

(b) Kerosenes (superior and inferior) | A.T.F.

(c) High Speed Diesel Oil | Light Diesel Oil | M.D.O.

(d) Lubricants and Greases.

(e) All Grades of Asphalt.

(f) Furnace Oil | Bunker 'C' Fuel | Sulphur Fuel Oil | Jute Batching Oil | Hot Heavy Stock.

(g) Refinery products not falling in any special group.

WORLD CRUDE OIL PRODUCTION

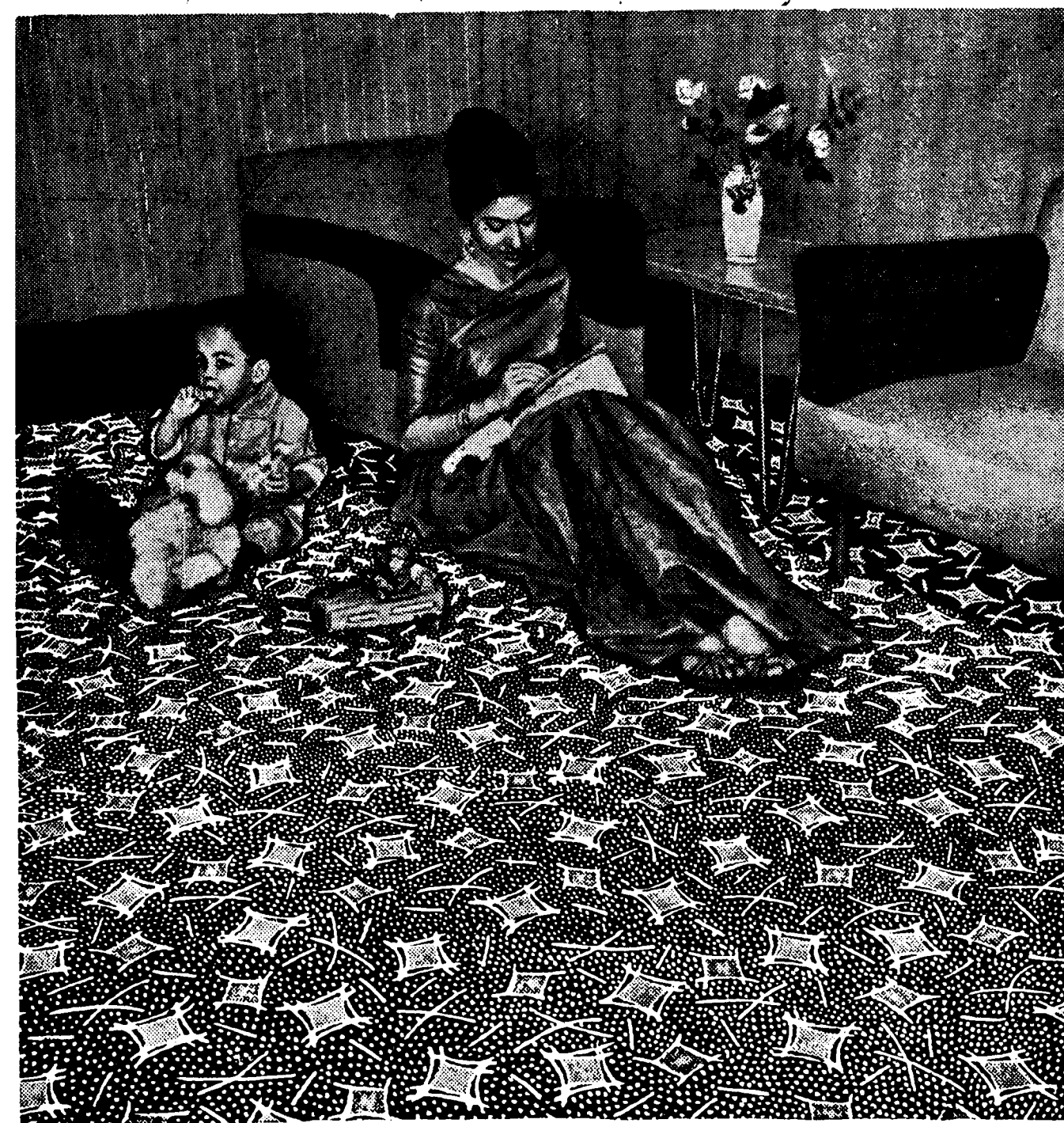
(By Selected Regions and Selected Countries)

('000 metric tons)

	1958	1959	1960	1960 (Jan.-June)	1961 (Jan.-June)
1. Middle East					
Kuwait	70,217	69,533	81,863	39,658	41,550
Saudi Arabia	50,128	54,162	62,068	30,239	34,740
Iran	40,590	45,630	52,050	24,500	28,400
Iraq	35,670	41,730	47,500	23,000	25,650
Qatar	8,222	7,993	8,212	4,071	4,162
Kuwait (Neutral Zone)	4,258	6,051	7,284	3,431	4,000
Total (including others)	214,702	230,928	264,977	127,870	139,577
2. North America					
United States	330,121	347,073	347,121	173,456	173,200
Canada	22,283	24,875	25,827	13,305	15,150
Total	352,404	371,948	372,948	186,761	188,350
3. Latin America					
Venezuela	138,636	146,573	147,863	73,613	75,290
Mexico	13,331	13,716	14,125	6,852	7,300
Argentina	5,114	6,350	9,146	3,878	6,000
Colombia	6,631	7,581	7,864	4,027	3,786
Total (including others)	175,673	187,224	193,341	95,341	100,192
4. Communist Bloc					
U.S.S.R.	112,900	129,500	147,900	70,800	79,900
Rumania	11,336	11,437	11,473	5,673	5,850
China*	2,230	3,700	5,500	2,300	3,500
Total (including others)	128,205	146,631	167,215	79,895	90,520
5. Far East					
Indonesia	16,109	18,215	20,451	10,131	10,000
Br. Borneo	5,269	5,449	4,600	2,376	2,083
Japan	387	406	527	240	290
India	426	442	449	224	225
Pakistan	302	319	364	171	188
Total (including others)	23,202	25,128	27,122	13,510	13,135
WORLD TOTAL	967,863	978,413	1,050,974	544,386	548,727

* Including oil from shales and coal.

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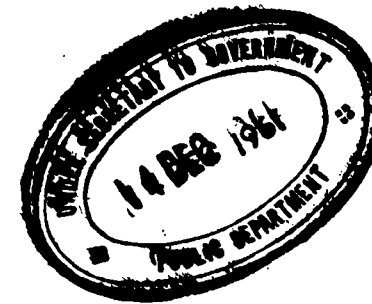
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DECEMBER 8, 1961

The Great Chinese Puzzle

THE much-publicised debate on Monday, December 4, on Chinese incursions in India, was a deep disappointment to those who expected that it would be a stirring preview of the North-Bombay election. The show was actually stolen by the Chinese, and the Prime Minister's speech on Tuesday derived all its interest from two announcements produced from a very recent Chinese communication to India. The Prime Minister said that China had "hinted" that, if India stepped up its military activities in Ladakh, China would be well justified in sending her troops across the McMahon Line in NEFA. Secondly, in all innocence, the Chinese had asked for a renewal of the treaty on Tibet. Thus breathing fire and sweet reasonableness the Chinese puzzle was placed fully in our coat. It is one of the great marks of uncertainty which colours all Indian policy that on neither could the Government of India give an indication to the House of what it would do. The Prime Minister said, however, that India would repulse "the invaders". The Stock Exchanges registered the full force of this declaration by a panicky crash as though a war were imminent. But almost everywhere else complacency has ruled supreme as before. Thus one wonders whether or not the Indian people have understood the implications of the deep challenge that has been thrown at us by the arrogance of our one-time Panchsheelian friends.

There will be sympathy with the Prime Minister when he argues that on Tibet there was very little else that he could do positively to stop the Chinese. It was pointed out, however, that moral or soul force still has some significance for the Indian mind. Even an ineffective protest against Chinese high-handed action in Tibet would have absolved us from the charge that we acquiesced in the change from "suzerainty" to "sovereignty", thereby losing whatever rights the Tibetan people had by custom or by that curious dichotomy between suzerainty and sovereignty which has hitherto never been adequately defined. It is one thing to argue that we were relatively helpless in the area and it is quite another thing to argue that every single action we pursued was designed to maintain Tibetan autonomy for as long as possible. At the present time, there will be no patience for any Government to agree with the Chinese on Tibet; their actions on Tibet have been shown everywhere to be as ruthless as their word is deeply false. The problem is somewhat different in regard to Indian affairs. The Chinese threats here, as everywhere else, have to be taken seriously. If only because diplomatic exchanges give us an opportunity of knowing which way the abstruse Chinese mind is moving they are necessary components in the great Chinese puzzle which India is now called upon patiently to resolve. The breaking off of diplomatic relations would only mean that India will not have any information of the meagre kind she currently obtains. The Chinese lose nothing, because, as far as one can determine, they seem to know every movement of our forces as well as every other vital strategic element in the border scene. Exactly how this happens no one can explain. Perhaps in the art of espionage we are basically inferior to the Chinese, as well as practically every other country that has made a long practice of military intelligence. Neverthe-

less, the Prime Minister is right to argue that, nothing is gained by cutting off diplomatic relations at this moment. If war should be declared this would be inevitable. One can hope, however, that this is some little distance away.

The Prime Minister deserved some sympathy for his presentation of his own rather weak case in which his repeated trust has been belied by repeated aggression on the other side. It is a fact that he still enjoys to a very marked degree the confidence of the Indian people. The nice debate on Tuesday as to who represents the Indian people or the Indian mind in this case was, however, dealt with by him with less than his usual political skill. It is true that the Congress has a majority in terms of seats; but it has never had a majority vote in this country. And, so far as seats are concerned, one might as well argue that absurd proposition that the Communist Party in Kerala is non-existent because it was routed at the polls. The fact that the Government of Kerala has the seats, though the Communist Party in Kerala is the largest single party in the State, would, in the Prime Minister's calculation, be relevant. It is quite erroneous in an emergency for the narrow view to be taken that the Opposition does not count. As a democratic compromise this is all very well in domestic affairs; foreign affairs must generally be non-partisan. Therefore, it is perfectly appropriate to argue against the Prime Minister that, whilst he has confidence in terms of the democratic arithmetic, neither he nor his Government have any proof that the majority of Indian people approve of his current action on the country's defence. It is true, there may be proof of a kind in the elections early next year. But everyone knows that this election will be fought—except in North Bombay—on other issues than the country's defence, and the overall defeat of the Opposition does not prove in any way that the Indian people, if they were allowed to choose freely without party alignment, would support either the Prime Minister or the Defence Minister in their current defence policies as against Chinese incursions.

This is the central point in the hotly-argued question as to who should handle India's defence at the present time. There is no alternative to the Prime Minister. It is the judgment of all that he should preside over the country's destiny at this hour of trial. It is not by any means the same as far as the Defence Minister is concerned. It was wise for the Defence Minister to be kept from speaking in the debate, because his unpopularity would have been immediately revealed. But the Prime Minister's defence of the Defence Minister has done nothing to provide unity in any party in the country. And for an emergency, the country needs a national, not a party, approach. For morale unity is essential. It is vital the Prime Minister should understand that his administration, while victor at the polls, cannot forge unity or strength by that victory. Indeed, the greater the feeling of frustration of the minority as a result, the greater the decline of internal morale, while facing a foreign threat. It is essential, before it is too late, that the Prime Minister should recognise that the popular vote which he enjoys and Indian

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morale means identical things and that, if the Indian people are to be solidly behind his leadership at this critical hour, he must be willing to make such adjustments in his Cabinet as will enable it to command the full confidence in the country.

The Defence Minister, Mr. V. K. Krishna Menon, divides the country and weakens its morale. This has nothing to do with his great mental gifts and the powerful assistance he renders to the Prime Minister on many matters. It has everything to do with the fact that a great number of Indian people, possibly a majority, do not consider that he is wholly trustworthy in his assessment of Chinese diplomacy. His emphasis on Pakistan and Goa as against China, is certainly open to considerable questioning so far as India's vital interests are concerned; neither Pakistan nor Goa are currently encamped on Indian territory. The issue is whether or not, in these circumstances, the country's devotion to her defence effort can be as enthusiastic as it needs to be. The Chinese, if one can judge them correctly, intend to attack us in NEFA "because we have stepped up our military activities in Ladakh". To treat this situation as one which can be handled with the routine measures, which Mr. Krishna Menon has initiated without a great appeal for public support, is an error in assessing that great element of military

strategy which is to forge unity behind the fighting lines.

Because the Defence Minister escaped lightly in the debate, one might be tempted to consider that his continuance in that particular office is not in question. *The Eastern Economist* believes that, since the Prime Minister refuses to recognise a patent fact, namely, that we are greatly handicapped by the Defence Minister's leadership, the President of India, as Commander-in-Chief of the forces, should make his own position plain. It is right and proper for the Head of the State, if he ceases to have full confidence in the Defence Minister, to make his views known to the Cabinet in no uncertain terms. Should Dr. Rajendra Prasad place before the Government his own views on these matters, it will not be the first time that he will have used his great influence to obtain a hearing for a point of view which is summarily brushed aside by the mechanical majority in Parliament. Should the Cabinet reject his view that an emergency requires a different Defence Minister, the President might choose to take the supreme step of offering to resign to show how much weight he attaches to national unity at this juncture. We need to shed all our differences; it is essential that the President should prevail upon the Prime Minister to recognise the passion which many in the country feel on this point.

Guest Editorial

The Price of Silver Leaps

By PAUL BAREAU, Editor of 'The Statist'

LIKE a bombshell in the bullion market came the announcement on the 29th November that the U.S. Treasury had suspended sales from its disposable silver reserve. Let it be added that this was a bombshell which had been expected for some time past. The silver market had for some time been watching the week to week erosion of this reserve of disposable silver held by the U.S. Treasury and had been anticipating the day on which the shutters would have to come down. It had been so widely expected that a large speculative position in silver had in fact been built up—a position which, as it is liquidated, may soften the impact which this decision of the U.S. Treasury would otherwise have had on the price of the metal.

The situation in the silver market has been for some years past one of extraordinary complication and interest. For years now the demand for silver has substantially exceeded the supplies of newly mined metal. The days of bimetallism have long disappeared and country after country has also ceased to use silver for its token coins. Nonetheless, there is still a considerable coinage demand for the metal. It has been increased recently by the decision of France to give its new or "heavy" franc the dignity of a substantial silver content.

The current demand for silver, however, is mainly industrial. Large quantities of the metal go into the manufacture of photographic film and are, thereafter, irretrievably lost. Silver is also widely used as a solder in complex electronic machines. It has at times been in considerable demand by oil companies for use as a catalytic agent in refineries.

This heavy demand has in part been met by production of new silver. This metal, however, is essentially a by-product and the low level of prices for non-ferrous metals, such as lead, zinc, has kept down their output and, therefore, the output of silver, which is in such large part produced from lead and zinc ores.

The supply gap was for some years filled largely by sales of demonetised silver coins. This has certainly been true of the British market where silver coins have now been replaced by cupro-nickel and the melted proceeds of the silver coins used in the first place to repay the lend-lease silver secured from the United States during the war, and thereafter to meet current demand in the London market.

More recently the deficiency in supplies has been met by substantial sales from China. These have been caused by the need to mobilise foreign exchange in order to pay for the large imports of grain and other foodstuffs made necessary by the serious crop shortages that have occurred for three consecutive years in that country.

The seller of last resort, however, has been the United States Treasury. It holds a vast reserve of 1,800 million ounces as backing for the silver certificates which circulate side by side with Federal Reserve notes. This reserve is sacrosanct; it cannot be touched without a change in legislation. Although the silver bloc in the U.S. Senate is no longer quite so powerful as it once was, it could still prevent any change in law which could be interpreted as a device to free silver and throw it on the market in order to keep down the price of their beloved metal.

In addition to this statutory reserve, the U.S. Treasury held what was once a considerable amount of silver, secured in part by purchases from American mines, made at what was one time a subsidised price. This reserve was also swollen by the return to the United States by India, Great Britain and other countries, of lend-lease silver which the United States made available during the war. The U.S. Treasury was empowered to sell this disposable silver at 90½ cents per ounce and it has done so on a massive scale. In June 1960 this available silver in the U.S. Treasury amounted to 310 million ounces. By the end of that year the figure had been brought down to 124 million ounces and by mid-November 1961 it had sunk to a mere 32 million ounces. The time had obviously come to call a halt and the U.S. Treasury did so after the close of business on November 28th.

It would probably have done so earlier had it not been for the reasoning that by taking an initiative which would cause the price of silver to rise the United States would be assisting Communist China by enabling that country to secure a higher price for what is thought to be still substantial reserves. Whatever may be thought of the propriety or other aspects of this argument, the harsh logic of reality has dictated otherwise. The U.S. Treasury has had to stop sales because there was virtually nothing left to sell. The result was an immediate jump in the price. In the London market on the first day after the announcement

from Washington, the price jumped from 80d to 85d per ounce. The move would have been much sharper had it not been for the fact that speculators who had anticipated this development began to take their profits. Once again the speculator has proved not only his acumen but the benefits which his operations can and often do confer in smoothing out price fluctuations.

It has not escaped the notice of keen observers that there might be a parallel between what has happened to silver, the junior metal in the bullion market, and what might later be the fate of its elder and better, gold. The argument against putting up the price of silver because it would help Communist China is exactly that which is used against putting up the price of gold, except that in this case Soviet Russia takes the place of China. The loss of silver by the U.S. Treasury is in some respects comparable with its recent loss of gold in that each helps to balance the continuing deficit in the U.S. balance of payments. Within the last few days the U.S. Treasury's gold reserve has been further depleted by the British Government's decision to convert £100 million worth of dollar into gold. Might this unleash another run on the dollar, further declines in the U.S. gold reserve and ultimately a decision by the U.S. Treasury to stop sales of gold just as it has stopped sales of silver? There is no prospect of affirmative answers to these questions in the near future. But the questions are nonetheless being asked.



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A DELHI DIARY

A SYMBOLIC BOMBSHELL

ON Monday, with every mark of sudden decision, certain trains moving from Delhi Station — the Defence of the Realm prevents me from giving details — were suddenly cancelled, making life for passengers to various destinations indescribably difficult. The reason for this sudden decision appeared in Parliament on Tuesday when it was confessed, rather sheepishly, that this was the result of sudden troop movements. Thus did Mr. Krishna Menon deliver his symbolic bombshell before December 4, when the Opposition was demanding his head on a charger. In the last three days many people have been trying to discover how real the preparations are. The Defence of the Realm again prevents me from speaking with that freedom with which I ordinarily talk of Captains, Cabbages and Kings. But I might say that the headlines in the Delhi newspapers, which now argue that there is no substantial change contemplated in policy on China and a lot of sabre-rattling on Goa is far in excess of requirements, reflects my humble view. All in all, a wonderful show has been put on that an emergency is arriving; but, thereafter, the impression is given in Parliament that there is, in fact, no emergency, and that India will continue to talk in polite diplomatic language wherever possible and, of course, will continue to make preparations which, it seems, in the last decade — not an unduly short time — have been substantial.

One Congress member who shall not be named because it seemed so outrageous that he should make the observation, thought that things were "much better" than they were some years ago. Some years ago we had no need of defence at any point, and if the argument is that working up from zero we have a rate of infinite progress, obviously very little needs to be said. The question is how much progress we have made in actually meeting the Chinese forces on the other side, deemed to be 150,000 in Ladakh and possibly 500,000 over the whole northern frontier. Again, the Defence of the Realm forbids me to reply to the Hon'ble Member whose capacity for complacency is greater than that of any Gandhian I know. But on the new Chinese treaty may I present my outspoken cartoonist's latest attempt at simplification?

What a Life!



"It is a very polite communication..." — Mr. Nehru on the latest Chinese note

Courtesy "The Hindustan Times"

ANIMATED SUSPENSE

The Government's policy is — animated suspense! It is animated in the cancellation of trains and in the belief that "ultimately" war might have to be waged. This is not different from the policy some months ago, and presumably we will only strike when our military authorities tell us that they are sure of success. If it should happen that the military authorities feel that we should wait for the Chinese to come to the plains before we can fight successfully, India will have to suffer

even a greater humiliation of the occupation of more territory rather than a risk of defeat. The revealing thing about the debate is, however, written in between the lines; one might guess that Congressmen are as bitter as the Opposition. How else can one explain Dr. Sushila Nayar's outburst that we needed not only a philosopher like the Prime Minister but a strong man of action, such as Sardar Patel was on Hyderabad? There are a large number of people in the Congress Party who are whispering just this, that the Prime Minister and the Defence Minister will never be able to summon enough courage to launch military action lest they should be proved in the event "wrong". The Prime Minister himself was more frank than the Defence Minister when he said plainly in the House: "I am free to confess to this House that my soul reacts against war anywhere. That is the training I have received throughout my life and I cannot easily get rid of it at the age of 72". In the face of this statement can one assume that the animated display of preparedness to resist aggression and "ultimately" to throw out the Chinese has any immediate application? Most people in Delhi consider that it is extremely unlikely that any action will be taken in winter. There are very large number more who feel that it will not be taken at all under the Defence Minister. Question: Why?

THREE TAILORS OF TULI STREET

This brings me to the Prime Minister's somewhat light-hearted reference to people involving "the people of India." He said he was reminded of the story of the three tailors of Tuli Street who issued a manifesto beginning, "We, the people of England, say..." He went on to argue that since the people of India had returned him to power five years ago, they were in agreement with his policy. With great respect to the trappings of democracy anywhere in the world, I would argue that this argument is deeply fallacious. The only way to prove whether or not the Indian people support the gallant policy is to have a referendum on this particular issue, and to have a completely free vote where Party discipline does not operate. I defy the Prime Minister to have a "free" vote in the Congress Parliamentary Party in Delhi on the retention of Mr. Krishna Menon in his present office. So far as the Opposition and Mr. Krishna Menon are concerned, we will soon know in the North Bombay election. But it is to be remembered that it is of a prestige character; Congress members are being dragooned to vote for his own candidate irrespective of their own ideas.

HARI

I leave this subject to deal with an event of some sadness. This is the sudden demise of Hari, the Prime Minister's valet, who was found dead in his sleep on Wednesday afternoon. The greatness of Hari was not that he served the Prime Minister with a dedication and devotion to duty which had no element of intrigue or preferential treatment to anybody, including recruitment to the domestic staff. The greatness about Hari was his past. Few people realised that he was a member of the legislature of Uttar Pradesh and that he stepped down from a political career to become what in foolish Indian language is called a "menial" of the household. He was not, indeed, a Boswell in that he did not narrate the greatness of his master, but it is true that he had the spirit of Boswell in his utter devotion to the Prime Minister. I need only quote a pregnant observation that 'if Johnsons are rare, Boswells are even rarer.' I salute with sorrow and affection that dedicated life based upon the principle of service to man because he was serving a cause. If only hero-worship in our time could be as dedicated and as free from personal interest as this, Thomas Carlyle's doctrine of hero-worship could be enshrined as one of the lasting instruments of salvation of the human race.

ARGUS.

THE WEEK'S NOTES

Kenya

MAGNITUDE OF THE TASK

MR. REGINALD MAUDLING's press conference of last week, on the eve of his departure from Kenya after a five-day intensive tour, was remarkable for the plain-speaking which he courageously made. The greatest danger in Kenya at this crucial point in its constitutional transformation, as he put it in outspoken words in his brief written statement, was "fear — fear of discrimination, fear of intimidation and fear of exploitation". In essence, this fear has seized the African nationals belonging to diverse alignments and it would be an error to envisage it as referring to the European and Asian settlers. In his talks with the leaders and individuals representing different shades of opinions or groups of interest, Mr. Maudling got enough indication of an undercurrent of apprehensions about developments on the pattern of the Congo. It may be that when the leaders of the political parties or groups in Kenya come face to face with the reality of the responsibility to manage their own affairs, a sense of consolidation may draw them closer and narrow down their differences. But the secessionist elements in the north-west province and the coastal region, with the dominant influence of tribalism, may not be dismissed either as of little consequence or as devoid of depth of feeling. Mr. Maudling confessed to a feeling of having been impressed by this fact. The KADU which includes the non-majority tribes, is placing accent on a federal constitution, but the implication of this term as it seems to contemplate can hardly be distinguished from a concession to regionalism. Mr. Kenyatta, who heads the KANU — a position which belongs to him by dint of his political past — has grown a wiser and more realistic leader with one month's bitter experience. He has discovered a threat to the strength of his party and its capacity to run the Government in the rapidly growing indiscipline, when each party organizer at any level is acting as a law unto himself. Mr. Maudling has disclosed that his talks with the KADU and KANU led him to believe that there existed common ground between the two on the creation of "other authorities" — other than the Central Government. But their precise nature need not be taken as a matter amenable to a smooth agreement.

India has a positive interest in Kenya's constitutional problem, apart from her legitimate sympathy for the achievement of sovereignty by the people of Kenya. This positive interest was tacitly underscored in Mr. Maudling's exhortation to the Africans to recognize the vital contribution made by the European and Asian settlers to the growth of Kenya. In another context, he made a reference to the desirability of incorporating in the constitution individual rights — rights to landed and other types of property. The Government of India has acted discreetly in making a move to cement the bonds of friendship between Kenya and India. But far more practical and concrete work must be done to obtain a square deal to settlers of Indian origin in Kenya who are adopting it as the land of their nationality. High principles of goodwill are no doubt important, but securing effective protection to nationals of Indian origin constitutes no less an important obligation of the Government.

A.I.R.

ELECTION BROADCASTS

AT LONG last the party in office owned, in a sense, the untenability of its blundering attitude in withholding such a vital and effective medium of mass communica-

tion as the radio from use for electioneering. When this issue was agitated prior to the last general election of 1957, it made a show of conceding the validity of the principle behind the demand for the use of the All-India Radio for election broadcasts by the recognized parties, but it reduced the principle virtually to a nullity by making the preposterous proposal that the party leaders should submit the scripts of their broadcasts to the AIR authorities to be read out by its announcers — apparently in the same dull and mechanical manner as the routine bulletins are usually read. This time, however, the Government has moved a long way from its former intransigent attitude and this has brought not a little gain.

It was an act of wisdom on its part to entrust the settlement of this issue to the Election Commission. The agreement now reached with the Election Commission by the six recognised parties in the Lok Sabha and a still larger number in the State Legislative Assemblies is described by the Chief Election Commissioner as tentative until the final formula is drawn up in consultation with the Ministry of Information and Broadcasting. But it is extremely unlikely that the proposal unanimously agreed upon (and to which the party in office stands committed) will be modified in any material particular. The central issue for determination was the allocation of time to the different parties for their broadcasts. The allocation is to be made on the basis of the votes polled at the last election and the number of effective candidates to be put up at the forthcoming election. The latter criterion is probably laid down to accommodate a party which was not in existence in 1957 — the Swatantra Party. In all, a total of 270 minutes are to be rationed between the recognized parties at the Central and State levels for broadcasts from New Delhi and the State Capitals. The allocation is expected to be somewhere between 12 and 15 minutes on the above tests. The purpose of equitable access to the radio to explain party policies and programmes in the calm and receptive atmosphere of the broadcasts would have been better served by allocating equal time to all the parties. There is to be no censorship of the talks (without which no agreement could have been possible), but recorded talks are to be broadcast in the interest of keeping to the time schedule.

Civil Aviation

RELAXATION IN THE AIR

ABOUT MORE than a year elapsed since the Minister for Transport gave the indication of the Government's intention to relax the rigidity in the State ownership and operation of the air services. Practical effect to this welcome modification of the policy of nationalisation is being given by the Air Corporations (Amendment) Bill which was passed last week by the Upper House. Two features of this shift in policy ought to be noted. Basically this is not denationalisation of civil aviation since the main routes now being exploited will remain the monopoly of the State-owned corporations. No parallel private scheduled operators' services are to be licensed on these trunk routes. In the next place, for all practical purposes, external civil aviation will be a State monopoly. The amendment is unlikely to make any impression on the overseas routes for the obvious reason that in the highly competitive sphere of overseas operations costs of obsolescence in particular and standards of de luxe service which have become an integral part of these operations will be deterrent to private investors. Moreover, routes with an attractive flow of traffic are served by Air India International.

But the Amendment Bill will introduce a moderate element of relaxation in domestic civil aviation. The

Bill, in effect, stipulates that privately operated services will be supplementary to those of the Indian Airlines Corporation, meaning thereby services on the feeder routes. This change in policy has been dictated by expediency and recognition of expediency is proof of the fact that rigidity on the score of nationalisation has given place to restricted pragmatism. It used to be the case of the Transport Ministry that the pace of replacement of Dakotas (necessitated by the paucity of their components and spares) by the Herons had not been as rapid as intended. Now a situation has arisen where seven Herons have been grounded and grounding of each aircraft entails a deadweight loss for the airline's finances. The scope for feeder routes is said to be encouraging on an assessment of the traffic potential that can be tapped. Development of feeder routes, in fact, was often stressed as an effective means to ease the strain on the IAC's finances. But it has currently reached a saturation point in expansion. Some of the licensed non-scheduled operators may switch over to scheduled services, but other entrepreneurs are not debarred.

The Judiciary

SIGNIFICANCE OF A JUDGE'S AGE

CAN THE question of the age of a Judge be reopened after his appointment and what is the *raison d'être* behind a resort to such an abnormal course? These interesting issues arose in a writ petition filed by Mr. Justice J. P. Mitter of the Calcutta High Court against the decision of the Central Government calling upon him to resign office by December 26, 1961, on the ground that he would attain the limit of superannuation. The gist of the facts in the case was that the age given out by Mr. Justice Mitter on his initial appointment as an Additional Judge of the Calcutta High Court was recently found to be two years shorter than the age disclosed in his matriculation certificate to which he stuck also in the certificate of age tendered on the occasion of the ICS examination. His plea was that the age mentioned in the matriculation certificate was inflated by two years to enable him to be eligible to appear for that examination.

Mr. Justice Mitter's contentions in the petition were that the age of a Judge should be determined before his appointment, there should be a finality to it, the question of age could not be reopened, the Government was acting arbitrarily in the matter and Article 217 of the Constitution was being violated in removing him from office in this manner. Article 217, which governs High Court Judges, adopts the provision of Article 124(4) applicable to the Judges of the Supreme Court, for the purpose of the removal of the former. Removal can be affected only by an address approved by a two-thirds majority of the members of each House of Parliament present at the meeting and an order passed in pursuance of it by the President. All the contentions were rejected by the Punjab High Court which heard the petition. The Chief Justice, Mr. Khosla, who delivered the main judgment, ruled that the question of age was a point of fact, neither the age specified in the matriculation certificate nor the age disclosed at the appointment by the office-holder was conclusive evidence of the genuine age and, if a particular age was accepted under misapprehension, the question of real age could be reopened as a question of fact. In the course of the inquiry instituted by the Union Home Ministry prior to making its decision, Mr. Justice Mitter declined to accept the opportunity offered to him to adduce evidence of the age in terms of his contention, such as the horoscope, family almanac, etc. In the result, the age in the matriculation certificate stood un rebutted. It is apparent that conclusive official documentary evidence of the date of birth will be available, when the entry of each birth is scrupulously made in the birth register and the name of the new-born child, after it is christ-

ened, is made compulsorily registerable alongside the father's name in it. Even so, there may exist difficulties in making the register fool-proof. There was no violation of Article 217 since the Judge is being asked to resign office and not being removed from it.

Curiosity, however, will remain unsatisfied unless the significance of a Judge's age is explained. Article 217 laying down the limit of superannuation for a High Court Judge on attaining the age of sixty (or completing the age of fifty-nine) is mandatory. If the Judge does not vacate office on superannuation due to an error about his real age, all judgments or orders passed by him thereafter could be declared to be null and void, at the instance of a party. Innocent parties affected adversely would be the victims of the error and subjected to virtual miscarriage of justice.

U.P.S.C.

RECRUITMENT POLICY

THE LOK SABHA debate on the Union Public Service Commission's report for 1959-60 was of a different variety from the annual debates that normally take place. A Congress member made the extraordinary demand for the appointment of a high power commission to conduct a probe into the recruitment policy of the UPSC and to consider the specific issue whether it is the best instrument for the purpose for which it is set up under the Constitution. It was plain from the tenor of the debate that this demand was made without properly weighing the implications to which it gives rise. In the entire debate no argument whatsoever was advanced to suggest that the UPSC was committing grave lapses in the performance of its functions under the Constitution which alone would justify the appointment of a high power commission. No human agency can claim to be the best or most perfect instrument for its assignment. But the significant fact about the debate was that any reference to an alternative agency to replace the UPSC was conspicuously omitted. In the event, Mr. B. N. Datar had an easy time in disposing of the demand and further asserting that the UPSC was the best instrument for recruitment available in the circumstances, although there would always be room for a rational effort to enhance its efficiency and improve its recruitment policy.

Nevertheless, there was some weight in the criticism against the choice of officials on the verge of retirement when the Constitution provides for a minimum period of ten years' administrative experience. Infusion of younger blood in the UPSC would cure it of some of its weakness to succumb to routine methods of selection. It would be an error to suppose that the UPSC is applying the best tests it can even now, although imperfections may persist in the written and oral tests conducted by it to judge the suitability of candidates, partly due to the subjective element involved. But it is common knowledge that the *viva voce* tests are held in a perfunctory manner, sometimes reaching the regrettable level of frivolous questions. Certainly, much greater diligence can be exercised in asking questions which can elicit the level of the candidates' knowledge and intelligence pertaining to the job. Mr. Datar made most of the point that during the year under discussion the UPSC's recommendations were accepted in all the 15,136 cases save one. But what was the proportion of departmental candidates who were confirmed in the posts to which they were recruited under "emergency"? Often, outsiders come all the way long for interviews with a sense of frustration that the entire procedure is a bare formality intended to provide a permanent placing for departmental candidates.

The World Abroad

INDIA'S CONTRIBUTION TO BRITAIN'S HEALTH

By
ODYSSEUS

THAT THE UK's population of 5 crores get free medical attention and hospitalisation, at a cost in 1961 of Rs. 114 crores, is perhaps a source of envy in India, where, with present population and resources, the cost would be prohibitive. Nevertheless, with India's Socialist ideals, I presume that when the national income rises sufficiently, a future government will seek to inaugurate a National Health Service on the UK model.

Be warned. The UK's National Health Service, like all the other government enterprises set up in the first flush of Welfare enthusiasm after the war, evokes increasing informed criticism and popular discontent.

This is not primarily because of the cost. Allowing for inflation, the increase in real costs of the NHS between 1949-59 has been only 36 per cent. As a proportion of total social service expenditure, NHS costs have fallen from 28 to 23 per cent.

Nobody in any country would grudge free medical benefits, within the capacity of the national income, to those too poor to afford them. But that is different from laying down that all individuals, irrespective of their incomes, shall be compulsorily included in a national health scheme. Some 17 lakhs of UK citizens are currently in receipt of National Assistance (i.e. relief of the poor). But the effect on the remaining 4.8 crores of inclusion in the NHS, without the right to contract out of it, is that the total amount spent on doctors, drugs, and hospitals, is decided not by the choices of individual consumers but in a Government department.

Even if officials could know how to allocate expenditure in accordance with the multiple wishes of millions of individuals, they would not be free to do so, because they have to weigh medical expenditure against other items of public outlays, as part of the Government's policy to deal with rising prices and expenditure. Far from being extravagant, UK expenditure on the NHS has been less than consumers would probably have chosen to spend in a free market, and all the evidence suggests that it has not been allocated in accordance with the real wishes of consumers.

"RICH" AND "POOR"

The Welfare argument is that if people are free to pay for medical services, there will be one standard for the "rich", another for the "poor". But, as Dr. D. S. Lees points out in his newly published "Health Through Choice" (Institute of Economic Affairs, 86 A, Eaton Square, London, S.W. 1. 64 pages. Prices 7sh. 6d.), there is no difference between medical care and other goods and services, and if you accept "two standards" for clothing, food, and all the other necessities of life, why reject it for doctors and hospitals? Nor does the distinction between "rich" and "poor" fit the facts of any society transformed by twenty years of full employment and rising incomes. The worker's average weekly wage in the UK today is Rs. 195. Why should he be free to buy a better television set and a new car, but not better medical care? Moreover, the standard medical care that he does get is, of course, not "free". He pays for it out of his rates and taxes. Further, the idea of "two standards of service" is misleading. In a free medical market, there would be numerous, com-

peting facilities, to suit individual incomes and preferences, as in all other free markets.

The weakness of the British NHS is that it is monolithic monopoly with nothing to be compared against it. Other nationalised industries monopolise the supply of their products, but all compete with substitutes, and are likely to do so still more if the UK joins the Common Market. Granted that the UK's nationalised industries react slowly, competition does nevertheless over a period compel them to improve quality and keep prices down. Medical care should be open to experiment and innovation. In the UK it is not. No new ideas can be tried without the approval of some over-worked official. As Professor W. A. Lewis, an eminent Socialist, has said, collective judgment of new ideas is so often wrong that progress depends on the freedom of individuals to back their own judgment despite collective disapproval. To let a Government committee monopolise decisions has the disadvantage of both worlds.

The great German economist, Walter Eucken, said in "This Unsuccessful Age" (W. Hodge, London, 1951), "the problem of economic power is not solved by further concentrations of power... Nationalisation amalgamates economic and political power... and increases the problem of power." The danger of the concentration of government power over doctors, dentists, and nurses is that the NHS is their sole employer. That many dislike their positions and prospects is shown by the steady emigration of young UK doctors. Between 1955-59, no fewer than 1,100 settled in Canada alone.

INDIA FILLS THE GAP

And medicine is attracting fewer students. It is interesting that the gaps thus created in the UK hospitals are being largely filled by students from developing countries, particularly India. By 1960, 41 per cent of junior posts were filled by doctors from overseas. Dr. J. R. Seale said in the Manchester "Guardian" of Oct. 23: "If present trends continue, the British themselves will soon be unable to care for their own sick." On Oct. 26, another doctor explained in the "Guardian" that medical students emigrate because the NHS has turned general practitioners into mere sorters and certifiers. Today, a doctor is not esteemed because of his skill and knowledge, but for his ability to produce the correct NHS form or to address a letter to the appropriate outpatient department of a hospital. Since the doctor's main job is to channel patients on to hospitals, the hospitals have become overloaded with the treatment of diseases, many of which unnecessarily occupy the time of the consultants, who would be better employed tackling unsolved medical problems. Today, most young registrars have to spend a period in the USA to study the recent advances in their chosen subjects. According to the "Nursing Times", 200 UK nurses emigrate every month, and again the gap is filled by overseas students, who naturally return to their own countries after training.

All this means that doctors, dentists, and nurses are not free to earn what their abilities would bring them in a free market, but must accept the scales dictated by the NHS. This creates a permanently dissatisfied group, because everyone thinks that he is worth more than he is getting. In a free market, this belief is tested, and failure to earn more (human nature being

what it is) is attributed to bad luck. In times of rising prices, doctors' fees rise with the rest, but under the NHS's fixed scales, the doctors' standard of living has fallen by one fifth. So the UK medicine has become part of politics, with mass bargaining for wages. In 1956, the Ministry rejected the doctors' claim for a 24 per cent increase in pay because to have granted it "would have been inconsistent with the Government's general economic policy". Thus the NHS uses its monopoly power to fix incomes as part of the government's policies to prevent inflation. The doctors angrily call this discrimination because this power does not extend even to the other nationalised industries, still less to private enterprise, and it is less efficient in controlling inflation and income distribution than normal fiscal and monetary policy.

A Royal Commission concluded in 1960 that the supply of candidates for doctors was reasonable and that higher salaries to encourage a greater intake were unnecessary. Since the facts do not support this conclusion, the Government may be forced to reconsider its policy, but Ministers and their staffs are overworked and this, added to the sheer inertia of a massive government machine, means that changes are difficult and infrequent.

A free market would work smoothly, without creating bitterness among patients and doctors. Doctors' fees would have been rising and more young men and women in the schools attracted by the prospects in medicine. Those in charge of medical schools would be planning for expansion. The process would be automatic, continuous, and non-political. It would generate far more information about the special economic needs of the public, and the gaps in supply, as well as direct medical research where it was found to be most needed, than can ever be comprehended by planning committees,

whose range is limited by the guesses of a few well-meaning officials.

Doctors are at present paid so much a year for each patient. This does nothing positively to foster higher standards of performance by doctors, and turns patients into anonymous "doctor-fodder", to be got through as quickly as possible. With queues in their waiting rooms, overworked doctors now lack time for the unhurried consultations with each patient, which establish a relationship of personal interest and confidence, that, psychologically, is just as, or sometimes more, important than mere prescriptions.

Above all, there is no means other than the market to determine the numbers required in any one profession within the total of all professions. Without the market, this is left to official guess work, based on previous trends, which do not allow for unexpected changes in population, techniques, or consumers preferences. The professions as a whole compete for young people, and one of the functions of a national pattern of professional earnings is to lead to a proper distribution of these young people.

Dr. Lees concludes that financial anxiety could be removed in a free medical market by combining (a) private health insurance for the majority with (b) public grants for the minority in need. The biggest medical expenses arise from hospital care. Such risks are ideal for insurance. The cost, high for the individual, is small if spread over the population. Dr. Lees' suggestion has been carried out in Australia, where a Labour government introduced universal free hospital care in 1946, which was ended by a Conservative government in 1952. Since then, Australians have been insured against hospital expenses by private organisations.

(N.B.—The Conservatives are still in office!)

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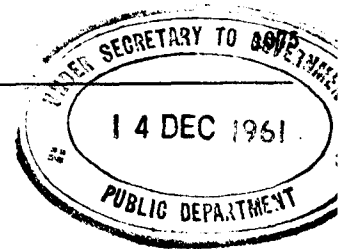
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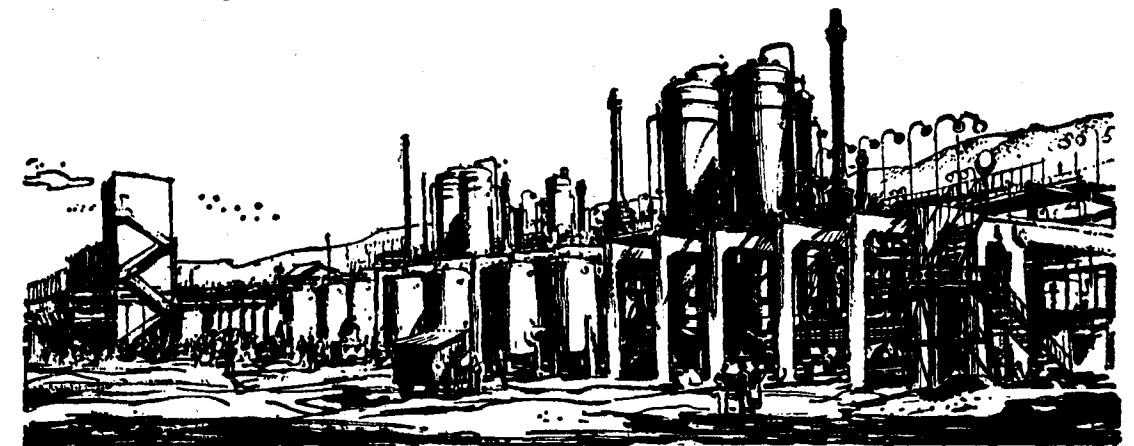
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SW/P/44

The European Scene

PLANNING AND WAGES POLICY

From Our Special West European Correspondent

PARIS, December 3.

A SET of pay increases, which seemed to threaten the "wages pause" demanded by the Chancellor, was enough to start rumours last week of a devaluation of the pound sterling. The inference was too hastily drawn, no doubt, but it shows widespread realisation of the fact that if the pound is to founder it will be because of inability to secure agreement on a wages policy. The British case is not unique, but simply the most dramatic example of the dilemma that today faces all the major Western economies, whose balanced development depends on keeping wage increases within the limits set by the growth of national product. In West Germany, where those limits were held to indicate a 5 per cent annual rise in wages, there was a 9 per cent jump last year and a rise of over 10 per cent in the first half of this year; and the wages boom is still continuing. In France, where the Prime Minister wrote to employers asking them to keep the rise in wages at 4 per cent for the year, the increase will be at least 9 per cent—and the country was paralysed for 24 hours this week by strikes aimed at making that percentage much higher. In the USA, where the Administration has no power over the level of wages, the President has had to ask employers not to pass on increases in wage costs to their selling prices; and, in the face of their refusal, he is reported to be considering submitting a long-term wages plan to labour and employers and to have asked his economic advisers to study French methods of seeking labour-capital co-operation on the point.

The problem is not new, of course; the level of wages has always been recognised as a decisive factor in price-formation, in the trade balance and hence in economic development. What is new is that all these governments are thinking of assuring smooth and rapid expansion over the coming decade in order to match the performance of the Communist states, and once they think of planning, however loosely, they discover that the hardest thing to plan, and yet one of the most important, is the balance between wages and the supply of goods. It is comparatively easy to achieve this balance on average over a number of years, by allowing periods of deflation and unemployment cancel out periods of inflation; but most governments are committed to maintaining full employment all the time, so that they are obliged to try to keep the balance exact at every moment. It is easy enough to average 50 miles an hour in your car if you can drop back to 30 mph. when necessary and speed up later; but if you have to average 50 and are forbidden ever to fall below 49 mph., driving becomes a strain. Moreover, all the preliminary enquiries into planned expansion have made perfectly clear the limitations on the growth of production. As long as these were not recognised, or exactly calculated, generous wage increases could be given in the hope that productivity would keep pace; but once it is known for certain that there is a maximum of 5 or 3 per cent, depending on the local circumstances, in the rate of expansion, then the pace of wage increases has to be adjusted accordingly. Finally, the liberation of trade and of capital movements between the various Western economies means that they have to co-ordinate inflation rates; one country can no longer afford to let wages get out of hand and protect its economy by blocking the entry of goods and the exit of capital.

Not only has a wages policy become, for these reasons, more urgent, but government have a better conscience about asking labour to accept it. The trade unions (very naturally, in view of their experience under the old form of capitalism) take a wages policy to be a one-way affair, to mean the limitation of workers' rewards in favour of other classes. But once governments are guaranteeing the workers full employment and once they can demonstrate that wage increases beyond a certain point are immediately wiped out by inflation or, a little later, punished by unemployment in export industries (and not only in export industries, now that imports are liberalised), then they feel entitled to present a wage policy not as a means to limit workers' rewards but as a means to maximise those rewards in terms of real purchasing power. They are encouraged to do so by the fact that most trade union leaders now know and admit this. But there are three sources of indiscipline: the rank and file workers, the Communists and private employers.

In countries where the rank and file are not obedient to their union leaders, these latter are pressed from the base to demand wage increases which they know not to be in the workers' interests. In countries (such as France) where there is an irresponsible Communist labour movement which seeks to extend its clientele by outbidding the non-Communist unions, regardless of the consequences for the working class or for the national economy, union leaders hesitate to collaborate in a policy which they know to be just. Finally, in fully employed and expanding economies, such as the Western countries almost all have today, private employers compete for scarce manpower by offering increases above the national average. Although governments have removed many of the "rigidities" that ensured that increases in one department were automatically passed on to all the others, they cannot abolish the "rigidity" of envy. One group's earnings may no longer be indexed, even indirectly, on another group's earnings, but the first will want to keep up with (or to keep a certain distance ahead of) the second. A clear case exists in Britain and France, where the State is a large employer. As an enlightened employer, it seeks to keep wage rises within safe limits, but if the private sector competes for manpower by offering bigger salaries, the State's employees are soon out on strike. The French Government is so convinced that its employees are being "debauched" by the unbridled wage increases in the private sector that it has had the idea of penalising private firms that grant increases above the national average: the money required for raising the pay of the State's employees is to be raised, in part by taxing firms that agree to increase salaries too fast. However, since this means punishing the most dynamic firms, which need more labour exactly because they are expanding fastest, it means penalising progress, and is no substitute for a national wage policy.

The Government of Britain, the Common Market countries and the USA are all in quest of such a policy today. The Common Market Commission has recommended labour-capital-government collaboration in fixing a wages plan, and the defunct OEEC has left behind an interesting study on how this is achieved in certain countries. (A 270-page appendix to its report on the Problem of Price Increases, published this year.)

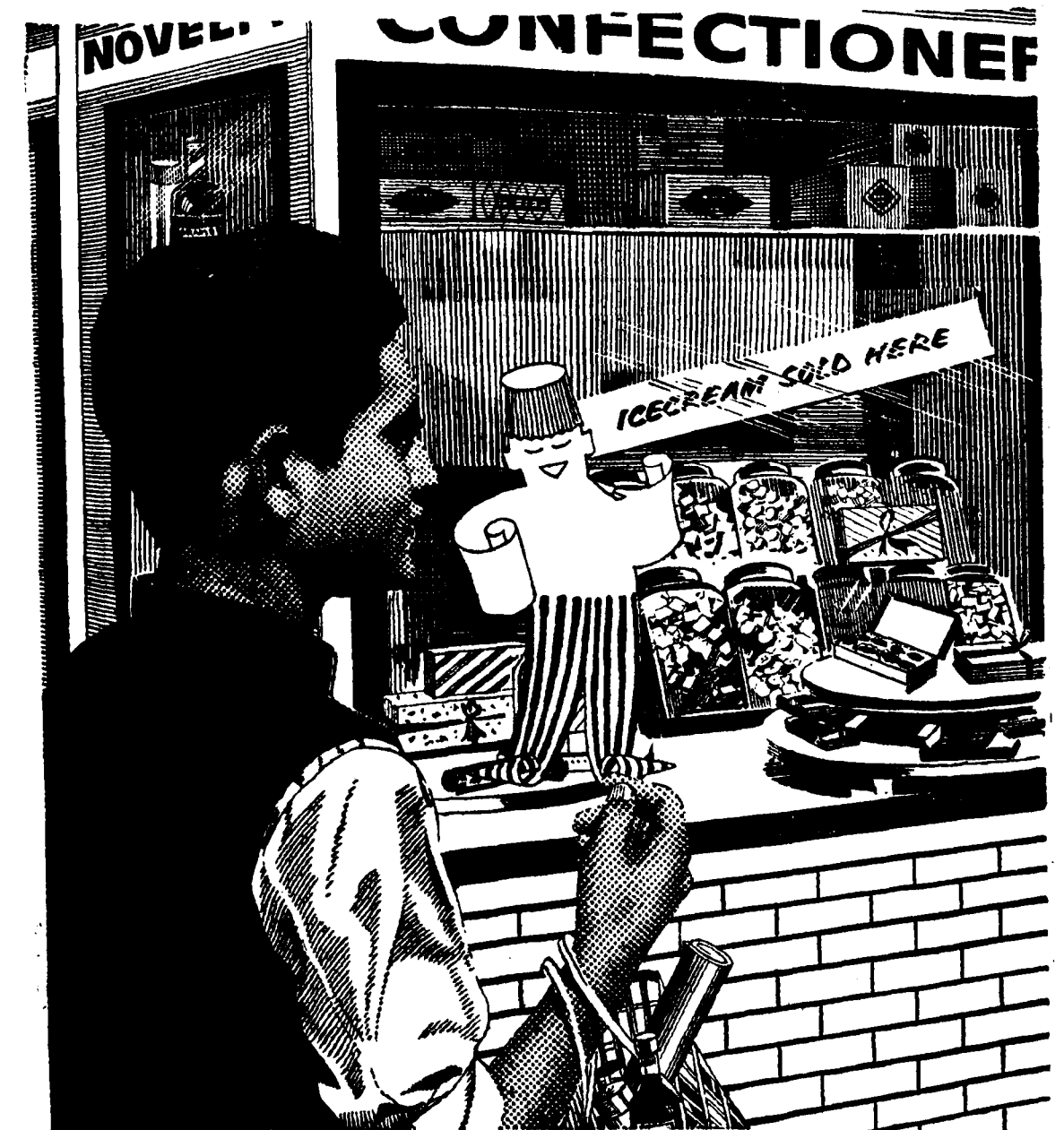
cites the examples of Sweden and Holland. In the former country the confederation of trade unions, the L.O., meets every year with the employers' federation, the S.A.F., and they fix a global rate of increase for wages in the following 12 months, with indications on the variations from the average that can be tolerated in special cases. Individual unions and industries then negotiate wage agreements within this framework, and their agreements have to be submitted to a tribunal representing equally the L.O. and the S.A.F., which endorses or rejects them. It is to be noted that the Government has no say in this procedure.

In Holland, on the contrary, the control is tripartite. Firms and unions negotiate wage pacts and then send them to a national tribunal of employers' and workers' organisations; this tribunal simply expresses a judgment on them, and then forwards a copy of each agreement and its opinion on it to the "college of State mediators". This body is nominated by the Minister for Social Affairs from independent quarters (mayors, deputies, academic people), and it receives the advice of the Planning Commission and the Finance Ministry. It has the final say on wage agreements; no employer can raise salaries without its approval, and it can fix wages in sectors where there has been no agreement between employers and workers. The system works, in that unions and firms have been brought to admit the fatuity of short-term wage increases that are damaging in the not-so-long run, and at times of balance-of-payments crisis the unions have even agreed to freeze wages while prices rose—and over the past decade strike-time lost has been only 10 minutes a year per worker.

The Swedish and Dutch examples are interesting, but one needs to remember that these are small countries that depend on international trade much more than most, so that even the most ignorant, selfish and short-sighted employer or worker knows that any untoward rise in costs and prices would be instantly translated into trade losses and possibly unemployment. The connection between a local wage agreement and the national interest is harder to see in bigger countries that are less sensitive to international competition. It

exists there, of course, but it requires a greater effort of imagination to grasp it. All the more reason to make that effort, and what the bigger countries can learn from the Swedish and Dutch examples is the utility of frequent confrontations between labour and employers to discuss this very question. Britain and France might never be able to set up such smoothly operating mechanisms for wage control, but they would lose nothing by seeking to enlighten unions and employers at regular intervals on the effects of their wage agreements. This confrontation now takes place in the course of French planning, but once every four years is not often enough; there is a move to make these meetings six-monthly affairs.

Current British experience, where a capital gains tax has had to be offered to the unions as the price of their collaboration in a wage policy, warns us that labour will not accept an over-all control of its earnings unless it is convinced that other classes are also submitting to a national discipline. When a single firm negotiates with its union, the workers already ask embarrassing questions about real profits, directors' salaries and the like. When the representatives of the nation's unions meet employers' organisations, they will raise questions about stock market profits, the earnings of shopkeepers and professional men, the gains of entrepreneurs and shareholders' dividends; and this is only natural. People who do not want such matters aired should abandon hope of a national wage policy. Moreover, if the government intervenes in the discussions and pleads the limits set by the "national interest", it must expect to have unions—and employers too—call its conception of that interest into question. For example, if it claims that defence expenditure and aid for development make restriction of wage increases inevitable, it will find that its partners do not accept its estimates of those needs unquestioningly. If it is unwilling to discuss these matters with unions and employers, it too should abandon hope of a national wage policy. It appears, then, that the search for a wage policy could lead governments into paths they would rather not enter, and yet they are being pushed in that direction by the need to plan maximum expansion without inflation.



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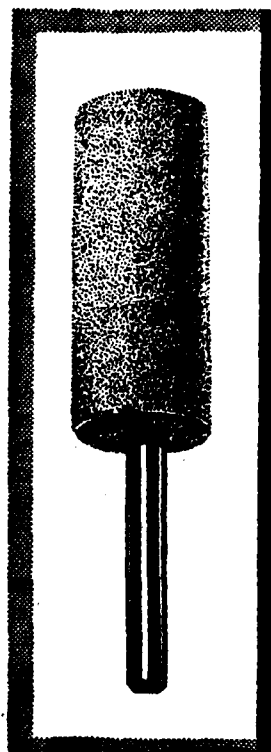
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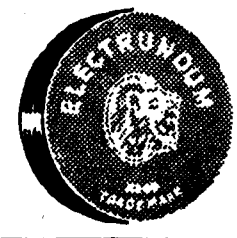
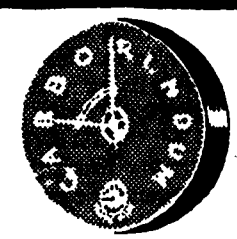
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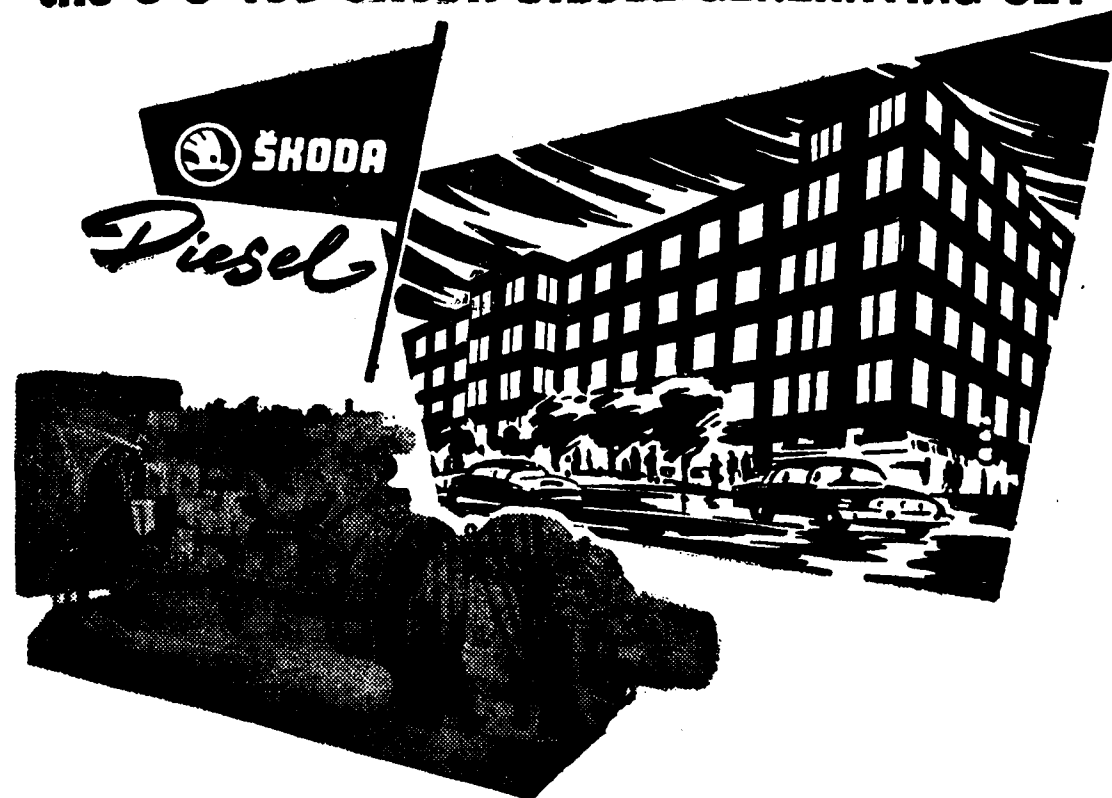
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Economic Report from the U.S.

ACCELERATED GROWTH RATE

By GUY SIMS FITCH

WASHINGTON, Nov. 29.

WALTER W. Heller, Chairman of President Kennedy's Council of Economic Advisers, is an economist with a gift for words—a combination that is refreshing and all too rare. Nowhere is this combination more in evidence than in Mr. Heller's penetrating views on economic growth—its problems and its requisites, its challenge and its promise. This scholar with a style sees economic growth as both an end in itself and an instrumentality, "both the pot of gold and the rainbow." The why's and wherefore's of this view can best be summarized in Mr. Heller's own words: "We seek economic growth, in part, to raise the American standard of living and diffuse its benefits more rapidly. Economic growth will also make it easier to meet the needs of a rapidly expanding population for a higher standard of public facilities and public services. In addition it is our great pride to be an open society without class conflict, with careers open to talents, and a high rate of social mobility. Much of what is best in the American character is a reflection of growth—first through the external frontier as the nation pushed West, and now through the internal frontier of expanding educational, occupational, and economic opportunity. Finally, we need to grow faster to meet the challenge to freedom in the world today. Our growth performance will not only determine our capacity to strengthen the defences of the West and to assist the underdeveloped nations in realizing their awakened aspirations, it will also affect the choice which uncommitted countries make in charting their own paths to economic development. Growth in our own country will help make this a 'decade of development' both here and abroad."

What does an accelerated growth rate require, and what is the administration of President Kennedy doing in this sphere? "Faster growth requires a more rapid rate of increase in productivity. To achieve this, the administration is committed to policies which will encourage a higher rate of investment in both physical and human capital—to expand both plant capacity and brain capacity. To step up the rate of investment in business capital, we need, first of all, full recovery in the sense of full realization of our existing productive potential. The administration also is moving ahead with reforms in the Federal tax system designed to stimulate business investment. The administration has moved aggressively to make investment funds readily available to small business. It has also sought, and will continue to seek, to maintain credit readily available to business investors at reasonable rates of interest. But more material capital is not enough; we must also have more research, better organization, and a higher level of productive skills. Recent research has shown that over half the increased output in the United States since the turn of the century has sprung from such relatively invisible sources. Fortunately, these invisible sources can be deliberately cultivated by private initiative and public policy."

What part will education play in this? In recognition of the contribution made to productivity by improved education and training, the administration has given heavy emphasis to the desirability of improving education at all levels. Further, ways and means of stimulating industrial research are under active study. Since Government provides the major source of finance for research and development projects in the American economy, Federal policy can, and we are determined it will, exert a powerful stimulative influence in this field.

How far can Government go in this direction? "The Government, of course, cannot decree a higher rate of economic growth. A better growth performance rests on individual decisions of businessmen, workers, teachers and professional people throughout our society. Government can only seek to create an atmosphere which will encourage the kinds of behaviour which are conducive to rapid economic growth." How does prosperity, a by-product of growth, contribute to the achievement of economic and social goals? "Prosperity facilitates the adjustments required by economic growth and progress and international trade. Firms will be better able to make needed adjustments to the ebb and flow of competitive forces, workers will be better able to respond to the changes in the regional and occupational pattern of the demand for labour; and the economy will be better able to absorb needed structural alterations. In a full and functioning economy, change need not be feared. Instead, change becomes an engine of progress. Our nation has made a good start on the road to full recovery and faster economic growth. We must maintain the momentum."



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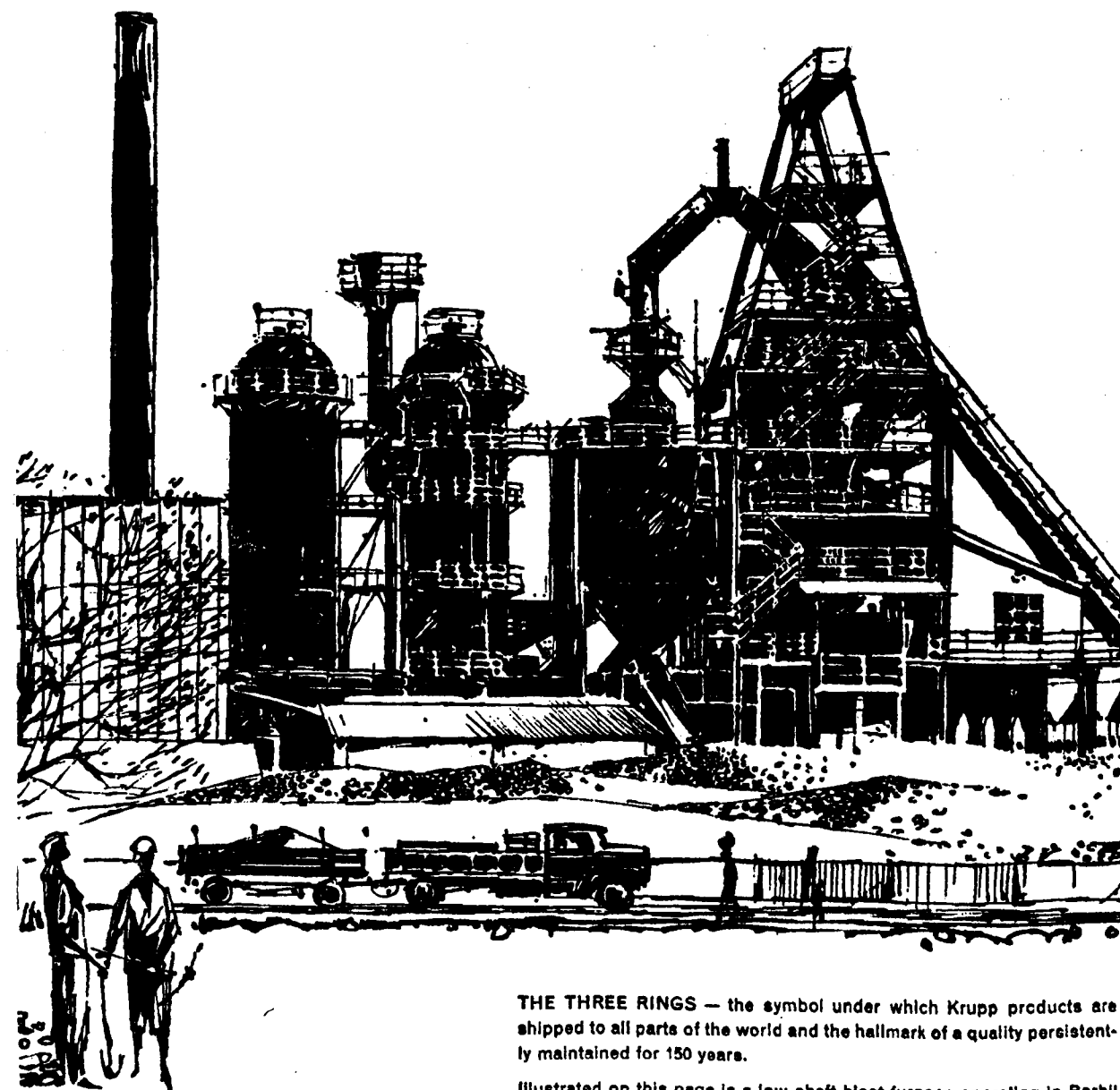


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Special Article

A FOOD POLICY FOR EMERGENCY

THE Prime Minister's statement in the Lok Sabha on Wednesday on the Indo-China border dispute and movement of troops to the Goa border portend an extraordinary emergency that may overtake India in the near future. The troop movement has led to the cancellation of some trains in the northern, central and western railway zones. Though these cancellations have been confined as yet to passenger trains, it will not be long when the schedule for goods trains will also be affected. This will obviously lead to an accentuation of transport bottlenecks the impact of which on the general price level in the country is not difficult to visualise. In so far as this upswing in prices relates to non-essential commodities of consumption, one need not worry much about it. But the effect they are likely to produce on the prices of food-stuffs is positively a matter on which action must be taken before hand.

It has been only during the past one year or so that food prices have shown a tendency to go down or at least not spiralling up. This welcome relief has been brought about by a fairly good harvest in two successive years, 1959-60 and 1960-61, and massive imports arranged from the United States under the PL 480 programme. Though the current year's crop outlook is no less promising and the food stocks with the Government are by far the best in recent years, the emergence of new transport bottlenecks will upset the distribution pattern and give an upward push to food prices, especially in the deficit States, two of which, unfortunately, are situated close to the areas where deployment of troops will be concentrated. That can have a great demoralising effect on the population in these States. A well thought-out plan has thus to be prepared in advance to mitigate the hardship which the deficit States in general, and Maharashtra and West Bengal in particular will have to go through consequent upon the out-break of hostilities on the Indo-China and Goa borders. Special care has to be taken in the case of Maharashtra and West Bengal for these two States have also great concentra-

tion of industries.

A recent study made by the Directorate of Economics and Statistics, Ministry of Food and Agriculture in respect of fluctuations in prices of rice and wheat—the two staple food crops—since 1958-59 provides a wealth of data on the basis of which it is possible to proceed with the formulation of a food policy for an emergency such as the one that seems imminent. The study points out that although the wholesale price index of food articles has more or less shown a linear downward trend since 1958, there have been witnessed wide disparities in the prices of foodgrains in different States as a sequel to formation of food zones and imposition of restrictions on movements from one zone to another. The tables reproduced here reveal that rice prices in the deficit States like West Bengal, Bihar and Maharashtra, have commanded an appreciable premium over those prevailing in the surplus States like Orissa, Andhra Pradesh and Madhya Pradesh. Similarly, wheat prices in the deficit States of Bihar, Maharashtra and Gujarat have commanded a high premium over the prices prevailing in Punjab, Madhya Pradesh and U.P. These wide disparities in prices in the deficit and surplus States have tended to narrow down recently with the readjustment of the food zones and relaxation of restrictions on the movements from the surplus States to the deficit ones. The improvement in the movement of food stocks which has recently become feasible will be upset with the emergence of abrupt transport bottlenecks.

To guard against this danger, it is imperative that the Union Ministry of Food and Agriculture should take energetic action in recasting its food policy. The movement of foodstuffs, of course, will continue to receive high priority, but much of the strain on the country's transport system can be obviated if sufficient stocks of essential foodstuffs are built up in the deficit States. So far as wheat is concerned, there may not arise any great difficulty because the wheat imported from the United States is already being stored on Government

DIFFERENTIALS BETWEEN PRICES OF RICE IN CERTAIN STATES,

1956-57 TO 1960-61

(Rs. per maund)

Month	Orissa- West Bengal	Orissa- Bihar	Andhra Pradesh- Maha- rashtra	Andhra Pradesh- West Bengal	Madhya Pradesh- Maha- rashtra	Madhya Pradesh- Bihar	Madhya Pradesh- Gujarat
1957							
September	5.96	5.51	1.74	2.83	1.43	2.07	—
December	5.80	5.98	2.32	2.37	1.18	1.41	—
1958							
March	6.97	6.34	2.88	3.96	3.45	4.10	—
June	7.59	7.25	5.89	5.83	5.96	5.58	—
September	10.90	8.40	5.49	8.39	7.86	8.36	—
December	4.71	3.36	2.26	—	7.55	3.70	—
1959							
March	3.55	5.68	4.04	—	7.66	4.25	—
June	5.27	5.71	5.27	0.42	10.17	5.76	—
September	8.83	5.00	4.28	2.66	10.81	5.36	—
December	4.98	—	—	—	6.90	—	10.02
1960							
March	5.22	—	—	—	6.52	—	9.82
June	4.97	—	—	—	8.80	—	6.70
September	5.28	—	—	—	8.92	—	1.27
December	3.72	—	—	—	4.57	—	1.26

Orissa: 1958-59 price range between Rs. 14.02 (March '59) to Rs. 17.40 (Oct. '58) per maund, and in Orissa 1959-60 Rs. 15.49 (Nov. '59) to Rs. 19.25 (August '60).

West Bengal: 1958-59 Price range between Rs. 17.25 (Jan. '59) to Rs. 28.10 (Oct. '58) and in 1959-60 Rs. 20.58 (Dec. 1959) to Rs. 25.60 (Oct. 1959).

Bihar: 1958-59 price range between Rs. 18.18 (Dec. '58) to Rs. 23.09 (Oct. '58) and in 1959-60, Rs. 17.58 (Dec. '59) to Rs. 23.78 (July '60).

Assam: 1958-59 price range between Rs. 17.89 (Dec. '58) to Rs. 23.50 (Oct. '58) and in 1959-60, Rs. 18.02 (Dec. '59) to Rs. 21.80 (July '60).

“—” means not available.

account in some of the deficit States. The problem in the case of rice will, however, be more serious as imports on Government account from abroad form only a negligible portion of the total supplies. Fortunately, the present time is opportune for the Government to build up stocks of this essential commodity by resorting to procurement in surplus States; rice prices touch

their lowest level in December-end or January. It is, of course, inevitable that large-scale purchases on Government account for distribution in other regions will have a direct repercussion on the internal prices in the surplus States. But this is a sacrifice they will be called upon to make in the context of the national emergency.

INTER-STATE DIFFERENTIALS IN WHEAT PRICES BETWEEN CERTAIN STATES

FROM 1957-58 TO 1959-60

(Rs. per maund)

Year/Month	Punjab- U.P.	Punjab- Maharashtra	Punjab- Gujarat	Madhya Pradesh- Maha- rashtra	Madhya Pradesh- Gujarat	Rajasthan- Maha- rashtra	Rajasthan- Gujarat	U.P. -Bihar
1957								
March	—	2.39	0.46	—	—	—	—	—
June	—	6.41	4.29	—	—	—	—	—
September	0.82	2.64	3.06	—	—	—	—	—
December	0.02	1.57	2.37	—	—	—	—	—
1958								
March	1.06	3.04	3.24	0.79	0.99	4.75	4.95	4.23
June	3.84	9.61	3.03	5.25	—	8.83	1.80	2.14
September	5.34	7.22	3.38	1.52	—	4.36	0.52	—
December	4.30	8.55	4.40	3.90	—	7.72	3.57	2.28
1959								
March	—	—	—	5.70	1.70	4.40	0.40	6.02
June	—	—	—	8.57	4.59	7.88	3.90	4.57
September	—	—	—	7.05	3.99	7.60	4.54	3.64
1960								
March	—	—	—	9.19	2.09	7.35	0.25	4.47

Price range in :

- (1) Punjab : 1958-59 between Rs. 13.28 (April '58) and Rs. 21.46 (Jan. '59).
1959-60 between Rs. 14.34 (May '59) and Rs. 16.37 (Jan. '60).
1960-61 between Rs. 13.84 (Jan. '60) and Rs. 15.60 (Dec. '60).
(Figures available upto Dec. 1960).
- (2) Uttar Pradesh : 1958-59 between Rs. 14.63 (April '59) and Rs. 25.39 (Jan. '59).
1959-60 between Rs. 14.22 (May '59) and Rs. 17.16 (Feb. '60).
1960-61 between Rs. 15.08 (May '60) and Rs. 17.25 (July '60).
(Figures available upto Dec. 1960).
- (3) Bihar : 1958-59 between Rs. 20.00 (April '58) and Rs. 28.50 (Feb. '59).
1959-60 between Rs. 20.00 (Nov. '59) and Rs. 22.50 (Oct. '59).
1960-61 between Rs. 19.25 (April '60) and Rs. 22.00 (Oct. '60).
(Figures available upto Dec. '60).

THE MYSORE KIRLOSKAR LIMITED,

REGD. OFFICE: YANTRAPUR P.O., HARIHAR,
(MYSORE STATE-INDIA)

NOTICE

Notice is hereby given that the Twentieth Annual General Meeting of the Company will be held on Friday the 29th December, 1961, at 11-00 A.M. (I.S.T.) at the Registered Office of the Company at Harihar, to transact the usual business and also special business, the details of which have been made known to the shareholders separately by notice sent along with the Balance Sheet and Profit and Loss Account, and Directors' Report.

The Share Transfer Books and Membership Register shall remain closed from the 19th December, 1961, to the 2nd January, 1962, (both days inclusive).

By Order of the Board,
For THE MYSORE KIRLOSKAR LIMITED,

M. S. VARTAK,
SECRETARY.

Dated 17th November 1961

SITUATION VACANT

ASSISTANT SECRETARY

APPLICATIONS are invited for the post of Assistant Secretary in the Office of the Institute of Chartered Accountants of India, New Delhi in the scale of pay of Rs. 850-50-1250 (In addition, the officer will be entitled to Compensatory and House Rent Allowances but not to any Dearness Allowance. Detailed particulars may be obtained on application).

A higher starting salary in the grade may be given to a deserving candidate.

The officer will be entitled to contribute to the Provident Fund as per the Rules and to avail of Medical facilities as per the Rules.

Qualification: A Chartered Accountant possessing administrative and secretarial experience.

The Council may however waive this condition in the case of a candidate possessing qualifications otherwise considered suitable for the post.

The Age limit: 35 to 40 years.

The selected candidate will be on probation for a period of one year.

Apply to the Secretary, Institute of Chartered Accountants of India, Post Box 268, New Delhi-1, before 10th January, 1962.

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This their dedication, that
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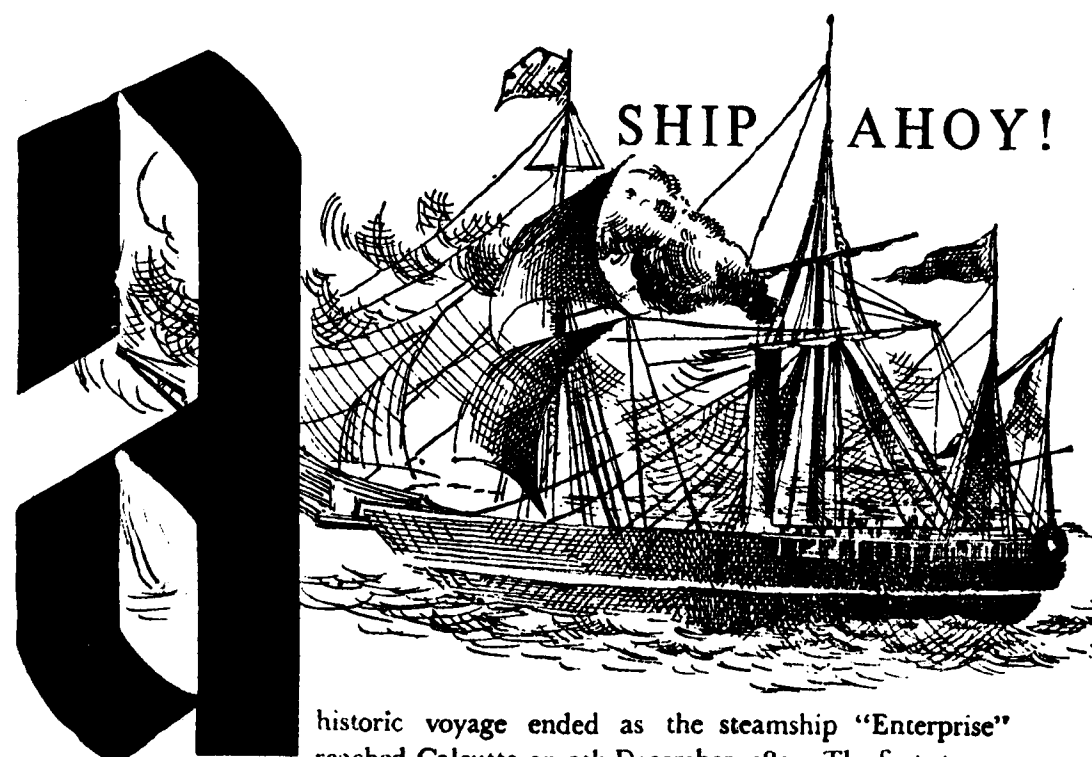
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historic voyage ended as the steamship "Enterprise" reached Calcutta on 9th December, 1825. The first steam-powered vessel to make the England-India run, the 500-ton "Enterprise" won a cash prize of Rs. 100,000 offered by Calcutta's trading community for this truly pioneering achievement. Her captain on the hazardous voyage round 'the Cape' was James Henry Johnson, Commander, Royal Navy, and a hero of Trafalgar.

Though the "Enterprise" was the first ocean-going, partly steam-propelled ship to arrive at any Indian port, small steam-powered craft were being built in Calcutta as early as 1823.

Among the oldest and best known marine and general engineering firms in the country, a privately-owned concern known as Reid & Company's Hooghly Dock (founded 1819), the forerunner of The Hooghly Docking & Engineering Company Limited, was already flourishing before the introduction of steam to India. The 'Hooghly Docks' are a part of the vast industrial and engineering organisation of Martin Burn Ltd., an organisation which is playing an important role in India's industrial progress.

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THE BUSINESS WORLD

Meddlesome Muddling

By CROESUS

LAST week-end's announcement of their decision, by the directors of the Shivrajpur Syndicate Ltd., to effect a further considerable reduction in the operations of the Shivrajpur group of mines provides yet another proof, if further proof were at all needed, of the Government of India's meddlesome muddling in manganese, especially since the advent of the State Trading Corporation. The situation that this decision betokens is very serious indeed, for, I learn, it will be the second closure in the past 20 years — the first was during World War II — and, according to these responsible persons, "unless immediate remedial action is taken by the Government, it may not be possible for the Company to continue operations for very long even at this reduced rate." (It may be noted here that, although the Shivrajpur Syndicate Ltd. has three mines, Shivrajpur mine, Pani mine, and Bamankua mine, with an average manganese production of 7,000 tons — this was so until 1960 — it is only the Shivrajpur mine which is being worked now, the other two having closed down several months ago.) As it is, even in the Shivrajpur mine, underground mining has been stopped ere now, and the directors have been contemplating to close down even surface mining. If this should happen, the ranks of the unemployed in this country (which are even now not inconsiderable by any means) will swell further by a couple of thousands or so. But, apart from this purely human angle — a fundamental one though — and such losses as the Shivrajpur Syndicate Ltd. — that is, the poor shareholders of the Company — may incur, there is a national angle to this question, namely that of our exports, especially to the U.S.A. It may not be known to many that, out of the total exports of manganese ore from India, the Shivrajpur Syndicate Ltd. accounts for nearly 10 per cent and that out of the latter, as much as 95 per cent is exported to the U.S.A. to earn precious dollars for this country.

One would have thought that any responsible authority would think a thousand times before throwing a spanner into an otherwise smoothly working mechanism such as this. And, if perchance, any such misadventure happened, one would have thought the authorities concerned would lose no time in looking into what has happened, find out what has gone wrong and set it right without any avoidable loss of time. I had a glimmer of hope that this eminently sensible approach was being followed by our Government also, when, following the meeting of the Mineral Advisory Board in May last, a special ad hoc committee for manganese was formed at the instance of the Union Minister for Mines and Fuel and this committee made a number of extremely useful recommendations. That hope grew further when, in September last, at both the Export Promotion Council meeting and the two conferences arranged by the Union Ministry of Commerce, heartening assurances were given by official spokesmen to afford immediate relief to the industry. And I said to myself that the manganese interests were the luckiest when, on the top of these encouraging developments, the Union Minister for Railways announced a 50 per cent reduction — to take effect very soon — in the freight on manganese ore, the credit for which has been rather prematurely

appropriated by the State Trading Corporation (vide its rejoinder to the Economic Intelligence Unit of the "Economist", London)! But, alas, as ill luck would have it for the manganese interests, these rosy promises yet continue to remain as promises. "Unfortunately to date" — I am reproducing verbatim what Mr. A. N. Haksar, Chairman of the Shivrajpur Syndicate Ltd., told us at a Press Conference only a few days ago — "the Government has not taken any action whatsoever to grant these essential reliefs to the industry. There has been no reduction in Railway freight."

This is bad enough in all conscience. But the Government, it would appear, was not content to be only negatively unhelpful thus. Wanting to be positively unhelpful too, perhaps, — and to make matters worse — it is alleged to have discontinued the barter transactions, which have been mainly responsible for maintaining our manganese exports during the past 2-3 years. No wonder then that about 75 per cent of our manganese mines are believed to have closed down.

It is, of course, known that, for a number of years past, the Indian manganese ore industry has been facing great difficulties, as a result of which this country's exports of manganese ore have steadily declined, and the pace of this decline has accelerated perceptibly during the first half of this year. Thus, whereas, over the last five-year period (1956-1960), these exports averaged 12.04 lakh tons per year and yielded approximately Rs. 19 crores (or an average of Rs. 154 per ton) by way of foreign exchange, during the first half of 1961, they have fallen to 3.18 lakh tons and yielded only Rs. 3.15 crores (or less than Rs. 100 per ton!). It is also known that, in this particular case, there are also factors over which we have no control, such as a contracting world market, for example, but this does not explain away all our losses on the manganese export front. Nor do the following causes listed by the manganese interests:

- i) Slump in the international market (there has been a fall in prices of Rs. 50 to 54 per ton);
- ii) Entry of new producers into the field (Russia, Brazil, and others);
- iii) Arbitrary export tax on buyers and unhelpful attitude towards forward contracts;
- iv) Demands for higher wages by dock labour.
- v) Unhelpful Government policies, including
 - (a) abolition of barter deals,
 - (b) absence of sufficient incentives to manganese exporters,
 - (c) compulsion on free sample shipment analysis, and
 - (d) entry of the S.T.C. on the scene.

Among all these, perhaps, the entry of the S.T.C., which has had its functions clearly defined for the first time only a few days ago — that is, six full years after it took birth — is the major villain of the piece. To quote the London Economist Economic Intelligence Unit's Report on The State Trading Corporation and India's Export Trade, "since 1956, however, the S.T.C.'s mishandling of the manganese ore trade has tended to

reduce India's share of the world market still further, and the full effects of this mishandling are probably yet to be felt." It is understandable that those in charge of the S.T.C. do not accept this serious charge. They have made a feeble attempt at refuting the criticism, which has not raised them or the S.T.C. in the estimation of the public. But all is not lost yet. They can still retrieve their reputation and prestige only in one way, and that is by not taking credit for what they have not achieved but by really achieving something —

I mean by getting the Railways to implement their promise to reduce the freight by 50 per cent and by prevailing upon those concerned to reduce royalty — and by not coming in the way of resumption of barter deals with the Western countries in their enthusiasm to build up trade with the Communist countries. These reliefs may have been demanded by the Directors of the Shivarajpur Syndicate Ltd., but that is no reason why they should receive scant attention, if the resulting good also helps the country at large.

The Associated Chambers on Power

THE Associated Chambers of Commerce of India at the annual general meeting held last week at Calcutta highlighted the problem of power shortages that could cause so much distress to the industrial producers not only today but in the coming few years as well. Naturally, therefore, one of the most important resolutions passed at the meeting was to persuade the Government of India to raise the power supply in the immediate future, especially in the regions of Punjab, Madras and West Bengal. The general opinion was that the investment in power generation and distribution provided for in the Third Plan was insufficient for the country's industrial needs and that even if the projected targets were achieved, a serious power shortage would remain. It therefore urged that immediate thought be given to an upward and realistic revision of power targets and that the highest priority be given to the implementation of the existing expansion plans.

The problem of power shortages in fact originated when the Second Five-Year Plan, in the face of foreign exchange crisis, was cut to the core and instead of a target of 6.9 million kW, actual production at the end of Plan was only 5.7 million kW. It is significant to note that the target for the Third Plan which was to increase the installed capacity from 5.7 million kW to 13.4 million kW, of which 12.7 million kW were expected to be in commercial operation by 1965-66 has to be read in a different light. It is important that only one-third of the additional capacity planned may be actually generated during the first three years of the Plan with the result that the industrial development expected to materialise during these years will be hampered. In fact, power shortage at the moment is perhaps the most important single factor preventing the achievement of most of the industrial targets.

The speakers at the meeting made it known that the shortage of power supply in the Bombay region was not very serious, perhaps, due to the speedy accomplishment of the Tata's Thermal Power Station at Trombay, the Koyna hydro-electric project now under construction and the progress made with the proposed atomic power plant at Tarapore. The state of power supply in the Northern India, however, was going to be really difficult. Despite the proximity of the Bhakra Nangal Hydel System, the power cuts in this region were common and were explained as the result of the fall in water level in the reservoirs. The speaker from Punjab indicated that industrial consumers of power in that region had to put up with restrictions, load cuts and 'staggering' and new industrial units were not getting connections. It was indicated that the gap in the Punjab region which was expected to be nearly 53 million watts in 1962 may widen and may be nearly 334 million watts by 1965-66. This was after taking into consideration the additional power that was scheduled to be generated in the region. The off-take of power in the Punjab region by bigger units like Nangal Fertilizers is to increase progressively and the same is expected in the industrial townships, like Shahdra around Delhi.

In the South too, fluctuations in availability of power due to lack of water in the dams had been a serious problem. It was indicated that certain industrial interests in Madras State had become so apprehensive about power supply that they had formed themselves tentatively into a consortium of companies to investigate the possibilities of establishing a new power station as a measure of ensuring against crisis which would result in inevitable cuts and shortages which they so much feared. Even if this scheme failed to materialise, it would serve to focus attention on the real fears of the industrialists which could not be ignored.

A similar crisis was envisaged in North-East India and the coal industry it seemed was specially hit by frequent power cuts which seriously prejudiced the safety of workers due to interruptions in cage winding, dewatering and ventilation of mines. The 'staggering' working hours could not help since collieries habitually worked three shifts. Similarly the jute industry, perhaps the single biggest industrial consumer of electricity in Eastern India, lost over 40 lakh man-hours during February-June this year. This dislocation hit the industry very seriously because the shortages of raw jute were another problem and if the power cuts came when the raw materials were available the factories faced a double disadvantage. Similar losses were registered among engineering industrial units and electro-chemicals plants. The region, it was pointed out, would have a demand around 2,090 MW by 1965-66 against the total saleable capacity of only 1919 MW. This shortage of 171 MW was, therefore, going to cause serious problem.

Various suggestions were made at the meeting to face this impending crisis, apart from the raising of the targets for investment on long-term projects during the Third and Fourth Plan periods. It was, for instance, indicated that to raise the power supply immediately while larger hydel projects were not likely to start their supplies, it was necessary to erect thermal stations based on coal, lignite or oil in the regions where power supply was required most urgently. These units could be moderately sized from 200 to 400 MW capacity or even of smaller sizes of 50 to 75 MW capacity. It is important to note that the supply lines from larger power stations were vulnerable to cyclonic storms and high floods, particularly in the regions of Punjab, Madras and Bihar where floods were more common. Such thermal power stations with comparatively limited supply lines would be of specific advantage. It was suggested that the additional power capacity of smaller units could be advantageously granted to organisations already in existence because they could utilise their experience as also their distribution networks which were in operation. Relief could also be given by bringing in small generating sets, diesel or steam, of capacity between 50 and 2000 kW for use of individual industrial units. What is required, therefore, is a special enquiry into the needs of power requirements in various regions during the coming years and a revision of investments and targets for the Third and Fourth Plans.

Business Notes

Shipping

A BOLDER POLICY URGED

WORLD SHIPPING tonnage has almost doubled, having risen from 69 million gross tons in the pre-war years to nearly 130 million gross tons today. Over the same period, world maritime trade too has increased more or less to the same extent. In fact, over the last decade (between 1951 and 1960), it has improved from 349 million tons to 1,100 million tons, i.e. an increase of 70 per cent, according to statistics published by the U.N. The increase in actual capacity is found to be due, at least in part, to the faster ships in service today than before. Another factor contributing towards this development has been the increase in the proportion of tanker tonnage from about 20 per cent of world tonnage in 1951 to 31 per cent in 1960. And this development in turn is mainly due to the gradual replacement of coal by oil in industries and ships.

During the last decade, the world has witnessed the emergence of a number of new independent nations, many of whom are naturally endeavouring to build up their own industries and trade, as also the shipping of their own to carry this trade. As is only to be expected, they have been facing stiff competition from those who are already well entrenched in the shipping line and, for daring to compete with them, doubtless, they are not infrequently accused of indulging in "flag discrimination". Mr. G. L. Mehta, Chairman of the National Shipping Board, availed himself of the third Shipping and Ship-building Conference, held in Bombay last week, to make it very clear to all concerned that the argument of "flag discrimination" was not only untenable in the context of developing countries, but particularly so as regards India which has a vast coast line and a very large maritime trade. If only because of these two considerations, Mr. Mehta maintained, this country was justified in taking all such measures as are designed to give legitimate assistance to national shipping in order to enable it to carry a due share of its maritime trade and thereby to compete with the shipping of those countries which have been established for decades. Whilst conceding in principle that, shipping being an international industry, "flag discrimination" was rather untenable, the N.S.B. Chief observed that reasonable protection accorded to a nascent industry like the shipping industry by the Government of India should not be construed as tantamount to indulging in discriminate practices. "The contribution which shipping can make to assist exports and correct or improve the balance of payment," he declared, "is an important economic consideration that justifies the positive and helpful attitude on the part of the Government of its national shipping."

Referring to some of our shipping problems, Mr. Mehta recalled how, during the first two Plans, our merchant shipping had increased from a little over 100,000 to 900,000 gross tons—it is expected to touch a million-ton mark very soon—and while he regarded this as a matter of great satisfaction, he cautioned that this should not create a feeling that all is well with the industry. For, over the same period, as he pointed out, the progress achieved by countries like Germany and Japan has been startling. It was the pertinent contention of Mr. Mehta that the expansion that has already taken place in our shipping has not been in tune with the increase in our foreign trade. It would have been in the fitness of things, therefore, he observed, that our Government should have accepted the recommendations for an addition of 500,000 gross tons during the Third Plan. As everyone knows, however, this has not been done and the Planning Commission has allotted only Rs. 55 crores which is sufficient to create an additional

tonnage of 200,000 only. Though our meagre foreign exchange position does not permit of higher allocations, he went on to stress the point that, in view of the needs of the country, a higher allocation was absolutely necessary.

Accepting the need for further allocation—and this certainly is no small mercy—Dr. Subbarayan, the Union Transport and Communications Minister, who inaugurated the Conference, was frank enough to admit that, even if the Government could have allotted some more funds, it could not afford to give all of it in the form of foreign exchange. He, therefore, exhorted the industry to seek ways of acquiring ships on a deferred payment basis on easy conditions and also to utilise the credit facilities offered by countries like Czechoslovakia and others.

Power

CAPICITORS TO THE RESCUE

THE CURRENT shortage of power in the country should be relieved to some extent when the capacitors manufactured at the Bhopal factory of Heavy Electricals Ltd. find their way into the market in near future. The first such capacitor, now on display at the Indian Industries Fair in New Delhi, is being made available to a textile mill in Coimbatore very shortly. The factory has also booked many more orders from other textile mills in Coimbatore area and several others from Ahmedabad. These capacitors will help in mitigating the power shortage by improving the power factor by 10 to 15 per cent; by ironing out fluctuations in power-load, they conserve supply for more even utilisation.

Though the Bhopal factory is at present working about three months behind schedule owing to shortage of raw materials, consequent upon non-receipt of some essential items from abroad, every effort is said to be being made to make up this delay. It is encouraging to note that the management is taking action in placing future orders abroad well in advance.

The output at the factory otherwise is picking up quite well and the value of works now at hand is estimated around Rs. 1 crore. The present lines of manufacture of the factory are switchgears, transformers, capacitors and liquid rotor starters. The switchgears manufactured at the factory have as much as 80 per cent indigenous content. The 20 per cent imported content is envisaged to be brought down to 10 to 12 per cent in about a year's time. In the case of transformers, the imported content amounts to nearly 40 per cent. This will be reduced to 25 per cent as soon as the Rourkela Steel Plant commences production of steel for transformer core, and further to about 10 to 12 per cent when the manufacture of copper strips is arranged indigenously. The first completely indigenous transformer can only be produced when the production of electrolytic copper starts in the country.

The company has also drawn up plans to export about 10 per cent of its output to the East and West Asian markets. Steps have already been taken to book orders for switchgears and transformers from these countries. Full production at the Bhopal factory is expected to be achieved by 1964-65 when the annual output would be stepped up to Rs. 25 crores. Plans have also been drawn up to double the capacity to Rs. 50 crores. These are currently being examined by the Government. When this expansion programme is completed, the Bhopal factory will be able to meet approximately 50 per cent of the annual requirements of heavy electrical equipment in the country. To meet the remaining 50 per cent requirements, two more factories are being

put up, one with Russian collaboration and the other with Czechoslovak assistance. Self-sufficiency in this vital equipment is envisaged to be achieved in about a decade.

Wire Industry

SMALL AND LARGE-SCALE OUTPUT

IN FEBRUARY 1961, the Development Commissioner, Small-Scale Industries, recommended that certain wire-based industries should be reserved exclusively for development in the small-scale sector. These industries were: wire nails and panel pins, wood screws and machine screws, bolts, nuts and rivets, paper pins, clips, safety pins, hair pins, barbed wire, umbrella ribs and bicycle spokes. There were other industries in which 50 per cent of the capacity was recommended to be reserved for the small-scale sector; these being wire gauge and netting of finer mesh, stranded wire and coil springs. The entire capacity for wire ropes, it was pointed out, may be developed in the large-scale sector. In the case of ferrous wire drawing industry, 75 per cent of the future demand for mild steel wire was to be reserved for development in the small-scale sector. Drawings of other types of wire and wire rods were to be undertaken in the large-scale sector.

These recommendations were examined at a joint meeting of the office of the Development Commissioner, Small-Scale Industries and the Development Wing in August 1961. As an outcome of the meeting it was decided by the Licensing Committee that an additional production capacity of wood screws of 1.5 million gross per annum (on single shift) be created in the large-scale sector and further expansion thereafter should be reserved for the small-scale sector and that efforts should be made to bring up production and quality in the small-scale sector. The matter was to be further reviewed after a year, namely, by September 30, 1962.

Taking into account that the estimated demand of machine screws was 6 million gross in 1961, which was expected to double itself by 1965-66, the meeting was of the view that in future, further capacity upto 2 million gross may be developed in the large-scale sector.

It was pointed out by the Development Commissioner, (SSI) that the main difficulty in the capacity for developing welded wire mesh industry was the raw material shortage. The meeting did not consider it necessary to take the factor of raw material shortage into account and decided that further capacity should be developed to the extent of 15,000 tons each in the large and the small-scale sectors. In regard to bicycle spokes, it was agreed that future development of this item should be reserved for the small-scale sector. Umbrella ribs, which have an export angle, besides not being an easy item, were agreed to be licensed in the large-scale sector upto 1,000 tons and in the small scale sector to the extent of 3,000 tons.

Items like wire nails and panel pins, paper pins and clips, safety pins, hair pins, staples and cotter pins were agreed to be reserved for the small-scale sector. Further development in wire gauge and wire netting was to reach the estimated demand of 8,000 tons on a 50:50 basis between the large and small-scale sectors. Bolts and nuts were agreed to be developed in the large-scale sector. Rivets were to be reserved for development in the small-scale sector. As regards other nuts and bolts, it was agreed that further capacity to be developed should be equally distributed between the two sectors.

Barbed wire and stranded wire licensing was to be reserved for the small-scale sector. The output of wire

drawing industry was being examined separately in consultation with the Ministry of Steel, Mines and Fuel.

Nuts and Bolts

PROSPECTS FOR 1965

HIGH TENSILE NUTS, bolts and studs form an important item in the automobiles, motor-cycles, scooters, tractors, earth moving machinery, machine tools, aircraft and other ancillary industries. At present manufacture of most of these items is dependent on imported components and as such the import of high tensile nuts and bolts is taking place in "packs of components" for the manufacture of the mentioned items. The exact quantity of high tensile nuts and bolts is, therefore, not available. The estimate of the requirements of these items can, however, be made with reference to the production targets of the industries utilising them.

The total annual estimated requirements of bolts, nuts, rivets, studs etc. was 1,00,000 tons by 1961 which was expected to go up to 2,00,000 tons by 1965. The manufacture on the large-scale will be 75,000 tons by 1961 and 1,50,000 tons by 1965, the remaining quantity being left over to be manufactured by the small-scale units. Manufacture of high tensile bolts and nuts requires special capital goods machinery along with testing and inspection facilities. This demand was accordingly included in the manufacturing programme of the large-scale sector. No doubt, the use of high tensile bolts and nuts is limited at present. It may be added that there are about 35 firms enlisted with the Development Wing for the manufacture of bolts and nuts by hot-heading and cold-heading processes.

The imports of these items have gradually been reduced. Actual imports during 1959-60 were to the extent of Rs. 5.21 lakhs as against Rs. 4.64 lakhs during 1960-61. The latter does not include the import of "packs of components" allowed for automobile industry.

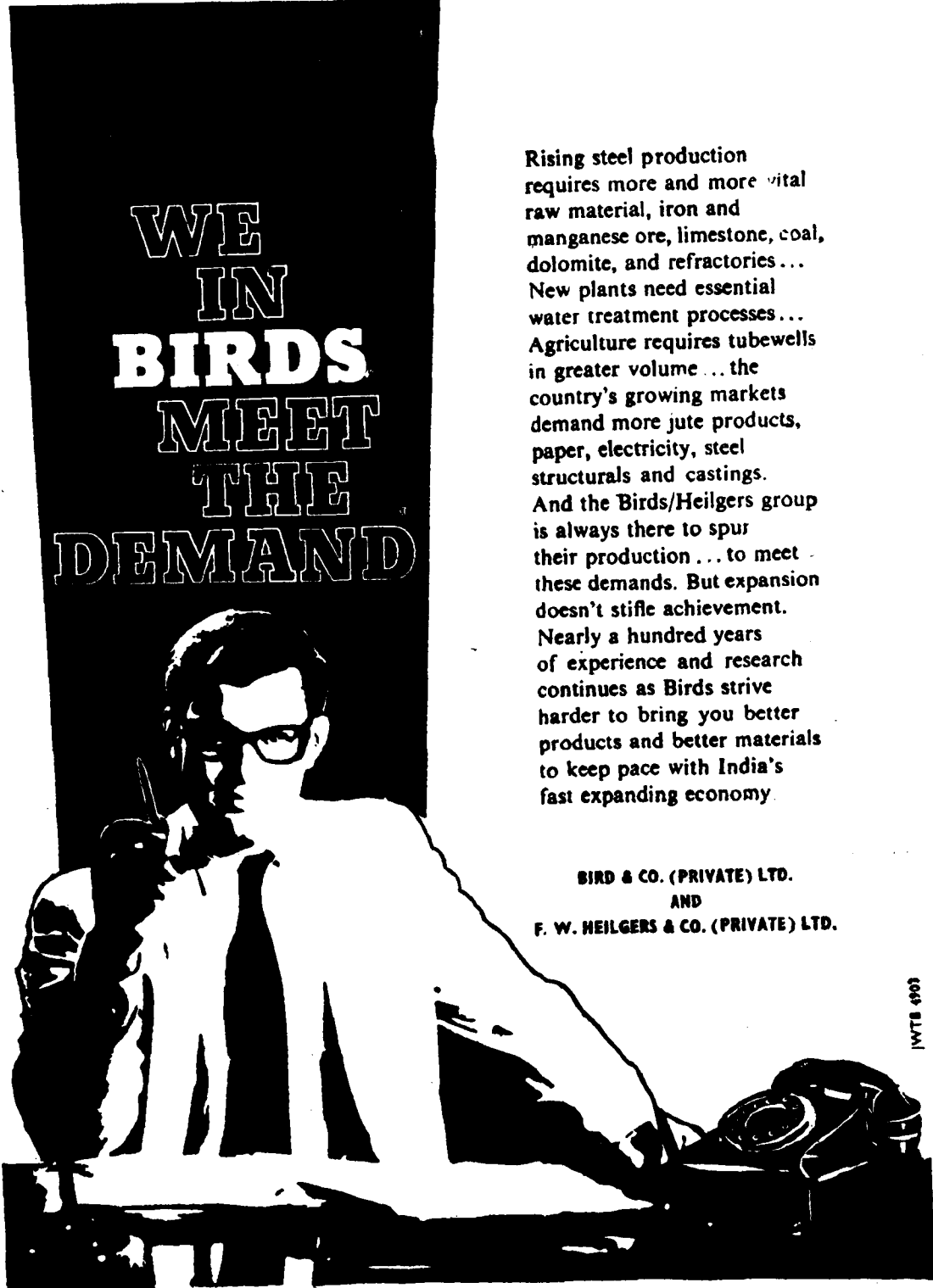
While estimating the requirements, it was considered that a motor car required about 250 numbers of nuts, bolts, rivets and studs, and a truck required about 350 number of them and their cost came to about 1 per cent of the ex-factory price of a vehicle. The same had been assumed for all the other items including the machine tool industry. Moreover, in the production of high tensile bolts, nuts, rivets, studs, etc., the price of steel raw materials was about 20 per cent of the total cost of the finished product. Taking into consideration all the factors, the approximate requirement of high tensile bolts, nuts, etc. may be around 6,000 tons out of total requirement of 75,000 tons by 1961 and 12,000 tons out of 1,50,000 tons by 1965.

Engineering

JAY ENGINEERING'S EXPANSION PLANS

MESSRS. JAY ENGINEERING WORKS LIMITED have drawn up an ambitious plan to expand their production in India and to set up assembling and manufacturing units in some of the South-East Asian and West Asian countries in collaboration with the local interests there. The Company's output of sewing machines will be doubled to 50,000 units per month when its proposed plant at Hyderabad goes into full production in 1963.

The company has already entered into agreements with the Ceylon and South Viet-nam for providing technical know-how to these countries and for setting up sewing machine assembly plants there. In the case of Ceylon, the parent company will be holding 51 per

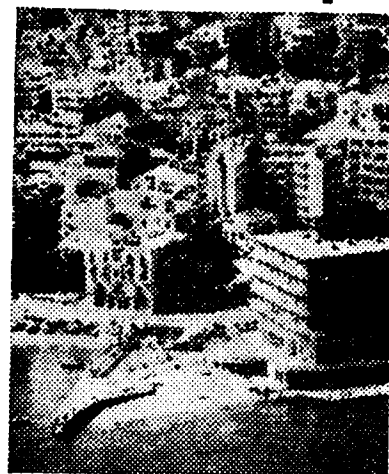


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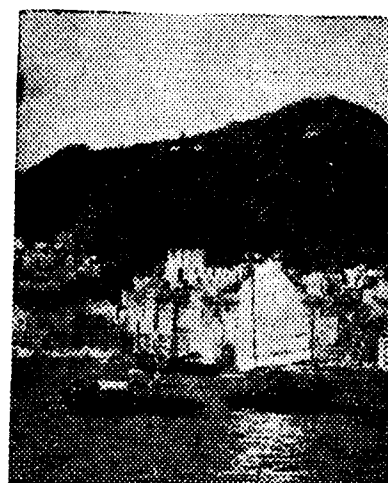
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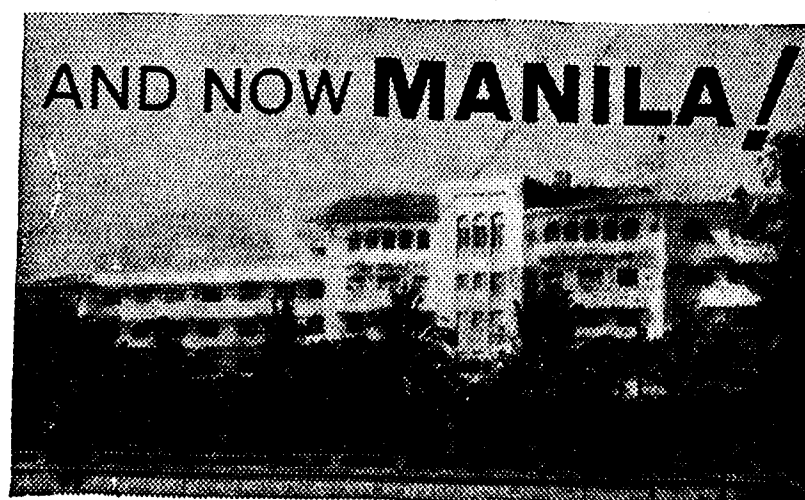
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cent interest, while the remaining 49 per cent shares will be subscribed by Ceylonese. The details of financial collaboration in the case of the South Viet-nam factory are yet to be finalised. The company is negotiating similar arrangements with Burma, Pakistan, Thailand, Iraq, Egypt and Yugoslavia.

The Company's products, Usha fans and Usha Sewing machines, are today being exported to nearly 50 countries, amongst which are included such highly advanced countries as the United Kingdom and the United States. These exports fetch over Rs. one crore in foreign exchange. Nearly 25 per cent of the fans and sewing machines output of the company is earmarked for export purposes. The export potential of the company's products is expected to increase when commercial production of three new types of sewing machines and fans—zigzag sewing machines, exhaust fans with ventilators and dry heat fans—is undertaken.

Bicycle Industry

TUBE INVESTMENTS: A YEAR OF PROGRESS

SIR A. RAMASWAMI MUDALIAR, Chairman, Tube Investments of India, at the annual general meeting of the company, outlined broadly the progress made by the company in respect of bicycle manufactures. He pointed out that the import content of components of the company's bicycles was now negligible, being around 0.25 per cent, and only those items were imported that were not yet manufactured in the country. The chain factory of the company went into production. Though its output was not upto the planned programme, he expected that it would materialise as soon as the plant was shifted to the new building under construction. He also indicated that the machinery for saddles manufacture had been installed and only recently the output had started and the saddles were being put in the market. The company would soon have the tube factory at Avadi which would supply the tubes required for cycles and would also manufacture different kinds of mechanical tubing and high-quality cylinder tubes for shock-absorber manufacture. The company's progress was, therefore, of a fairly encouraging nature.

The Chairman, however, made an important point in respect of power costs. He pointed out—and, perhaps, rightly so—that the different rates charged by a single electricity board for supplying power from hydro-electric stations and the thermal stations was not justified. It is true that the cost of generation of power by the hydro-electric works is necessarily cheaper than the thermal power generators, but if the supplier was the same electricity board, it could discriminate and introduce some sort of equalisation in the rates of power from different sources.

Sugar

DECCAN SUGAR FACES THE CRISIS

MR. C. R. SRINIVASAN, Chairman of the Deccan Sugar and Abhkari Company, at the annual general meeting indicated the effect of sugar crisis on the company. He pointed out that the cane crushed and sugar produced at the two factories of the company was of a record quantity. The company could not, however, exploit this increased output to its benefit. The advantage of this higher output was largely lost on account of smaller releases of sugar from both the factories. The Chairman added that the Government's policy was to release every month a fixed percentage of the production of each factory, the total quantity released being the estimated all-India consumption for the month excluding exports for which special releases were made from time to time. As a result of this policy the stocks of the factories belonging to this company were inflated and

there was a loss in turnover to the extent of Rs. 6 lakhs as against the previous year. This in turn led to a reduction in their profit too. The directors of the company, as stated by the Chairman, had in mind the need to conserve the resources of the company and, therefore, recommended reduced dividends of 13½ per cent as against 18½ per cent during the previous year making the total of 21 per cent against 25½ per cent last year.

One effect of this overproduction has been that the company decided to go slow with its expansion programme. Though, as the Chairman indicated, the rehabilitation and consolidation of the factories were in progress, he made a pointed reference to the fact that the expansion programme which was scheduled to be completed before the 1962-63 season was now delayed probably by another year. These considerations did not, as stated above, apply to the factories where rehabilitation was in question. He referred to an interesting agreement signed by the company with Seshasayee Paper and Boards Ltd. whereby the latter company will supply the former with two oil-fired boilers and necessary oil fuel to burn in them and in return take all the bagasse produced by the Deccan Sugar for the manufacture of paper in their new factory near Erode. No capital expenditure was to be incurred. This arrangement seems to be very interesting because it will mean some economy for both the companies leading to reduced working costs. This is an indication for many other companies to follow wherever such co-operation could be envisaged.

Transport

NEED FOR GREATER ALLOCATION

AN EFFICIENT system of transport is not only a pre-condition to, but also a powerful means of, attaining quick and unhindered industrial development. This is particularly so in the case of a country like India which has embarked on an ambitious programme of planned economic development. But what is the actual position? To take road mileage, for example, India stands no comparison with the advanced countries of the West, not even with some semi-advanced countries of the East. Mr. Lalchand Hirachand, President of the Maharashtra Chamber of Commerce (MCC), who has made a special study of this problem, accordingly chose it as the main theme of his presidential address to the 34th annual general meeting of the Chamber last week and remarked that the present condition of national and State highways, with all their potholes and rough surface, warranted immediate repairs and a constant and consistent attention of the authorities. Mr. Lalchand was not oblivious of the steady increase in the volume of traffic in recent years, for he said, in the context of planned industrial development and progress in the country, traffic was bound to increase, and to meet the situation, he wanted a greater allocation of funds than has been made at present. In his view, not only the national and State highways should receive top priority, but by a programme of linking up intermediate and minor ports with good all-weather roads, all the gaps in the existing roads system should be filled. In this connection, Mr. Lalchand also pleaded—and rightly—for the diversion of the Sugarcane Cess Fund and the Motor Vehicles Tax collections for repairs and maintenance of bridges and roads.

Referring to the problem of power shortage in the country, the MCC Chief pointed out that, as production and distribution of electrical energy remained in the hands of State Governments, it was for them to ensure adequate supply to all industries. So long as they cannot guarantee this, contended Mr. Lalchand, especially in view of the present situation, the Government ought to keep the field open to any entrepreneur who might

like to generate and supply electrical energy. In order to facilitate this, he wanted the Government to amend the Electricity Act suitably so as to enable entrepreneurs to undertake this responsibility as before. Introduction of an element of competition in this sector, remarked the M.C.C. Chief, would not only improve the efficiency of both the public and private units but also their usefulness.

Technical Aid

GREATER ASSISTANCE FROM POLAND?

IT IS, indeed, gratifying to note that possibilities of long-term economic co-operation between India and Poland are being recognised in both the countries. An economic mission sponsored by the Polish Ministry of Foreign Trade has had discussions last week with the officials of the Government of India in this regard and a communique issued at the end of these talks reveals that a fair measure of understanding has been reached between the two countries on fostering this co-operation and on working out of details about advance planning in respect of assistance that might be available from Poland for the development of coal mining and zinc smelting in India.

The Polish economy has witnessed a great upsurge in the recent past and in view of the rupee payment agreement that we have with Poland there is every reason to expect a greater flow of trade between the two countries. India has also to gain much from the experience of Poland—one of the biggest producers of coal in the world—in the field of deep-mining of coal. It is earnestly hoped that the assistance that Poland has been extending to this country for setting up the Karanpura washery and development of Sudamdih coal mines will be carried a step further as a sequel to the understanding that has been reached between the Polish Economic Mission and the Government of India. India has yet to make a beginning in zinc smelting and the Polish offer to make available technical know-how in this field should stand us in good stead. "The Eastern Economist" will, however, plead for—as it did in the India and Poland Blue Supplement published on October, 6, 1961—greater co-operation between the two countries in the wide field of manufacture of capital goods such as tractors, heavy machinery and certain sections of steel in which Poland has acquired a pre-eminent place in the recent past. The significance of the Polish experience in these fields is yet to be fully understood in this country.

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THIRD PLAN COAL TARGET

SOME rethinking has been done in official circles here on the Third Plan developmental programme for the coal industry. The target of 97.5 million tons actual output fixed in the Plan is now considered to be rather on the low side. An approach has been made to the Planning Commission to fix a higher target of about 110 million tons.

The financial resources allocated in the Plan for stepping up coal output to 97.5 million tons (actual production and not rate of output) too are considered to be inadequate. They are sought to be revised upwards.

Besides, the Planning Commission has been requested to reconsider further the development of power resources for the coal industry and rail transport capacity. It has been suggested that power should be made available from now on itself to meet the full requirements of this vital industry and that power availability in future must cope progressively with the expansion programme of coal production. The rail transport capacity even on the basis of 97.5 million tons coal target, it has been pointed out, should be planned for movement of about 100 million tons per annum. Additional financial allocations under these heads have, therefore, been suggested.

The financial allocation for all the above three programmes—namely, coal production, augmenting of railway capacity and provision of power for the coal industry—will have to be stepped up further if the target of 110 million tons of coal by 1965-66 finds favour with the Planning Commission.

Meanwhile, the National Coal Development Corporation has taken on hand the planning and implementation of measures designed to reach the target set for it under the Plan. The Corporation has been allocated foreign exchange for the half-year to March 31, 1962, to the tune of Rs. 4.02 crores for the development of collieries owned by it and another Rs. 71.36 lakhs for stepping up production from the Singareni collieries. Of the Rs. 4.02 crores allocated for the development of Corporation's own collieries, Rs. 50 lakhs will be coming from the Exim Bank credit, Rs. 30 lakhs from the West German credit, Rs. 2.68 crores through rupee payment arrangements and Rs. 54 lakhs (Rs. 48 lakhs for the Second Plan projects carried over to the current Plan and Rs. 6 lakhs for the new schemes included in the Third Plan) from resources available for maintenance and replacement works. The allocation made for the development of Singareni collieries will be made available from the following sources: Rs. 8 lakhs from free resources; Rs. 53.6 lakhs from rupee payment countries and Rs. 10 lakhs out of the West German credit.

The Corporation has secured the services of three West German experts, one British expert and one T.C.M. expert for assisting it in its development programme. Some more experts are also intended to be obtained from the U.S.A. under the T.C.M. Programme, from France under the Indo-French Technical Co-operation Programme and from the United Kingdom under the Colombo Plan. Some experts from Russia and Poland are also expected to render help to the Corporation under the credit agreements entered into by the Government of India with these two countries.

Of the three West German experts now assisting the N.C.D.C., two are engaged on the washeries projects of the Corporation and one on the workshop project. These experts will advise the Corporation for a period of three years.

The British expert, Mr. Elliot, is advising the Corporation on the development of mines in the Jharangdih

area, included in which are some gassy mines abandoned about fifteen years ago. The British National Coal Board has offered the services of four more experts in connection with the development of deep mines in Jharangdih, Kathara and Swang areas. Another British coal expert, Mr. H. W. Collins, who visited this country in August-September this year, has also submitted his report in which he has recommended further development of Bokaro coalfields.

Discussions have also been held with a team of French experts who visited India in July last. As a result of these discussions, the N.C.D.C. will take up the work of development of the steeply inclined thick seams of Karanpura in three stages. In the first stage, mining engineers of the Corporation will go to France to study the techniques of depillaring steeply inclined thick seams. Under the second stage actual mining work will be taken up with the assistance of French technicians. The project will be completed in the Third stage. A second team of French experts is expected here in the near future to prepare a project report for the development of these mines.

The T.C.M. authorities will be assisting in the development of Ramgarh coalfields. They have offered the services of Mr. John Marshall, President of the Pieree Management Company, for this purpose. Mr. Marshall will be assisted by some other U.S. experts.

The Polish Government has agreed to render assistance in the setting up of the Karanpura washery and development of Sudamdih mines.

The Soviet Union will be assisting in the development of two underground mines, one at Surakachar and the other at Banki in Korba coalfields. The Corporation has entered into an agreement with TJAZH-PROEXPORT of Moscow for the preparation of working drawings and designs for the exploitation of these two mines. Russia will also be supplying machinery and equipment for setting up of the central workshop in Korba coalfields, the revised project report for which has been approved by the Government. The establishment of this workshop will be synchronised with the commissioning of the Surakachar and Banki underground and Korba open-cast mines in order to ensure full utilisation of the capacity of the workshop. According to the present indications, the workshop is expected to start functioning in 1964.

AID-INDIA CLUB MEETING

The next meeting of the Aid-India Club is expected to be held in Washington on January 29 and 30, 1962. The Club at present is composed of the United States, Britain, West Germany, France, Japan, Canada, the International Bank for Reconstruction and Development and the International Development Association. Three more countries—Italy, Austria and Sweden—are expected to join it at its forthcoming meeting, raising its membership to eleven.

At its last meeting held on May 31, 1961, the following commitments were indicated by the members of the Club for the first two years of India's Third Five-Year Plan.

Canada	..	..	56	Million Dollars
France	..	..	30	" "
Germany	..	..	364	" "
Japan	..	..	80	" "
United Kingdom	..	..	250	" "
United States	..	..	1,045	" "
I.B.R.D. & I.D.A.	..	..	400	" "
TOTAL	..	..	2,225	Million Dollars

Some more aid is envisaged to be made available by West Germany, United Kingdom, Japan, France and

Canada along with the three new members so that their contribution should match the U.S. offer.

FOREIGN PRIVATE INVESTMENTS

The increasing interest that private entrepreneurs in foreign friendly countries are taking in the economic development of India is evident from the following table which gives the number of collaboration arrangements entered into between these countries and India since 1959:

	U.K.	West Germany	U.S.A	Japan	Others
1959	51	29	27	15	49
1960	137	85	69	38	99
1961	63	37	42	14	45
TOTAL ..	251	151	138	67	193

STC'S FUNCTIONS

The functions of the State Trading Corporation of India have been redefined by Mr. Nityanand Kanungo, Minister for Commerce in the Union Government. According to Mr. Kanungo, STC has (a) to undertake trading generally with the State-trading countries as well as other countries in commodities entrusted to it; (b) to explore new markets for traditional items of export and develop exports of new items with a view to diversifying and expanding the export trade; (c) to undertake at the instance of Government import and/or internal distribution of any commodities in short supply with a view to stabilising the prices and rationalising distribution; and (d) generally to implement such special arrangements for import, export or internal distribution of particular commodities as Government may adopt in the public interest. The main Objects Clause incorporated in the Memorandum of Association of the State Trading Corporation is being suitably amended for the purpose.

OUTPUT OF MINERALS IN 1960

The provisional estimates made by the Indian Bureau of Mines place the total value of mineral production in India in 1960 at Rs. 1,590 million, compared with Rs. 1,409 million in 1959. The increase of Rs. 181 million or nearly 13 per cent over the total value of mineral production in the previous year was mainly due to the increase in the output of coal, iron ore, bauxite, copper ore, china clay, dolomite, limestone and salt and the higher prices of gold bullion. Coal, with an output of 52.6 million tonnes, was the leading commodity. Its total production was valued at Rs. 1,089 million, about 68 per cent of the total value of mineral production. The share of public sector, namely, the National Coal Development Corporation and Singareni Collieries, in the total coal production was 8.5 million tonnes while the remaining 44.1 million tonnes were produced by the private collieries. Next in order of value were manganese ore (Rs. 82 million), iron ore (Rs. 77 million), salt (Rs. 67 million), gold (Rs. 57 million), limestone (Rs. 56 million), mica (Rs. 25 million), copper ore (Rs. 24 million) and ilmenite (Rs. 15 million).

In terms of physical volume also there was a marked increase in mineral production during the year as indicated by the Quantity Index of Mineral Production which stood at 136.6 in 1960 (base 1951=100) as compared with 126.6 in 1959. The increase in the index was shared by all the groups. The index in respect of

coal increased by 13.5 points, that of metallic minerals by 4.2 points, and non-metallic minerals by 6.4 points.

The production of metallic minerals, valued at Rs. 270 million, accounted for 17 per cent of the total value of mineral production in 1960. Of this total value, the ferrous group of minerals accounted for Rs. 164 million and the non-ferrous group of minerals for Rs. 106 million. Among the metallic minerals, there was record output of iron ore and bauxite. The production of iron ore reached a peak figure of 10.68 million tonnes during 1960. This marked increase in output was due to the higher internal and external demand. The despatches of iron ore for consumption in the domestic iron and steel plants rose to 7.23 million tonnes recording an increase of 27 per cent when compared to the despatches of 5.68 million tonnes during 1959. As a result of large expansion in the domestic aluminium, refractory and chemical industry as well as higher overseas demand, the output of bauxite reached the all-time peak of 384,000 tonnes, representing an increase of 75 per cent over the output in the preceding year. There was also a slight increase in the output of copper ore. The output of chromite crossed the one lakh tonnes mark, while the output of gold, ilmenite, lead and zinc concentrates showed a decline. The output of manganese ore in 1960 was 1.18 million tonnes which is almost the same as in 1959.

The total value of non-metallic minerals produced was Rs. 230 million, which is about 13 per cent of the total value of mineral production in 1960. As compared to 1959, the value of non-metallic minerals was higher by Rs. 26 million. Of this, salt alone accounted for an increase of about Rs. 8 million. The output of salt at 3.44 million tonnes and crude mica at 29,003 tonnes was higher compared to the preceding year. Consistent with the increase in the internal demand, the output of limestone, dolomite and gypsum reached new peaks. The output of limestone was 12.7 million tonnes recording an increase of 18 per cent over the previous year. In the case of dolomite there was an increase of 90 per cent in output while the output of gypsum was higher by 16 per cent compared to 1959.

STATE-WISE ANALYSIS

State-wise analysis of mineral production indicates that Bihar was the leading State and produced minerals valued at Rs. 569 million which is 36 per cent of the total value of mineral production in 1960. Next in order of value of mineral output was West Bengal and Madhya Pradesh, their shares in the total value of mineral production in India being 21 per cent and 12 per cent respectively. The increase in mineral production in 1960 over 1959 was mainly accounted for by the States of Bihar, West Bengal, Madhya Pradesh, Orissa, Andhra Pradesh, Mysore, Rajasthan, Maharashtra, Gujarat and Madras. West Bengal alone accounted for an increase of Rs. 102 million or nearly 57 per cent of the total increase. This was the result of significant increase in the output of coal in West Bengal and iron ore and coal in Bihar.

The total value of metal production in India during 1960 was estimated at Rs. 1,948 million as against 1,554 million in 1959 recording an increase of nearly 25 per cent. The increase was mainly due to higher production of ferrous metals which recorded an increase of Rs. 384 million or 27 per cent as compared to 1959. The output of pig iron, steel ingots and finished steel reached an all time peak. The production of finished steel increased from 1.8 million tonnes in 1959 to 2.2 million tonnes in 1960. The production of pig iron was 4.2 million tonnes, an increase of 35 per cent over the preceding year. The output of ferro-manganese at 86,000 tonnes was higher by 26,000 tonnes compared to 1959. A new ferro manganese plant at Kanhan near Nagpur was commissioned on the 17th November, 1960. The output of ferro silicon was 7,118 tonnes in 1960 as



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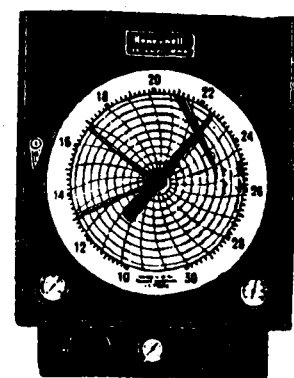
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against 7,459 tonnes in 1959. In the case of non-ferrous metals the year was marked by record output of aluminium, antimony and copper.

EXPORTS

The total foreign exchange earned by the export of minerals and ores during 1960 was Rs. 511 million as against Rs. 470 million in 1959. In terms of foreign exchange earnings, iron ore led the list of the minerals exported from India. The exports of iron ore during 1960 were 3.4 million tonnes valued at Rs. 173 million as compared to the export of 2.5 million tonnes valued at Rs. 129 million in 1959. Japan and Czechoslovakia which are the principal buyers of Indian iron ore accounted for 58 per cent and 23 per cent respectively of total exports from India. The exports of manganese ore totalled 1,166,000 tonnes which was higher by 175,000 tonnes compared to 1959. The exports of mica at 30,000 tonnes though higher quantitatively by 6,000 tonnes compared with 1959, fell by Rs. 5 million in value due to lesser offtake of block mica by U.S.A.

The principal markets for Indian minerals were Japan, U.S.A., U.K., Czechoslovakia, Pakistan, West Germany, France and Italy. Country-wise analysis of our mineral exports indicates that the share of Japan was 31 per cent, U.S.A. 17 per cent, U.K. 10 per cent, Czechoslovakia 9 per cent and Pakistan 8 per cent.

The total value of exports of metals and alloys (excluding silver) increased from Rs. 73 million in 1959 to Rs. 142 million in 1960. The value of export of ferrous metals was Rs. 138 million, an increase of Rs. 70 million over the preceding year. Export of ferro-alloys recorded a 5 fold increase while the export of pig and sponge iron increased by more than 50 per cent. Except for copper the exports of all the non-ferrous metals (mostly in the form of utensils and scrap) showed a decline during the year.

IMPORTS

The total value of imports of minerals during 1960 was Rs. 108 million as compared to Rs. 102 million in 1959. The increase of Rs. 6 million in the value of imports was mainly due to larger imports of sulphur, apatite, abrasives, china clay, emeralds, diamonds and cryolite. The total value of imports of metals and alloys increased from Rs. 1,230 million in 1959 to Rs. 1,578 million in 1960. The imports of ferrous metals at Rs. 1,087 million recorded an increase of Rs. 234 million as a result of higher imports of ferro-alloys and iron and steel materials. The imports of non-ferrous metals totalled Rs. 491 million and they were higher by Rs. 114 million or 30 per cent compared to the preceding year. Copper led the list of non-ferrous metals imported into India and was responsible for 44 per cent of the total foreign exchange spent on this group. There was a considerable increase in the import of aluminium, brass and bronze, copper, silver and zinc. The imports of lead and nickel were slightly higher while there was a considerable decline in the imports of antimony.

TRENDS IN PRICES

The prices of manganese ore were steady during the first three quarters of 1960. After a slight fall in the month of October the prices of various grades of manganese ore remained unchanged in the subsequent months. Prices of iron ore maintained the same level as in the year 1959. There was a decline in the prices of chromite as a result of low demand in foreign markets. There was a slight increase in the price of chemical grade bauxite, calcined magnesite and sillimanite in 1960 while that of ilmenite, rutile, burnt and unburnt fire clay and white and off colour barytes remained unchanged. There was a general increase in the F.O.B. prices of various types of mica due to rise in demand from the European markets.

The outstanding features of the Indian metal market during the year 1960 were the firmness in the prices of zinc, easy stock position of lead and sufficiency in the supply of virgin copper metal by the actual users. There was a persistent rise in the market prices of zinc during the first three quarters of the year. As a result of considerable increase in stocks of lead under moderate demand, there was a decline in the price of lead ingot. The prices of aluminium scrap and copper metal showed an upward trend. The average prices of gold and silver also recorded an increase during the year under review. There was, however, no change in the prices of pig iron and steel fixed by the Iron and Steel Controller.

ORISSA MINING CORPORATION

The Government of India has agreed to allow the Orissa State Government to acquire the interests of the Centre in the Orissa Mining Corporation.

The Corporation was set up in May, 1956, as a joint venture of the Central and Orissa State Governments with an authorized capital of Rs. 50 lakhs, held in equal proportion by the two Governments.

The Corporation is at present working three iron ore mines — Maharajpur and Khandadera in Mayurbhanj district and Sakradhi in Keonjhar district. It has also acquired mining leases and prospecting licences over additional areas for iron ore, manganese and chromite.

A programme of development by the Corporation during the Third Plan period has been drawn up involving a capital investment of Rs. 86 lakhs and envisaging a production of 8 lakh tons of iron ore, 25,000 tons of chromite and 20,000 tons of manganese by the end of the Third Plan. There are also possibilities of acquiring more leases and raising the targeted production.

The State Government has also formulated a scheme to develop iron ore mines through the Corporation in the Sukinda area to export 2 million tons of iron ore by 1964-65.

GORAKHPURI LABOUR IN COAL MINES

The Government of India has reorganised the set-up relating to recruitment and employment of Gorakhpuri labour engaged in coal mining industry. The aim is to remove all forms of control, regulation and regimentation exercised so far over Gorakhpuri labour.

Under the reorganised system, there would now be no distinction between Gorakhpuri labour and other workers in the coal mining industry. Facilities previously enjoyed by the former under the Coalfields Recruitment Organisation will now be available to all workers. All recruitment would be channelised either through the local employment exchange or the Labour Depot at Gorakhpur. Continuity of employment would be ensured to all workers — local as well as Gorakhpuri.

The step has been taken on the recommendations of the Committee of Members of Parliament on Gorakhpuri Labour and in consultation with the representatives of colliery owners' and workers' organisations. Besides recruitment facilities and better conditions of employment, the reorganised set-up provides for improved facilities for medical care, banking and lodging in Miners' Hostels.

I.F.C. STATUTE AMENDMENT

A bill has been introduced in Parliament to amend the statute of the Industrial Finance Corporation. It provides for empowering the Corporation to advance loans to hotel and transport industries and to industrial estates. It also seeks to enable the Corporation to guarantee loans raised by industrial concerns from the State Bank and other scheduled and co-operative banks, guarantee deferred payments and under-write shares.

The Corporation's efforts to secure credits in foreign currencies other than the dollar have started bearing fruit. The German Bank for Reconstruction has agreed to make available to the Corporation a credit of DM 15 million (Rs. 1.8 crores) to enable it to assist in private sector projects requiring import of machinery and equipment from West Germany. The Government of India has approved of the agreement. The details of the agreement, however, are yet to be finalised.

FERTILIZER PRICES REDUCED

The Union Ministry of Food and Agriculture has decided upon reduction in the prices of fertilisers included in the "Pool". The reduced prices came into force on December 1.

The old and the new prices are as follows:

	Old Price (per metric ton)	Revised Price (per metric ton)
Ammonium sulphate	Rs. 344.50	Rs. 330
Urea	Rs. 684.10	Rs. 670
Ammonium sulphate nitrate	Rs. 408.50	Rs. 400
Calcium ammonium nitrate	Rs. 324.80	Rs. 310

A spokesman of the Food and Agriculture Ministry has pointed out that as a result of these reductions in the "Pool" prices, cultivators even after paying the usual "distribution margin" will benefit to the extent of Rs. 14.50 per metric ton of ammonium sulphate, Rs. 14.10 per metric ton of urea, Rs. 8.50 per metric ton of ammonium sulphate nitrate and Rs. 12.80 per metric ton of calcium ammonium nitrate.

PROBE INTO CLOSURE OF TEXTILE MILLS

The Government of India has decided to set up a committee to enquire into the causes of closure and "sickness" of textile mills in the country and to suggest timely remedial measures in this regard. The committee will be presided over by Mr. G. D. Somani, M.P., and shall make a careful perusal of production trends and balance-sheet and accounts of selected mills.

The step, it is learnt, has been taken as a sequel to the report of the Working Group for the Cotton Textile Industry. This report had called for a comprehensive study of the finances of textile units which ultimately led to closures. The Labour Ministry also has recently expressed concern at the effect the closure of textile mills has on the employment situation.

MULTI-POINT TAX ON MOTOR VEHICLES

The State Governments have decided to abolish the multi-point tax on motor vehicles. This was communicated to the Lok Sabha this week by the Minister of State for Transport and Communications, Mr. Raj Bahadur. The step has been taken to facilitate move-

ment of coal by road. Further steps in this regard in the form of consolidation of taxes to avoid octroi duty are also being taken.

IMPORT OF MOTOR VEHICLE PARTS

It has been decided to issue supplementary licences on an ad hoc basis to established importers for the import of motor vehicle parts from the United States under the forthcoming DLF loan. An import trade control public notice has been issued here to this effect.

The licences will be issued to established importers on a quota of 5 per cent of half of their best year's imports, subject to a minimum value of Rs. 1,000 in any individual case. The last date for receipt of applications from intending importers is January 31, 1962.

PRECISION INSTRUMENTS FACTORY IN KERALA

The exact site for the location of the precision instruments factory in Kerala is yet to be selected. A team of U.S.S.R. experts has been invited to help in this task.

The factory would produce pneumatic, hydraulic and mechanical instruments and is expected to cost about Rs. 6 crores. The recommendations of the U.S.S.R. experts on the nomenclature of production are awaited. The plant is envisaged to go into production during the later half of the current Plan.

MACHINE TOOLS FACTORY IN PUNJAB

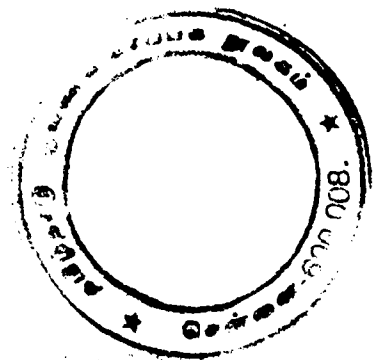
The machine tools factory proposed to be set up by the Hindustan Machine Tools Ltd., at Pinjore, in Punjab, is expected to be completed by the end of next year. It will have an initial capacity to produce 1,000 machine tools per annum. In the course of the next few years production will be stepped up to 2,000 machine tools per annum. The total cost of setting up this factory is estimated around Rs. 7.5 crores.

SUGAR EXPORTS TO JAPAN

Prospects of exporting sugar to Japan in exchange for Japanese fertilizers are being explored through diplomatic channels. The subject, it is understood, came up for discussion between the Japanese Prime Minister and the Government of India, during the former's visit to New Delhi recently.

INDO-POLISH ECONOMIC CO-OPERATION

Discussions between the Economic Mission sponsored by the Polish Ministry of Foreign Trade and Government of India officials on the possibilities of furthering economic co-operation between the two countries were concluded here last week. During the discussions it was felt that a fair measure of advance planning of economic co-operation between India and Poland was feasible in several sectors, particularly in the fields of coal mining and zinc smelting. It has also been agreed at these discussions to continue the study in regard to the possibilities of long-term arrangements in trade relations.



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By:

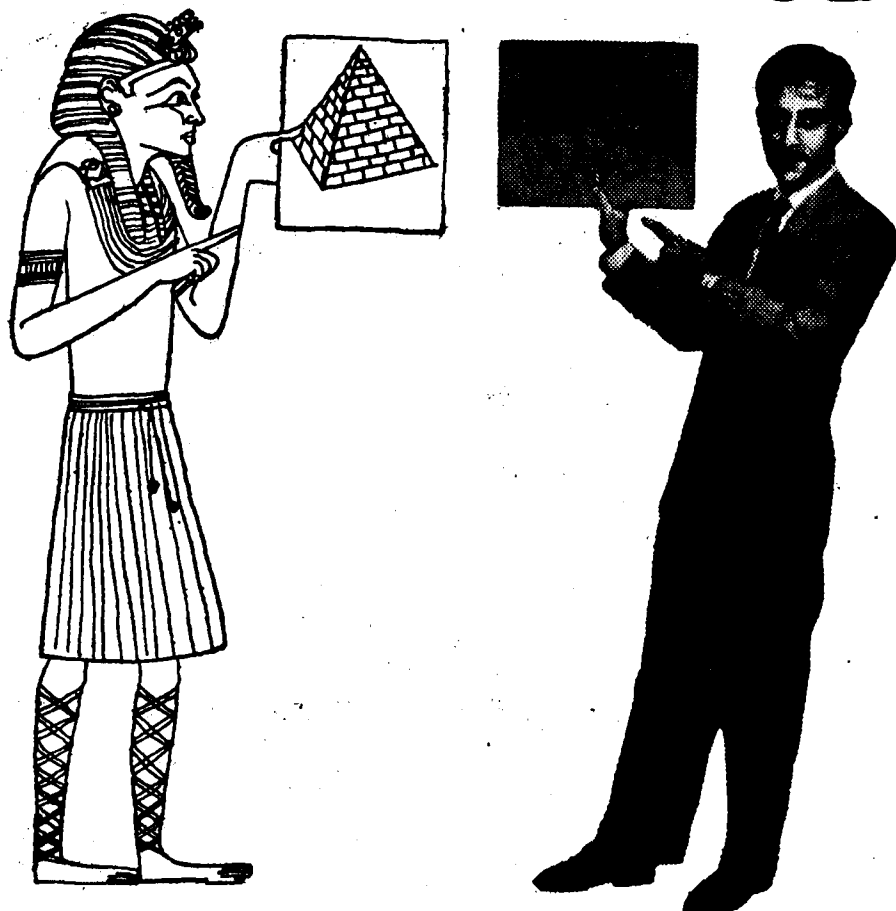
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COMPANY AFFAIRS

CAPITAL ISSUES

Four companies have been granted consent for issue of capital by the Controller of Capital Issues. Of this, one company will issue debentures and the other three entity shares. The consent in all cases is valid for 12 months. The following are the details:

ACC-Vickers-Babcock Limited, Bombay, has been accorded consent to the issue of debentures of the total value of Rs. 6.65 crores in units of Rs. 10 lakhs each for cash at par. The First and Second Mortgage debentures of the total value respectively of Rs. 3.30 crores redeemable after 10 years and Rs. 1.33 crores redeemable between 7-10 years, will bear a rate of interest of 6 per cent per annum while the third series of the value of Rs. 2.02 crores will carry a rate of 7 per cent per annum and will be redeemable after 20 years. The proceeds will be utilised for the company's project of manufacturing cement making, coal mining and other general machinery and complete range of steam raising plant.

Heavy Electricals Limited, Bhopal, a wholly owned Central Government undertaking engaged in the manufacture of heavy electrical equipment and having a paid-up capital of Rs. 21.95 crores, has been accorded consent to issue further capital of Rs. 1.67 crores in equity shares of Rs. 1,000 each, for cash at par.

Hindustan Photo Films Manufacturing Company Ltd., Madras, wholly owned by the Central Government engaged in the manufacture of raw films for cinema industry, X-ray and roll films and photographic paper and having a paid-up capital of Rs. 15 lakhs, has been accorded consent to issue capital of Rs. 45 lakhs in equity shares of Rs. 1,000 each to be subscribed by the Central Government for cash at par.

Bolani Ores Limited, Calcutta, engaged in business of raising and supplying iron ore and other allied minerals to the steel works sponsored by the Government of India, has been granted consent to the issue of capital of Rs. 30 lakhs in 30,000 equity shares of Rs. 100 each for cash at par. The share capital is held by Government of India and the Orissa Mineral Development Company Limited. The existing paid-up capital is Rs. 70 lakhs.

GENERAL TYRES LIMITED

During the year to June 30, 1961, General Tyres Limited made considerable progress in construction as revealed in their first report. The question of profits, however, did not arise. The profit and loss account shows a loss of Rs. 1.05 lakhs. The factory of the Company was still under construction and since June 30, 1961, further progress had been recorded. Buildings, roads, trains were being constructed and further consignments of plant and machinery had been shipped.

The directors have reported that they have received from the Government of West Bengal sanction for the supply of electric power and two senior technical personnel had been deputed for technical training in Czechoslovakia.

During the year under review 7,99,125 equity shares of Rs. 10 each and 20,000 9 per cent (free of Company's tax but subject to tax deducted at source at the prescribed rates from time to time) cumulative redeemable preference shares of Rs. 100 each were allotted. The Company also secured a loan of Rs. 60 lakhs from the Industrial Finance Corporation and drew Rs. 25 lakhs against this loan upto the end of the period under review. The directors' report has also furnished deferred payment guarantee for Rs. 39.62 lakhs in respect of plant and machinery to be imported from Czechoslovakia.

MANDYA NATIONAL PAPER

The Directors of the Mandya National Paper Mills Ltd., in their report for the year to June 30, 1961 point

out that all the transactions of the Company during the year were of a non-revenue nature representing expenditure incurred during the period of construction to be allocated towards capital expenditure. The profit and loss account therefore was not drawn up. The construction of the factory building was practically complete and the entire plant and machinery except for very small consignment had been received at the site. The erection of the machinery will be over very shortly and before the end of 1961 the factory will go into production.

It is reported that the Government of Mysore assured the Directors that the electric power would be made available when the mills would be ready to go into production. They point out that there was a serious difficulty in supply of all requirements of power to the mills owing to delays in the completion of their power generating project. The Company had therefore purchased a generator set which was being installed speedily. The Company has, however, approached the State Government for subsidising the difference between the cost of generation and cost of hydro-electric power supplied by the State Government and negotiations to that respect were in progress.

The production capacity of the mills at present is 35 tons a day and the Company had decided to develop it to double capacity. The Industrial Finance Corporation of India had already sanctioned a loan of Rs. 1 crore to implement the expansion project. In addition to this a further amount of Rs. 80 lakhs will be raised by the Company in the form of equity shares from shareholders and sanction from the Controller of Capital Issues had been received. The Company may be in a position to issue the capital to the shareholders early in 1962 and the mills will go into expanded production before the middle of 1963.



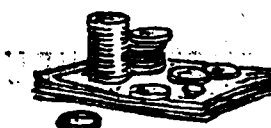
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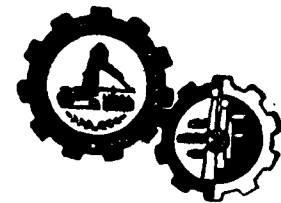
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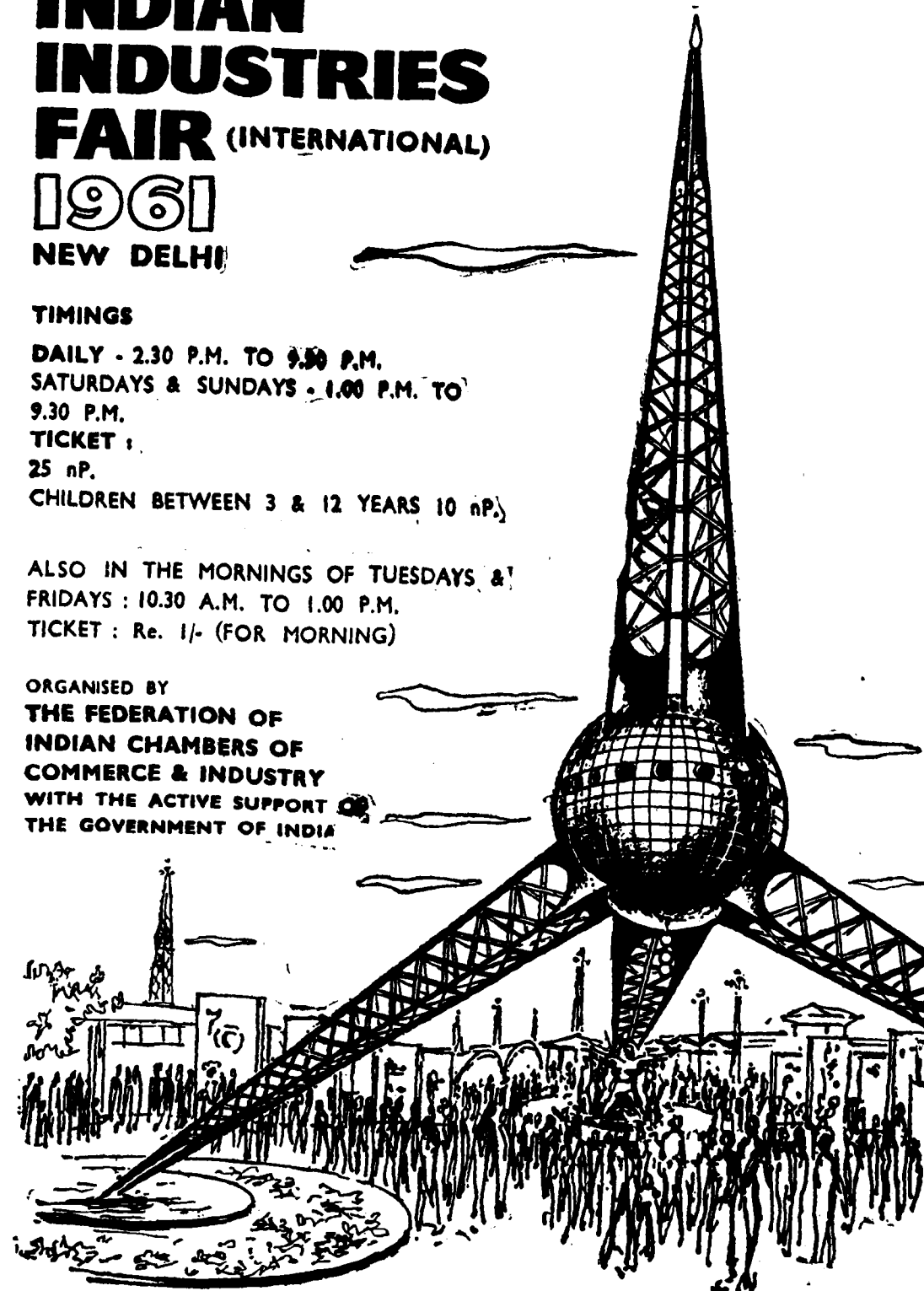
INDIAN INDUSTRIES FAIR (INTERNATIONAL) 1961 NEW DELHI

TIMINGS

DAILY - 2.30 P.M. TO 9.30 P.M.
SATURDAYS & SUNDAYS - 1.00 P.M. TO 9.30 P.M.
TICKET : 25 nP.
CHILDREN BETWEEN 3 & 12 YEARS 10 nP.

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Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Fuel Power			Manufactures			All Commo- dities
	Food articles & Tobacco	Liquor and Lubricants	Light and Industrial Raw materials	Inter- mediate Products	Finished Products	Total	
1955-56	86.6	81.0	95.2	99.1	100.1	99.6	92.5
1957-58	106.4	94.0	113.5	116.5	107.3	108.2	108.4
1958-59	115.2	95.4	115.4	115.6	110.3	108.4	112.9
1959-60	119.0	99.5	116.5	123.7	113.8	111.3	117.1
1960-61	120.0	110.0	119.6	145.4	130.5	122.8	124.8
August 1960	123.8	106.7	119.7	137.0	131.0	121.1	125.0
September	123.9	104.5	119.3	138.7	129.5	121.6	125.3
October	121.8	113.5	119.9	146.6	130.2	123.8	126.3
August 1961	124.3	99.9	122.0	144.6	140.9	123.7	127.4
September	121.1	99.7	121.9	138.1	140.6	122.9	124.6
October	120.9	99.5	121.8	135.3	140.5	123.9	124.2
21-10-1961	121.3	99.5	121.6	132.7	140.8	123.8	124.0
28-10-1961	121.3	99.5	122.0	135.9	139.5	124.5	124.7
4-11-1961	121.2	99.2	122.0	136.6	140.0	124.8	124.8
11-11-1961	120.5	99.2	122.0	136.3	140.3	123.9	124.2

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS (August 1939 = 100)

Period	Bombay			Delhi Bengal U.P.			Central Provinces		Madras	E.P.	Bihar	All India†
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug.-Dec.)	.. 103	—	—	—	—	105	104	—	106	—	—	—
1955	.. 322	338	217	120	321	371	364	133	321	134	135	132
1956	.. 336	352	244	142	347	424	397	151	358	152	146	145
1957	.. 352	368	259	150	364	448	422	162	374	157	157	152
1958	.. 376	394	274	150	384	468	447	165	401	157	169	161
1959	.. 393	412	308	158	384	469	498	163	429	166	173	168
1960	.. 401	420	296	158	397	476	512	165	467	167	166	171
1961 February	.. 401	420	296	163	389	488	491	165	470	171	164	170
March	.. 404	423	296	163	392	483	488	165	479	169	167	171
April	.. 409	428	296	165	389	471	490	165	482	169	166	170
May	.. 412	431	296	166	389	464	490	166	479	171	166	171*
June	.. 414	433	302	167	389	474	498	166	478	171	167	172*
July	.. 418	437	—	171	406	482	498	166	480	172	168	173*
August	.. 419	438	—	171	410	491	501	—	181	—	—	175*
September	.. 417	436	—	169	410	491	499	—	479	—	—	175*
October	.. —	—	—	168	—	499	—	—	480	—	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT) WEEK ENDED

	24-11-1961			17-11-1961			10-11-1961			3-11-1961		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	123.40	121.25	122.33	124.70	123.30	123.88	124.45	123.40	123.98	123.50	122.25	122.77
Silver (per kilogram)	210.30	208.20	209.21	209.60	207.15	208.65	207.40	206.60	206.98	207.20	206.50	206.77

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ISSUE DEPARTMENT

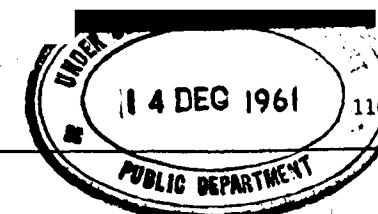
(Rs. Lakhs)

Period	LIABILITIES				ASSETS					
	Notes in Circulation	Notes Held in Bank- ing Dept.	Total Notes Issued (a)	Gold & Bullion (b)	Coin & Securities (c)	Total of (b+c) (b+c)	Percent- age of (a)	Rupee Coin	Rupee Securities	Total Assets
1956-57	1,475.77	18.75	1,494.52	40.02 (117.76)	545.98 (663.37)	586.00 (44.37)	39.21	115.93	755.22	1,494.52
1957-58	1,529.36	23.18	1,552.53	117.76	329.65	447.41	28.79	1,30.06	975.06	1,552.53
1958-59	1,593.88	19.34	1,613.21	117.76	182.04	299.80	18.58	133.99	1,179.42	1,613.21
1959-60	1,730.90	19.86	1,750.77	117.76	167.62	285.38	16.30	131.50	1,333.83	1,750.77
1960-61	1,863.13	18.94	1,882.07	117.76	134.99	255.75	13.4	128.84	1,502.48	1,882.07
Average of Fridays										
Aug. 1960	1,799.36	19.85	1,819.21	117.76	124.26	242.02	13.30	130.58	1,446.61	1,819.21
Sept. "	1,794.03	16.23	1,810.26	117.76	123.01	240.77	13.3	131.80	1,437.70	1,810.26
Oct. "	1,806.44	16.56	1,823.00	117.76	123.01	240.77	13.2	130.36	1,451.86	1,823.00
Aug. 1961	1,902.77	13.31	1,911.93	117.76	116.86	234.62	12.27	123.85	1,553.46	1,911.93
Sept. "	1,877.38	21.36	1,898.74	117.76	116.86	234.62	12.36	128.45	1,537.67	1,898.74
Oct. "	1,895.94	21.25	1,917.19	117.76	116.86	234.62	12.24	126.22	1,556.35	1,917.19
Week-Ending										
20-10-1961	1,903.90	15.52	1,919.42	117.76	116.86	234.62	12.22	125.94	1,558.86	1,919.42
27-10-1961	1,882.25	38.48	1,920.73	117.76	116.86	234.62	12.22	127.25	1,558.86	1,920.73
3-11-1961	1,904.26	13.86	1,918.13	117.76	116.86	234.62	12.23	124.65	1,558.86	1,918.13
10-11-1961	1,946.53	18.85	1,965.38	117.76	116.86	234.62	11.93	121.92	1,608.84	1,965.38
17-11-1961	1,920.42	16.22	1,936.63	117.76	116.86	234.62	12.11	123.18	1,578.84	1,936.63

BANKING DEPARTMENT

Period	Deposits					Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad§	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Gov- ernment	Other Gov- ernments	Banks	Others	Total									
1956-57	57.52	14.10	52.46	19.73	143.81	91.21	245.02	18.91	5.69	64.77	4.89	85.34	51.82	13.60
1957-58	54.61	11.28	81.00	111.38	258.27	84.36	407.63	23.30	4.81	40.47	32.90	77.91	213.92	14.32
1958-59	57.62	20.80	87.53	118.73	284.67	71.71	441.44	19.41	6.18	25.57	28.23	65.83	284.49	11.73
1959-60	55.50	23.24	79.61	123.48	281.83	83.18	450.01	19.94	15.54	28.97	25.53	88.92	258.90	12.22
1960-61	61.73	21.27	97.30	98.76	279.06	100.33	464.39	19.02	28.71	20.74	38.19	132.78	209.56	15.38
Average of Fridays														
August 1960	60.44	23.00	118.40	120.40	322.25	76.19	483.43	19.92	23.55	21.64	37.69	117.00	251.73	11.89
Sept. "	67.44	30.27	108.27	92.64	298.61	78.01	461.63	16.32	18.76	20.71	28.88	142.08	222.85	12.03
Oct. "	56.65	28.05	104.94	89.43	279.07	85.39	449.45	16.64	14.98	18.33	29.93	125.78	231.40	12.40
August 1961	65.40	16.46	88.09	180.22	350.16	89.86	525.02	13.36	15.21	30.98	47.71	116.37	284.51	16.89
Sept. "	60.81	26.67	83.71	159.06	330.34	96.02	511.36	21.42	16.73	17.47	49.11	131.54	257.83	17.12
Oct. "	60.23	14.40	81.36	147.41	303.40	95.52	483.91	21.31	37.59	20.06	60.56	135.20	193.80	17.92
Week-Ending														
20-10-1961	49.92	28.60	84.49	146.79	309.80	95.88	490.68	15.57	32.45	28.27	59.45	135.93	200.08	17.93
27-10-1961	64.78	20.33	86.37	146.55	318.04	97.71	500.74	38.54	23.15	28.33	62.38	129.53	200.81	18.01
3-11-1961	62.86	17.66	74.17	146.42	301.10	98.80	484.90	13.93	25.22	20.53	63.97	141.82	200.84	18.59
10-11-1961	65.40	10.22	77.65	146.90	300.18	96.58	481.76	18.90	46.85	25.74	65.85	154.70	150.99	18.73
17-11-1961	62.50	11.13	82.83	146.24	302.69	108.17	495.87	16.28	50.29	24.58	73.60	131.85	180.52	18.75

* Average of Fridays. **Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. †Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 3 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. §Includes cash and short-term securities.



SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES				Balances with Reserve Bank	(5+6) as per- centage of (4)	Advances (8)	Bills Dis- counted as per- centage of (4)	(8+9) Investments in Govern- ment Secur- ities in India		
	Demand	Time	Total (2+3)	Cash (Note+Coins)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
1954-55	..	559.62	351.86	911.55	32.66	53.91	9.50	468.39	84.66	60.68	339.74
1955-56	..	608.64	407.95	1,016.59	34.64	52.52	8.69	514.37	118.08	63.02	370.71
1956-57	..	653.34	453.92	1,107.26	36.94	50.23	7.96	626.08	155.56†	71.39	359.35
1957-58	.	723.89	619.19	1,343.08	39.34	77.55	8.72	723.79	167.83†	66.39	385.54
1958-59	..	735.93	860.33	1,596.26	40.30	83.99	7.74	766.56	133.58†	56.39	565.14
1959-60	..	745.83	1,086.79	1,832.62	44.84	75.81	6.58	842.75	144.59†	53.88	725.20
1960-61	..	794.49	1,155.87	1,950.36	47.04	93.09	7.17	995.75	163.35	59.43	688.52
Average of Fridays											
May	1961	845.27	1,108.21	1,953.48	48.43	73.26	6.23	1,085.24	194.17	65.49	548.23
June	1961	837.02	1,119.91	1,956.93	48.46	79.72	6.55	1,102.90	179.40	65.53	542.17
July	1961	843.35	1,133.99	1,977.34	46.71	88.73	6.85	1,100.57	156.31	63.56	562.78
August	1961	837.73	1,148.50	1,986.23	45.86	83.13	6.49	1,087.85	1,151.04	62.38	589.50
Sept.	1961	839.19	1,142.64	1,981.83	44.78	79.11	6.25	1,076.93	159.71	62.00	609.85
October	1961	844.70	1,138.11	1,982.81	48.54	77.49	6.35	1,062.70	179.75	62.66	615.28
Week Ending											
27-10-1961	..	852.66	1,141.24	1,993.90	50.53	81.41	6.62	1,050.26	184.88	61.95	624.93
3-11-1961	..	832.08	1,141.68	1,973.76	50.83	73.37	6.29	1,053.48	185.84	62.79	630.73
10-11-1961	..	836.96	1,135.98	1,972.94	55.10	71.20	6.40	1,056.37	188.94	63.12	610.94
17-11-1961	..	841.97	1,145.41	1,987.38	50.71	76.69	6.41	1,048.38	188.35	62.23	607.16

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Rs. in Lakhs)

Last Friday	Deposit Money with the Public					
	Money supply with the public	Total currency with the public	Total	Demand liabilities of banks	Other Depo- sits with Reserve Bank†	Total variation in money supply
(1)	(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1954-55	1,920.63	1,311.77	608.86	599.16	9.71	+126.65
1955-56	2,184.32	1,505.09	679.23	667.22	12.01	+263.69
1956-57	2,312.89	1,556.50	756.39	744.74	11.65	+128.57
1957-58	2,388.83	1,608.60	782.22	762.36	19.87	+75.94
1958-59	2,498.76	1,724.53	774.23	754.98	19.25	+109.92
1960-61	2,900.89	2,027.04	873.85	854.89	18.96	+197.76
February 1961	2,816.56	1,966.28	850.28	829.74	20.54	+23.90
March "	2,910.89	2,027.04	883.85	864.89	18.96	+94.33
April "	2,915.44	2,025.80	889.64	870.42	19.22	+4.55
May "	2,872.60	2,010.82	861.77	841.53	20.24	-42.84
June "	2,872.22	1,969.63	902.60	877.78	24.82	-38
July "	2,808.66	1,937.50	871.88*	850.00	21.15	-63.56
August "	2,798.36*	1,920.34*	878.03	857.54*	20.49*	-9.71*
September "	2,776.22*	1,900.58*	875.64*	857.45*	18.18	-23.19*

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.
Source: Monthly Bulletin of Reserve Bank.

LABOUR STATISTICS

INDEX NUMBERS OF INDUSTRIAL UNREST: 1951-60

(Base: 1951 = 100)

Year	Manufacturing Sector				Plantations			
	Total No. of man-days lost (in '000s)	Total No. of man-days worked (in '000s)	Severity rate of man-days lost per lakh of man-days available for work	Index Number of Industrial Unrest	Total No. of man-days lost (in '000s)	Total No. of man-days worked (in '000s)	Severity rate of man-days lost per lakh of man-days available for work	Index Number of Industrial Unrest
1951	2,697**	6,33,394**	424	100	47	2,91,740	16	100
1952	2,056	6,61,989	310	73	178	3,08,137	58	363
1953	2,564	6,66,246	383	90	81	2,84,698	28	175
1954	2,713	6,76,142	400	94	17	3,15,805	5	31
1955	4,164	7,35,573	563	133	612	3,07,609	199	1,244
1956	4,892	8,14,217	597	141	173	2,67,846	65	406
1957	3,923	9,75,868	400	94	514	3,60,682*	142	887††
1958	4,046	9,73,684	414	97	946	3,60,682*	262	1,637††
1959	4,314	10,21,040§	421	99	136	3,60,682*	38	237††
1960	4,913	N.A.	N.A.	N.A.	168	N.A.	N.A.	N.A.

Year	Coal Mines				Ports			
	Total No. of man-days lost (in '000s)	Total No. of man-days worked (in '000s)	Severity rate of man-days lost per lakh of man-days available for work	Index Number of Industrial Unrest	Total No. of man-days lost (in '000s)	Total No. of man-days worked (in '000s)	Severity rate of man-days lost per lakh of man-days available for work	Index Number of Industrial Unrest
1951	298	92,421	321	100	36	13,146	273	100
1952	271	93,621	289	90	41	13,128	311	114
1953	252	92,967	270	84	100	13,631	728	267
1954	224	92,585	241	75	26	14,887	174	64
1955	191	94,281	202	63	59	15,675	375	137
1956	1,109	95,097	115	36	112	14,458	769	282
1957	567	1,07,105	526	164	51	16,631	306	112
1958	255	1,11,574	228	71	792	16,925	4,470	1,637
1959	328	1,11,927	292	91	26	16,925†	153	56††
1960	129	1,17,414	110	34	30	N.A.	N.A.	N.A.

Note: A line has been drawn between 1956 and 1957 in order to indicate that figures for 1957, and onwards, are not strictly comparable with those of earlier years. Since 1957 the coverage of the statistics is all-India, whereas upto 1956, they covered only the erstwhile part 'A' States and Delhi and Ajmer.

† As the figures of man-days worked for 1959 are not available, 1958 figures have been repeated.

†† This is only an estimate and hence provisional.

** Excluding Punjab and Delhi, as the figures of man-days worked were not available.

* As the figures of man-days worked for 1957-59 are not available, 1956 figures for man-days worked for all-India have been repeated.

§ Inclusive of estimated man-days worked for Mysore and Jammu and Kashmir as no figures are available.

Source: Indian Labour Journal.

LABOUR STATISTICS

INDUSTRIAL DISPUTES 1959 — 1960

Industry	No. of Disputes	1959		1960		
		Wages lost (Rs.)	Production lost (Rs.)	No. of Disputes	Wages lost (Rs.)	Production lost (Rs.)
1. Plantations	120	1,23,974 (82)	5,35,889 (48)	130	1,96,249 (78)	11,37,054 (33)
2. Coal Mines	76	6,42,579 (38)	25,16,727 (38)	56	2,58,629 (32)	9,92,414 (28)
3. Other Mines	69	4,23,004 (48)	13,20,153 (46)	46	1,29,348 (35)	6,52,233 (19)
4. Food (except beverages)	75	4,14,733 (56)	1,15,27,767 (56)	191	13,67,731 (164)	94,79,409 (151)
5. Beverages	7	4,242 (5)	49,795 (5)	3	13,441	61,158
6. Tobacco	46	2,55,516 (27)	6,27,882 (15)	41	31,713 (27)	99,657 (19)
7. Cotton Mills	166	48,35,497 (130)	1,74,18,396 (72)	174	1,13,95,463 (122)	56,93,783 (51)
8. Jute Mills	21	2,85,562 (13)	5,20,143 (9)	43	6,00,555 (11)	25,93,464 (9)
9. Woollen Mills	5	20,106 (3)	1,74,600 (2)	3	16,471	15,795 (2)
10. Other Textiles	50	7,01,745 (30)	52,68,156 (19)	40	18,222 (26)	8,61,278 (11)
11. Coir Factories	11	32,173 (9)	9,29,030 (9)	2	3,300 (1)	55,000 (1)
12. Saw Mills	12	37,746 (11)	1,18,250 (10)	14	78,319 (12)	6,69,278 (9)
13. Furniture and Fixtures	5	27,094 (5)	17,820 (3)	—	—	—
14. Paper and paper products	5	3,99,920 (5)	90,61,200 (5)	10	65,542 (7)	8,04,300 (4)
15. Printing, Publishing and Allied Industries ..	37	21,620 (28)	37,908 (22)	24	6,400 (13)	47,800 (5)
16. Chemical and Chemical Products	55	1,40,481 (44)	18,46,614 (35)	40	91,872 (25)	11,66,847 (9)
17. Non-metallic Mineral Products (except Products of Petroleum and Coal)	82	7,79,356 (67)	65,96,208 (57)	94	5,85,094 (77)	26,96,918 (69)
18. Basic Metal Industries	65	6,54,538 (37)	19,76,812 (19)	77	6,34,187 (51)	45,61,063 (23)
19. Manufacture of Metal Products (except Machinery and Transport Equipment)	107	3,21,491 (41)	25,67,481 (31)	65	97,242 (12)	23,95,865 (9)
20. Machinery (except electrical machinery)	29	1,00,445 (17)	1,22,664 (10)	14	46,316 (9)	7,63,000 (7)
21. Electrical Machinery, Apparatus, Appliances and Supplies ..	29	2,68,064 (24)	20,69,504 (19)	21	24,271 (12)	65,420 (5)
22. Transport Equipment ..	20	1,79,658 (9)	4,51,500 (8)	32	5,60,563 (27)	84,17,411 (14)
23. Miscellaneous ..	439	16,51,234 (273)	35,08,347 (213)	435	12,70,262 (249)	53,82,067 (53)
TOTAL	1,531	1,23,20,778 (1,002)	6,92,62,846 (751)	1,556	1,74,91,190 (996)	4,86,11,223 (534)

Note: Figures in brackets indicate the number of cases to which the relevant information relates, wherever information is not available for all the cases.

Source: Indian Labour Journal.

NUMBER OF DISPUTES, WORKERS INVOLVED, MAN-DAYS LOST AND SEVERITY RATES BY STATE 1959 AND 1960

State	1960			1959			
	No. of disputes	Workers involved	Man-days lost	No. of disputes	Workers involved	Man-days lost	Man-days lost per lakh of man-days available for work (Manufacturing industries only)
1	2	3	4	5	6	7	8
Andhra Pradesh	70	32,603	2,34,096	90	42,405	3,34,794	139
Assam	29	17,016	76,045	27	15,019	39,918	6
Bihar	91	29,465	2,00,654	127	47,288	3,23,888	105
Bombay (£)	288	2,93,074	10,54,036	299	1,99,681	6,64,244	182
Jammu & Kashmir	4	274	27,590	9	443	3,101	**
Kerala	242	1,57,355	10,57,519	128	35,402	2,93,262	871
Madhya Pradesh	84	34,871	1,36,627	67	15,555	2,00,302	157
Madras	211	1,90,304	7,50,189	200	86,788	10,53,267	1,110
Mysore	80	24,181	42,812	78	56,274	3,11,265	491@
Orissa	9	14,396	1,11,680	10	13,757	4,54,827	5,003
Punjab	15	3,580	54,633	21	4,258	11,479	96
Rajasthan	24	6,077	28,317	29	7,320	1,03,427	647
Uttar Pradesh	60	22,563	83,285	80	14,817	1,52,900	179
West Bengal	311	1,53,878	26,06,698	330	1,42,767	16,42,735	752
Andaman and Nicobar Islands	6	1,470	39,059	4	1,730	5,013	1,048
Delhi	30	1,761	11,735	26	8,780	27,966	116
Himachal Pradesh	1	—	—	1	110	660	230
Tripura	—	—	—	5	1,222	10,100	—
TOTAL	1,556	9,82,868	65,14,955	1,531	6,93,616	56,33,148	421

** Not available, as figures for man-days worked are not received.

@ Estimated

£ Figures are for the composite Bombay State upto 30th April, 1960 and for Maharashtra State only for the rest of the year. No returns were received from the State of Gujarat since its formation.

DISPUTES CLASSIFIED BY CAUSES, 1959 AND 1960

Cause	1960						1959					
	No. of disputes		Workers involved		Man-days lost		No. of disputes		Workers involved		Man-days lost	
	Number	% to total	Number	% to total	Number	% to total	Number	% to total	Number	% to total	Number	% to total
Wages and Allowance	559	37.1	4,54,527	46.9	25,64,442	39.6	405	27.1	1,38,009	20.3	10,54,611	19.1
Bonus	159	10.5	51,912	5.4	4,27,111	6.6	153	10.3	96,941	14.3	5,12,027	9.3
Personnel	331	22.0	1,19,911	12.4	12,79,372	19.8	382	25.5	1,42,883	21.1	13,46,795	24.4
Retrenchment	40	2.7	12,420	1.3	85,638	1.3	53	3.6	13,471	2.0	2,63,105	4.8
Leave and hours of work	36	2.4	18,943	2.0	23,309	0.4	55	3.7	26,124	3.8	29,173	0.5
Others	381	25.3	3,10,364	32.0	20,89,052	32.3	444	29.8	2,61,160	38.5	23,11,438	41.9
Not known	50	—	14,791	—	46,031	—	39	—	15,028	—	1,15,999	—
TOTAL	1,556	100.0	9,82,868	100.0	65,14,955	100.0	1,531	100.0	6,93,616	100.0	56,33,148	100.0

Note: Percentages given in the above table are based on the disputes for which relevant information is available.

Source: Indian Labour Journal.

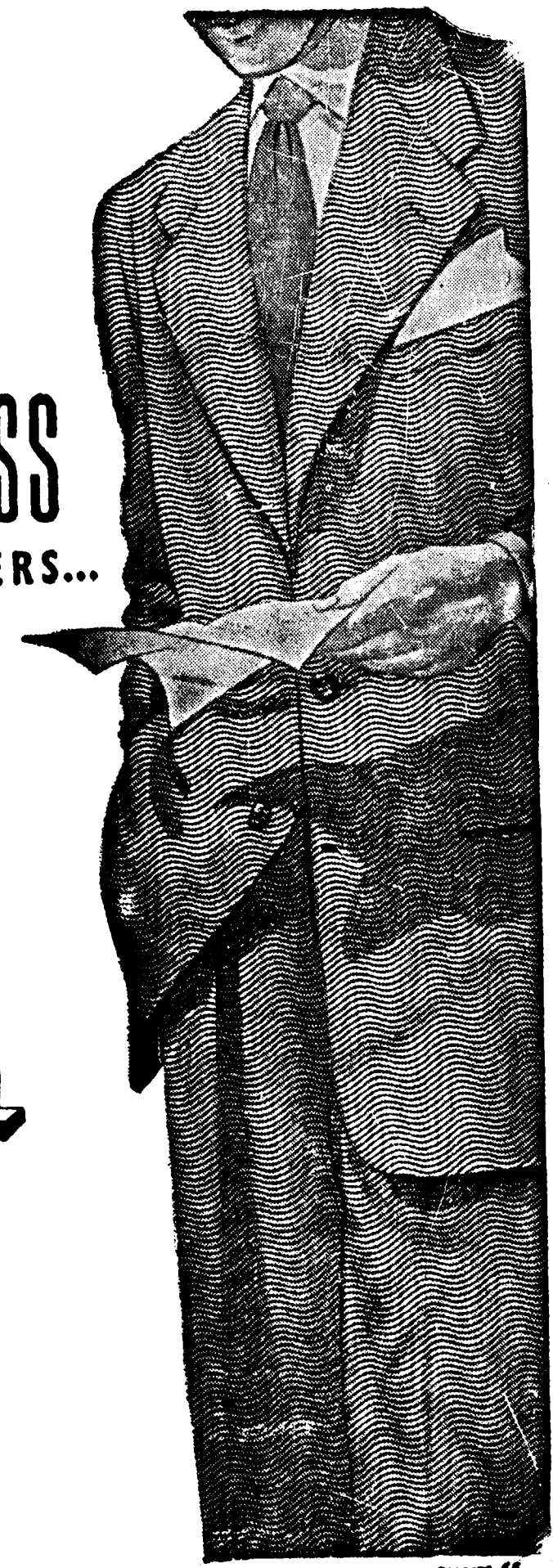
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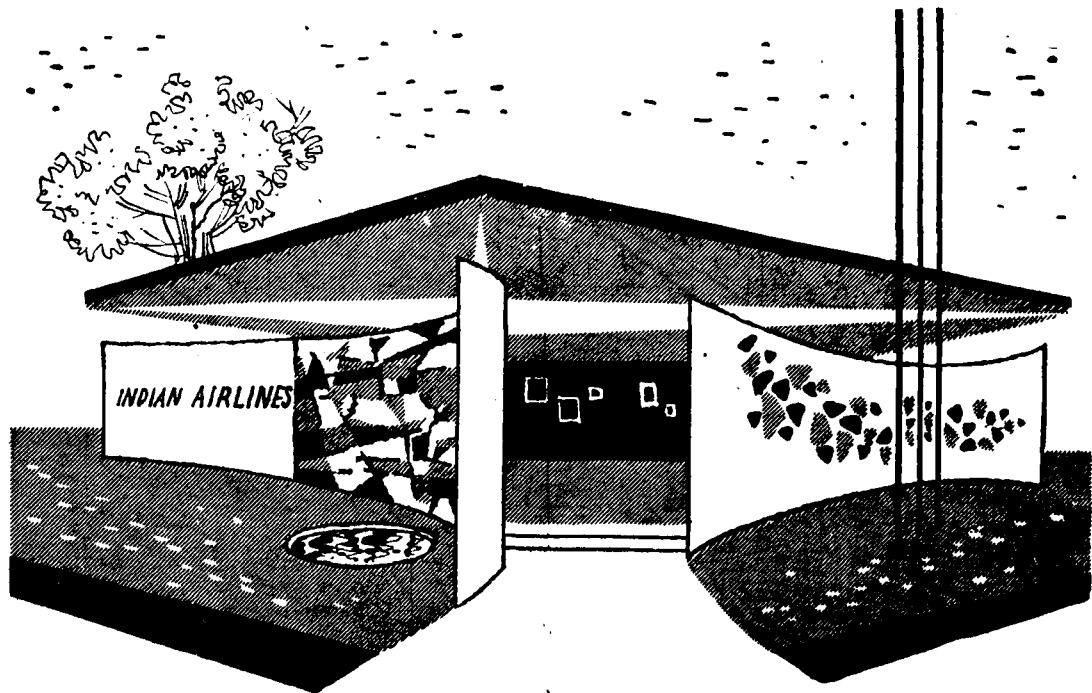
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THE EASTERN ECONOMIST

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NEW DELHI DECEMBER 14, 1961

ONE RUPEE



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THE EASTERN ECONOMIST

DECEMBER 15, 1961

The Afro-Asian Economic Conference

BUT for the fact that the accent is strongly elsewhere — Goa, China and the Elections — the Afro-Asian Economic Conference held in New Delhi over practically the whole of this week might have struck headlines. Few people are aware of the existence of a Secretariat which covers seventy countries and has purposeful plans for fostering economic co-operation over practically the whole of Asia and Africa. Even in strictly political terms, the canvas is an attractive one; its economics, too, could be better phrased. Unfortunately, apart from the fact that current interest lies elsewhere, the Conference has had a bad sense of timing so far as the content of its working papers was concerned. The idea of a common market and of some spacious, but undefined, methods of co-operation may belong to the waves of the future. There may be powerful waves when they choose to arrive, but the emphasis in the current context is on the fact that they do not belong to the present. Much of the discussion on the working papers is obviously academic, and it is a great pity that the Secretariat has not recognised that hard business must be done in a hard business way. Their specific proposals should have been worked out in very great detail to show how any particular proposal of co-operation would affect the member countries. It is quite unrealistic to expect Governments to make momentous decisions on the kind of material which has been presented at this conference.

It would be a pity if the inadequacy of preparation were for all time to hold back what is basically a sound, and eventually a practical, idea. It was detailed preparation which accelerated the European Common Market even though it was actual working which showed that the detailed preparations were pessimistic in terms of possibilities and not the other way about. What the Afro-Asian Economic Conference needs at the present time is a far greater Secretariat to which far greater resources need to be committed for research. The Federation of Indian Chambers of Commerce and Industry has done its best in trying to undertake its share of the work and has produced an interesting factual statement of India's trade with Afro-Asian countries as part of its paper work for the Conference. It is needless to say that most of this information is available elsewhere and, therefore, the work only presents consolidation. Far more work needs, in particular, to be done on currency and payments problems.

When one considers the difficult payments problem of most of these countries, it is hard to believe that there will be any easy surrender of local autonomy to a common market with a political system which is by no means yet in sight. What, however, is required is one or two limited steps in this direction which, it seems, could be taken without causing undue strain on national sovereignty or international jealousies. The first central point of policy is some small expansion or liberalisation of payments agreements. One of the most obvious, so far as India is concerned, is to extend the rupee payment area over countries of South-East Asia on terms which should be acceptable to our friends in this area. Most of the countries are willing to hold rupees provided their current balances in foreign exchange — dollars and sterling, for the most part — are not affected. Translated into physical terms, this seems to im-

ply that the additional trade created by the opportunities of liberal payments agreement must never involve the diversion of trade from Western European countries or the United States. If it did, it would encounter such opposition when the capacity for supply is so limited that it is natural that the negotiations would founder on the erroneous belief so easily created that a rupee payment agreement is designed in India's interests to tie these countries to our exports as closely as we can. Obviously, it is essential that some detailed work should be done to indicate that a rupee payment area is in fact not only in India's interest, it is in the interest of the entire area as well. If this can be done — and we in India should certainly do it — a campaign of persuasion would not be out of place through the Afro-Asian Conference Secretariat. Since, however, the work has been so poor on this subject up to date, it would appear that if we are serious about extending rupee payment agreements in Asia, the Government of India and its research agencies must combine with private agencies to make a really serious effort to present this problem in its best aspect with an objectivity which is believed to be notably scarce.

For the rest, our guests from abroad who may well be disappointed with the meagre results of this Conference, must recognise that historical forces have at the present time decreed a very small place for Afro-Asian inter-regional trade as a fraction of total trade, not only of the world but of the region itself. Because we are operating on a relatively small fraction of our own trade we are very apt to discount the advantages of small fractional rise of say 10 per cent, which might result from inter-regional co-operation on a practical and businesslike basis of negotiation. It is quite true that each transaction will be hardly fought, largely because of the very small room that most of these countries have to manoeuvre. In a sense, against the opportunities of selling to the United States and to the European Common Market, much of this effort might seem relatively expensive. This is not, in fact, the case. The more hard-pressed these countries, the more necessary it is that even marginal changes in their trade should be carefully promoted. Most of us need to recognise that a large fraction of our trade which lies elsewhere should not be any detraction from our argument that a competitive basis is best when trading with one another. It is, therefore, literally true that the opportunities for expansion are greater inside the region than they are outside; largely because most of the countries, because of their high cost structures cannot have better prospects of trade expansion in the European countries and the U.S.A. Only in areas close to themselves can they really be competitive in the manufacturing field. So far as the primary products are concerned every one knows that unless there is demand from inside the area, world prices will tend to fluctuate at the will of Western purchases. Even as a defensive measure, somewhat collective action to organise sales would pay substantial dividends in time.

All in all, therefore, while the Afro-Asian Economic Conference is full of promise, it still needs a will and a strong desire for action. The best friends of the Afro-Asian Economic Conference will not claim that it has these links of action at the present time.

Tanganyika: "Uhuru na Kazi"

TANGANYIKA'S emergence to independent sovereign statehood on December 9, has been hailed unanimously as a historic event with some difference from similar events of political emancipation that are sweeping over the African continent. That the dawn of *uhuru* was advanced by nineteen days, prior to the day originally agreed only nine months ago, is not so significant as the fact that the entire process of the constitutional change has been expedited with a rapidity and smoothness which have hardly any parallel in the continent. The country had its real taste of the general elections for qualified participation in responsible government as recently as August 1960. The ball once set rolling gathered momentum and in the two constitutional conferences held in March this year at Dar-es-Salaam and in June at London the pace of change was hastened. No gesture could be more eloquent of the smoothness with which transfer of political power was accelerated than that the Queen appointed the royal consort to represent her at the independence celebration at Dar-es-Salaam.

The speed with which constitutional transformation was brought about in Tanganyika may hardly be taken as a model example, much less a precedent, for most of the remaining non-self-governing countries of Africa. Nearer in East Africa, Tanganyika has stolen a march over Kenya, Uganda and Zanzibar. The elements which have emboldened Britain and Tanganyika to take the risk of speed need passing emphasis. Over four decades of relationship with Britain, first as a mandated territory and after 1945 as a trusteeship territory, have proved fruitful in securing steady, if gradual, advance in social and economic stability.

The influence of tribalism in Tanganyika's social order does not disclose the virulence which is its dominant trait in several other societies in the African countries. Tanganyika's African population of about 9.11 million is drawn from as many as 120 tribes of which only the Sukuma is of a substantial size accounting for 12 per cent. The distribution of the residual majority between the rest of the tribes, with no wide disparities of size, may connote diversity in the social texture, but it has been conducive to stability.

Coming to stability in that most dominant sphere of politics, Prime Minister Nyerere's moderate and far-sighted leadership has been its sheet anchor. Mr. Nyerere has firmly set his face against racial policies as well as tribal divergencies and consistently placed first stress on the concept of nationality. The fact that he pilots the affairs of the State is a guarantee that there will be a true urge to lay its foundation soundly. In this task, the virtual one-party rule of the Tanganyika African National Union may prove a positive gain initially. Whether this type of structure will be modified and when is a matter of pure speculation. This problem has been a question mark not for Tanganyika alone, nor for the African countries only.

Tanganyika stands firmly for membership of the Commonwealth and her admission into the United Nations will run a smooth course. Bloc-wise alignment is not her choice, but she is equally emphatic on her resolve to maintain and safeguard the democratic values of life. In these conscious preferences there will be little intervention. The major problem posed for her leadership is that of economic betterment. On this count, Mr. Nyerere has minced no words and left his countrymen in no doubt whatsoever. Whether it is housing, jobs, roads and communications, schools, hospitals or other welfare institutions, he has bluntly put the question to the vocal and impatient sections: Where is the outlay for all these tasks to come from in one sweep? There is enough political consciousness in Tanganyika to realise that freedom brings in its train heavy responsibilities of hard work without which real content cannot be imparted to it. This consciousness found ample expression in the first slogan, *Uhuru na Kazi* — Freedom and Work. But Mr. Nyerere is more a realist than a moderate statesman. At the risk of causing some disillusionment, he is giving his fellow countrymen the new slogan of *Uhuru na Jasho* — Freedom and Sweat.

The known potential resources of Tanganyika for economic development can hardly be considered to be plentiful. Agriculture lends itself to fruitful intensification, but it is a matter of investment primarily in the commercial crops. Service co-operatives have a larger spread in Tanganyika than in most other countries of the continent and they promise to mitigate in some degree the dearth of capital. Mining appears to be an emerging sphere of industry with the known resources in diamond, gold, lead and copper, but hopes of more plentiful minerals await corroboration by geological surveys and prospecting on an extensive scale. The development fund of £24 million which Britain has undertaken to provide will be inadequate for the three-year expansion programme. American credit of \$10 million has been announced in the wake of independence. India, too, has expressed her willingness to offer her modest contribution. But it is through larger trade and supply of technical skills that India can make the real impact of her co-operation on Tanganyika's new task of raising her economic stature.

This prospect notwithstanding, the larger consideration of viability underscores the importance of the scheme of the East African Federation. Mr. Nyerere has been an advocate of the Federation comprising Tanganyika, Kenya and Uganda. The plan of a common civil service for these three countries stands and, in fact, the formation of a new civil service is a major worry for him. The achievement of the Federation, however, will bring new influences in Tanganyika from her partners. Not all of them will be necessarily healthy. How far Tanganyika will be able to use her influence for the preservation of racial harmony in the federal set-up will be a matter of great interest.

India and Malaya

THOUGH the current visit of His Majesty Yang di-Pertuan Agong, the Paramount Ruler of the Federation of Malaya, is his first one to this country, the feeling of his being no stranger here, expressed by him at the civic reception given to him and his consort, the Raja Permaisuri Agong,

at the historic Red Fort on Monday, bears eloquent testimony to the bonds of friendship that have existed between India and Malaya through no less than a score of centuries. These bonds have only been strengthened during the past one decade, particularly since 1958 when Malaya be-

came independent, and today the two countries have forged new links to suit the modern times. Malaya, which drew immense inspiration from India's struggle for freedom, believes, as passionately as India does, in the moral force of peace rather than in the material force of power, in justice and fairplay and in the rights of man rather than in the might of arms or money. By their own choice, both the countries have shunned involvement in power blocs and adopted a policy of neutralism in their dealings with other countries. The forces of both India and Malaya are fighting shoulder-to-shoulder the battle of the U.N. in the Congo. To stress the broad identity of outlook that the two countries have on various political, economic and moral issues facing the world today, one has only to recall the leading role that the Malayan Prime Minister, Tenku Abdul Rahman, has played in forcing South Africa to withdraw from the Commonwealth in pursuance of her misguided policy of apartheid.

The glowing tribute that His Majesty has paid to the people of the Indian origin in Malaya is something of which India can well be proud of. Mr. Nehru has always advised the Indians abroad to identify themselves with the local people. It is, indeed, heartening that this advice is being followed, both in letter and spirit, by the Indians in Malaya, who form no less than 10 per cent of the Malayan population. The role that Indians have played in Malaya's economic development, which with the formation of Malaysia — a Federation of Malaya, Singapore, North Borneo, Brunei and Sarawak — will foster, it is hoped, will grow

in future. An appropriate step in inculcating a sense of unity among the various racial groups that inhabit Malaya — the Malays, the Chinese and the Indians — can well be the reorganisation of the political parties there on economic programmes. That would deepen the roots of democracy in South-East Asia and should go some way in creating a powerful bulwark to counter the menace of Red China.

The interest that India has shown in the economic development of Malaya, especially after the visit of President Rajendra Prasad to that country about three years ago, is evident from the technical assistance which this country has afforded in the reorganisation of the Malayan economy. This aid perforce has been only on a limited scale as yet because of the paucity of technical hands in India to cope with her own developmental programmes. But there can be little doubt that it will flow in a greater measure before long. Malaya has also benefited to not an inconsiderable extent from the industrialisation that has taken place in India during the past one decade; since 1952, Malaya's export trade with this country has gone up from Rs. 2.66 crores to as much as Rs. 13.66 crores, due to increased demand for her various raw materials, the most important among which are base metals, rubber, oilseeds and oils. Development of the Malayan economy similarly should help in stepping up of Indian exports which have practically been stagnant all these years around Rs. 4 crores. The current visit of the Paramount Ruler of Malaya and his consort, it is earnestly hoped, will further strengthen the ties that bind the two countries today.

The U. S. Taxman Foots the Bill for Art

By WILLIAM REES-MOGG

IN the last ten years a number of sizable fortunes have been made in the international art market. A few of them have been made by dealers, the people who buy and sell; far more have been made by collectors, the people who buy and hold. What is more the market is still going up, although all the world's stock markets have passed beyond the big boom years.

Some of the profits have been truly remarkable. Discounting the speculative moderns, like Jackson Pollock, prices have increased between two and ten times for works of art's, furniture and rare books of the first class. This season's sale of the Erickson collection at the Parke-Bernet Galleries in New York brought in \$4,679,250 in sixty minutes, the largest amount ever realised at a one-day sale. No one knows what Erickson paid for his collection. On the big Rembrandt he made a modest profit of about 300 per cent in 30 years.

It is not only, or even chiefly, the great impressionists, or the Rembrandts which represent the rise in the market. The modest collector, who spent a few hundred pounds in the late forties on silver or china, will show an equal or greater capital appreciation.

There are a number of reasons for the way the market has gone on rising. Probably the most important single one is the American tax law which allows a gift, in cash or kind, to a museum or a university, to be offset against tax on up to 20 per cent of a man's income. This means that it is literally possible for a collector to make a bigger profit by giving away a painting than by selling it. Supposing Mr. Pantograph of Indiana bought a Renoir, just an ordinary small Re-

noir, for \$20,000 in 1949. It is now worth \$100,000. If he sells it, he will have to pay the auctioneers commission (10 per cent in London, normally more in New York) and a 25 per cent long-term capital gains tax under the U.S. tax laws. That means that his net profit comes out at \$51,250 in cash. If he gives it to the university of his old home town, he can deduct \$100,000 from his taxable income and save \$90,000 on tax, giving him a true net profit of \$70,000.

This means that the eventual purchaser in the art market is the U.S. Treasury; it also means that the U.S. Treasury is normally bidding against itself. When Rembrandt's picture of Aristotle was sold to the Metropolitan Museum for \$2,300,000, the friends who were going to put up the money were no doubt largely intending to claim it against tax: the underbidder at the auction was the Cleveland Museum of Art. Who were its friends? No doubt another group of wealthy men willing to put up \$90 of Uncle Sam's money to match every \$10 of their own.

This is not particularly scandalous: it means that U.S. institutions are increasingly becoming the richest in the world. It means that the U.S. tax laws are an engine for pushing up the prices of all works of art of museum quality.

On top of this the supply is much thinner than it was. Take the case of books. In the 1920's death duties and the shortage of servants led to the sale of half the country house libraries in

(CONTINUED ON PAGE 1120)

A DELHI DIARY

NON-VIOLENCE AND OCCAM'S RAZOR

MANY people in Delhi have been going about in a state of animated suspense expecting something or other to happen on Goa. The whole week has passed by without the expected result or, if I might be so bold as to say so, without a reversal of India's traditional faith in non-violence. On the other hand, it is difficult for one who goes about Delhi at the moment — and I am told this is even more so in Bombay — not to recognize that non-violence as a creed, if it ever was a central pillar in Indian political thinking, has lost its virtue. I have heard in the last week from a historian, who has lived through the whole Gandhian age, the view that non-violence is just not a "fact". Questioned more closely, he presented to me what is known as Occam's Razor. For those not so learned in dialectics, may I display my learning by saying that William of Occam, who lived in the first half of the fourteenth century, set down a proposition which is now called "Occam's Razor", because it makes such a clean-cut of every idealist argument. Translated into English — Oxford English Dictionary version — Occam's Razor reads: "Things not known to exist should not, unless it is absolutely necessary, be postulated as existing". In a somewhat similar vein, may I say that non-violence has been shown in an absolute sense not to exist; therefore, was the Gandhian Age a fraud? What then is this little hesitation about? Some of my journalist friends call it had conscience; some of them call it lack of decision; others call it "the fear of destroying the image." I leave readers to make up their minds what it is that holds back an entry into Goa. For myself, I am still hoping, William of Occam notwithstanding, that non-violence is a fact in Indian political thought.

Undoubtedly, the overwhelming majority of the Indian people are in favour of action. Whether they are equally in favour of action on China is a different matter. But action on Goa is easy and, it seems, justified on the ground that we are being slighted by someone much smaller than ourselves. I will not say my piece on this David and Goliath business. I remember when Mr. Morarji Desai was bold enough to say his piece in the seminar on Portuguese colonies, he was left in no doubt as to what majority opinion was both in India and in Bombay. May I, therefore, do no more than to say that on that occasion I felt that Mr. Morarji Desai rose higher in my estimation than by his displays of financial excellence? It is something that the great passion for action should occasionally be clouded over with a pale cast of idealistic thought.

Let me put the position somewhat differently. The Gandhian experiment may or may not have been a success. It ran parallel rather than centrally before Indian Independence. In other words, it cannot be definitely proved that it was the Gandhian technique which was victorious in this case. The great majority of the people all over the world believe that it "probably" worked because the British (and conceivably some other nations) are sensitive to the kinds of moral pressures which non-violence generates. But if the case is unproved, surely the fertile soil in which the seed was first sown should not be the first to reject the efficacy of this doctrine. It is a slow doctrine and a painful one; it operates over a long time by a three-fold process which cannot be immediately effective. In the first place, the victims of tyranny have to create conviction amongst themselves that they need to sacrifice much for their cause. Secondly, this sacrifice must engender amongst the hesitant both courage and a decision to bear the consequences of further tyranny accentuated by resistance. Thirdly, environment in the classes exercising tyranny must be affected by a mental process which is by no means quick; because power blinds, as does anger and irritation at resistance. The final process which is the victory

of the tyrant over himself — the supreme proof of non-violence — is naturally a very doubtful affair. But if we believe that this is not possible, are we not denying the application of Gandhian techniques in a grand, or should I say, tragic manner?

ELECTIONS AND THEIR SINEWS

Let me pass on to an even more querulous subject. I see that the Prime Minister has decided this week (only) that firms which contribute to the Swatantra Party, or presumably any other Opposition Party, will not have the great privilege of contributing to Congress funds. I understand many firms have already distributed their "donations". Is the Congress Party really willing to return these donations and, if so, why? Does this mean that the "Congress" firms will get licences and the non-Congress firms will get crumbs which fall from their tables? Is there an element of threat in the proposal that those who support the Opposition Parties will have to bear the consequences? I only ask this question because it is being repeatedly asked whether, in choosing to select its sources of finance, the Congress Party is not accepting any corresponding obligations. Personally I have never been convinced as I am now, that the receipt of all political funds from companies is an error. It would have required a tremendous amount of sacrifice on the part of the Congress, but who knows the Congress vote might have grown by the triumphant display that the ruling party was not to be bought by the money of big-business. Like Caesar's wife, I would like to see the successors of Caesar held above suspicion.

People keep on asking me when D-Day on Goa is coming. I quote to them that momentous utterance of the great Don Quixote: "Patience, and shuffle the cards".

Next to Goa there has been some special excitement in Delhi on the U.S.S.R.'s break with Albania. A large number of people are now amused by the fact that, in addition to Chinese opposition to India, we now have Albanian opposition. However, on this I am more concerned with Mr. Nikita Khrushchev's feelings best expressed by my naughty cartoonist below.

What a Life!



A Soviet satellite out of orbit!

Courtesy "The Hindustan Times"

ARGUS.

THE WEEK'S NOTES

Company Contributions

A DECISION WITH A DESIGN

HARDLY WITHIN a few months of the passing of the amended Companies Act, the Congress Party has come face to face with the awkward consequences of the Central Government's unbending attitude in refusing to consider the logical and long run effects of the retention of the provision which enables joint-stock companies to pay contributions to political parties out of their funds. This journal, among others, staunchly opposed this enabling provision both on grounds of equity as well as public morality. A peculiar situation has arisen which, be it noted, does not raise any complex issues of principle. Such issues of principle that have arisen are simple and amenable to a straightforward decision. But the ruling party has gratuitously imported complications into them. The results of these complications—direct or indirect—threaten the freedom of choice to make contributions to political parties.

Some joint stock companies, whose contributions the ruling party will be only too eager to grasp, sound the views of their shareholders (the owners and, therefore, the legitimate distributors of the funds to be contributed to the parties) and found that, while some of the shareholders wanted the contributions to be made to the Congress Party, some others opted for the Opposition Parties. The Companies Act does not restrict the right to make contributions in so far as the beneficiaries are concerned and it does not in the least purport to dragoon the shareholders into voting the funds for a single party alone. In the liberal tradition of our legislation, it ensures the freedom of choice and leaves scope for a contingency, where multi-party contributions are desired by the final dispensers, who are the shareholders.

The Central Election Fund authority of the Congress Party has reportedly issued a policy directive to the Pradesh Congress Party Executives on this subject to the effect that, where a company proposes to make contributions to the Congress Party as well as the Opposition Parties, the former should not accept them. This is an unprincipled decision. It is not only unprincipled but it strikes at the plain meaning and spirit of the provision of the Companies Act. It goes even a step further in putting a veiled pressure on the companies to behave and contribute to a single party. The plea that the Congress Party has a conscientious objection to accepting funds from a source, which also provides the Opposition Parties with the wherewithal to fight elections, cannot hold water. These contributions, in the last analysis, partake of a tainted complexion and the Congress Party, which fought hard in Parliament to preserve them, did so not on the ground of good conscience but sheer expediency—the harsh reality that the Party candidates and members cannot simply bear the burden of the election outlay. It may possibly be argued that the grievance of indirect pressure to contribute to a single party (which in most cases will be the ruling party) is not proved and is, therefore, baseless. In such matters experience is the genuine testimony. And to ask for tangible proof of the intangible is a strange way of silencing reasonable criticism.

Laos

ROAD TO NEUTRALITY

THE SICKENING stalemate created by the hurdles across the path of a peaceful government in Laos, long after an agreement was reached in principle on the formation of a neutralist government, promises to come to an end soon. This time it was not so much the leaders of the power blocs behind the two factions in Laos that were responsible for prolonging the rot as the princes themselves. If confidence in the neutral

character of the coalition government was to be inspired, it was obvious that the balance of convenience lay in putting Prince Souvanna Phouma at the head and not Prince Boun Oum or Prince Souphannouvong for the simple reason of their declared alignment with the right or the left respectively. But having recognised this fact, the two princes could not overcome their internal resistance to putting the neutralist coalition into active power. In this atmosphere of vacillation and uncertainty, their external supporters could not stay their hands. Aid build-up continued as an inevitable strategy.

There existed, of course, vital international issues of divergence between Russia and America, but they could have been resolved once the three princes had come forward without reserve to work out a neutral government. In a way, the Laotian problem moved in a vicious circle, but the circle had been broken with the initiative emanating from Geneva. The Kennedy Administration's firm decision to back neutralism has cleared the way for the British Co-chairman of the Geneva Conference to make positive proposals to his Russian colleague to arrive at a fresh agreement on a broad basis of accommodation. According to a version of the agreement, whose authenticity need not be doubted, Russia has abandoned her insistence on "troika" inside the International Control Commission. Its voting procedure is not to be based on unanimity among the three members, but on majority. It is not clear, however, whether action to implement the Commission's decisions is to be governed by this very procedure. Agreement has been reached between the Co-chairmen on a comprehensive area—functions to be assigned to the inspection teams, investigations into allegations of breaches of neutrality, power of the ICC relating to the supply or infiltration of arms to local groups and, what is most important, preventing use of foreign territory for intervention in Laos or of using Laos as a base of incursions into neighbouring countries, South Vietnam, for instance. Responsibility now shifts, by and large, on the three princes to put neutrality into operation. There will be universal satisfaction with this forward step, except in China, which will feel chagrined at the accommodating spirit of the Big Brother in her "orbit".

Railway Accidents

AN UNCONVINCING DEFENCE

MR. VAJPAYEE'S motion for the appointment of a high power judicial committee to inquire into the three recent major railway accidents involving heavy casualties need not be branded as a mere manifestation of the new-found faith in judicial enquiries as the really impartial agencies for enquiries into problems of public interest. It should be interpreted as an indication of the deep concern which is felt about the possible share of the human element in the responsibility for these accidents. The speeches during the debate on the motion were highly critical of the explanation of sabotage that is being offered in the case of the Ghatsila accident. A judicial enquiry does not automatically become advisable. Mr. Jagjivan Ram could have carried conviction on this specific point, if he had not created the impression that judicial enquiries are much too overrated for their weight and authority. He asserted that in all the previous judicial enquiries the findings of the Chief Inspectorate of Railway Accidents were corroborated. If this reasoning is to be followed rigidly, what would have been lost by getting the seal of approval from a judicial committee, since it would have also silenced his Lok Sabha critics? His colleague, Dr. Subbarayan, Minister for Transport (under which the Inspectorate comes), came to his rescue when he explained that the expert opinion of the Chief Inspector counts heavily with the judicial committees.

This, however, was no occasion at all for scoring debating points. Both the Ministers misconstrued the nature of the demand and the particular aspect of heavy casualties in the accidents which were the subject-matter of the demand. They proceeded in the placid manner of an arithmetical assessment of the incidence of accidents to railway trains and argued with the coolness that befits a statistician that in the last five years accidents were on the decline. This is not a matter of assessment in numerical terms. Its qualitative aspect is more important, as the three accidents have shown. Nor did the citation of the small number of accidents during 1960-61 being attributable to the railway staff meet the questions raised in the debate. The Railway Minister could have done well to convey a definite feeling of assurance to fortify confidence in the safety factor by explaining elaborately his Ministry's measures to prevent accidents or to award adequate punishments for acts of negligence or omission. On the other hand, his critics made references to light punishments. He took his unconvincing attitude a stage further in telling the House that he was "thinking" of appointing a special committee (including experts and M.P.s) to enquire into this matter. If a judicial committee is superfluous, how does he put this extra-departmental committee in a different class?

Albania

THE KREMLIN CUT

RUSSIA'S DIPLOMATIC rupture with Albania has come much sooner than many would have anticipated. This break stands on a footing entirely different from the break with Yugoslavia. In the case of Yugoslavia the break was for ex-communication. For Albania what seems to be intended is segregation. Nevertheless, it is important to note another vital aspect of the rupture, Stalin waited long before he took the final decisive step

against Marshal Tito. Mr. Khrushchev could have gone on treating with indifference and a superior air of disdain Mr. Enver Hoxha's tirade against Russia. Albania possesses a minor weight in the Communist scale and geography has imposed upon her a state of isolation from the rest of the red world. The easiest access for Albania lies through Yugoslavia, but it is an open secret that no sympathy will be wasted by the latter for the simple reason that Albania herself has prevented such a course by her deliberate attitude of causing greater alienation with Yugoslavia.

A probable explanation of the promptitude with which this drastic step was taken by the Kremlin lies in China's overt acts of support and encouragement to Albania. If Albania is now found guilty of 'left deviation', China has openly come out against Russia's shift towards liberalisation and posed as the self-appointed guardian of ideological purism. The rebuff to Albania is intended to convey an unmistakable hint to China. Now that Russia has broken the diplomatic tie with Albania will the other countries of the Communist bloc in Eastern Europe stay their hands? The likelihood is that they will follow suit. This will be the crucial point for China to re-examine the new posture she has adopted and make a decision whether and to what extent to continue her backing to Albania. China's ambition to be the arch-leader may lead her to greater adventures and involvements, putting a heavy strain on her relations with Russia. Extreme intellectuals in Albania, in their impatience to force the pace of industrialisation and modernisation with Communist techniques, have forced the hands of the party leaders and precipitated the rupture. China is just not in a position to provide the assistance that Albania badly needs. Plainly, China herself is heavily dependent on Russian aid to achieve her giant ambitions whatever the efforts to disguise this fact. The chances appear to be that if she takes another adventurist step and backs Albania in her segregation, she will invite difficulties for herself in her leaps either way.

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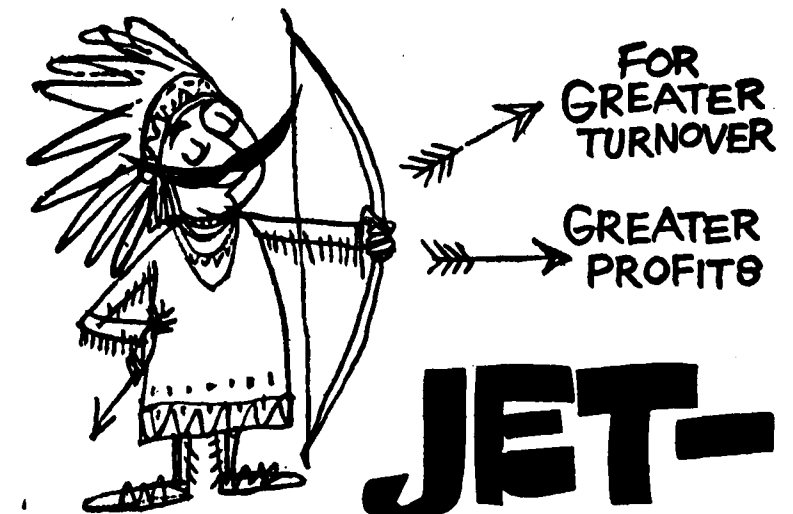
England. There are by now only a handful left. There is Longleat and Chatsworth among the great houses: most of the rest are gone. An automatic increase in the volume of money seeking a diminishing supply which can in no way be replenished is a formula for the inflation of prices which would be hard to beat.

There has also, of course, been the effect of inflation itself, combined with high taxes. The one disadvantage of a Queen Anne coffee pot, now worth £700, for a fairly good example, is that it does not produce a cash income. But if it is going to be worth £1,500 in 1970, and is very beautiful now, who cares about the unearned surtaxable income that is being forgone. In an age of rising prices goods are better than money, and these are goods which cannot be duplicated. There will never be any increase in the number of Queen Anne coffee pots, or Cezannes, or Nymphenberg figures or Ming vases: there may be a few fakes, but the man who employs a good dealer, or consults the experts at a good auction house, has relatively little to fear from them.

Of course, there is one requisite before the collecting of antiques or works of art of any kind becomes really profitable. There must be skill. It is always possible to buy the wrong object at

the wrong price. Supposing two men, one highly skilled and the other unskilled, set out to collect furniture of the same period. The skilled man will be able to achieve the same collection at perhaps only a half or even a third of the total cost. But the movement of the market will probably take care even of the innocent collector. A man who has doubled his money should not complain too much that he failed to quadruple it.

The profitability of collecting is likely in the next decade to make it one of the best investments—for many people the best. There are three points to be made. The first is to trust the experts—you cannot go wrong by taking the advice of Sotheby's or Christies or Agnews or Quaritch or Maggs or Partridge or any of the other leading firms. The second is to buy for love as well as money. Enjoyment is the revenue one gets from works of art—it is a crime to buy what one does not enjoy even if the crime is profitable. The third is to stick to the best. That dreary looking little painting with its scratched varnish may be a Constable—but it is probably dear at £100. The best of each kind is likely to be expensive of its kind, but it need not be expensive absolutely. It is only the best which can be relied upon to hold and increase its value.



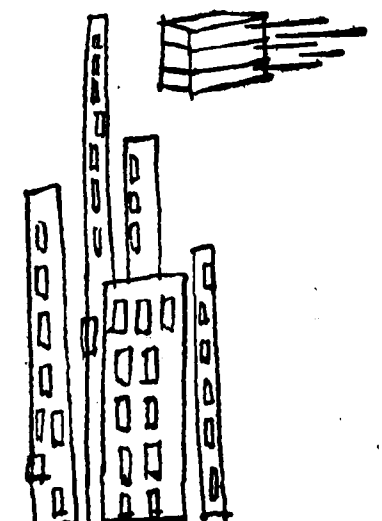
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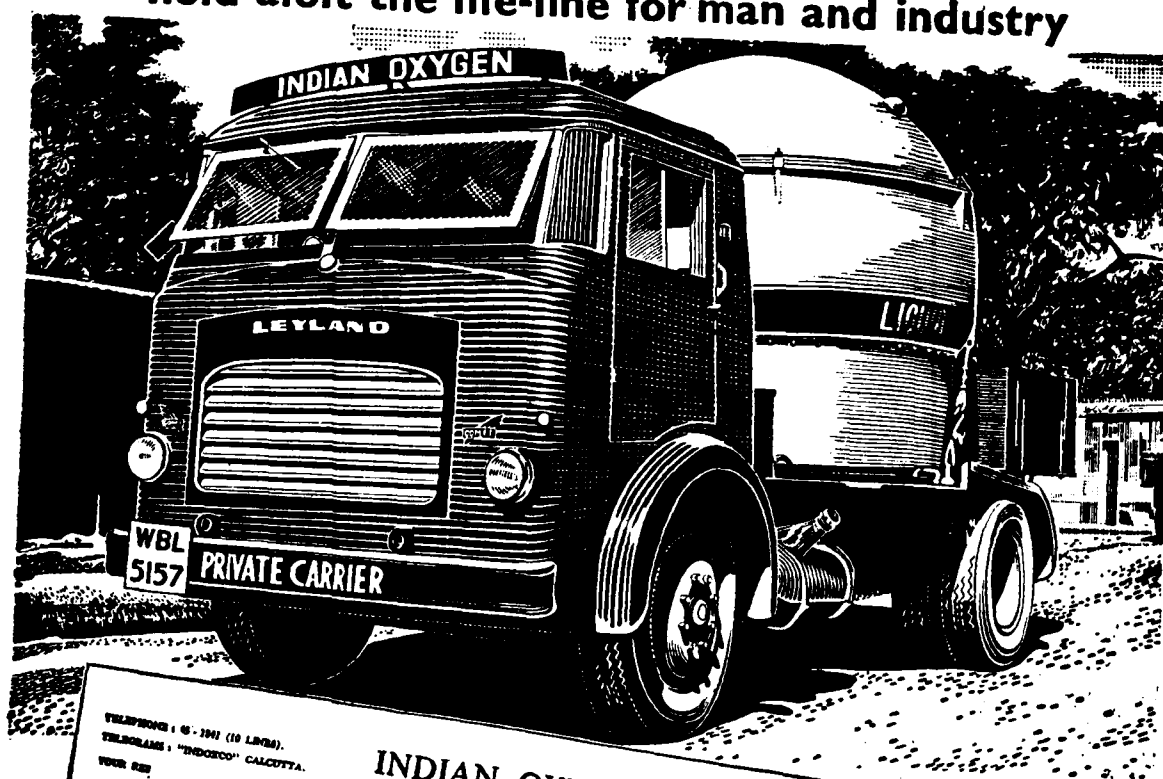
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U. S. INVESTMENT BENEFITS BRITAIN

By ODYSSEUS

IN VIEW of the difficulties that India has had from time to time in attracting foreign capital, and sometimes in her relations with foreign companies once they are established in India, the U.K.'s experience with U.S. investors should be of interest.

Mr. John H. Dunning, writing in "Moorgate and Wall Street" (a review published jointly by Philip Hill, Higginson, and Erlangers Ltd., merchant bankers, of 34, Moorgate, London EC-2, and their American associates, Harriman Ripley & Co. of 63, Wall Street, New York), says that the book value of U.S. business interests in the U.K. totalled \$3,200 million in 1960, i.e., about half of U.S. investment in Europe. Between 1958-59, investment in the U.K. by U.S. subsidiaries and Anglo-U.S. financed firms was 71.7 per cent of all non-resident investment, and their accumulated capital stake was equivalent to 4.2 per cent of the U.K.'s gross national product (compared with 2.3 per cent in 1949) or \$48 per head of population (compared with \$15 in 1949).

Table I shows the number and value of U.S. direct investment in the U.K. by industry up to 1946 and up to 1957. Table II shows the number and value of U.S. financed firms in the U.K. up to 1946 and up to 1957 by

TABLE I
NUMBER AND VALUE OF U.S. DISTRICT INVESTMENTS IN U.K. INDUSTRY

	1946		Total: 1957	
	Number	Value \$m	Number	Value \$m
Petroleum	20	419	33	435
Manufacturing ..	261	1,027	440	1,238
Public Utilities ..	15	9	19	10
Trade	110	180	183	195
Finance and Insurance	34	21	42	21
Miscellaneous industries	77	68	125	74
All Industries ..	517	1,725	842	1,974

TABLE II
NUMBER AND VALUE OF U.S. FINANCED FIRMS IN U.K. INDUSTRY BY PERCENT OF U.S. OWNERSHIP

Percentage of U.S. Ownership	Established before 1946		Total: 1957	
	Number	Value	Number	Value
95% or more ..	397	1,257	622	1,433
50% — 94% ..	100	450	167	503
Less than 50% ..	20	18	53	38
Total	517	1,725	842	1,974

TABLE III
NET INVESTMENT, SALES AND EMPLOYMENT OF U.S. FIRMS IN U.K. BY PRINCIPAL MANUFACTURING GROUPS, 1957

Manufacturing Group	U.S. firms		Employment (1953)	U.K. industry including U.S. firms		% sales of U.S. firms to U.K. industry
	Net investment £m.	%		Sales £m.	%	
Chemicals	82	18.5	12.7	1,697	8.2	10.9
Non-electrical machinery ..	95	21.5	31.5	1,629	7.9	10.5
Electrical machinery	32	7.2	5.5	1,224	5.9	7.8
Vehicles	87	19.7	22.7	1,206	5.8	23.5
Food Products	39	8.8	6.7	2,773	13.3	6.3
Rubber Products	9	2.0	4.5	259	1.2	19.2
Paper and allied Products ..	5	1.1	1.8	331	1.6	2.3
Primary and fabricated metals	33	7.7	7.0	11,696	56.1	1.8
Other manufacturing	60	13.5	11.0			
TOTAL	442	100.0	100.0	20,815	100.0	5.7

percentage of U.S. ownership. The U.S. share in 1959 in the total net assets of branch plants and U.K. registered companies with a U.S. equity holding of 25 per cent or more was \$2,475 million. Table II shows that in 1957 in all but 53 of the 842 U.S. financed companies, the U.S. affiliate had a controlling interest, and of the total investment of \$1,974 million, 73 per cent belonged to fully-owned subsidiaries. Including the U.K. share of equity capital in those companies where U.S. ownership is less than 100 per cent, the value of net assets under the control of U.S. firms in U.K. was \$3,500 million in 1960.

Mr. Dunning concentrates his study on manufacturing industry, partly because this absorbs most U.S. investment, partly because statistics for petroleum refining and marketing are inadequate. One in twenty workers in U.K. manufacturing are employed by U.S. firms, compared with one in 80 before the war. The 440 firms with U.S. affiliations accounted for 5.7 per cent of total manufacturing sales and slightly more of net output. Table III, which analyses the distribution of U.S. products and the relative importance of their sales to U.K. industry, shows that 67 per cent of investment, 62 per cent of sales, and 72 per cent of workers are concentrated in the chemicals, machinery, and vehicles groups, and U.S. firms supply 12 per cent of U.K. sales of these goods. These industries are among the most rapidly expanding of the U.K. economy and include pharmaceuticals, cosmetics, office machinery, earth-moving equipment, agricultural tractors, and domestic electrical apparatus, in which, since the war, U.S. firms have been prominent innovators.

U.S. firms generally operate in the more capital intensive industries which partly, but not wholly, explains their higher net output per head. Other data shows that the share of U.S. firms in the U.K. in gross and net trading profits is well above that of the labour force, and total sales and their average rate of return in relation to capital (net assets) and sales turnover is also greater. This is partly because U.S. firms are concentrated in high profit industries, partly because of their efficiency. Finally, U.S. affiliates earn higher rates of return in the U.K. than their counterparts in the U.S.A. For 1958-59, while the net assets invested in manufacturing in the U.S.A. yielded (net of tax) an average of 10.7 per cent, U.S. firms in the U.K. earned 16.7 per cent. Even allowing for the loss of domestic taxes from overseas, these figures reveal a handsome social, as well as private, return to the U.S. economy, and it is not surprising that increasing numbers of U.S. companies prefer to invest their surplus funds overseas, particularly in the U.K., since U.S. investment there is

yielding higher profits than in the Common Market countries, 16.4 per cent compared with 11.1 per cent (1958-59).

EFFECT ON THE BALANCE OF PAYMENTS

What effect has U.S. investment on the U.K. balance of payments? In 1957, U.S. firms accounted for 11.8 per cent of all U.K. manufactured exports and on average exported 27.5 per cent of their output. Since then, the figures are known to have risen even higher.

The U.K. economy had benefitted from U.S. investment as a source of new capital, technical and managerial expertise, and because the parent companies of U.S. affiliates in the U.K. spent more each year (in real terms) on research and development than the whole of British industry (on private account) combined.

The price of these benefits is usually measured by the outflow of dollars in the payment of dividends, etc. Ignoring that the U.K.'s national income is raised by U.S. capital formation, will the dollar outflow overstrain

the U.K. balance of payments? Table IV sets out the answer for 1957, which shows a small deficit of \$51 million. Mr. Dunning points out, however, that 1957 was exceptional, because of heavy purchases by U.S. firms of crude oil from the U.S. following the Suez crisis, which temporarily cut Middle East supplies. In normal years, such oil imports are much less. Table IV shows that the activities of manufacturing industry yield a net gain of \$26 million in dollars, and of \$650 million in all foreign currencies. "Other industries" yielded a net loss of \$33 million, mainly because of their low export earnings. On final balance, if there was in 1957 a net loss of \$51 in dollars, there was a gain of \$482 million in other currencies. As a whole, Mr. Dunning considers that U.S. causes neither a marked loss nor gain to the sterling/dollar account. In the future, remittances to the U.S.A. will grow, but whether, over a period, they will exceed capital imports from the U.S.A. is hard to say. On the other hand, current trends suggest a long-term increase in the dollar exports of these firms.

TABLE IV
INTERNATIONAL TRANSACTIONS OF U.S. FINANCED FIRMS IN U.K., 1957 (\$ million)

	Manufacturing	Petroleum	Other Industries	Total
(a) Receipts of Foreign Currency:				
(i) Exports of goods and services to U.S.	+136	—	+2	+132
(ii) Imports of capital from U.S.	+76	+90	+7	+173
Total inflow of dollar currency	+206	+90	+9	+305
(iii) Other exports of goods and services	+699	+76	+3	+778
Total inflow of all foreign currency	+905	+166	+12	+1083
(b) Payments of Foreign Currency:				
(i) Imports of capital equipment:				
(a) From the U.S.	—23	—4	Neg.	—27
(b) From other areas	—5	(—20)	Neg.	—25
(ii) Other imports:				
(a) From the U.S.	—44	—81	—9	—134
(b) From other areas	(—70)	(—150)†	Neg.	—220
(iii) Remittances to U.S. parent (or associated company):				
(a) Fees and royalties	—19	—1	—1	—21
(b) Income	—94	—45	—35	—174
Total outflow of dollar currency	—180	—131	—45	—356
Total outflow of all foreign currency	—255	—301	—45	—601
Net gain/loss of dollar currency	+26	—41	—36	—51
Net gain/loss of all foreign currency	+650	—135	—33	+482

† Imports of crude petroleum only.

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The European Scene

BRITISH AVIATION JOINS EUROMARKET

From Our Special West European Correspondent

PARIS, December 10.

SINCE the British Government decided to seek admission to the Common Market, the question has often been asked (particularly by Continentals profoundly attached to the ideal of European unity) whether Britain has really been converted to the European faith and is willing to forswear her traditional, and rather superior, attitude to her neighbours; or whether her latest move is not a manoeuvre designed to prevent a unification that she is not willing to assist but cannot afford to let go forward without her. The question is no doubt insulting, as suggesting duplicity, even perfidy. There is no evidence that the British decision is hypocritical on the contrary, there is every reason to think that London is sincerely willing to co-operate in all forms of unification that will bring her economy more benefit than damage, and after all this is just the attitude of the Continentals themselves. But the whole question is there: the Continentals learned a decade or more ago that there was no hope or scope for their economic progress without the creation of a common market; is British industry convinced of the same thing? It is not a matter of being more or less sincere, more or less hypocritical; it is a question of fact: is economic integration regarded as an ineluctable necessity on the other side of the Channel as it is on this side?

Naturally, opinion on that score will differ from one British industry to another, as it does (or rather did four years ago) from one French or Italian industry to another. Yet certain leading industries enjoying great influence or prestige could, by opting unequivocally for European integration, secure the conversion of the others. This is what happened on the Continent, where coal and steel blazed the trail of unification. The first clear sign of similar leadership in British industry has come from the aeronautical industry, and the case is highly significant because it was in this field that Britain tried until recently to be the cat that walks by himself. The spectacular progress of aero engineering in Britain during the war (notably with the invention of the jet engine), the advance that Britain seemed to have secured even over the Americans in jetliners with the first Comets, the responsibility thrown on the industry by the decision to build an independent nuclear striking force, and the still acknowledged British mastery in turbo-prop and pure jet engines, all seemed to justify a strictly nationalist approach and to exclude the pooling of resources implied in economic integration. At all events, it meant that the aeronautical industry represented a considerable investment of national amour propre.

Yet in recent weeks the British aero industry has admitted the impossibility of "going it alone" and has virtually created with its rivals in the Common Market the foundations of a unified aircraft industry that rationally pools resources and divides labour for a common task. And by the same token, it has at once opened up a grandiose prospect, as notable as any so far revealed by industrial concentration inside the Common Market. In 1968 we shall be able to fly from Delhi to London between breakfast and dinner at a speed of 2,500 kilometers an hour in a plane that will be neither British nor French, but a "Common Market Plane" (possibly run by a "Common Market Airline"), and which will have no Russian or American rival or counterpart. It is by examples such as this, which demonstrate the futility of nationalist effort in modern industry and the immense possibilities of British-Continental co-

operation, that the ideal of economic integration will make its way among British industries.

The turnabout in British aviation has come suddenly. As recently as 1958, the British submitted their own version of an anti-submarine plane to NATO, and when the alliance preferred a French plane, they withdrew and refused to co-operate. The plane was built by the Common Market industries: Breguet and Sud Aviation (France), Dornier (West Germany), Fokker (Holland) and ABAP (Belgium). The British limited themselves to a free-trade operation: they sold the engines on a commercial basis to the Common Market makers. This month, by contrast, they are submitting joint designs to NATO for its vertical-take-off fighter along with Continental manufacturers, and will co-operate in building whatever machine is chosen. There are two main entrants. The British Aircraft Corporation (Vickers Armstrong, English Electric and Bristol Aircraft) are working with the two French firms, Sud Aviation and Marcel Dassault, on a VTO (vertical-take-off) version of Dassault's Mirage 3 V. The Hawker-Siddeley group (Hawker Aircraft, de Havilland, Avro, Folland and Blackburn) have signed an agreement with Breguet, Fokker, Dornier, SBAC-Fairey (Belgium) and Republic Aviation (US) to produce in common whichever of their machines is selected by NATO, despite the fact that Hawker seemed to be comfortably placed by itself in the VTO field. I suppose I need not emphasise that the quest for a VTO craft does not concern only NATO: VTO or STOL (short take-off & landing) planes are of vital importance to countries without adequate airstrips, for operation in the bush or in jungles, and for landing near cities where land values are high. VTO promises to be the next significant advance in aviation, and its coming has been brought nearer by the British decision to abandon, in one case, their own plans in favour of a French machine and, in the other case, to work from the start with the Continental industries.

These decisions are not isolated but are part of a general revision of British thinking on the subject. Simultaneously, the British Aircraft Corporation has signed up with Dornier Werke (West Germany) and with Finmeccanica (Italy) for research on a STOL transport plane. Bristol-Siddeley, the motors subsidiary owned jointly by Hawker and Bristol Aeroplane, has signed up with SNECMA, the French Government's aero engine corporation for the joint construction of the Olympus jet engine for multi-mach craft. These co-operation pacts are in line with the policy adopted by the Common Market construction for some years past, and which was initiated by the anti-submarine craft mentioned and is being continued by work on the Transall. The Transall, a big turbo-prop cargo plane, is the first Franco-German venture in aeronautical construction and is being produced by Nord Aviation (France) and Blumeleight, Hamburger and Weser (West Germany). A new step in the same direction has just been announced, in the shape of an agreement between Breguet and Fokker for the construction of the Friendship transport plane. Agreements of this sort are multiplying inside the Common Market because everyone realises that the cost of progress in aviation is too enormous for any one national industry to bear, whereas, if talents and money are combined, the Europeans can hold their own against the Americans and Russians. What is new is that the British industry has been converted to this same point of view.

The most striking proof of its conversion concerns the project for a supersonic airliner. The British and the French were working on this independently. They had set their sights lower than the Americans, who are perhaps reaching for the moon: the USA, in its Project Orion, is planning a 2,000 mph. airliner, which will involve immense difficulties since it will need to be built of steel to withstand the heat generated at such speeds. The Europeans had in view a machine that will fly at mach 2.2 (against mach 3 for the Americans), will have a shorter range and thus necessitate a stop at Gander in crossing the Atlantic. Even this project, however, would be beyond the capabilities of the separate national industries. So the British Aircraft Corporation have just signed a pact with Sud Aviation makers of the Caravelle) for long-term technical co-operation and, eventually, joint production and sale, covering their work in progress and their future projects. This means in effect that the schemes for a Vickers Armstrong VC10 long-range jet transport will be shared with the Super Caravelle. Implementation of the agreement is now to be discussed and will depend on technical factors and on the assistance provided by the two Governments. The French Government, for its part, has already approved a contribution to construction of a supersonic airliner; the companies are awaiting similar approval from London. It is then likely that the purely British plan will be dropped and both nations will concentrate on the Super Caravelle.

Such a decision would prove that one British industry at least had resolved, very definitely, to join the Common Market and for the same reasons as are pushing Continentals to integrate their industries. Moreover, it would be a rational way for Europe to find its place in a world dominated by Russo-American competition. As we see with their respective space projects, the Russians and Americans seem willing to ignore all reasonable economic considerations in the pursuit of extensive prestige. Europe would be well advised to leave them fight out the uneconomic battle over the prestige project for an airliner that will (maybe) fly at mach 3.5 somewhere between 1970 and 1975 but will be too costly

for the airline companies to buy. Coming on to the market in 1968 (prototypes will fly in 1965) with a 90-ton, 100-passenger machine for which there already exists a demand, the Europeans will have made better use of their resources. In this field as in others, the Europeans could show that the object of their economic integration is not to "be as big as the biggest" but to combine their abilities in the pursuit of reasonable goals.

The British aeronautical industry's option in favour of European co-operation is not just a flash in the pan; as Continental experience has proven since 1957, one thing leads to another once one begins to integrate national industries. Concentration at home is a necessary prelude to concentration inside the Common Market, and the reorganisation of the British aero industry this autumn is a sign that the current round of agreements with the Continentals forms part of a general shake-up such as the British Government hoped to stimulate when it applied to the Six for admission. (The Hawker-Bristol and the Rolls Royce-English Electric-Napier groups have been concentrated, leaving only one independent engine maker, Avon). Moreover the national airlines companies will soon find that accelerated progress in the European aero construction industry sets them problems that can best be resolved by similar international agreement. These companies are already groaning under the strain of keeping up with the aircraft manufacturers (some have failed: TWA's financial crash may mean that it cannot pay for its Caravelles). The Common Market airlines drew the moral some years ago, when Air France, Lufthansa, Alitalia and Sabena formed Air Union. KLM, which backed out of the agreement, is now thinking of coming back, and if Britain joins the Common Market the question of admitting BOAC and BEA will arise. The supersonic airliner planned by the British and French as a joint venture will cost Rs. 35 millions to produce. The airline companies may well find that they cannot buy and amortise machines of that order without getting together the way the firms that make them are getting together.

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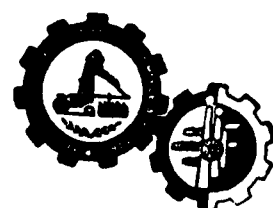
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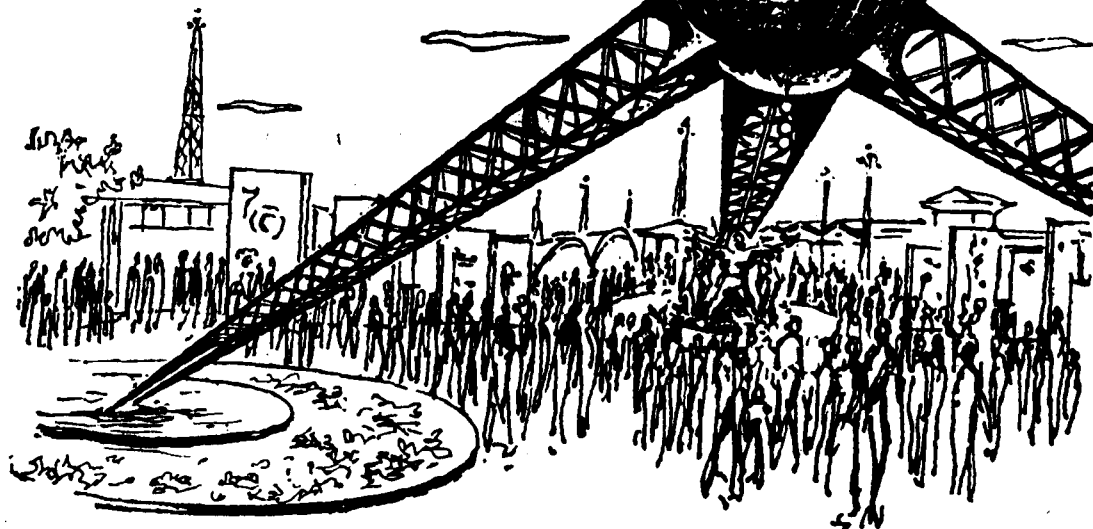
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Economic Report from the U.S.

IMPROVEMENT IN EDUCATIONAL STANDARDS

By GUY SIMS FITCH

WASHINGTON, December 6.

It is an accepted assumption that rising levels of education contribute importantly to a nation's economic and social development. In a nation in the early stages of economic advancement, where even basic skills required for modern industrial and agricultural development may be insufficient, this assumption is hardly to be challenged. Yet even in the U.S. where formal education is widespread and where basic skills have been developed to a high degree, the need for continuing improvement in educational standards is a subject of considerable interest.

Historically, growth in education has been one of the striking features of the U.S. scene in the twentieth century. Expenditures on education have more than doubled every 10 years since 1900. Some 40 per cent of Americans in the 18-21 age bracket are in college today compared with only 4 per cent at the turn of the century. Last year, formal education cost Americans nearly \$45,000 million — an amount equal to 9 per cent of the U.S. production of all goods and services. This includes the salaries of two million teachers plus other school employees, maintenance and carrying charges on buildings and equipment, and the estimated amount of money students might have earned if they had been working instead of attending school.

The question remains as to how all this education contributes to economic progress. As far as the individual is concerned, of course, he becomes better equipped to handle important, more demanding, and presumably higher-paying jobs. According to measurement made a few years ago, for instance, college graduates had an income almost two-thirds higher than high-school graduates. But money return is far from the entire

answer. It is, rather, a reflection of the fact that the fastest-growing occupations have been those requiring higher levels of education. This development is directly related to the demands of economic growth. Obviously, the better educated the labour force, the more productive it tends to be. And basic to growth is technological progress and its related services, which rest primarily on education. It is difficult, of course, to arrive at statistical measurements of the importance of an element as intangible in its impact as education to the economic progress of a country as large and complex as the U.S. Yet it has been concluded that over a recent 30-year period some 24 per cent of the increase in the nation's total output of goods and services — its gross national product (GNP) — and 44 per cent of its advance in output per worker could be attributed to the higher levels of education in its labour force. And this does not take into account the application of increased knowledge — another intangible — that may have accompanied the higher educational levels.

Of course, investment in education is not the only ingredient of economic growth. One cannot ignore the fact that increased capital investment also is essential to put technological advances to work. Moreover, the gains from education may not be immediately evident. They tend to accumulate over a long period, with net addition to economic growth often generated only in succeeding years or decades. Nor is there any set formula as to how much a nation should spend on education. From the record, however, it appears that the growth in the U.S. GNP resulting from education has been sufficient to cover much of the total cost of U.S. school systems despite the rapid rise in enrolments and expenditures. To this extent, a large part of the cost of education can be considered as self-financed over the years.



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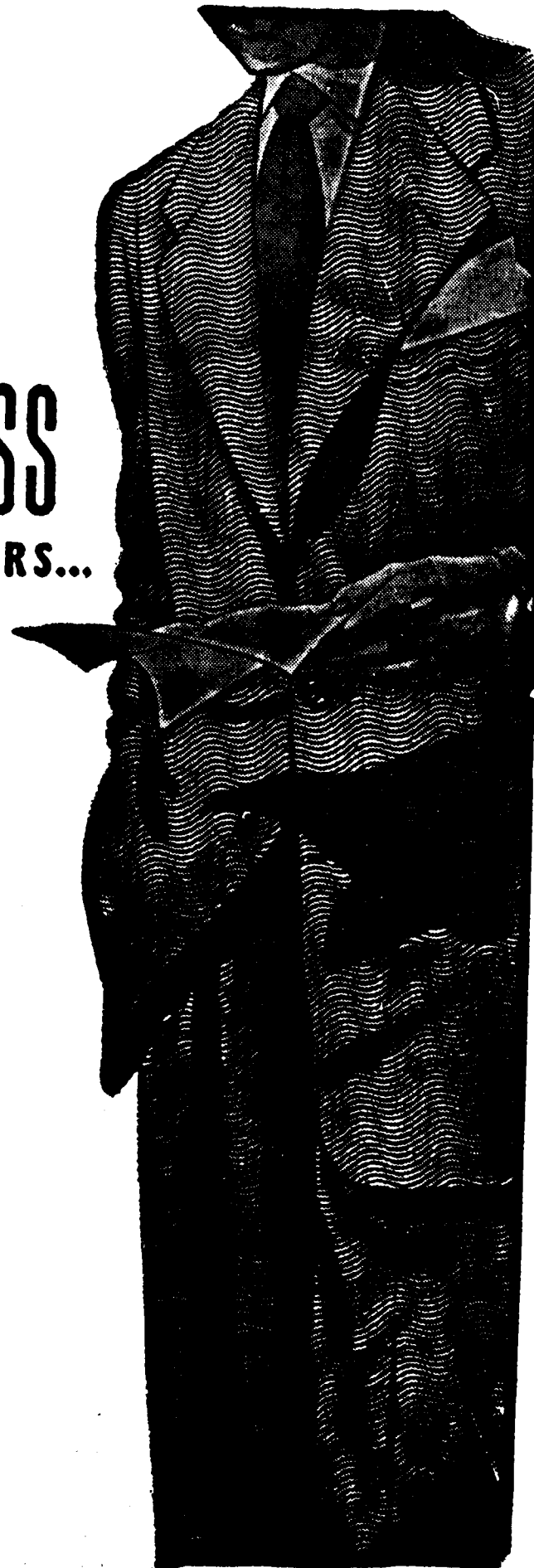
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Special Article

THE IDEOLOGY OF COOPERATIVE CAPITAL FORMATION

By BERTIL MATHSSON

Director, I.C.A. Education Centre, New Delhi.

AMONG the Rochdale principles, those which in different ways have to do with the question of capital and finance, occupy an important place. Out of the seven principles, the following three deal directly or indirectly with the problem of finance: (i) limited interest on capital (ii) dividend on purchase, and (iii) cash trading. The central question is the principle of "owned capital" and the maximized rate of interest. The principle of "dividend" or "patronage refund" in direct relation to the members' utilization of the services offered by the co-operative society is, however, also of essential importance.

These principles might seem simple and very clear. However, as soon as one tries to tackle the main practical problems connected with the formation of capital, one will find that differences of opinion arise, not only as to how the principles should be interpreted, but also as to how, from time to time, they have been interpreted in different Cooperative movements. From this point of view it appears well worthwhile to try and define the basic reasons and motivations underlying the special methods of capital formation utilized by the Cooperative movement.

The principle of "owned capital" is motivated by the necessity to ensure freedom of action for the Cooperative movement. It is when the Movement is independent of outside credit-giving institutions that it can most effectively protect the interests of its members.

To be independent of outside providers of credit does of course not mean that the movement should be excluded from borrowing money. It involves no threat to independence to borrow money, if the loans are practically always available and can be replaced if the need arises. From this point of view, the following interpretation of the central contents of the "owned capital" principle seems reasonable:—

Cooperative activity should be financed by capital raised by the members. If needed, borrowing may be allowed in the form of mortgages of real estate (as a general rule, such mortgages should not exceed two-thirds of the taxation value of the mortgaged real estate).

The formation of capital by efforts on the part of the members themselves can, broadly speaking, be achieved in three different ways: (1) formation of collectively owned capital; (2) shares; (3) loans. For a long time the emphasis was placed on those types of capital formation which constitute "owned capital," namely, shares and funds. Deposits from members have, generally speaking, been relatively unimportant in the economy of Cooperative societies, and, although looked upon with favour, in most cases they have not been considered as essential a method of capital formation as shares and funds.

In this connection, the Swedish Cooperative Movement offers one interesting example. In 1953 this movement introduced what has been called "family savings." These savings are achieved by placing a part of the

members' patronage refund in a special account*. The money—naturally with accumulated interest—is made available to the member only when he reaches the age of 60. The Board of the Society may, however, allow a member to withdraw his money from the family savings account if he needs it for reasons specified in the rules adopted for the family savings system. (The general opinion in the Swedish Movement is that the family savings in effect mean that deposits from members have been put on par with shares and funds).

The members can raise the necessary capital in several different ways. First comes the formation of collectively owned capital, which includes depreciation, reserve funds or other funds which can be used only according to specified rules. Next in order come shares and financial deposits of various kinds such as savings banks, member deposit accounts, five-year loans and other long-term loans from members.

This variety of possibilities obviously enables the Cooperative movement to create, in every given situation, its "owned capital" in the most advantageous manner. The problem is to decide which method is the most advantageous one. This can be determined only by referring back to the objectives of the Cooperative Society. In a Consumer Cooperative Movement the main task is to promote the household economy of the members by procuring goods and making them available to members. It is a matter of organizing the procuring and distribution of goods at the lowest possible costs to the members.

The different methods of capital formation must therefore, be compared with respect to how effective they are from the point of view of promoting the members' household economy. One main consideration is of course, that the method of capital formation should not be a too costly one to apply. Secondly, the interest to be paid, taxes, if any, and costs of administration must also be taken into account.

However, it is not at all certain that the "cheapest capital" is always the most useful kind. One must also consider the special need for which the capital is to be raised. It might happen that it would be more advantageous to pay somewhat more for the money if this means that one can acquire more quickly a particular kind of equipment which will increase the movement's capacity to perform. One must also reckon with the speed with which capital may be formed. This of course varies between different methods of capital formation. Some will "collect" the capital more quickly than others. If loans are to be floated it is necessary also to consider the terms of repayment, and the strain on liquidity which repayment will place on the movement. Finally capital formation should always be viewed with a high regard for the members' interest in having capital collected by methods which are advantageous to them as private persons. From this point of view, different forms of loans from members offer great advantages. The members will place money at the disposal of the Cooperative movement but, at the same time, they must be able to count on having the use of this money, and when the need arises.

*The rule has hitherto been "a sum corresponding to 1% of the members' purchases in the year, if the dividend is higher than 2%," but a new rule is proposed, saying "all of the dividend above 3%."

To sum up, capital formation should be made in such a manner that the costs for providing the services for which a Co-operative Society has been established can be made as low as possible. Furthermore, the methods of capital formation should be as advantageous as possible to the members in their capacity of financiers.

In the Co-operative Movements, by and large, the interest paid on capital raised by the members has corresponded to the market rate of interest. Interest paid on loans from members has, broadly speaking, been equal to the rate paid on similar loans in the common capital market.

Interest on shares is a special case. After all, shares are not a loan from the members to the society, but money which makes the members part-owners of the society. In other words, the interest paid on this capital is in principle to be regarded as a share of the profits. Since the basic principle of Cooperative activity is not to create interest on capital, the two principles regarding distribution of surplus are: maximized interest on capital and patronage refund in relation to the members' utilization of the services offered.

The relationship between capital formation in the Cooperative movement and the price policy and patronage refunds of the movement is a subject of special importance.

The objective of "promoting the members' household economy" does not give a specific lead as to the price policy of a Cooperative movement. Two extreme interpretations might be mentioned to illustrate this. The first extreme is to adopt a price policy by which prices charged barely cover the costs. In Cooperative history advocates of this line have been many. After all, such a price policy will serve the interests of the members' household economy, and it will immediately make available to them the benefits which the Cooperative activity can create. On the other hand, there will be no surplus. Experience has shown that the great disadvantage of the "selling-at-cost policy" is that capital formation is neglected. A Cooperative organization following such a price policy will remain weak and will not be able to make any real contribution towards raising the standard of living of its members.

The other extreme has better "standing" and has even become a principle, adopted by many Cooperative movements. It is the policy of selling goods at market price. This policy means, by and large, that the price policy of the Cooperative movement is passive. The Cooperative movement accepts whatever prices are current in the market. Obviously, the patronage refund becomes very important in movements adopting this policy. The prices offered by the movement are of no special advantage to the members. Whatever the movement can achieve in terms of savings will go back to the members in the form of patronage refund. The member gets back what he has been overcharged. A high rate of patronage refund is a sign of success, and the patronage refund itself becomes an important argument by which the movement seeks to increase its membership. The market price policy thus provides the members with a simple "measure" of the usefulness of their society.

However, this extreme price policy has considerable disadvantages. It serves to maintain a high price level, and there is no incentive to force down costs, as in the case of an active price competition. This is the reason for a third line: an active price policy. This

has become the favoured one for instance in the Swedish Consumer Cooperative Movement. By introducing rational methods of production and distribution, the Cooperative movement attempts to bring down costs. Prices charged by Cooperative enterprises will fluctuate according to the variations in costs, always with a surplus included in the prices. A certain portion of the surplus can be used for depreciations and for setting aside funds. Both are of course to be utilized for the development of the Cooperative Movement. Whatever is left will be returned to the members in relation to their utilization of the services.

In fact, the question as to how large a surplus a Cooperative society should aim at can be answered only if one is clear about the purpose of the surplus. In the case of an active price policy, one cannot make out a case for "paying back that amount which the member has been overcharged"—the prices charged should be so calculated that the member has not been overcharged. Nevertheless, one must take into account some margin of risk which has to be included in the surplus. A more important purpose of the surplus is, however, the need for capital formation. In the Swedish Movement, the formation of "member owned capital" has so far been achieved largely by utilizing the surplus. In other words, the size of the surplus is made dependent upon the need for capital.

What then will be the function of patronage refund? The difference between patronage refund and other forms of surplus distribution is that the refund transfers a portion of the surplus into money, privately owned by the members. Still the intention is that this money also should contribute to the capital formation of the Cooperative Movement, i.e. the patronage refund is one way of transferring a part of the working capital to the individual members.

As we have already stated, it is desirable that this transfer of capital is done in such forms as will be advantageous for the individual member. It is necessary to enable him to use his own money freely as and when he needs it. It is therefore essential to weigh against one another the need of the Cooperative society for long-term and stable capital and the members' interest in having the right to use their contributions towards the capital. This is the basis of the Swedish method of transferring half of the patronage refund to the member's share up to the time when he has paid his full share. The other half is transferred to a member account. Money deposited into the member account is immediately available. After a member has paid his full share, patronage refund exceeding 3% of the member's purchases during the year are transferred to the family savings account, from which money can be paid out according to the rules mentioned above. The remainder is deposited in the member account.

In the case of sales from one Cooperative society to another, the same basic view of the patronage refund must be maintained. If a product passes through several Cooperative enterprises and is priced so that a considerable patronage refund becomes possible at each level, the result can easily be a high purchase price at the final stage, that is the distributing Cooperative society. The Cooperative Movement will then either be placed in an awkward position as far as its ability to compete is concerned, or it must reckon with the patronage refund as a possibility for giving rebates. This is not a rational approach. The different levels must be in a position to count the given price as the net purchase price. Naturally the surplus which is needed to ensure capital formation, must be included in the price.

THE BUSINESS WORLD

Textile Policy—A Stock-Taking

By CROESUS

THANKS to the Tariff Commission's special questionnaire issued to the Indian Cotton Mills' Federation in connection with its enquiry into the cotton mill industry, we now have a very well documented and connected account of the present state of the industry and the circumstances leading to it. Any one who has followed the fortunes of this industry for the past decade will have nothing but sympathy for this much-harassed sector of our cotton industry. And, if this unsatisfactory state of affairs is to be stopped, as it must, the least that the authorities should do is to accede to the eminently reasonable request of the I.C.M.F. that "the various problems of the industry be viewed against the broad canvas of the action and interaction on so many other sectors of the economy and on the millions of persons depending directly or indirectly on the stability of the industry, and not from the narrow viewpoint of the effects on the cotton mill industry itself." In my opinion, this refreshingly "live-and-let-live" approach of the Federation deserves to be emulated by the apex organisations of other industries also in the country, if only to disabuse the unfortunate impression in certain quarters that our industrialists live only for themselves and don't care a hang about what happens to others, in particular the consumer, the worker, and the tax-payer. I must say the I.C.M.F. has rendered a distinct service to the business community in the way in which it has gone about in tackling this problem.

Now, broadly, what is the sum and substance of the I.C.M.F.'s replies to the Tariff Commission's questionnaire? According to me, the main burden of the theme of all the replies is the injustice done to, and the indifference being shown towards, the Indian cotton mill industry and the imperative necessity to make amends for it all in the best interests of everyone concerned. To put it differently, generally speaking the Federation wants a solution to the four-fold problem of (a) supply of quality goods at reasonable prices to both the domestic and the export market, (b) payment of higher wages to labour, (c) fair deal to the investor. None of these is exceptional and yet none is being achieved because of the Government's unimaginative, if not unhelpful, handling of this problem.

Everything seemed to be all right with the cotton mill industry until 1951, when a decision was taken by the Government ostensibly to help the handlooms which, however, has not happened even to this day. This decision was not to allow the balancing of new spindles with looms because of the so-called need to protect the handloom industry from competition. Other measures, which were similarly designed to achieve the same end but which, again, hardly did so, included, *inter alia*, reservation of certain lines solely for the handlooms and small powerlooms, restriction on production of dhoties by the mills, imposition of a handloom cess on every yard of mill cloth, and discouraging of installation of automatic looms. Assuming that the intentions of the authorities in imposing these restrictions on the mills were well motivated, one must also pause to take stock, at some stage or other certainly before the position becomes irretrievable — and ascertain whether all the desiderata have been achieved. If not, it behoves one to change or reorientate one's strategy. But not to accept that things have gone

wrong and, therefore, persist with the same policy is to wrong the entire nation's economy.

This is precisely what the I.C.M.F. has neatly set out to establish in its replies to the Tariff Commission's questionnaire. Thus, while all the policies and actions of the authorities have been aimed at benefitting the handloom interests, it has been shown that the greatest beneficiary has been the powerloom industry and not the handloom industry. And the irony of it all is that, owing to its peculiar method of compiling production statistics, the Government was fondly hoping and implicitly believing that it was the handloom industry that had been benefitting from its policy. Thus, whereas the Government's statistics of production had been indicating the 1960 output of the handloom sector at 1,855 million yards and that of the powerlooms at only 341 million yards, the Federation's figures following an intensive study, published earlier this year, revealed that the position was far from being so flattering to the authorities. According to the Federation, the production of the handloom industry in 1960 was only 800 million yards or only a little over two-fifths of the Governments' computation!

Apart from adversely affecting the consumer — as, indeed it must be in the necessarily restricted market occasioned by the Government's policy of assisting the decentralised sector — this policy has affected our exports, low even as they are, being no more than 14 per cent of mill production. For a proper and sound functioning of any industry in both the domestic and the overseas markets, this percentage ought to be considerably higher, but the Government's policy has been anything but conducive to such a goal.

The labour policy generally and the wage policy in particular of the powers that be also have been unhelpful to the mills. Not only have wage rates risen, especially since the last war, but risen without a commensurate rise in productivity as in other countries, which, again, militates against exports and domestic consumption alike. Realising this no doubt, the Wage Board urged speedier modernisation and rationalisation, but, as the Federation's replies show, while the authorities have not been slow in implementing the part relating to wage increases, they have done precious little to push on with the process of rationalisation. It is a pity that the Government of India has failed to draw any lesson from the relative performances of the mill industry in the U.K. and that in Japan, both of whom were more or less similarly affected by the World War II. Whereas the still conservative approach, by and large, of the authorities in the U.K. has led to that country ceasing to be the foremost exporter of cotton textiles and becoming a net importer, the highly imaginative policy of prompt modernisation pursued by Japan had led to its remarkable recovery in the post-war period to reach the foremost position in the international textile trade. To quote the I.C.M.F. "India cannot afford to be slow in learning the lesson from the contrast in the fortunes of these two leading countries of the world."

Of the utmost importance perhaps among all the Federation's replies is the portion dealing with price

control. It is the considered opinion of the I.C.M.F. that "control on prices will not bring any relief to the consumer". All that the controls do, as the Federation has observed, is "to limit to the stipulated level the invoice price of a mill company, without bringing any relief to the consumer. Large amounts of money will escape taxation and the only tangible result of the controls will be demoralisation and reduction of quality to the lowest common denominator".

It is noteworthy that, despite these objectionable features of any control on prices of textiles, the Federation is prepared to submit itself to an upper and

lower limit within which prices may be permitted to fluctuate without any interference. In the opinion of the I.C.M.F., such a flexible policy must also take note of the necessity to give incentive to quality producers as well as the need to exempt industrial fabrics like tyre canvas, tyre cord, etc., which are used as raw materials by other industries. That is a very sensible suggestion, I should think. Considering the unique position that the Indian cotton mill industry occupies in our economy, it would be a great pity if the I.C.M.F.'s replies were not to receive the consideration they so richly merit.

Growthmanship in Concrete

REFLECTIONS ON THE A.C.C. PAVILION

IT is becoming fashionable in recent economic usage to describe economic development by a magic word 'growthmanship.' The word itself is significant, because it implies that at long last there is recognition that the substantially human factors which lie behind economic development are substantially human factors connected with inspiring leadership and management. In every industry—as one learns heavily in the classical textbooks of economics—one needs the factors of production: capital, labour, land—a generic term for raw materials—and management. But the acceleration of economic growth is primarily the result of the last factor in its inventive form. In looking at the story of an industry, one must look particularly for the forms of human organisation in which the personal element has triumphed over the niggardliness of nature.

In the cement industry in India over the last half century, there have been more than one company associated with entrepreneurship, but, in the public mind, the ACC—the result of a merger of ten cement-making companies which took place in the thirties—has tended to occupy the spotlight, though the agencies of the growth have by no means been confined to the ACC. It is a fact that, whilst the ACC has continued to provide leadership in every aspect of the cement industry, its share of the Indian market has tended to decline from about two-thirds in 1947-48 to less than half in 1960-61; it is still the leading manufacturer and continues to break fresh grounds by manufacturing new products such as slag cement, oil-well cement and hydrophobic cement. Paradoxically, the Associated Cement Companies themselves have made possible the entry of other units by the great expansion of the market which their pioneering efforts has generated.

The multiple uses of cement and their adaptation to conditions in India, sun and dust, rain or snow, have been a major factor in expanding a market which, currently, is going faster than ever before. Indeed, if one looks at the graph of consumption of the cement industry in the Indian Union, one might proclaim that the long period rate of growth of a little over 8 per cent per year has now nearly doubled itself and currently is at the point of rising further. Indeed, as an industrial economy develops, the responsibilities on the cement industry tend to grow unevenly. Currently, the rate of growth of the cement industry might be said to be three times the growth of the national income in the Indian Union. This rate of growth will level off when the base of the Indian national income increases and, perhaps, the long-term rate of growth might be 8 per cent per year again after ten or fifteen years. In the early stages of industrialisation cement growth is necessarily significantly higher than the growth of the economy as a whole; in the later stages when the economy is buoyant enough to make full use of this basic building material, there is no parallelism between the rate of rise in cement and the national product as a whole. In the

Indian Union not a little of the task which is faced by the cement companies is the development of the markets for a relatively expensive material. Much the greater work of developing a market is consistent with the developing of right products and in illustrating their use. This is often called the education of the consumer.

PRODUCTION

Here in Delhi in a splendid pavilion in the Indian Industries Fair this education is attempted by a demonstration, all in concrete, architecturally exciting and at the same time based on materials, all of which reflect the many facets of the stock-in-trade of the Associated Cement Companies. Precast columns support the attractive dome roof and the pavilion is a permanent structure capable of being used long after the exhibition is over. Continuing the process of education, the Pavilion contains a large model of a cement factory, with an illuminated flow-chart which shows the manufacturing process. Round this central feature are grouped the wide range of the Company's products which include silvitrete white cement, slag cement and the more recent products, viz. oil well cement and hydrophobic cement. Another side deals with refractories, growing more important every day with the addition of furnaces to so many Indian engineering industries and, finally, building of heavy machinery in the Company's Workshops at Shahabad. Another panel describes the AVB Heavy Machinery project which ACC, Vicker and Babcocks have started at Durgapur for the manufacture of Babcock boiler plant, mining and other machinery—equal to the world's best.

Opinions may differ somewhat on the water pool designed by Satish Gujral, presumably intended to demonstrate the virtues of colour and the use of Silvitrete. Silvitrete itself has become a household word in many Indian cities, where colour and architectural daring have changed drab houses into exciting living rooms; as they also provide the most hygienic bathrooms. Each of these numerous products has been propelled, so to speak, by the Company itself with the assistance of engineers inside and outside its apparatus. The engineering profession, in the country as a whole, has had in each case to learn specific uses of cement such as prestressed concrete, in which a major service is being performed by the readiness of the cement companies to sponsor more economic methods of construction, particularly in view of the country's shortage of steel and limestone, inevitably involving difficulties in cement production.

There will naturally be different views on the Pavilion as there will be on the cement industry's performance. But there can be no difference on the outlook of those who have sponsored developments in the research and marketing fields from which, as balance-sheets show, no larger profit arises.

In the last analysis it is not a Company's balance sheet which itself meets a challenge. The challenge, at the present time, is the maintenance of production with the fulfilment of welfare needs on an expanding scale, always recognising that in a poor country as distinguished from an affluent society there are constraints on the use of expensive building materials. Today, as

this Pavilion demonstrates, the cement industry is fulfilling a double responsibility. It has harnessed itself to the planned development of heavy machinery, and at the same time contributes greatly to day-to-day comfort and cleanliness particularly in the houses of the lower income groups in India's hard-pressed town population.

Business Notes

Insurance

MORE FACILITIES FOR FIELD OFFICERS

NEARLY 7,000 field officers of the Life Insurance Corporation will stand to gain substantially as a result of the decisions taken by the Board of the L.I.C. on the recommendations made by a Joint Committee appointed for the purpose. This Committee was constituted by the L.I.C. Chairman and included both L.I.C.'s senior officials and field officers' representatives. After going carefully into the service conditions of field officers, the Committee unanimously recommended payment of gratuity and increases in conveyance and travelling allowances (either by cycle, motor cycle, or car). The car allowance was recommended to be raised from 25 nP. per mile to 30 nP. and motor cycle allowance from 12 nP. to 30 nP. If a field officer's salary exceeded Rs. 350 per month, the Committee recommended, he should be allowed to travel by first class.

Besides accepting all these recommendations, the Board also undertook to extend other facilities, such as telephone connection, establishment of libraries, and distribution of free literature to facilitate development of business. All told, these facilities together with those chalked out for retirement age, hospitalization expenses, designation and duties of field officers, new recruitment policy, etc. recommended by the Joint Committee, are estimated by the L.I.C. authorities to entail an additional expenditure of Rs. 11.08 lakhs (Rs. 8.38 lakhs on gratuity and Rs. 2.70 lakhs on non-recurring expenditure.)

Although these concessions should go a long way towards rectifying an anomalous situation, the non-acceptance of one of the unanimous recommendations, namely payment of annual bonus to field officers, seems to leave a sore spot behind. Under Regulations 58 and 59 of the Staff Regulations, as approved by the Government, however, it is not possible for the L.I.C. to accede to this and, yet, it is strange that the Joint Committee, on which were also represented three senior L.I.C. Officers, should have recommended it. Surely they ought to have known what the L.I.C. spokesman was at pains to explain, namely, that the field officers are already recipients of other benefits, such as multiple and temporary increments and bonus commission, not available to other employees of the Corporation, and that this benefit (of bonus commission) is limited to field officers only. If, as the L.I.C. spokesman maintained, all these benefits far exceed the total amount they would get if, instead of bonus commission, an annual bonus were paid to them as recommended by the Joint Committee, the field officers cannot very well exploit this lapse, perhaps indulged in a fit of generosity, and demand their pound of flesh. But they obviously want both the bonus commission and an annual bonus. If so, like Oliver Twist, they are asking far more. Since bonus commission more or less fulfils the same purpose as an annual bonus, it can be either the one or the other, but not both, unless the field officers cease to have any consideration for the poor policy holder who it is that has to foot the bill eventually.

N.S.I.C.

ANNUAL REPORT FOR 1960-61

IT APPEARS from the annual report of the National Small Industries Corporation for 1960-61 that, in com-

parison to the previous year, its activities have widened fairly steadily. The Corporation secured from the Director-General of Supplies and Disposals contracts for the value of Rs. 385 lakhs in favour of small-scale units, as against Rs. 265 lakhs in 1959-60.

Under the Hire-Purchase Scheme, the Report says, applications were received for the supply of machines and machine tools to the value of Rs. 1,480 lakhs. Value of machinery delivered during the year under report was Rs. 179 lakhs, as against Rs. 167 lakhs in the previous year.

In addition to the normal Hire-Purchase Scheme already in operation for six years, the Corporation introduced two special schemes for utilisation of the Development Loan Fund Credit, namely, Bank Guarantee Scheme and Special Hire-Purchase Scheme. Under the former, on acceptance of an application by the Corporation, the applicant is required to deposit 20 per cent of the c.i.f. cost of the machine as earnest money and to furnish a bank guarantee for the remaining 80 per cent which has to be repaid to the Corporation in four equal annual instalments inclusive of c.i.f. cost, interest and service charge. Under the latter, applicants are required to pay 20 per cent as earnest money against offer and 20 per cent before the handing over of shipping documents. The remaining 60 per cent (including the principal, interest and service charges etc.) is recovered in five equal instalments; the first falling due after one year from the date of handing over the shipping documents.

On the internal marketing side, the turnover of two wholesale depots, one at Agra for leather footwear and the other at Khurja for potteries, amounted to Rs. 5.68 lakhs and Rs. 1.52 lakhs respectively. Besides, the Corporation has a Raw Materials Depot at Ludhiana for the supply of pig iron and steel to small industrial units whose turnover during the period was Rs. 23.72 lakhs.

Shoes worth Rs. 69 lakhs were exported as against Rs. 43 lakhs in 1959-60. Sales of cycle components and hosiery needles, which were obtained by imports, amounted to Rs. 62 lakhs during the year.

In the existing set-up of things, there is a persistent need for the Corporation to increase its activities for the development of small-scale sector which is to exist side by side with an imposing large-scale sector.

Diesel Engines

T. MANEKLAL'S NEW VENTURE

T. MANEKLAL MANUFACTURING COMPANY LTD. has drawn up plans to go in for the manufacture of high range diesel engines. A new company, by the name of SLM Maneklal Industries Limited, has been formed for the purpose and registered in Gujarat. The plant is proposed to be set up at Vatva, near Ahmedabad. The plan is to produce diesel engines in the ranges 163 h.p. to 655 h.p. The initial output will be 45 engines a year on single shift. It will be stepped up in about three years to 75 engines per shift per annum. It is also proposed to undertake in course of time the manufacture of blowers, watering pumps and compressors.

The authorised capital of the new company is Rs. 100 lakhs, divided into 80,000 equity shares of Rs. 100 each, and 20,000 preference shares, also of Rs. 100 each. Ten per cent of this capital, all in equity shares, is envisaged to be held by Swiss Locomotives and Machine Works, Switzerland, with whom technical collaboration has been arranged. In lieu of this share, the Swiss firm will not only be supplying technical know-how, but also its patent rights and part of the machinery and equipment to be installed at the Vatva factory. The rest of the machinery, estimated to cost Rs. 20 lakhs, is proposed to be procured on rupee payment basis. The foreign exchange component of the project, thus, will be around Rs. 30 lakhs, out of the total cost estimated at Rs. 70 lakhs in the initial stages and at Rs. 100 lakhs at the completion of the project.

The promoters, their friends and associates have agreed to invest substantially in the new venture. Part of the capital of this new undertaking may also be issued to the shareholders of T. Maneklal Manufacturing Company. The rest of the capital will be offered to the public for subscription as soon as the necessary consent is received from the Controller of Capital Issues.

Much of the preliminary work on the project has already been completed. Nearly two lakh square yards of land have been purchased and negotiations are in progress for procuring another one lakh square yards. Arrangements have also been completed for the supply of electric power. Construction of the factory is to be taken up soon. The licence for the import of capital goods is expected to be received in the near future. If all goes well, production is likely to commence by 1962 end.

Indian Oxygen

EXPANSION PLANS

INDIAN OXYGEN LIMITED, CALCUTTA, which has already got as many as 45 factories and depots throughout the country, has drawn up an ambitious plan to expand its activities further. Besides setting up another oxygen plant at Madras and doubling the present capacity of its Bombay and Jamshedpur oxygen units, it proposes to undertake manufacture of explosives at Burmool and cartridges at Ranchi. The company has also decided to set up a booster plant at Jamshedpur and another nitrous oxide plant at Bombay.

The main activities of the company fall into four broad categories — (1) manufacture and sale of industrial and medical gases; (2) manufacture and sale of gas welding and cutting and medical equipment and accessories; (3) manufacture and distribution of electrodes and fluxes; and (4) sale of automatic, semi-automatic, gas-shielded and manual electric welding equipment and accessories. Among the industrial gases which the company produces are oxygen, acetylene, argon, nitrogen, nitrous oxide and compressed air. Indian Oxygen is the largest producer of these gases and the only producer of medical gases, argon and high purity nitrogen in the country.

Digjam

EXPORTS TO BE STEPPED UP

DESPITE FANCY prices that its products fetch in the domestic market, Shree Digvijaya Woollen Mills, Jamnagar, it is learnt, has drawn up plans to step up its export effort. The company, it is understood, is at present carrying on negotiations with North Korea and Hungary for exporting sizeable quantities of its woollen fibres to these countries. If these negotiations fructify, the company, it is further learnt, will be able to export nearly 20 per cent of its annual output, which currently is of the order of Rs. 1.10 crores. The present exports

of the company — mainly to the U.S.S.R. — form about 10 per cent of its annual production. Exports to Hungary and North Korea will be channelled through the State Trading Corporation of India.

The company has been specialising, since 1953, in producing quality fancy suitings and blankets which compare favourably with the foreign stuff. A wide range of its products in attractive colours is on display at its stall in the Birla Industries Pavilion at the Indian Industries Fair.

The company is one of the biggest suppliers of woollen fabrics to the Government. About 10 per cent of its yearly production is supplied to various Government departments, prominent among which are the Railways and the Navy.

Cables

BIG RISE IN OUTPUT.

THE HINDUSTAN CABLE FACTORY recorded a rise of 56 per cent in the manufacture of cables in 1960-61. This fact was revealed in the annual report along with a review of the factory's working, placed on the Table of the Lok Sabha recently by the Minister of Industry, Mr. Manubhai Shah. Production during the 1960-61 was 1,077 miles which was valued at Rs. 152.00 lakhs, as against 691 miles valued at Rs. 115 lakhs during the previous year. During the year under review the factory also commenced production of coaxial cables, the output being 57 miles valued at Rs. 13.62 lakhs. The Company recorded a net profit during 1960-61 of Rs. 24.29 lakhs which was nearly 50 per cent more than Rs. 15.64 lakhs recorded during 1959-60.

The Government approved the expansion of the Hindustan Cables Factory for the manufacture of dry core cables upto 2,000 miles per annum, plastic insulated switchgear cables and wires (Rs. 48 lakhs per annum) and for the installation of a Wire Drawing Plant (capacity — 1,500 tons per annum) to meet their requirements of copper wire. The capital costs of this expansion was estimated at Rs. 179 lakhs (excluding township) and necessary foreign exchange was proposed to be met out of the U.K. Credit. Steps were being taken for the extension of the factory, ordering of plant, etc. for the implementation of this expansion scheme. Plans were also under consideration for taking up the manufacture of paper insulated power cables, small size coaxial cables and increasing the capacity of large size coaxial cables upto 750 miles per annum on double shift basis. In order to increase the output of the factory as a whole and of the individual worker in particular, the management had introduced a production incentive scheme and an attendance bonus scheme. Government, the report added, also approved of the payment of a sum of nearly Rs. 90,000, as an ad hoc ex-gratia monetary award to the employees of the Company for increased production. Such incentives if accompanied by genuine effort by the workers to increase their affective input could certainly add to the overall productivity in industry.

Rod-Rolling

A NEW PLANT

FIVE CABLE manufacturing companies — Asian Cables Corporation Ltd., Cable Corporation of India Ltd., Insulated Cable and Wire Industries Ltd., Wandleside-National Conductors Ltd., and Henley Cables India Ltd. — have joined hands in floating a new concern, known as New India Rolling Mills, to roll out copper and aluminium wire bars into rods required for the manufacture of cables in the country. The authorised capital of the new venture will be nearly Rs. 2 crores.

The plant is proposed to be set up at Thana, near Bombay. It will have a capacity to produce about 30,000 tons of rods per annum on two-shift basis. The production of this factory apparently will have a ready market since the annual demand for copper and aluminium rods in Western India alone is estimated around this figure.

The project is estimated to cost Rs. 80 lakhs, of which Rs. 45 lakhs will be the foreign exchange component. Possibilities of securing technical know-how and some financial collaboration from some foreign firms are being explored. An application for securing an industrial licence to set up the plant has already been made to the Government. If no untoward hurdle arises, the factory is expected to be commissioned into production by the middle of 1963.

New Issues

SHAMA ENGINES

THE SUBSCRIPTION list for the share capital of Shama Engine Valves Ltd. opens for public on December 18, 1961. The company has been floated to undertake the manufacture of six lakh engine valves for internal combustion engines on single shift working. These valves form an important part in petrol-engines, diesel-engines and all types of power engines. With rapid industrialisation there is naturally a widening market for these valves. Considering the fact that the country's requirements at the moment are met by imports and the indigenous output is much below the present demand, the sales potential of the valves proposed to be manufactured by the company is quite high.

The plant proposed to be erected by the company will be located at Bhopal in Madhya Pradesh. The company is likely to utilise nearly 10 acres of land and in regard to power, Madhya Pradesh Electricity Board agreed that they would meet the demand of the company for 700 KW. The promoters, Messrs. B. K. Khanna and Company Private Limited, indicate that the plant will be modern and will be geared for mass production with quality and precision. They have made arrangements for technical collaboration with Messrs. Bayerisches Leichtmetallwerk K.G. of West Germany who are well known manufacturers of valves. The president of the collaborators joins the Board of Directors of the company thereby providing the company the benefit of his knowledge and experience.

The capital requirement of Rs. 26 lakhs are made up of Rs. 2.10 lakhs for land and buildings, Rs. 17.50 lakhs for machinery and plant, Rs. 2.65 lakhs for preliminary and pre-operation expenses including furniture and Rs. 3.75 lakhs for working capital. The company will raise Rs. 4.25 lakhs from promoters etc., Rs. 1 lakh by way of subscription from Madhya Pradesh Government, Rs. 10 lakhs by way of loan from M.P. Finance Corporation, Rs. 1 lakh from the Banks as loan and a sum of Rs. 9.75 lakhs will be raised from public by this issue. The present issue is made up of 60,000 Equity Shares of Rs. 10 each and 3,750 Cumulative Redeemable Preference shares of Rs. 100 each carrying an annual dividend of 9.3 per cent free of company tax but subject to deduction of tax at source at prescribed rates. The whole of present issue is underwritten. In view of the sound nature of the project, the shares are likely to get a ready response in the market.

French Steel

INDIAN MANGANESE EXPORTS MAY LOOK UP

THE BOOST that the formation of the European Common Market has given to the French industry can be gauged from the progress the iron and steel industry in that country has made during the recent years.

France's production of raw steel is expected to go up from 14 million tons in 1956 to 18 million tons during the current year. Per capita consumption has gone up from 267 kgm. in 1956 to 326 kgm. in 1960. Nearly 25 to 30 per cent of the French steel output is exported every year.

France has made particular strides in the production of special steels. Output of sheets during the two years, 1959 and 1960, has gone up by as much as 19 per cent and that of tin-plate by over 50 per cent. Production of stainless steel has almost doubled during these two years. The next four years are expected to witness more rapid advance by this industry. According to Mr. Louis Charvet, Vice-President of the Chamber of the French Iron and Steel Industry, who was here in Delhi last week, the French steel output would reach 25 million tons by 1965.

The strident progress the French steel industry is envisaged to make during the coming years obviously affords an opportunity to India to step up its exports of manganese ore to France which in the recent past have shown a downward trend. India which exported to France 242,000 tons of manganese ore in 1957, exported only 109,000 tons in 1958, 135,000 tons in 1959 and 118,000 tons in 1960. It is earnestly hoped that this trend will be reversed in the near future. This can, however, be done only if the State Trading Corporation, which has a monopoly of these exports, takes time by the forelock and keeps a constant vigil on the demand trends for the commodity in that country as also in others, such as Japan and West Germany where too ambitious programmes have been drawn up to increase steel output.

Spring Steel

A NEW VENTURE

A NEW Company, Bombay Electric Steels Corporation (Pvt.) Ltd., is proposed to be floated in Bombay to undertake a Rs. 50 lakh project for the manufacture of Silico-manganese spring steel by the scrap process, which is utilised for making laminated and leaf springs for the railways and automobile industry. The Company is being floated by the people already dealing in the sale of indigenous steel, import and export of iron and steel for over a decade. They also have sufficient experience of structural workshops.

The project will have a phased manufacturing programme, starting with an initial capacity of 6,000 tons of rolled spring steel per annum, to be gradually stepped up to 12,000 tons. The promoters propose to manufacture also any other types of alloy and special steel which should come under the economic scope of the project. The capital outlay of the project is likely to involve a sum of Rs. 50 lakhs, including the foreign exchange component of Rs. 15 lakhs. The promoters are negotiating for collaboration with foreign firms along with technical assistance. It is proposed to raise a loan of Rs. 15 lakhs from one of the industrial finance institutions. The promoters and their friends would provide the remaining Rs. 30 lakhs.

The company will have an advantage in respect of raw material, because steel scrap is easily available in the country and the requirements of other alloying elements too can be met indigenously. The promoters have approached the Government for the industrial licence, which is likely to be granted soon because against the present demand of 45,000 tons of spring steel, the indigenous output is nearly 10,000 tons.

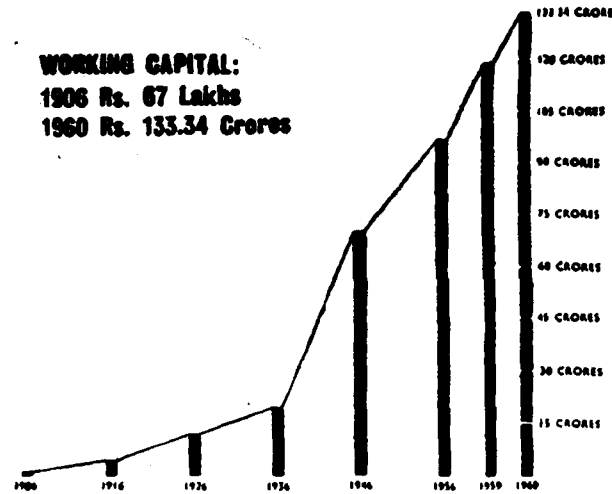
Banking

THE BANK OF INDIA

THE BANK OF INDIA has opened two new branches in New Delhi this week and has also installed safe deposit vaults in one of its old branches. The policy

of "cautious adventure" pursued by this pioneering bank has yielded happy dividends. The information made available about the Bank during the current month shows how rapid strides the Bank has taken during the last half a century. Between 1906 and 1960 the Working Capital of the Bank has grown from Rs. 67 lakhs to Rs. 133.34 crores. This fact is clearly illustrated in the graph below. Of great significance is the growth recorded since 1956. From the level of a little above Rs. 100 crores, the Working Capital rose to Rs. 133 crores in 1960, indicating a rise of more than 30 per cent in five years.

WORKING CAPITAL:
1906 Rs. 67 Lakhs
1960 Rs. 133.34 Crores



At one of the functions organised by the management, Mr. B. R. Bhagat, Union Deputy Minister for Finance, particularly praised the adventure-with-caution policy of the Bank; he also stressed the need for spread-

ing banking facilities in the rural areas. He cited the remarks of the American businessmen who were in Delhi recently, that "more cash than credit was rolling in the Indian economy", pointing to the need for inculcating the banking habit amongst the people.

The policy of the Bank of India to open new branches in urban areas is praiseworthy in the sense that it will bring into the banking system the new purchasing power which is being created as a result of the Five-Year Plans. A policy of "aggressive salesmanship" alone can raise the tempo of bank deposits in the country and the feverish activity displayed by the management of this bank during the current month shows that it will continue to lead in this race for expansion.

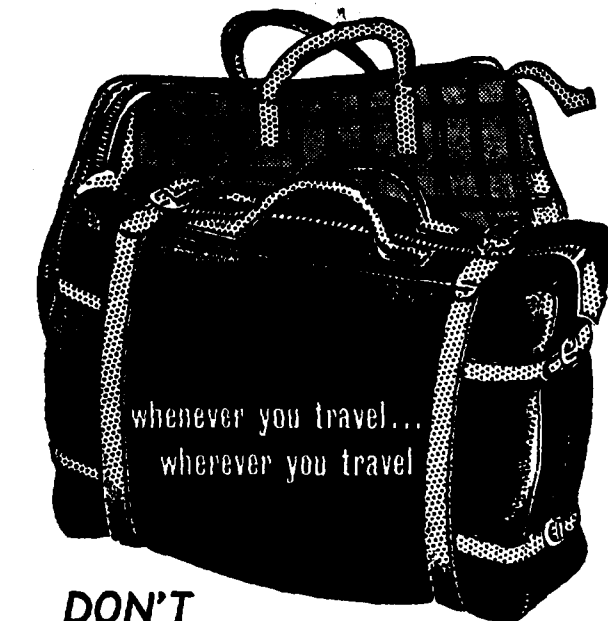
Refrigeration

INDIGENOUS REFRIGERATOR

IN TECHNICAL collaboration with a Swiss firm named Mena-Lux, the Himalux Refrigerator factory of Calcutta, which was formally inaugurated recently by Dr. B. C. Roy, Chief Minister of West Bengal, is to produce the first indigenous refrigerator specially suitable for the tropics.

Except two imported components—thermostat and the heating element—valued at Rs. 20 per refrigerator out of a total cost of Rs. 1,100, all other parts are to be manufactured locally.

Claimed to be ideally suited for middle-class people in India, it will work on electricity, gas or kerosene and its service will be guaranteed for five years. Having surveyed the Middle East and the Far Eastern markets, the manufacturers hope to earn some foreign exchange by exports.



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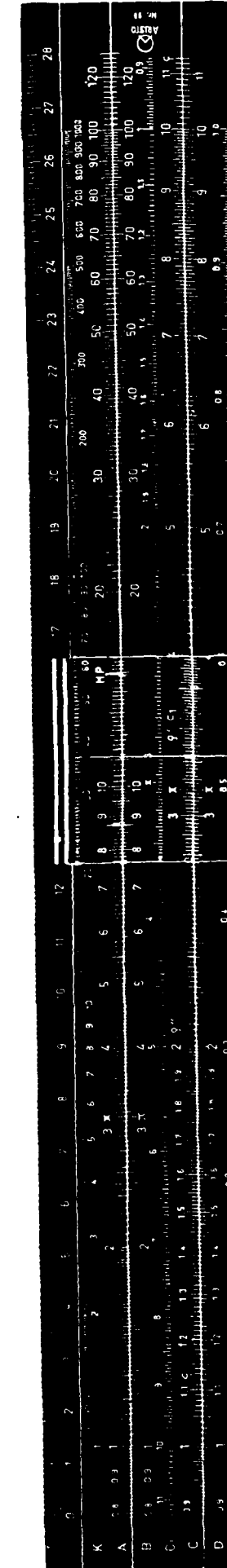
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STEEL PRODUCTION SOARS BY 425% AT MUKAND

We reckon our production in 1960-61 to be 69,552 tonnes of rolled products and 5,624 tonnes of castings. In other words a rise of 48% over the previous year.

In 1951-52 MUKAND employed 1,064; in April 1961—2,306. Over the past ten years production figures have soared—13,615 tonnes of rolled products and 704 tonnes of castings in 1951-52; and 425% more in 1960-61.

	57/58	58/59	59/60	60/61
	(Rs. in lacs)			
CAPITAL	51	51	71	61
Depreciation provided to date	32	36	41	50
Profits retained in business to date	25	35	45	57
Profit for the year	19	30	31	53
Dividend for the year	5	5	8	10

MUKAND manufactures high grade steel products—bars, rods and castings. Presently an expansion programme is under way. It will cope with the growing flux of big orders—like the one placed by the Railways with MUKAND in October 1961 for 4,862 sets of Centre Buffer Couplers valued at Rs. 1,14,00,000.

MUKAND provides India's new and growing industries with the quality components that they must have.

MUKAND IS STEEL

FROM THE CAPITAL'S CORRIDORS

THIRD PLAN

THE Planning Commission, it is understood, has revised the Third Five-Year Plan in respect of allocations to certain industries.

It has permitted the Railway Board to step up its development programme, using its five year allocations of Rs. 940 crores within three years, apart from raising its allocations to Oil and Natural Gas Commission from Rs. 115 crores to Rs. 202 crores and assuring that as much as 90 per cent of its foreign exchange requirements would be made available to it. The original allocation of Rs. 115 crores included Rs. 53 crores in foreign exchange. This has now been raised to Rs. 71 crores. The Planning Commission has also accepted the offer of the Italian firm, E.N.I. of an additional credit of twenty million dollars. All these additional allocations to the Oil and Natural Gas Commission are intended for exploration in Assam, Cambay and through E.N.I. as contractors in Kutch.

The Planning Commission is also considering the advisability of re-opening the present licensing policy for industrial units. It is believed, it has asked the Ministry of Commerce and Industry for information about the total amount of foreign exchange liability it had created in respect of which licences had been granted. According to its estimates, the Ministry has already exhausted the allocations made for five years for industries. It will be noted that the development programmes for industries envisaged under the Plan entailed an expenditure of Rs. 2,455 crores, including Rs. 1,338 crores in foreign exchange, both for public and private sectors. Of this, the total for the private sector was Rs. 1,125 crores including Rs. 450 crores in foreign exchange. According to the Planning Commission there has been over-licensing during the first nine months of the Plan, and, unless this tendency was checked in time, India might have to face another foreign exchange crisis, notwithstanding the massive aid given to her by friendly countries.

On the other hand, the view of the Commerce Ministry is that there might have been over-licensing during the first nine months of the Plan period, but, as recently explained, a fertilizer factory, for example, takes about two and a half years before it goes into production. Secondly oil in Assam was struck some six years ago but still lies in Assam unused because there has been defective planning. It is, therefore, contended that, although licences might have been issued, overall development would be so phased as to fit into the pattern of the Plan with most essential items of production enjoying priority. It appears that there is some force in the Planning Commission's contention that all licences should be granted on the basis of single shift and that there is a good deal of capacity lying idle for want of raw materials.

PUBLIC SECTOR UNDERTAKINGS: ANNUAL REPORTS

Annual Reports and reviews of the workings of three public undertakings were presented in the Lok Sabha on 8th December, 1961, by the Minister of Industry, Mr. Manubhai Shah.

HEAVY ENGINEERING CORPORATION

The Corporation has been set up to develop manufacture in the country of heavy capital equipment through a Heavy Machine Building Project, a Foundry Forge Project, a Heavy Machine Tool Building Project and a Coal Mining Machinery Project.

The report says "that 1960-61 should be deemed mostly as a preparation year rather than as a year of substantial progress of heavy construction work for the Corporation. It further observes that the levelling and dressing of the plant sites at Ranchi and Durgapur have been completed and arrangements for the supply of water and power during the construction stage have been made. To feed the projects regularly with adequate trained artisans and workers, proposals for the setting up of a Training Institute, complete with workshop facilities to train approximately 800 trade apprentices and 200 graduate and technical apprentices from the second year of its operation, have been worked out. To ensure a regular flow of technical personnel, artisans, skilled and semi-skilled workers so essential for a project of this type, a comprehensive programme of training in India as well as in the U.S.S.R. and Czechoslovakia has also been drawn up and is being implemented. Contracts for the import of machinery for the initial stages of Heavy Machine Building, Coal Mining Machinery and the Foundry Forge Plants have been executed. Plant and machinery worth Rs. 126.98 lakhs have already arrived at the plant sites from the U.S.S.R. and Czechoslovakia. Contracts for some of the major civil works, fabrication and supply and erection of steel works, water supply and sewerage and residential buildings have been awarded.

The Corporation has estimated that the total capital costs of their projects including the township in the final stage, would be of the order of Rs. 200 crores. The authorised capital of the Company is Rs. 50 crores. Up to March 31, 1961, the subscribed capital was Rs. 6,64,49,000.

NAHAN FOUNDRY

The report states that the Foundry has made steady progress, the value of production in 1960-61 amounting to Rs. 25.36 lakhs, against Rs. 22.05 lakhs in 1959-60. The financial results for the year 1960-61 show a net profit of Rs. 4.40 lakhs. After providing for depreciation, tax liability, general reserves etc. the Company has declared a dividend of 4 per cent which amounted to Rs. 1.60 lakhs. The Company has also paid a sum of Rs. 1.97 lakhs to the Government towards arrears of interest on the loan granted to them. The production in the Foundry has been in respect of traditional items like cane crushers, Brake blocks, G.I. sleepers etc. Steps have been taken to further diversify production by undertaking the manufacture of electric motors, mono block pumps, improved types of agricultural implements etc., Electric Motors up to 10 H.P. are being manufactured and ISI certification mark has recently been obtained.

The management of the Foundry have recently signed an agreement with the Mazdoor Panchayat for setting up of the Joint Management Council. It is expected that the Council will start functioning shortly. The Government have approved of the payment of an ex-gratia award by the Company for the year to all its regular full time employees drawing less than Rs. 500 per month at the rate of half month's pay, subject to a minimum of Rs. 25 and a maximum of Rs. 200.

PRAGA TOOLS CORPORATION

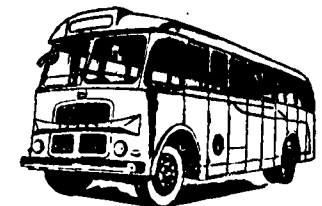
The Praga Tools Corporation has entered into technical collaboration agreements with three U.K. firms for undertaking the manufacture of drill chucks, lathe chucks, and tool and cutter grinders. The land for the expansion of the factory has been acquired and orders for importation of machinery required have also been placed.

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The Annual Report further states that a sum of Rs. 75 lakhs has been set apart under the Polish credit for establishing a complete machine tool plant to manufacture Polish types of light and medium variety machine tools. A licensing agreement with Centrala Handlu Zagranicznego Objektow Przemyslowych-Chekop of Poland for the supply of a Project Report has also been signed. Pending receipt of the report, the Corporation has made arrangements for supply of essential equipment required for the project. In addition to these expansion proposals, the Corporation is making arrangements to enter into technical collaboration with a UK. firm for undertaking the manufacture of milling machines. As a result of the collaborations and diversification programmes, the value of turnover is expected to improve substantially in the near future. The total value of production for the year under review was Rs. 48.26 lakhs. Major items of manufacture were machine tools, machine tool accessories, precision tools, auto and diesel parts, railway duplicates etc.

The Report in the end states that recently the management of the Company and Employees Union entered into an industrial truce for a period of 3 years, during which the Union or the workers will not resort to any strike, stoppage of work or go-slow practices.

HINDUSTAN STEEL: CAPITAL OUTLAY REVISED

The capital outlay of the three public sector steel plants has been further reviewed and the total cost is now expected to be of the order of Rs. 607.42 crores, excluding escalation, as against the earlier estimate of Rs. 605 crores.

The steel plant proper at Rourkela will cost Rs. 177.86 crores as against the original estimate of Rs. 170 crores, excluding escalation. The cost of all other ancillaries including township, ore-mines and quarries, water supply, fees to consultants, other expenditure on the work undertaken by the Project outside the perimeter and cost of the project staff and customs duty is estimated at about Rs. 43.47 crores.

In the case of Bhilai, the revised cost of the steel plant is placed at Rs. 145.57 crores as against Rs. 131 crores originally. The cost of ancillaries and other items is estimated at Rs. 53.75 crores as against the original estimate of Rs. 47.65 crores.

According to the revised estimates the total cost of Durgapur steel plant including ancillaries, but excluding escalation, will be Rs. 186.77 crores as against Rs. 165.87 crores envisaged earlier.

It is doubtful if the Company will show a surplus of Rs. 150 crores as envisaged in the Third Plan. On the contrary, the Company has reported a loss of Rs. 74.34 lakhs for the year ending March 31, 1961. It is now anticipated that the Tariff Commission would raise the retention price of steel to make it possible for the Company to come up to the Planning Commission's expectations, so far as profitability were concerned.

AFRO-ASIAN ECONOMIC CO-OPERATION

A five-day Conference of Afro-Asian Organisation for Economic Co-operation (AFRASEC) commenced in Delhi on Monday with an inaugural address by Mr. Nehru. The provisional agenda of the Conference includes the following objects on which papers for discussion have also been prepared by the organisation's secretariat.

- (a) Arbitration arrangements in the region.
- (b) Possibility of increasing the regional trade in specified commodities in conjunction with world trade.

(c) The impact of external market groupings on the trade and economic development of Afro-Asian countries.

(d) Economic development of the Afro-Asian countries through mutual aid and investment.

The paper on External Market Groupings should give an idea of the objectives of the Organisation. "Our aim is a comprehensive Afro-Asian Common Market. The opportunities are there, and the benefits of achievement are stupendous. In the meantime, some countries within the area have found it expedient to promote regional grouping. The danger inherent in such approach is to fan dissension and retard the influences of unifying forces. If in the short run a regional grouping is envisaged it must always be made accessible to other countries within the area."

Referring to the foreign efforts to partition Africa, the paper says that such attempts must be actively opposed. "The 'linking' of the former metropolitan countries to African territories presents a negative aspect of the latter's progress towards complete independence. At best it can only be regarded as a stage in economic emancipation at which they remain linked to the former metropolitan country. Sooner or later such links will not withstand the forces which had made independence possible. In this connection, it is significant to note that a news from Paris says that the six Common Market Countries and sixteen African states have agreed on an association which gives the African states advantages, at least equal to those guaranteed by the Treaty of Rome. The Convention of Association will take effect from January 1, 1963. In Asia, the picture, which emerges is this: On the one hand the highly industrialised Japan, in a tie-up with the U.S.A., is competing with India and on the other, Communist China, with no labour costs to bother, is dumping goods in South-East Asia. As for the Middle East, Egypt is claiming its leadership.

Over 200 delegates and observers—75 from abroad—representing more than 30 countries of Asia are attending the Conference. Among the observers are representatives of seven important international organisations.

BONUS COMMISSION

The Government of India have decided to set up a 7-man Commission to study the question of bonus to workers in industrial employments and to make suitable recommendations.

Mr. M. R. Meher will be the Chairman of the Commission which will have two independent members and two members each representing workers and employers. Independent members are Mr. M. Govinda Reddy, M.P. and Dr. B. N. Gahguli, Director, Delhi School of Economics. Other members are: Mr. S. R. Vasavada and Mr. S. A. Dange, M.P. (workers' representatives) and Mr. N. Dandekar and Mr. D. Sandilya (employers' representatives).

The terms of reference of the Commission whose headquarters will be in Bombay are as follows:

1. To define the concept of bonus and to consider, in relation to industrial employments, the question of payment of bonus based on profits and recommend principles for computation of such bonus and methods of payments.

The term "industrial employments" will include employment in the private sector and in establishments in the public sector not departmentally run and which compete with establishments in the private sector.

2. To determine the extent to which the quantum

of bonus should be influenced by the prevailing level of remuneration.

3. To determine what the prior charges should be in different circumstances and how they should be calculated.
- (b) To determine conditions under which bonus payments should be made unit wise, industry wise and industry-cum-region wise.
4. To consider whether the bonus due to workers, beyond a specified amount, should be paid in the form of National Savings Certificates or in any other form.
5. To consider whether there should be lower limits irrespective of losses in particular establishments, and upper limits for distribution in one year and, if so, the manner of carrying forward profits and losses over a prescribed period.
6. To suggest an appropriate machinery and method for the settlement of bonus disputes.
7. To make such other recommendations regarding matters concerning bonus that might be placed before the Commission on an agreed basis by the employers' (including the public sector) and the workers' representatives.

SHIPPING RATES

As discussed earlier in these columns the U.K. Conference Lines have now dropped their proposal to increase the freight rates on Indian and Pakistani exports. This seems to be as a result of the firm stand taken by the two countries. It is estimated that their proposal to increase by 10 per cent the freight rates on all west-bound cargo would have resulted in a loss of Rs. 5 crores of foreign exchange for India every year. About 50 per cent of country's annual freight bill amounting to Rs. 150 crores is accounted for by the India-U.K. Conference Lines.

HALDIA DOCKS

Before their departure for the U.K. Mr. G. A. Wilson, Chief Engineer and Mr. G. T. Johnson, Superintendent Royal Docks, Port of London Authority, who visited Calcutta at the request of the Calcutta Port Commissioners to advise them on the preparation of a master plan for the proposed new dock system at Haldia, gave a joint note to the Chairman of the Commissioners of the Port of Calcutta. They have expressed their firm opinion that it was essential to undertake construction of new docks lower down the Hooghly, together with adequate road rail communications, as soon as possible, and that, in their view there could be no objection to going ahead with the construction of the Haldia Docks. They have also agreed with the Chairman and other officers of the port and the Director of the Poona Research Station that with the new Hydraulic Research Department that was being set up by the Port Commissioners, it would be possible to maintain the Haldia Channel and counteract the tendency for deterioration of the channel, if any. They have further emphasised that the Haldia Docks should form part of the Calcutta Port.

LEATHER INDUSTRY

The informal Consultative Committee of Parliament, at their meeting held during the week in Delhi, discussed problems relating to the indigenous tanning and leather goods industry and considered further measures of assistance.

It was estimated that the requirements of hides during the Third Five-Year Plan would be of the order of 22.64 million pieces. As against this the internal availability of hides by 1965-66 would be only about 20 million pieces or even less. The additional quantity

of hides required therefore would have to be met by taking steps to collect, preserve and process the hides indigenously available, imports of raw hides and restricting export of semi-processed hides. In regard to foot-wear manufacture, it was revealed that the Second Plan production and export targets envisaged at 102 million pairs and two million pairs, respectively, had been achieved and as for the Third Plan period, the Development Council for leather, leather goods and picker industry has recommended a target of 153 million pairs, but the Planning Commission had felt that a target of 125-128 million pairs would be more realistic. The matter was therefore under discussion in the Planning Commission for fixation of a suitable target.

The Khadi and Village Industries Commission, it was stated, would intensify its programme of assistance for the village leather industry. It had been decided to set up 200 centres of the type of Kora Gramudyog Kendra (near Bombay) in various parts of the country for proper and intensive exploitation of dead bodies of animals. The Commission had set up a ten-member Advisory Committee to formulate a suitable programme for the development of flaying, tanning and leather industry. For the Third Plan period, the Commission had proposed an outlay of Rs. 5.38 crores for the development of village leather industry.

DOUBLE TAXATION: TALKS WITH FRANCE

Discussion between India and France for the conclusion of a Double Taxation Avoidance Agreement opened in Delhi on Monday, December 11, 1961. A four-member French Delegation is headed by Mr. Serre, a senior official of the French Treasury. The Indian Delegation will be led by Mr. V. V. Chari, Senior Member of the Central Board of Revenue. The pattern of Indo-French trade is as follows:

Indian exports to France in the calendar year 1959 were valued at Rs. 8.14 crores and French imports to India totalled Rs. 18.10 crores. Commodities exported to France included chemicals, manufactured goods in leather, textile yarns, crude minerals, metallic ores and scrap, hides, skins, timber, textile fibres and food articles such as coffee, tea and spices. French imports to India included base metals, machinery and transport equipment, medicinal and pharmaceutical products, chemicals, fertilizers, finer qualities of textile fabrics, dyeing, tanning and colouring material etc. It will be recalled that similar agreements for avoidance of double taxation have been concluded with Sweden, Denmark, Norway, West Germany and Japan, and agreements at Government level have also been finalised with the U.S.A. and Finland.

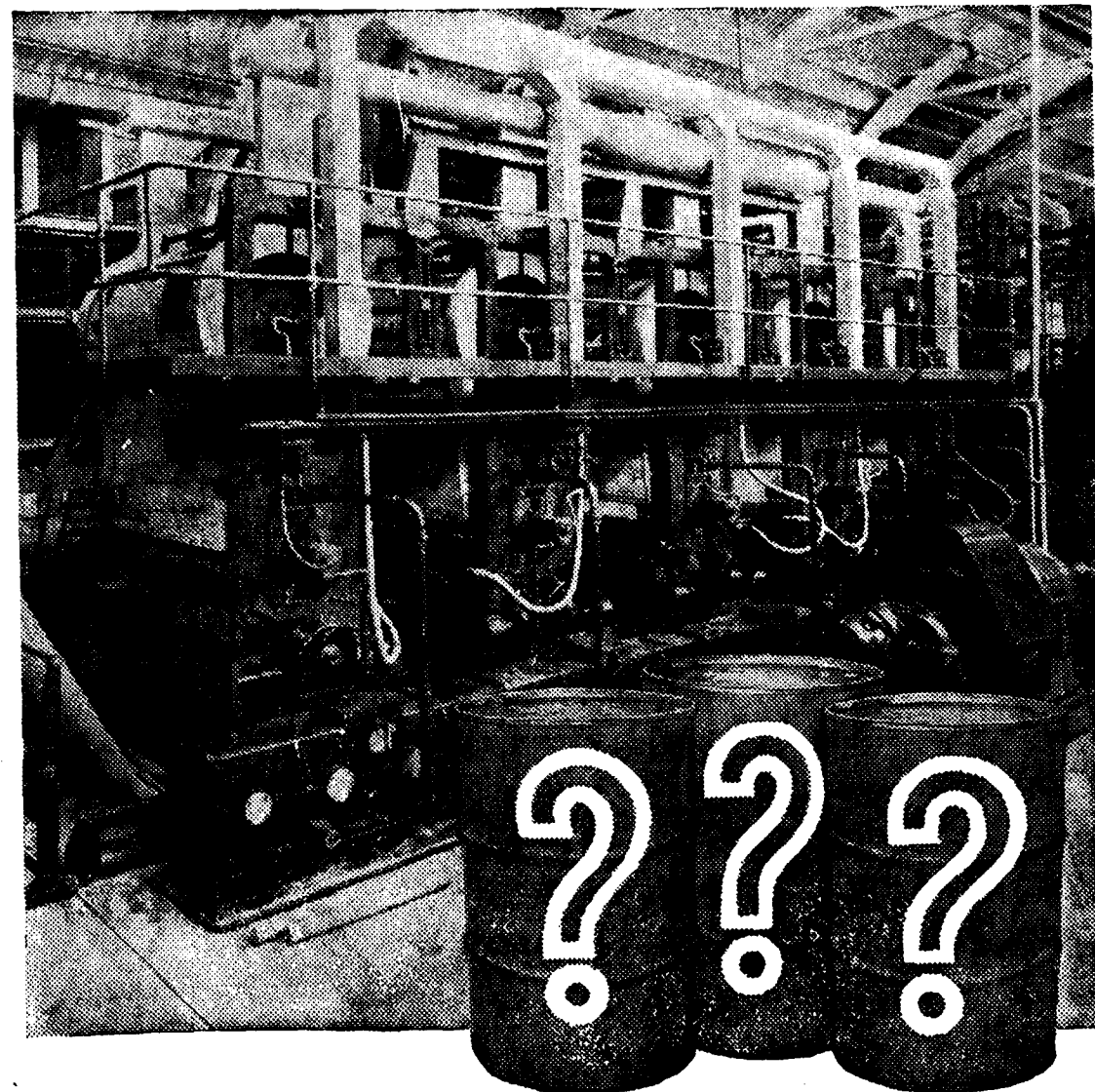
INDO-ARGENTINE TRADE

At a press conference the party of Argentine businessmen, who accompanied their President to Delhi during the week, sounded a note of warning to India that unless it had a balanced trade with their country, Argentina would resort to substitutes for jute. They said that their country imported twenty million dollars worth of jute from India, which in her turn imported particularly nothing from Argentina. India till two years ago, did import wheat from Argentina, which due to wheat imports from the U.S. under P.L. 480 had now stopped. "Unless India revised its policy to balance its trade, Argentina will be forced to shut out Indian jute imports by using substitutes," they said.

INDO-CZECHOSLOVAKIA TRADE TALKS

Trade talks between Czechoslovakia and India commenced in Delhi during the week. The Delegation from Czechoslovakia is led by Mr. Josef Urban, head of the Treaty Department.

The progress of trade talks between the two countries was reviewed and the Delegations will soon finalise the trade arrangements for 1962. Under the cur-

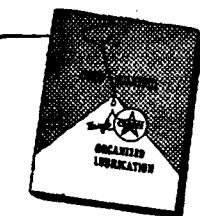


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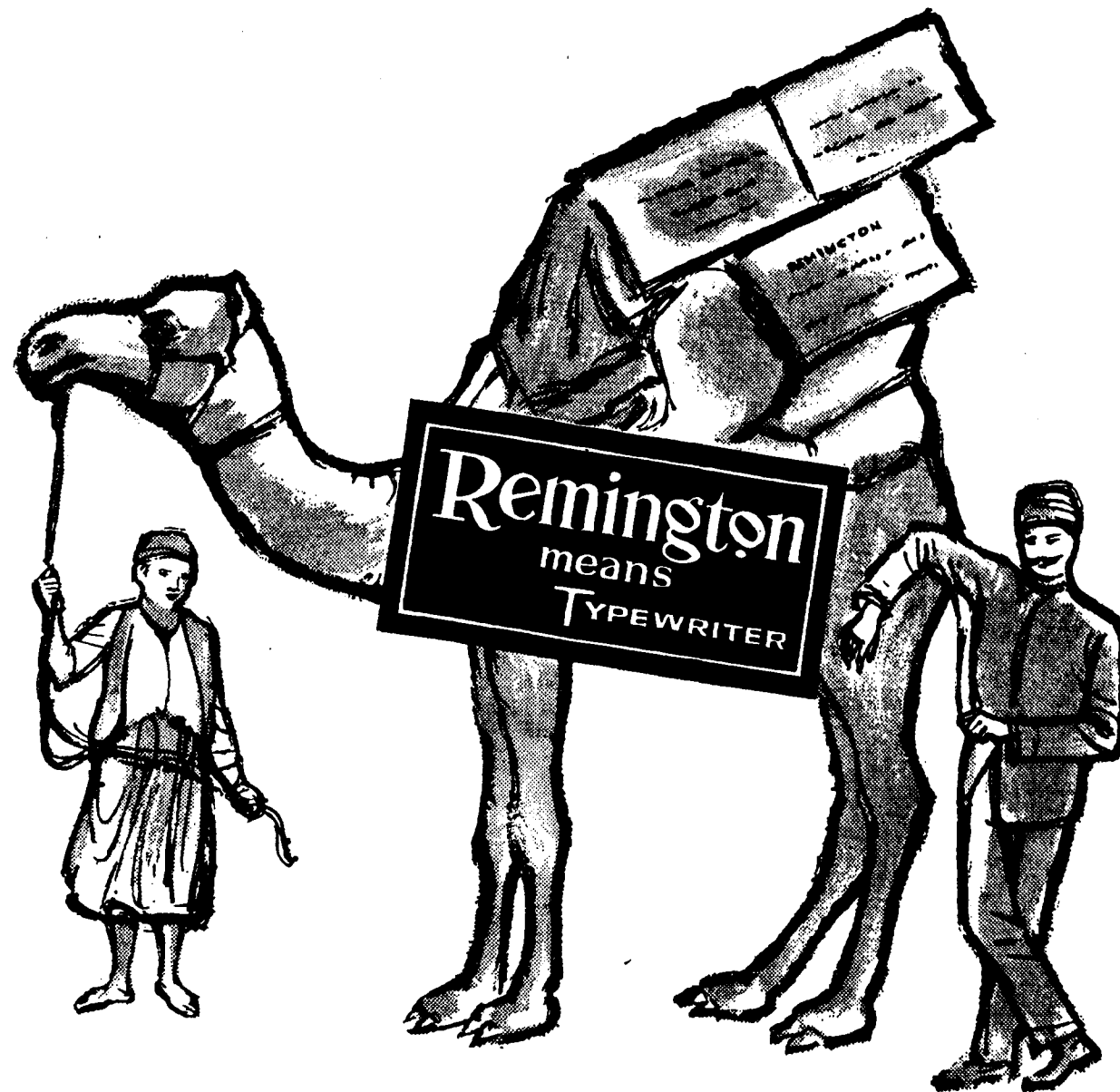


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In 1952, the Company first started the indigenous manufacture of typewriters and record systems at their factory in Calcutta. Still sales increased, and to meet the demand Remington Rand in 1960 opened the

largest factory of this kind in Asia at Howrah.

Now 85% of the components of Remington typewriters are manufactured in India—with Indian raw materials—by Indian Staff.

Remington Rand, pioneers of the typewriter in India, have plans afoot to expand even further. Negotiations are under way to once more double production—a move which will offer employment to many hundreds more skilled and unskilled personnel—and enable the Company to meet the ever increasing demands of this growing Nation.

Remington Rand of India Limited

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RR/0/81

rent Indo-Czechoslovak Trade and Payment Agreement, signed in Prague in November, 1960, trade between the two countries is to be conducted on a balanced basis and payments regulated through non-convertible Indian rupees. Trade between India and Czechoslovakia in 1960 amounted to Rs. 13.12 crores both ways. It is expected that during 1961, trade between the two countries will be of the order of Rs. 20 crores approximately.

AT THE INDUSTRIES FAIR

A wide range of exhibits at the German Democratic Republic pavilion fascinates the minds of the uninitiated and the experts alike. For example, the Glass Woman—the transparent model of a woman in life-size—is drawing a large crowd of visitors everyday. The transparent figure is already well known in India by the debut of the Glass Man at the Indian Industries Fair 1955 in New Delhi and the Glass Cow "Heidi" at the World Agricultural Fair, New Delhi, 1959-60.

Of particular interest to the general visitors is the exhibit, the Godrej-Optima Hindi typewriter which is considered to be the most practical devised to date. Another showpiece is the "Malimo", a novel machine for the manufacture of textile fabrics, without weaving, at a high rate of output. The high labour productivity makes it possible to manufacture "Malimo" product cheaper than Turkish towelling fabrics. The range of products includes, besides bathing articles, table-cloths, baby clothing, polishing cloths and dusters. These apart, there are other interesting items such as, Two-Room Process Camera-Supernova, Automatic Wire-Weaving Machine and Two-Revolution Letter Press Printing Machine, Modern Dental Unit etc.

The New Bemco Engineering Products of Belgium manufacturing 'BEMCOVOCO' presses in collaboration with Messrs Vogel & Co. of West Germany exhibits a 25 ton capacity "BEMCOVOCO" Press in the West German Pavilion. Bemco is manufacturing other types of presses too, suitable for rubber, ceramic, sheet metal industries etc. Bemco also supplies hand operated or power operated hydraulic pumps up to 8000 lbs. P.S.I. and 4000 lbs. P.S.I. respectively. In addition to this hydraulic equipment, the Company has specialised in the manufacture of mechanical and hydraulic jacks for automobile industry, Indian railways and Government projects.

BRIEFS

According to a study by the Research unit of the Ministry of Finance in 1953-54 indirect taxes formed 3.6 per cent of consumer expenditure of all households in the country. By 1958-59 the proportion went up to 5.7 per cent. The rise was mainly under Central excise duties and sales taxes.

A project report for setting up of an Alloy and Special Steel Plant prepared by the Director General of Ordnance Factories has been received and is under consideration of Government. The proposal is to set up a plant with a capacity for 50,000 tons of alloy and special steels annually.

Government have recently received an application from a Indian firm for setting up a unit in India for the manufacture of Polypropylene in collaboration with Messrs Montecatini of Milan. The scheme is under consideration of Government. Recently the Managing Director of Montecatini was in India and discussed general proposals for setting up of industries, for which Montecatini have the technical knowhow, in collaboration with Indian parties.

Messrs. Aluminium Cables and Conductors (Uttar Pradesh) Private Limited, Calcutta, have been granted a licence under the Industries (Development and Regulation) Act, 1951 for the manufacture of paper insulated power cables using aluminium conductors.

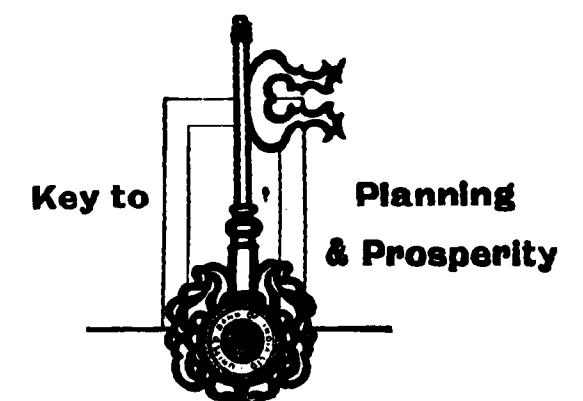
The Government of India have accepted the offer

of the Government of Czechoslovakia to establish an institute to undertake research in the designing of machine tools and to impart training to technicians for operating the machine tools as well as the recommendations of the Committee set up by the Government for the purpose. The institute will be set up as an autonomous body under the Societies Registration Act, 1960 and will be located at Bangalore.

A decision has been taken to set up "Institute of Applied Manpower Research" under the Societies Registration Act, 1960 with the object, among others, of advancing knowledge about the nature, characteristics utilisation of human resources in India. It is understood that the Ford Foundation has indicated its willingness to meet the cost of equipment and half the recurring expenditure for a period of five years apart from meeting the costs of experts and consultants. The balance of expenditure will be met by grants-in-aid from the Union Government.

The production of bicycles in the small-scale sector will be doubled by the end of the Third Plan period. A production target of five lakh bicycles annually has been fixed to be achieved by the end of the Third Five-Year Plan. There are about 150 units in the small-scale sector which are now engaged in the production of bicycles. Since September this year the import of bicycle components has been completely stopped.

At their meeting held on the 12th December, the Committee of the Indian Jute Mills Association considered the market situation in the light of the stocks of jute goods held by the mills at the end of November and decided that the working of the additional 2½ per cent of the looms should be extended for a further period of one month up to the end of January 1962. It will be recalled that the Committee of the Association, in order to assist relieving the shortage of ready goods in the Calcutta market, decided early in November that an additional 2½ per cent of the member mills' loomage should be unsealed from the 13th November, 1961, to the end of the year, thereby reducing the sealed proportion of the looms to only 9½ per cent.



Individual well-being is linked with national prosperity and only planned efforts can ensure both in the shortest possible time. And planning, for its success, largely depends on savings, individual as well as national. Saving in the form of Bank Deposits provides resources for the National Plan.

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COMPANY AFFAIRS

CAPITAL ISSUES

Three new companies, five existing companies and two banks have been granted consent by the Controller of Capital Issues for the issue of a total capital of Rs. 5.45 crores. Out of these new capital issues, 9 will be in equity shares and one in debentures. The consent is valid for one year in each case.

H. K. Steel and Wire Ropes Limited, Bombay, a new company has been granted consent to issue capital of Rs. 55 lakhs for cash at par divided into 45,000 equity shares of Rs. 100 each and 10,000 cumulative redeemable preference shares of Rs. 100 each, carrying a dividend of 9.5 per cent, free of company's tax, but subject to deduction of taxes at source at the prescribed rates. Of this, equity shares of the value of Rs. 12.5 lakhs would be offered to Messrs. Siegfried Schumacher KG Stehldrahtwerk, West Germany. The proceeds of the issue would be utilised for the manufacture of steel wire ropes.

The Barium Chemicals Limited (Proposed), New Delhi, has been granted consent to the issue of capital of Rs. 50 lakhs, for cash at par, in 40,000 equity shares and 10,000 (free of company's tax but subject to deduction of all taxes at source at the prescribed rates) cumulative redeemable preference shares of Rs. 100 each. The proceeds will be utilised for setting up a factory in Andhra Pradesh for the manufacture of barium chemicals.

Bharat Fritz Warner (Pvt.) Limited, a new company registered on October 17, this year in Mysore State for the manufacture of milling machines, has been accorded consent to the issue of Rs. 30 lakhs divided into equity capital of Rs. 24 lakhs and preference capital of Rs. 6 lakhs carrying dividend at 9.5 per cent, free of company's income-tax, but subject to reduction of tax at the prescribed rates. Out of this issue, equity shares of the value of Rs. 10 lakhs will be allotted to the West German collaborators, namely, Messrs. Herbert Fenner, Fritz Warner, against the supply of machinery, and the balance will be issued for cash at par.

Jeewanlal (1929) Limited, Calcutta, has been granted consent to the issue of 360,000 equity shares of Rs. 10 each and 18,000 cumulative redeemable preference shares of Rs. 100 each carrying a rate of dividend of 9.5 per cent, free of company's tax but subject to deduction of tax at source at the prescribed rates. The Company's existing capital is Rs. 72 lakhs in equity shares. The Company proposed to establish a rolling mill for aluminium industry in the Madras State at a cost of Rs. 171.5 lakhs, which will be met partly by the issue of capital and partly by loans. The equity shares will be offered, in the first instance to the existing shareholders in the proportion of one new share for every two shares held.

Hindustan Electric Company Limited, Bombay, has been granted consent to issue capital of Rs. 60 lakhs divided into 60,000 equity shares of Rs. 100 each for cash at par. The entire issue will be made to Messrs. Brown Boveri and Couk of Switzerland. The proceeds of the issue would be utilized for the manufacture of AC and DC generators, circuit breakers, etc. The Company has a paid-up capital of Rs. 80 lakhs (Rs. 60 lakhs in equity and Rs. 20 lakhs in preference).

The Indian Hume Pipe Company Limited, Bombay, has been granted consent to issue debentures of Rs. 50

lakhs divided into five thousand 7 per cent taxable debentures of Rs. 1,000 each for cash at par. The proceeds of the issue will be utilised for redeeming the existing debentures and for financing the increased business activity of the Company. The Company has a subscribed and paid-up capital of Rs. 100 lakhs.

Sun Paper Mills Limited, Madras, has been granted consent to issue capital of Rs. 30 lakhs for cash at par. The proceeds will be utilised for setting up a paper mill in Tirunelveli district, Madras.

Ludha Colliery Company (1920) Limited, Calcutta, has been granted consent to the issue of Rs. 23 lakhs in 2,30,000 equity shares of Rs. 10 each at a premium of Rs. 7.50 nP. per share. The capital is required for the development of the Company's collieries in the Third Five-Year Plan period. The shares will be offered for public subscription by means of a prospectus. The existing paid-up capital of the Company is Rs. 87 lakhs.

The Bank of India Limited, Bombay, has been granted consent to issue capital of Rs. 2 crores divided into 2,00,000 ordinary shares of Rs. 100 each, Rs. 50 per share paid-up, for cash at premium of Rs. 20 per share. The proceeds of the issue would be utilized for financing the Bank's increased activities. The Bank has a subscribed capital of Rs. 550 lakhs and a paid-up capital of Rs. 300 lakhs.

The Catholic Syrian Bank Limited, Trichur, has been granted consent to the issue of further capital of Rs. 10 lakhs in equity shares of Rs. 100 each for cash at par. The proceeds will be utilized for strengthening its capital base.

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Subscribed Capital	Rs. 60,00,000
Paid-up Capital	Rs. 45,50,000
Reserve Fund	Rs. 1,08,00,000

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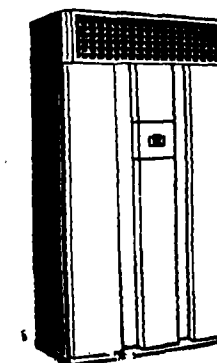
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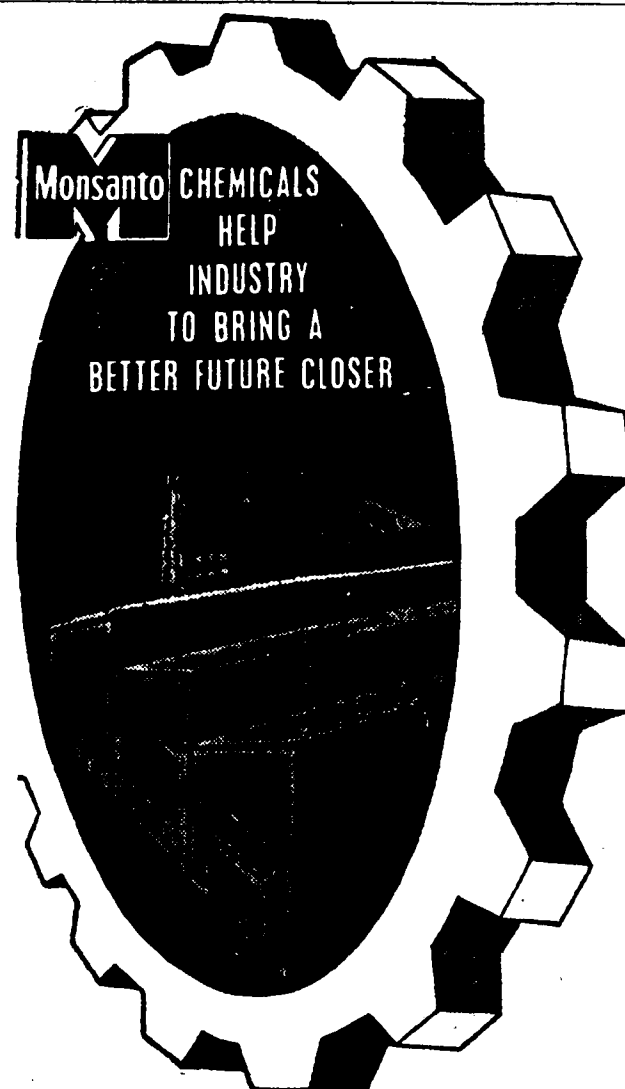


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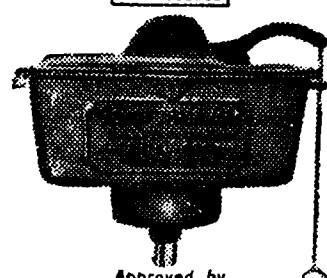


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Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Fuel Power				M a n u f a c t u r e s			All Commo- dities
		Food articles & Tobacco	Liquor	Light and Lubricants	Industrial Raw materials	Inter- mediate Products	Finished Products	Total	
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61	..	120.0	110.0	119.6	145.4	130.5	122.8	123.9	124.8
August	1960 ..	123.8	106.7	119.7	137.0	131.0	121.1	122.6	125.0
September	" ..	123.9	104.5	119.3	138.7	129.5	121.6	122.7	125.3
October	" ..	121.8	113.5	119.9	146.6	130.2	123.8	124.7	126.3
August	1961 ..	124.3	99.9	122.0	144.6	140.9	123.7	126.1	127.4
September	" ..	121.1	99.7	121.9	138.1	140.6	122.9	125.4	124.6
October	" ..	120.9	99.5	121.8	135.3	140.5	123.9	126.4	124.2
28-10-1961	..	121.3	99.5	122.0	135.9	139.5	124.5	126.6	124.7
4-11-1961	..	121.2	99.2	122.0	136.6	140.0	124.8	126.9	124.8
11-11-1961	..	120.6	99.2	122.0	136.4	140.3	123.3	126.2	124.7
18-11-1961	..	120.6	97.9	122.1	138.3	140.5	124.3	126.6	124.3

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS (August 1939 = 100)

Period	Bombay		Delhi Bengal U.P.		Central Provinces		Madras		E.P.		Bihar	
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi	Calcutta	Kanpur	Nagpur	Jubbulpur	Madras June 1936=100	Ludhiana	Jamshedpur	All India
1939 (Aug.-Dec.)	..	103	—	—	—	105	104	—	106	—	—	—
1955	..	322	338	217	120	321	364	133	321	134	135	132
1956	..	336	352	244	142	347	424	151	358	152	146	145
1957	..	352	368	259	150	364	448	162	374	157	157	152
1958	..	376	394	274	150	384	468	165	401	157	169	161
1959	..	393	412	308	158	384	469	163	429	166	173	168
1960	..	401	420	296	158	397	476	165	467	167	166	171
1961 March	..	404	423	296	163	392	483	165	479	169	167	171
April	..	409	428	296	165	389	471	165	482	169	166	170
May	..	412	431	296	166	389	464	166	479	171	166	171*
June	..	414	433	302	167	389	474	166	478	171	167	172*
July	..	418	437	—	171	406	482	166	480	172	168	173*
August	..	419	438	—	171	410	491	—	181	—	—	175*
September	..	417	436	—	169	410	491	—	479	—	—	175*
October	..	215	434	—	168	—	499	—	480	—	—	—
November	..	—	—	—	—	—	—	—	481	—	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT) WEEK ENDED

	1-12-1961			24-11-1961			17-11-1961			10-11-1961		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	123.10	121.35	122.18	123.40	121.25	122.33	124.70	123.30	123.88	124.45	123.40	123.98
Silver (per kilogram)	212.60	209.35	210.83	210.30	208.20	209.21	209.60	207.15	208.65	207.40	206.60	206.98

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

LIABILITIES				ASSETS						
Period	Notes in Circulation	Notes Held in Banking Dept.	Total Notes Issued (a)	Gold Coin & Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1956-57	1,475.77	18.75	1,494.52	40.02 (117.76)	545.98	586.00 (663.37)	39.21 (44.37)	115.93	755.22	1,494.52
1957-58	1,529.36	23.18	1,552.53	117.76	329.65	447.41	28.79	130.06	975.06	1,552.53
1958-59	1,593.88	19.34	1,613.21	117.76	182.04	299.80	18.58	133.99	1,179.42	1,613.21
1959-60	1,730.90	19.86	1,750.77	117.76	167.62	285.38	16.30	131.50	1,333.83	1,750.77
1960-61	1,863.13	18.94	1,882.07	117.76	134.99	255.75	13.4	126.84	1,502.48	1,882.07
Average of Fridays										
Aug. 1960	1,799.36	19.85	1,819.21	117.76	124.26	242.02	13.30	130.58	1,446.61	1,819.21
Sept. "	1,794.03	16.23	1,810.26	117.76	123.01	240.77	13.3	131.80	1,437.70	1,810.26
Oct. "	1,806.44	16.56	1,823.00	117.76	123.01	240.77	13.2	130.36	1,451.86	1,823.00
Aug. 1961	1,902.77	13.31	1,911.93	117.76	116.86	234.62	12.27	123.85	1,553.46	1,911.93
Sept. "	1,877.38	21.36	1,898.74	117.76	116.86	234.62	12.36	126.45	1,537.67	1,898.74
Oct. "	1,895.94	21.25	1,917.19	117.76	116.86	234.62	12.24	126.22	1,556.35	1,917.19
Week-Ending										
27-10-1961	1,882.25	38.48	1,920.73	117.76	116.86	234.62	12.22	127.25	1,558.86	1,920.73
3-11-1961	1,904.26	13.86	1,918.13	117.76	116.86	234.62	12.23	124.65	1,558.86	1,918.13
10-11-1961	1,946.53	18.85	1,965.38	117.76	116.86	234.62	11.93	121.92	1,608.84	1,965.38
17-11-1961	1,920.42	16.22	1,936.63	117.76	116.86	234.62	12.11	123.18	1,578.84	1,936.63
24-11-1961	1,902.67	15.44	1,918.12	117.76	116.86	234.62	12.23	124.66	1,558.84	1,918.12

BANKING DEPARTMENT

Period	Deposits					Other Liabilities	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad†	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Gov- ernment	Other Gov- ernments	Banks	Others	Total									
1956-57	57.52	14.10	52.46	19.73	143.81	91.21	245.02	18.91	5.69	64.77	4.89	85.34	51.82	13.60
1957-58	54.61	11.28	81.00	111.38	258.27	84.36	407.63	23.30	4.81	40.47	32.90	77.91	213.92	14.32
1958-59	57.62	20.80	87.53	118.73	284.67	71.71	441.44	19.41	6.18	25.57	28.23	65.83	284.49	11.73
1959-60	55.50	23.24	79.61	123.48	281.83	83.18	450.01	19.94	15.54	28.97	25.53	88.92	258.90	12.22
1960-61	61.73	21.27	97.30	98.76	279.06	100.33	464.39	19.02	28.71	20.74	38.19	132.78	209.56	15.38
Average of Fridays														
August 1960	60.44	23.00	118.40	120.40	322.25	76.19	483.43	19.92	23.55	21.64	37.69	117.00	251.73	11.89
Sept. "	67.44	30.27	108.27	92.64	298.61	78.01	461.63	16.32	18.76	20.71	28.88	142.08	222.85	12.03
Oct. "	56.65	28.05	104.94	89.43	279.07	85.39	449.45	16.64	14.98	18.33	29.93	125.78	231.40	12.40
August 1961	65.40	16.46	88.09	180.22	350.16	89.86	525.02	13.36	15.21	30.98	47.71	116.37	284.51	16.89
Sept. "	60.81	26.67	83.71	159.06	330.34	96.02	511.36	21.42	16.73	17.47	49.11	131.54	257.83	17.12
Oct. "	60.23	14.40	81.36	147.41	303.40	95.52	483.91	21.31	37.59	20.06	60.56	135.20	193.80	17.92
Week-Ending														
27-10-1961	64.78	20.33	86.37	146.55	318.04	97.71	500.74	38.54	23.15	28.33	62.38	129.53	200.81	18.01
3-11-1961	62.86	17.66	74.17	146.42	301.10	98.80	484.90	13.93	25.22	20.53	63.97	141.82	200.84	18.59
10-11-1961	65.40	10.22	77.65	146.90	300.18	96.58	481.76	18.90	46.85	25.74	65.85	154.70	150.99	18.73
17-11-1961	62.50	11.13	82.83	146.24	302.69	108.17	495.87	16.28	50.29	24.58	73.60	131.85	180.52	18.75
24-11-1961	49.39	22.34	84.12	149.13	304.98	114.58	504.56	15.47	33.99	28.98	66.46	129.58	205.19	24.89

* Average of Fridays. **Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. †Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. ‡Includes cash and short-term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES				Cash Reserve Bank	Balances (5+6) with as per- centage of (4)	Advances (8+9) counted as per- centage of (4)	Bills Dis- counted as per- centage of (4)	Investments in Govern- ment Secur- ities in India		
	Demand	Time	Total (2+3)	(Note+Coins)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
1954-55	..	559,62	351,86	911,55	32,66	53,91	9.50	468,39	84,66	60.68	339,74
1955-56	..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	63.02	370,71
1956-57	..	653,34	453,92	1,107,26	36,94	50,23	7.96	626,08	155,56†	71.39	359,35
1957-58	..	723,89	619,19	1,343,08	39,34	77,55	8.72	723,79	167,83†	66.39	385,54
1958-59	..	735,93	860,33	1,596,26	40,30	83,99	7.74	766,56	133,58†	56.39	565,14
1959-60	..	745,83	1,086,79	1,832,62	44,84	75,81	6.58	842,75	144,59†	53.88	725,20
1960-61	..	794,49	1,155,87	1,950,36	47,04	93,09	7.17	995,75	163,35	59.43	688,52
Average of Fridays											
May	1961	845,27	1,108,21	1,953,48	48,43	73,26	6.23	1,085,24	194,17	65.49	548,23
June	1961	837,02	1,119,91	1,956,93	48,46	79,72	6.55	1,102,90	179,40	65.53	542,17
July	1961	843,35	1,133,99	1,977,34	46,71	88,73	6.85	1,100,57	156,31	63.56	562,78
August	1961	837,73	1,148,50	1,986,23	45,86	83,13	6.49	1,087,85	1,151,04	62.38	589,50
Sept.	1961	839,19	1,142,64	1,981,83	44,78	79,11	6.25	1,076,93	159,71	62.00	609,85
October	1961	844,70	1,138,11	1,982,81	48,54	77,49	6.35	1,062,70	179,75	62.66	615,28
Week Ending											
3-11-1961	..	832,08	1,141,68	1,973,76	50,83	73,37	6.29	1,053,48	185,84	62.79	630,73
10-11-1961	..	836,96	1,135,98	1,972,94	55,10	71,20	6.40	1,056,37	188,94	63.12	610,94
17-11-1961	..	841,97	1,145,41	1,987,38	50,71	76,69	6.41	1,048,38	188,35	62.23	607,16
24-11-1961	..	852,15	1,148,33	2,000,48	48,87	79,81	6.43	1,041,19	191,60	61.12	618,68

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Rs. in Lakhs)

Last Friday	Deposit Money with the Public					
	Money supply with the public	Total currency with the public	Total	Demand liabilities of banks	Other Deposits with Reserve Bank†	Total variation in money supply
(1)	(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1954-55	1,920.63	1,311.77	608.86	599.16	9.71	+126.65
1955-56	2,184.32	1,505.09	679.23	667.22	12.01	+263.69
1956-57	2,312.89	1,556.50	756.39	744.74	11.65	+128.57
1957-58	2,388.83	1,606.60	782.22	762.36	19.87	+ 75.94
1958-59	2,498.76	1,724.53	774.23	754.98	19.25	+109.92
1960-61	2,900.89	2,027.04	873.85	854.89	18.96	+197.76
February 1961	2,816.56	1,966.28	850.28	829.74	20.54	+ 23.90
March "	2,910.89	2,027.04	883.85	864.89	18.96	+ 94.33
April "	2,915.44	2,025.80	889.64	870.42	19.22	+ 4.55
May "	2,872.60	2,010.82	861.77	841.53	20.24	- 42.84
June "	2,872.22	1,969.63	902.60	877.78	24.82	- 38
July "	2,808.66	1,937.50	871.88*	850.00	21.15	- 63.56
August "	2,798.36*	1,920.34*	878.03	857.54*	20.49*	- 9.71*
September "	2,776.22*	1,900.58*	875.64*	857.45*	18.18	- 23.19*

* Provisional

† Excluding balances held on I.M.F. Amount No. 1. Source: Monthly Bulletin of Reserve Bank.

INDEX NUMBERS OF WHOLESALE PRICES — IMPORTANT COMMODITIES

(1952-53 = 100)

Average of months/ Average of weeks	Rice	Wheat	Jowar	Bajra	Gram	Ground- nut Oil	Mustard Oil	Sugar	Gur	Tea
1955-56	78	72	67	84	49	74	104	94	88	170
1956-57	97	88	123	122	71	104	176	95	100	165
1957-58	105	88	114	126	68	105	164	110	107	164
1958-59	105	105	105	126	96	107	148	121	131	169
1959-60	105	96	119	126	75	118	150	124	161	186
1960-61	108	90	122	130	87	138	168	127	136	206
November 1960	106	90	126	135	93	138	173	127	141	218
December	102	90	120	131	93	135	177	127	126	N.A.
January 1961	99	91	113	132	94	141	184	127	120	N.A.
February	101	91	110	130	92	144	184	127	116	213
March	101	91	110	128	90	153	179	127	112	208
April	101	88	110	130	79	154	169	127	114	216
May	103	86	109	134	76	152	168	127	116	198
June	106	86	113	141	81	159	169	127	122	206
July	108	88	118	145	81	160	175	127	121	220
August	110	89	113	142	82	149	174	127	123	218
September	110	87	107	128	81	141	173	127	122	190
October	108	89	110	130	82	129	176	—	119	—
7-10-1961	108	88	108	130	80	130	176	—	117	183
14-10-1961	108	89	110	130	81	128	174	—	114	212
21-10-1961	109	90	110	130	84	127	176	—	119	—
28-10-1961	108	90	110	130	84	131	178	—	125	221
Average of months/ Average of weeks	Spices & Condi- ments	Tobacco Raw	Coal	Cotton Raw	Jute Raw	Ground nut	Cotton Manu- factures	Jute Manu- factures	Silk & Rayon Manu- factures	Machi- nery
1955-56	110	77	101	97	117	79	105	96	91	102
1956-57	97	80	116	111	126	111	116	95	88	104
1957-58	96	92	128	106	133	108	116	95	86	107
1958-59	127	93	133	99	118	117	112	87	93	109
1959-60	152	98	135	106	125	131	117	91	96	111
1960-61	128	111	141	112	210	146	128	131	104	116
November 1960	130	121	141	111	232	140	129	142	102	117
December	126	114	141	110	226	143	129	143	102	117
January 1961	125	113	141	111	248	151	128	155	104	117
February	124	113	141	110	280	153	126	168	112	117
March	122	114	141	111	271	159	127	162	117	117
April	123	111	141	110	243	162	127	142	117	117
May	128	101	141	110	245	162	127	137	115	118
June	151	95	141	110	208	167	126	125	117	118
July	145	93	141	107	215	171	126	131	119	118
August	143	95	141	105	180	167	128	121	118	118*
September	143	95	141	104	155	156	128	114	119	119
October	145	95	141	107	150	143	128	119	120	119
7-10-1961	144	95	141	108	149	144	128	115	119	119
14-10-1961	145	95	141	108	151	146	128	120	119	119
21-10-1961	145	95	141	105	148	134	128	119	120	119
28-10-1961	145	95	141	105	150	146	128	121	120	119

* Estimated.

EX-FACTORY COSTS OF CEMENT EXCLUDING GUNNY BAGS AND INCIDENTAL

CHARGES THEREON DURING THE PERIODS INVESTIGATED

BY THE TARIFF COMMISSION

(Rs. Per Metric Ton)

Costing Period	Production during the costing period ('000 metric tons)	Raw Materials	Power & Fuel	Labour Estab- lishment	Stores	Depreciation	Overheads	Packing	Total
A.C.C. (Year ended 31-7-60)	3347	9.26	17.61	5.61	3.72	6.76	2.73	1.03	46.72
Dalmia Bharat (Year ended Dec. '60)	363	7.61	18.73	7.28	4.95	6.79	2.42	1.12	48.90
U.P. Govt. Factory (9 months ended Dec. '60)	161	10.06	17.83	5.35	5.16	10.58	0.90	0.66	50.54
Orissa Cements (1960)	329	12.89	16.86	5.46	6.27	6.13	1.95	1.26	50.82
K.C.P. (Year ended June '60)	69	7.05	17.54	5.88	6.96	13.34	2.27	0.64	53.68
India Cements (8 months ended 30-11-60)	309	11.61	21.77	4.28	3.86	8.46	2.48	1.36	53.82
Digvijay (1960)	434	10.41	22.94	4.85	5.19	5.69	1.55	0.78	51.41
Dalmia Dadri (11 months ended 30-11-60)	133	8.29	19.38	7.47	5.71	9.95	3.03	0.65	54.48
Mysore (6 months ended 30-9-60)	39	14.84	18.70	5.33	6.13	5.30	4.03	0.73	55.06
Kalyanpur (10 months ended Oct. '60)	114	13.87	18.08	6.72	3.77	8.83	3.38	0.58	55.23
Andhra (1960)	152	17.63	16.87	6.70	5.63	6.51	1.49	0.71	55.54
Rohtas (7 months ended Oct. '60)	173	24.84	14.12	6.34	4.79	3.49	1.43	0.68	55.69
Satna (11 months ended Feb. '61)	179	9.63	18.71	5.58	6.36	14.78	1.01	0.66	56.73
Sone Valley (9 months ended Sept. 1960)	155	15.77	17.14	9.18	7.37	2.72	2.86	1.95	56.99
Jaipur Udyog (6 months ended Sept. '60)	292	14.69	18.38	4.42	5.10	11.84	1.88	0.92	57.23
Panyam (Year ended August '60)	60	5.74	19.48	8.54	4.78	17.82	3.01	1.26	60.63
Ashoka (9 months ended Dec. '60)	136	25.56	14.21	4.49	7.19	7.29	2.67	0.21	62.12
Bagalkot (1960)	140	7.78	25.27	4.96	2.47	13.71	2.26	0.60	57.05
Travancore Cements (11 months ended Nov. '60)	58	12.29	27.26	10.37	4.57	5.23	3.89	2.10	65.71

FINAL FAIR EX-WORKS SELLING PRICES OF NAKED CEMENT AS RECOMMENDED BY THE

TARIFF COMMISSION

(Rs. per metric ton)

Name of the Unit	Ex-works cost of sales (excluding capital gunny bags)	Return on employed	Allowances for rehabi- litation	Total	Final fair ex-works selling price (after rounding off)
Dalmia Bharat	55.51	10.69	1.00	67.20	67.50
A.C.C.	59.33	12.17	2.00	73.50	73.50*
K.C.P.	59.70	13.47	—	73.17	73.50
Andhra Cements	60.18	10.70	2.00	72.88	73.00
Dalmia Dadri	60.55	10.18	4.00	74.73	75.00
Orissa Cements	60.80	11.85	4.00	72.65	73.00
Rohtas	62.11	6.58	—	72.69	73.00
Bagalkot	62.27	12.59	4.00	74.86	75.00
U.P. Government Factory	63.15	11.46	—	74.61	75.00
Jaipur Udyog	63.78	11.17	—	74.95	75.00
India Cements	63.87	12.36	—	76.23	76.50*
Mysore Iron and Steel Works	64.61	8.50	—	73.11	73.50*
Satna	64.82	12.24	—	77.06	77.50
Panyam	64.84	14.37	—	79.21	79.50
Ashoka	66.72	8.44	—	75.16	75.50
Kalyanpur	67.08	11.91	—	78.99	79.00
Sone Valley	68.19	6.71	4.00	78.90	79.00
Digvijay	68.21	10.71	—	78.92	79.00
Travancore Cements	89.80	12.74	—	102.64	103.00

*Both for portland and Slag Cement.

PRODUCTION OF CAUSTIC SODA (ALL FORMS) FROM 1958 TO 1961 (JAN. - JUNE)

(Metric tons)

					Technical Grade	Rayon Grade	Total	%
1958								
Fused Solid Caustic Soda	..	..	..	..	9,744	1,557	11,301	19
Liquid Caustic Soda	..	..	..	..	32,222	11,503	43,725	75
Caustic Soda Flakes	..	..	..	..	2,263	1,022	3,285	6
TOTAL	..	..	..	..	44,229 (76%)	14,082 (24%)	58,311	100
1959								
Fused Solid Caustic Soda	..	..	..	..	7,941	5,465	13,406	19
Liquid Caustic Soda	..	..	..	..	34,456	17,715	52,171	74
Caustic Soda Flakes	..	..	..	..	3,118	1,788	4,906	7
TOTAL	..	..	..	..	45,515 (65%)	24,968 (35%)	70,483	100
1960								
Fused Solid Caustic Soda	..	..	..	..	14,009	22,344	36,353	37
Liquid Caustic Soda	..	..	..	..	35,401	20,140	55,541	57
Caustic Soda Flakes	..	..	..	..	3,330	2,176	5,506	6
TOTAL	..	..	..	..	52,740 (54%)	44,660 (46%)	97,400	100
1961 (January-June)								
Fused Solid Caustic Soda	..	..	..	..	11,153	12,092	23,245	40
Liquid Caustic Soda	..	..	..	..	20,394	11,464	31,858	55
Caustic Soda Flakes	..	..	..	..	1,774	954	2,728	5
TOTAL	..	..	..	..	33,321 (58%)	24,510 (42%)	57,831	100

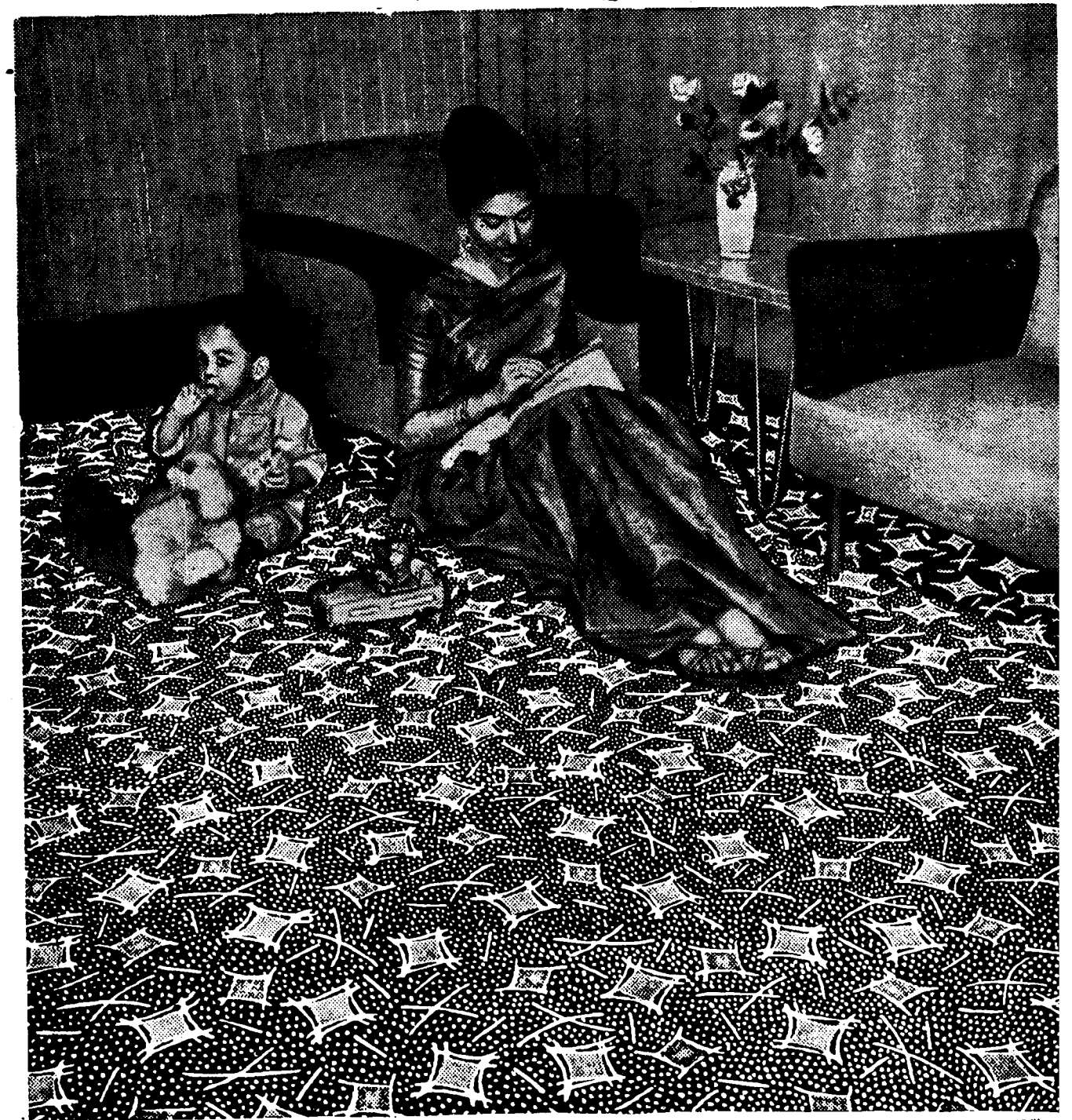
ESTIMATES OF CURRENT AND FUTURE DEMAND FOR CAUSTIC SODA
(By consuming Industries)

(In metric tons)

Source of information	Year	Soap Industry	Textile Industry	Paper Industry	Rayon Industry	Vanas- pati Industry	Alumini- um Industry	Miscella- neous Industries	Total
Development Wing	.. 1961	28,000	45,000	52,000	50,000	2,500	4,000	13,500	195,000
	.. 1962	30,000	46,500	62,000	60,000	3,000	8,000	17,500	227,000
	.. 1963	33,000	48,000	75,000	70,000	3,500	12,000	22,500	264,000
	.. 1964	36,000	49,000	90,000	77,000	4,000	15,000	29,000	300,000
Producers (Calico Mills, Bombay and Ahmed- abad, Dhrangadhra Chem- ical Works, Travancore Cochin Chemicals, Sau- rashtra Chemicals and Tata Chemicals) and Producers' Associations (Indian Chemical Manu- facturers' Association & Alkali Manufacturers Association of India)	.. 1961	28,000	38,000	30,000	46,000	3,700	3,400	13,000	162,100
	.. 1962	31,000	39,500	38,000	65,000	4,000	5,000	15,000	197,500
	.. 1963	34,000	41,000	46,000	100,000	4,230	7,600	18,000	250,830
	.. 1964	37,000	42,500	54,000	125,000	4,500	11,000	22,000	296,000
Hindustan Heavy Chemi- cals Ltd.,	.. 1961	25,000	26,000	30,000	44,000	2,000	4,000	9,000	140,000

Source: Tariff Commission's Report.

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THE EASTERN ECONOMIST

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NOTICE

There will be no issue of "The Eastern Economist" dated Friday, December 29, 1961. The succeeding issue will be the Annual Number for the current year, "India and Europe Divided", priced Rs. 10. The Special Number will be supplied without additional charge to the subscribers on our circulation lists on January 5.

With a Supplement
on
THE COAL INDUSTRY

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THE EASTERN ECONOMIST

DECEMBER 22, 1961.

Goa: Defeat in Victory?

GOA, Daman and Diu have been restored to the Indian Union from which, but for one of the great, and tragic, accidents of history, they might never have been separated. The return has been celebrated, as is only natural, with great jubilation in the Indian Union and, possibly, substantial rejoicings amongst large sections in the old Portuguese enclaves. In a great wave of popular emotion both ends and means have been joined in an act of approval and assurance which has had few parallels in Indian history since Independence. Every single political party has chosen to associate itself with 'liberation' as though it were a unanimous decision of the nation, and no doubts could exist as to the manner in which an end, deeply desired by all, has been achieved. For the short period, if there is any feeling against the popular current, it has been timid and afraid to speak. This is hardly the time to strike a discordant note. But it may well be that, when history comes to be written, the fact that there were a few who disassociated themselves from the millions who were applauding both the planning and the end of this operation, will be proof that the Gandhian legend in the Indian Union survived at least for a little while beyond the victory which came with Indian Independence on August 15, 1947. Patience for fourteen years is not necessarily proof that in the fifteenth year Mahatma Gandhi is alive. All in all, the balance-sheet is difficult to strike at this hour — almost as difficult as it is for those few who feel that India's course of action has not lived up to the highest standards to speak out their minds.

The result in terms of *realpolitik* and even of economic considerations is entirely good for both the Indian Union and for the old Portuguese enclaves. Portuguese Colonialism has been traditionally the worst of all forms of colonialisms, and although some of its worst inhuman brutalities were reserved for Africa, no one will deny that administration in Goa has been full of tyranny, and constituted a denial of the free spirit of men to determine freely the manner in which they should live in their own communities. There will certainly be more freedom of expression now than before, although the choice of a government is equally not to be left to the residents of Goa, Daman and Diu. Secondly, on the question as to whether or not aggression has taken place, it is possible to argue a nice point as to whether or not the determination of the Portuguese to remain upon Indian soil was not, in a moral sense, a continuation of aggression against the great majority of the Indian people, with whom obviously these enclaves should have been associated. The legal fiction of two different nations operating on the border of the enclaves even, in the first instance, was obviously thin. All in all, the political balance sheet now looks cleaner in the sense that the union of these people with their motherland was an objective which was justified in Indian historical tradition, geography and perhaps even political philosophy. It is a fact, however, that the method of its attainment constitutes a violation of the Charter of the United Nations.

Because of the technicality of this violation, it was to be expected India would encounter very little support in the West. The U.S.S.R. and our friends in Asia and Africa have much more feel-

ing for the substance, so far as colonialism is concerned, than for the written word. And the voting in the Security Council reflects what might be described as the balance between the legal and the moral sides of an international dispute. The question which needs to be asked at this moment of victory is not whether or not we have won international support. On balance, we have certainly lost, since the West is far more important to us at this time than the Soviet Union; but whether we have not, over the long haul, sustained a defeat in "intangibles" which might reverse the undoubted appearance of unity by which India has proclaimed to herself the rightness of her own purposes. There will be few who will worry unduly about international opinion in this case, if their own consciences were completely clear. The volume of criticism has, indeed, been somewhat greater than expected. But that remains only a question of degree. What has been surprising is the volume of opinion inside India that has chosen solidly to stand against what might have looked like a Gandhian rendering of our obligations at this time.

The issue is often confused by stating that the ends are so obviously right that the means we have chosen in this case cannot suffer by the admitted defect that it is non-Gandhian. Equally, it can be argued that the technical breach under Article 2 of the Charter of the United Nations cannot be read in the wider context as an excuse for violations which bear no similarity to the Indian case in terms of history, geography and natural law. Nevertheless, the issue must be raised as to whether the Indian people themselves — ignoring fully the volume of international abuse — are clear in their own minds that they have not betrayed some trust which was reposed in them when the Father of the Nation, as we proudly call him, passed on a torch to us to serve as a beacon in a world of relative darkness, reaching constantly for arms for the solution of tensions for which, down the ages, arms have provided no permanent solution. *The Eastern Economist* most reluctantly has come to the view that, when history comes to be written, the great adventure which has just been triumphantly concluded might well be described as a turning point in India's devotion to the doctrine of Satyagraha and soul force as applied in the international scene.

Not, indeed, that there has been much doubt that the hard core of Gandhian doctrine is today not alive and moving as it was in the twenty years before Independence came or fell upon us. An all-India survey undertaken by the Indian Institute of Public Opinion in February, 1959 showed in a sample of 1,200 interviews chosen in urban areas in the Indian Union at a random basis, only 28.6 per cent answered affirmatively the question, "Do you believe in the efficacy of all the teachings of Mahatma Gandhi?"; 28.8 per cent said they believed in "some" but not all his teachings, 21.1 per cent said they do not know and could not give a definite answer, whereas 21.5 per cent had "no opinion" to present. In rural areas where 1,800 random interviews were conducted, the corresponding figures were 23.8, 20.3 and for 'Don't know' and 'No opinion' 55.9 per cent. It will thus be seen that even two

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years ago only a fourth of the Indian people were committed emotionally to all the teachings of Mahatma Gandhi as they understood them at the time. The basic common element of the teachings was that the best of ends cannot justify means inconsistent with the doctrine of non-violence except in self-defence. This is a crucial question to be answered at the present time. Has the figure of about a fourth of the Indian people who believe in Gandhian doctrine altered substantially so that, today, if the question were to be asked we would be shamed by the proportion of those who had lost faith in one whose name has hitherto been used as the great preceptor of the Congress? Can it be true of Mahatma Gandhi, as it has been of all great prophets, that they are not without honour today except in their own country? This, and no other, is the moral issue so far as the Indian conscience is concerned. We may face the world with assurance, but we may find it difficult today to pray at Raj Ghat with anything like the same conviction that we displayed on October 2 this year. January 30 will soon come. What answer will we be able to make to him at that time?

For the rest, the balance-sheet is almost entirely favourable. It now transpires that the Indian balance of payments will be substantially improved by the export of iron ore from Marmagao, thereby possibly adding between Rs. 15 to 20 crores per year to our export earnings, even after allowance is made for the reduction of ore exports from other parts of India. There are few places anywhere in the world so happily placed for economic exports of ores as is Marmagao. Similarly, on the other side, for the Portuguese enclaves committed to an economic pattern devoid of all expansion, there has now opened, by the tremendous market of the Indian Union and the enterprise and capital associated with it, great opportunities. In other words, the enclaves themselves will be great economic beneficiaries as a result of their return to the Indian motherland. It is difficult to

believe that those who live in the material world will, therefore, find on either side any disadvantages in the new economic arrangements which have been reached. Any transition will purely be temporary and the wisdom of the Government of India in maintaining current laws for the period of the transition will make any hardship marginal in terms of the larger opportunities that are now open to all those resident in the enclaves.

There is, indeed, a somewhat uncomfortable postscript to this assessment of our position today. It may be that the weapons of the spirit are not entirely without their repercussions even in the hard world of material things. There may be built up amongst our friends abroad in the Aid-India Club or elsewhere a feeling that assistance to the Indian Union is not as great a fight for peace and democracy as it once was. *The Eastern Economist* does not believe, on balance, that the volume of aid will be significantly affected since India's strategic position and her own importance as a political friend will make it necessary for the nations of the West to recognise, even if we have erred, that the structure of the world is such that India can be neglected only at the risk of their own security. Thus it may be that, again after a period of transition, the international balance-sheet will bear, in material terms, no great difference; only there will have been left a permanent residue of distrust in that our mundane practice may be some distance behind our professions. It may be that the international world will rank us permanently lower on that account. In the last analysis, nations as well as individuals, must live by faith. For nearly half a century we have been sustained by the Gandhian faith. The question is what faith we now profess. We cannot, in our hearts, go on as before, and we cannot be empty as sounding brass. If we have lost the Gandhian salt, how shall we be savoured? And what message does India carry now in a world on the brink of moral collapse? Let those answer who must, or forever hold their peace.

Statisticians in Conference

THE Prime Minister inaugurated on Wednesday in New Delhi the tenth Conference of the Central and State Statisticians which will hold deliberations on some of the important problems in the statistical field which have provoked severe controversies in recent years. One of these relates to the computation of comparable State income estimates which were needed by the Planning Commission last year at the time of allocating funds for the States' Third Five-Year Plans and are currently required by the Mahalanobis Committee in order to determine the disparities in regional incomes. The National Income Unit of the Central Statistical Organisation has circulated a paper for consideration at this conference which sets out comparable estimates of States' agricultural incomes only for the years 1955-56 to 1958-59. It seems that the National Income Unit will need perhaps a minimum of two more years to complete its estimates for the States, though considerable hopes were raised regarding quickening of its operations by the recent reorganisation of the Advisory Committee for the National Income Unit. The paper submitted by the Unit for computation of agricultural income is extensive in coverage and is based mostly on direct evidence. Real difficulty is likely to be encountered in the case of the tertiary sector for which enough basic information is not available and the States' Statistical Bureaus will have to undertake elaborate surveys so as to fill the gaps in our knowledge,

especially about the pattern of wages in the different professions at the regional level.

Special interest centres round the seminar which will be held on the last two days of the conference in regard to the suitability of the National Sample Survey design to provide the growing requirements of data for planning and plan assessment, with special reference to current needs. There has been a long standing complaint against the National Sample Survey for undue delay in the release of the results of its surveys. The technique of combining different studies under the same survey has come in for severe criticism in recent years. It has been a practice with the National Sample Survey to undertake, within the framework of the same survey, such studies as the crop cutting experiments and the demographic and other economic enquiries. This naturally resulted in increasing the burden on the interviewers and also in lowering the standard of their performance. It seems as if the administrative considerations have prevailed over the technical considerations in laying down the objectives of the various rounds of the National Sample Survey. Besides highlighting some of these anomalies and throwing up some useful hints from the practising statisticians who have used this data over the years, this conference is likely to urge the Department of Statistics to accelerate its activities in the National Sample Survey, especially in the

field of consumer expenditure. Results of the consumer surveys made available with a time lag of two to three years lose much of their value. The seminar will have done a good service to all researchers in the country if, somehow, the National Sample Survey could be persuaded to hasten its operations.

The evaluation and appraisal of Plan projects, construction of wage indices for industrial workers, compilation of inland trade statistics and prevention of over-lapping by Central and State Governments in regard to family budget surveys are the other subjects which will be deliberated upon at this conference. The working class consumer price index numbers which are being used currently in the industrial centres are completely out of date as some of them were based upon the family budget surveys conducted three decades ago, and the necessity of holding fresh surveys has already become obvious. It is interesting to see that this conference has thought of applying its mind to the evaluation and appraisal of Plan projects as well. Hitherto, the

Central Statistical Organisation with looking at the balance sheet projects alone. For a these projects, it will be needed surveys in the field to projects—especially the multi had achieved the objectives for been planned. Also, very little is

inland trade statistics in this country suitable machinery has been evolved for inter-zonal movements of commodities. There has been much talk in the past about this subject but has yielded very poor results because of the low priority allotted to it in academic discussions as well as in financial allocations.

It is to be hoped that this conference will result in pressing upon the slow moving agencies of the Department of Statistics to accelerate their activities so that the results of their findings are made available without much loss of time and estimates of regional income, evaluation of Plan projects and the construction of new consumer price indices are undertaken without undue delay.

Transport Diversification

THE debate on the inadequacy of the transport system, in terms of its planned development, to provide the requisite transport capacity during the Third Plan is bound to continue so long as reasonable apprehensions about the recurrence of crises in production due to lack of transport have not been allayed. The factual data on rail and road transport, which have a positive bearing on the formulation of a long-term policy, have been supplied in copious detail, according to the Planning Commission's frank admission, in the preliminary report of the Neogy Committee on Transport Policy and Co-ordination prepared enough in advance of the final version of the Third Plan. But it has made little impact on the transport plan which remains virtually unaltered in its draft form.

What has actually been done in the Plan is to approach the transport problem from the objective angle in the immediate future. It is unlikely that this approach will be changed by indulging in the experiment of swapping horses mid-stream, although the text of the Third Plan suggests that the transport plan will need appreciable review in the light of the final report of the Neogy Committee. The basic principles which should determine the allocations to the major forms of transport—railways, roads and shipping—and some sort of workable co-ordination to prevent lopsided growth will inevitably be left over to the Fourth Plan. In so far as the current plan is concerned, it is apparent that attention ought to be focused on the diversification of transport to ease the strain on the railways and to supplement the shortages in their capacity rather than on the full share that is due to the other modes on the logic of co-ordination. A pragmatic, or more precisely, an ad hoc, approach may now be taken as written in the Third Plan. The debate on transport will be useful to the extent it demonstrates the possibilities of diversifying transport capacity especially by exploiting the undoubted potential of road transport. In this process of diversification, it is well to recognise that the railways do not admit of further burdens, that coastal shipping has a modest part to play and timely relief can be expected from road transport.

Mr. K. Barua's presidential address to the Indian Roads Congress at its annual session last week makes some constructive suggestions from this angle. Two at least of the suggestions

he has forcefully made merit attention, if greater diversification in the provision of transport capacity is to come from the roads. One major drawback which road transport in India has betrayed so conspicuously in relation to its counterpart in many other countries is its unsatisfactory level of productivity. Applying the criteria, which an expert road engineer cannot resist the temptation to apply, he has located the causes of inadequate productivity in the insufficient attention paid to "specialisation, standardisation and mechanisation". But this will not be enough. Road transport units in the freight sector are operating on small scales and many of them are admittedly struggling on the margin. Viable units commanding large vehicle fleets will be indispensable if the economies of large-scale operation and benefits of superior efficiency are to be reflected in higher productivity. The Third Plan throws a hint that the State may have to extend its activities to freight transport by road. It should hold its breath until the private sector fails to raise its stature. The unsuccessful experience of the former Bombay State on a fractional scale utters a warning. The President of the Indian Roads Congress has made another point, perhaps, by way of a reminder. Too often accent is placed on road mileage, but insufficient attention to priority for bridge construction is apt to detract from the productivity of roads.

Global comparisons of vehicles per mile are not necessary to demonstrate the low ratio prevailing in India. One of the major factors which will determine the capacity of road transport to assist diversification is the expansion of vehicle stocks. Indigenous manufacture and imports are both operating on a restricted range and availability can be increased by greater expenditure of foreign currency. In the Third Plan, on a conservative estimate, freight traffic will rise by 120 per cent from 10,600 million ton miles to 23,250 million ton miles. As against this, stocks of goods vehicles are estimated to increase by 78 per cent from 160,000 to 285,000. Already in the first two Plans, freight traffic was raised by 200 per cent with only a 100 per cent addition to vehicle capacity. Planning in the present Plan obviously ignores the harsh fact that this technique cannot be worked except with diminishing results, unless, of course, the severe restrictions on motor transport are removed.

A DELHI DIARY

NOT MR. MENON'S WAR?

IF the noises that I hear all around me and the echoes of those from Bombay prove anything, it is that the liberation of Goa was not only—in the words of the "Daily Telegraph"—Mr. Menon's war. The extraordinary unanimity of opinion of all Indian parties to climb on the Goa bandwagon suggests that, if any political party has sought Goa for election purposes, no other party wishes to be left out on that account. Similarly, a quick (Gallup?) poll amongst my friends convinces me that possibly only one in a hundred regrets that we have lent some colour to the view that the Gandhian legend is dead. There is no doubt whatever this is "popular" opinion in India, quite apart from the general evoking of the national sentiment that colonialism must die on Indian soil. So far as external opinion is concerned, there has naturally been a sense of some shock at the virulence of the attack upon us. But most people have developed a very great indifference to international opinion when it conflicts with our own. Thus it has come about that, if there is guilt of any kind in the liberation of Goa, it is shared by practically all Indian people. It is unfair that all the blame should be given to those who spearheaded something of which everyone seems to approve no less than the Prime Minister.

Obstinate man that I am, may I say that I still adhere to the view expressed last week that in the world of the spirit there are intangible things which are of long-term value to a nation more than any of us at this moment has admitted? All in all, while we rejoice at the return of Goa to India, there are still a few of us who feel that we have tarnished the mirror into which we took and that we have forgotten some of the great commandments of all time. We have preached so much in the last fourteen years that perhaps the cruel picture of India as Humpty-Dumpty—in the "Times" of London of all papers—falling from the wall might well appeal to Western observers. None of us should worry unduly about the opinions of others if we have a deep sense of righteousness within. Can I say that our conscience is truly clear or should I qualify it by saying that at least one per cent feel that we have done some intangible damage to our own selves far greater than anything that can be done to us in the 'foreign Press'?

THE PERILS OF PUBLICITY

For reasons which are not entirely clear to me the Indian Press has been prevented from entering Goa and Daman and we are now in the bitter predicament of having to accept the versions of foreign journalists of what happened in Goa. I see Mr. Jan Colvin, special correspondent of the "Daily Telegraph", is prominently presented on the front page of every newspaper that I read as though to deny the validity of the editorial which the same paper has made in denouncing us in London. Surely, if publicity is a good thing permission should be equally given to leading Indian journalists to be able to tell their own story in their own way. I have often said that a copy of a copy is, in Plato's phrase, twice removed from the truth. No doubt all Mr. Colvin has said is true, but why cannot we say having seen it with our own eyes and felt the jubilation which the residents in Goa are stated to have displayed?

Publicity has had another dangerous side. The President, whom every one is happy to see back at his post of duty, paid a tribute to our army for their splendid performance. Thunderous applause also greeted them when Mr. Menon paid his tribute at Bombay. Why then has it been necessary for the Prime Minister to argue that there has been practically no fighting of any kind and that the opposition was so pitiful that the casualties, believed to have been 20 in all, showed that the whole of the country was on India's side? Either there was a battle, for which honours are due, or there was not. If it was a walk-over, as seems now to be evident, surely praise for the army can be overdone. It is far better to present the point that the Goa administration was hollow and the people were fundamentally ready for a change than to indicate that this was a rapid and efficient defence operation which shows the fighting quality of our soldiers.

N. K. SIDHANTA

I leave this controversial subject of the inconsistent views presented on the Goa operations to deal with the sad demise due to a heart attack of Professor N. K. Sidhanta, Vice-Chancellor of Delhi University. Those of us who have known Prof. Sidhanta for many years have come to value his tremendous dedication to duty, his fine sense of tolerance and his great capacity to accept responsibilities far exceeding his health or his age. His current travels all over India in connection with the Inter-University Board meetings were unwise being clearly beyond his physical capacity. And thus he literally died in harness in Bhubaneswar while attempting to complete tasks which were accepted too rapidly. There are very few men of whom it can be said that they are thus willing to sacrifice themselves for quite unrewarding routine. There was naturally great feeling in Delhi University when his cremation took place. May I add my warm tribute to many that have been openly voiced, including that by the Vice-President, Dr. Radhakrishnan, the Chancellor of the University?

SIR B. P. SINGH ROY

Speaking of Dr. Sidhanta my conscience rebukes me that a month ago I omitted to say a piece in these columns about a great gentleman who passed away also by heart attack. I refer to Sir B. P. Singh Roy whose wonderful urbanity, fine sense of balance and unfailing courtesy are engraved deep in the minds of all of us. Sir Bejoy had a distinguished career in politics in what are called the old British days, as well as in business after Independence, having been President of the Federation of Indian Chambers of Commerce and Industry and Chairman of several companies including Jessops and others which had to be reorganised after what I might describe, in masterly understatement, as a period of bad management. In all these tasks his great sense of fairness, his tact and his almost infinite patience endeared him even to those who often disagreed with the somewhat unpleasant measures he had to take to destroy the rot. Some people say to me that the British period produced more great gentlemen than the subsequent period of national reconstruction. Let me incur unforgivable unpopularity by asserting that this seems to be true!

ARGUS.

THE WEEK'S NOTES

China

NO ENTRY AGAIN

THE RUSSIAN resolution for the admission of the People's Republic of China to the United Nations in displacement of KMT China provoked a preliminary battle on the floor of the General Assembly on a vital point of procedure whether a two-thirds majority was necessary for its passage. It was certainly curious that Russia should have taken the indefensible position to insist that her substantive resolution on the admission of China should be taken up first and the procedural point about two-thirds or simple majority afterwards. She has to thank herself if she lost on this count. Mr. Zorin expressed the optimism after the substantive resolution on admission was lost that the balance was tilting in favour of China and next year the General Assembly would open the door to her. On what calculations he based his optimism is difficult to guess. But one fact which has emerged clearly is that the increasing membership of the United Nations (Tanganyika is the latest and 104th member, which, by the way, cast a negative vote), essentially accounted for by the African countries, cannot be presumed to bring an accession of strength to the Communist bloc. Mr. Zorin's hope may be realised next year only in the event of a sudden and radical shift in the voting alignment.

The vote against China was undoubtedly a great victory for America. The negative vote was unexpectedly large and, even assuming that the significant size of abstentions was not there, the resolution could not have mustered a two-thirds majority. As the actual division shows—36 for and 48 against—China lost even on a simple majority. The Kennedy Administration's forward and bold policy on the Congo paid ample dividends on this occasion. India voted in favour of China's entry as she has consistently held that the anomaly of keeping out a land and its people of such a huge size from the United Nations would not but weaken its basis. But this time India's total silence during the debate was far more eloquent than her advocacy—some times very enthusiastic on earlier occasions during the past decade. Spokesmen of other countries quoted freely from Mr. Nehru's recent candid observations on China's international behaviour. This was important. China's aggressive attitude and disregard of norms of international behaviour came in for criticism this time also, but how far the criticism will produce a salutary effect will only need to be watched.

Britain voted in favour of Russia's substantive resolution for China's admission in view of the diplomatic relations she is maintaining all these years with the latter. But Mr. Joseph Godber made the meaningful remark that Britain's vote may not be taken as affecting the position of KMT China. Was there anything in this remark except the vital implications that two Chinas should be accommodated? Many would be inclined to endorse this suggestion—by no means novel, however—as a proper solution. Who, in that event, will hold the permanent seat on the Security Council? Even apart from this hurdle, Russia and China will not agree to it. The permanent seat and the power of veto which go with China's membership make it necessary that the People's Republic should render itself acceptable to those who now object to her admission.

Population

FAMILY PLANNING

THE CENSUS results published earlier this year placed India's population at 437 millions—much above the most

optimistic forecast of 431 millions—and focused the attention of the planners on the necessity of controlling the population, if the increased benefits of planning were not to be frittered over larger numbers, resulting in giving the impression that our planning was making a very slow and halting progress. One of the key solutions usually offered for controlling population relates to what is popularly known as "family planning" or "planned parenthood" for which there are many practical techniques. In the past, some store was set by the rhythm method. There are only two efficient methods of controlling rapid expansion in population and they are (a) the increased use of contraceptives and (b) sterilization. The latter also, like the rhythm method, has not succeeded in the past. The technique of family planning in the coming years will, thus centre round the extensive use of contraceptives, which unfortunately, are prohibitive in cost. Should these contraceptives be distributed free? This is a financial problem, much bigger than the Rs. 50 crores allocated for this purpose in the Third Five-Year Plan. Also, no scientific study has been conducted so far to show that the people would make use of these contraceptives, if they were made available without any cost. In fact all academic research in this particular field has thrown up very little information of practical nature.

Mr. Karmarkar, recommended the establishment of a separate Ministry in the Centre for dealing with this vital problem. Mere multiplication of ministries at the Centre or in the States will not solve the problem. But the spirit behind this suggestion is sound in so far as it urges increased activity to tackle this problem. The Ministry of Health has, in fact, failed in its primary duty of at least gathering the essential detail regarding the motivation behind the resistance of the people to the adoption of family planning techniques. In limited areas, the impact of free distribution of contraceptives needs to be studied. If it is not possible to distribute contraceptives free of cost, the contraceptives should be sold at nominal price over a period of time in certain areas and then systematic surveys should be undertaken to see how far people had availed themselves of these opportunities.

General Elections

CODE OF CONDUCT

SINCE THE political parties came to an agreement at the National Integration Conference a few months back on the urgency of evolving a code of conduct for the general elections, very little is heard about the progress made in this desirable direction. But it is gratifying to observe that the subject has not only cropped up again but advanced some way in Madras State, where its need should be felt keenly along with a few States similarly handicapped by the resurgence of casteism, communalism or groupism. In the course of the discussion on the budget demand for advance grants during the financial year 1962-63, grievances were ventilated about the subject of elections. It was as a result of this provocation that the subject was taken up in earnest by Mr. C. Subramaniam, the State Finance Minister, and in consultation with different parties it was agreed that a conference should be convened at the State level on December 20. At the time of going to Press, reports of the results of this conference were not available to us.

Although in the heat of the hustings the temptation is irresistible to fling wild or carping criticism at the opposition parties or candidates, it is certainly possible for the party organisers as well as independent candidates to follow certain minimum norms of conduct and put the election propaganda on an appropriate and dignified plane. The most important point on which agree-

ment will be quite easy is that the programmes and policies of the parties should be the real targets of criticism during the campaigns and not the personal failings or facts of the private life of the candidates which have no bearing on their public status. The experience of the last general elections has shown that none of the parties takes sufficient care to educate the electorate on the programmes and policies which it would enunciate if voted into power. Their elucidation in the election manifestoes is all with which they rest content, but it does not reach the average voter. Another important point which will be included in the draft code is to refrain scrupulously from making any appeal to caste, communal or linguistic or any separatist sentiments. If this rule of discipline is observed (which can hardly be taken for granted), some purpose will be served in lessening the impact of this virus. But it surpasses comprehension how merely this rule can be enough. It is a fact of universal knowledge that in numerous cases the selection of the candidates by the parties (to which the Communist Party of India, too, is not an exception) is influenced by the communal or sectional complexion of the constituency. Basically what is needed is a choice of candidates according to their merits. The question of election expenses which has become a great headache to all the parties was also touched, but it would be naive to suppose that the code will succeed in putting any reasonable curbs on extravagance during the elections.

Kerala

THE AGRARIAN RELATIONS ACT

IT IS a mixed bag of judicial pronouncements which the Supreme Court delivered on the writ petitions filed before it by parties contesting the constitutional validity of certain provisions of the Kerala Agrarian Relations Act. Mainly, three issues of different character and giving rise to different points of validity were raised in these petitions. In one, the decision of the Bench consisting of five judges has been unanimous, while in the remaining two the majority decision of three prevailed over the minority judgment of two. Taken as a whole, one cannot be quite sure that the pronouncements on the three issues will set at rest the constitutional fight relating to the validity of analogous legislation in States other than Kerala and even the unanimous judgment may, perhaps, create embarrassing situations where a newly elected government belongs to a different party from its predecessor and desires to change the legislation before its final stage. It may not be able to do so by reason of the Supreme Court's decision.

In the three petitions a preliminary and common contention was raised that the Kerala Agrarian Relations Bill had lapsed when the Kerala Legislative Assembly was dissolved by the President by a proclamation, since the assent of the Governor or the President to the Bill had not been given prior to the dissolution of the House. The Supreme Court by its unanimous verdict ruled that the Constitution did not make any provision to set a time-limit for the assent of the Governor or the President to a Bill and therefore the Bill must be held as pending and not as lapsed. In this particular case, the Bill which was referred back by the President to the Legislative Assembly for certain modifications came up for consideration before the new assembly. On the preliminary objection, therefore, the petitioners lost their case.

Of the two other issues, one related to the contention that the "Pandarwaka" and "Purawaka" lands held by the petitioners in the Cochin region of the Kerala State had a peculiar legal character as

"Ryotwari" tenures and therefore they did not come within the application of the term 'estate' as construed in the Kerala Agrarian Relations Act. It was contended that application to ryotwari tenures of the provisions of the Act offended against the right of equality of law, the right to property and the right to adequate compensation conferred by the Constitution. But once the ryotwari holdings were held to be estates, these contentions also lost ground. Rather somewhat strangely, the petitioners in the other petition, who held ryotwari land in parts of South Canara which were transferred to the Kerala State after the State re-organisation have come in for a severe deal. Their contention that the ryotwari land which they held under the former law relating to land tenures in Mysore State protected them from the mischief of the Agrarian Relations Act of Kerala. This contention, too, was turned down and their ryotwari lands were held to be estates attracting all the liabilities under the Act.

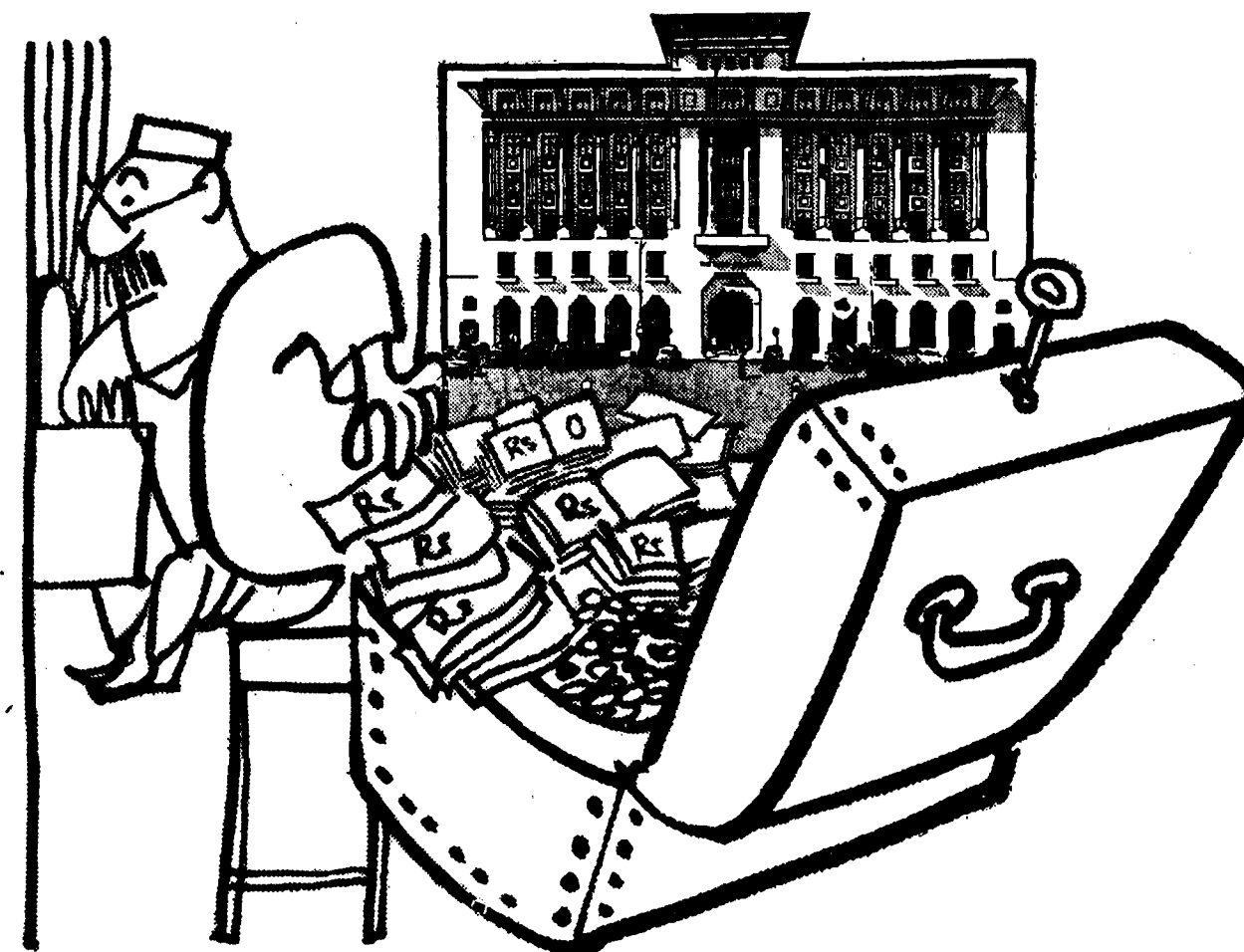
D.M.K.

ELECTION MANIFESTO

IT WOULD have been a shock if the pride of place had not been given in the election manifesto of the Dravida Munnetra Kazhagam to its article of faith of the secession of Dravidanad from the rest of the Indian Union. Dravidanad is to comprise Tamilnad (Madras State), Mysore, Kerala and Andhra States. Whether these regions agree to the formation of Dravidanad does not worry the DMK in the least. Apparently, it is taken for granted that they can be made to come into the fold. The formation of Dravidanad, however, need not be taken as an act of hostility towards the rest of the Indian Union. In all seriousness, the manifesto proclaims that it endorses the Indian Government's stand on the Sino-Indian border. Such is its solicitude for territorial integrity. In the face of this solicitude, the fact that it is committed to secession should not be regarded as a violation of the principle of India's territorial integrity.

The entire face of Dravidanad will be changed out of recognition if the DMK is put into power and its programmes are translated into its administrative policies. For the present, however, they are confined to Madras State where it will obtain a strong base for its formation and later on extend it to embrace Mysore, Kerala and Andhra States. The problem of power from which Madras suffers so acutely has an easy solution in terms of this manifesto. Oil will be explored in the Cauvery basin without delay and a refinery will be set up there. An atomic power plant will be established in the South and solar energy will be utilised to the fullest extent. The DMK will establish a casteless society based on the principles of democracy and it will be governed by the socialistic pattern. Economic development is a crying need in the coming years, but foreign loans will be procured only in cases of absolute necessity. It is, however, not clear whether cases of absolute necessity will be equated with cases of normalcy. There will be a radical redistribution of land, heavier direct taxation, a minimum wage for agricultural labour and wage boards for all industries. Land armies will be organised in the districts and the rural economy will be revolutionised by the renovation of tanks, construction of roads and an extensive activity for rural housing. In other spheres the DMK will not be lagging behind. For instance, it will promote the cause of education in a unique way. A separate Dravidian university will be established to conduct research in the glory of Tamilnad. These are only a few among the manifold images to convert Dravidanad into a land overflowing with milk and honey.

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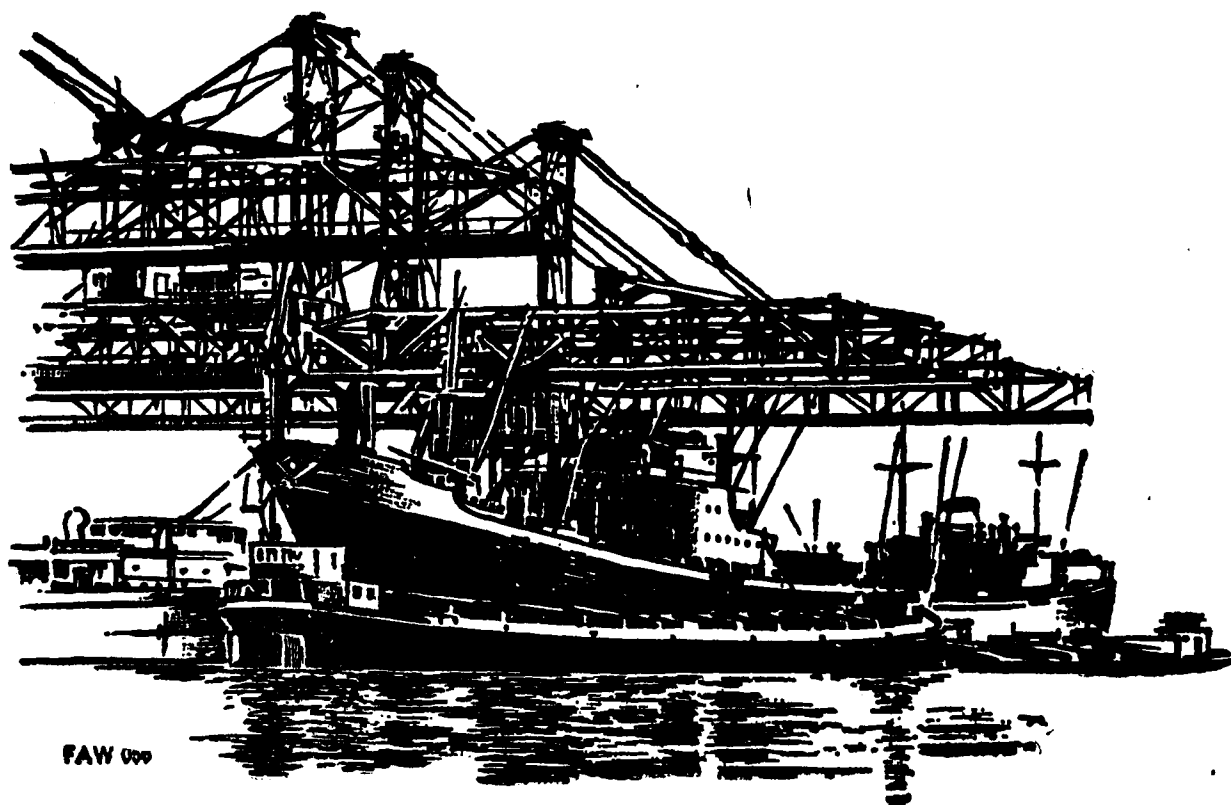
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The World Abroad

AGENDA FOR A FREE SOCIETY

By ODYSSEUS

ADAM SMITH (1723-1790) was the first person to see that the reasons why some nations became richer than others constituted a specialised branch of knowledge. His "Wealth of Nations" (1776) speeded the Industrial Revolution by its epoch-making recognition that individual freedom in enterprise, combined with the division of labour among specialists, multiplies wealth. But his book was also a tract for the times, attacking the established ideas of his day, criticising hoary institutions adapted to long vanished mediaeval conditions, exposing the futility of mercantilism — the attempt of governments to regulate trade and industry in order to try to secure a surplus of exports over imports in the illusion that this ensures national prosperity. By releasing individual initiative from centuries of bondage, Adam Smith introduced change in a static world.

But the solution of one problem always creates new ones, and in the 185 years since Adam Smith wrote, many governments in their efforts to solve new problems have, in many countries, gradually built up new accretions of regulations and protectionisms, which have increasingly stifled the initiative of the individual, and made him unable, or reluctant, to act without a permit, or a directive, from some authority.

I maintained here on October 14, 1960, that Prof. F. A. Hayek's "Constitution of Liberty" (Routledge & Kegan Paul, London, 1960. Price 45 sh.) was another "Wealth of Nations", that in its breadth of vision it is (1) a positive restatement of basic principles for a free society, and (2) a tract for the times, attacking established ideas. Today, I rejoice to find this view supported by Mr. Arthur Seldon who, in his introduction to "Agenda for A Free Society" (published in 1961 by Hutchinson for the Institute of Economic Affairs, 66A, Eaton Square, London SW-1. Price 25 sh.) compares Hayek's book to Adam Smith's great work.

"Agenda For A Free Society" contains ten essays by leading philosophers, lawyers, and economists, of the calibre — to name but four — of Frederic Benham, Graham Hutton, A. A. Shenfield, and Sir Henry Slessor (Solicitor-General in the 1924 U.K. Labour Government), who discuss the practical significance that Hayek's book has for the solution of contemporary problems. These essays reinforce the impression already made on anyone who has read Hayek with an enquiring mind: they point up the profound scholarship of the "Constitution of Liberty", which draws on, or appraises, more than a thousand authors.

Since Hayek examines afresh some of the most widely prevailing ideas of our times, such as social justice, progressive taxation, and Welfarism, it is natural that he should have drawn on himself ridicule and scorn. It is also natural that a book of such extraordinary scope, which bases its discussion of freedom on economics, political theory, philosophy, sociology, anthropology, and jurisprudence, should be unequal in its treatment of so large a canvas, and many specialists have been quick to point out gaps, errors, or weaknesses, in some of Hayek's theoretical positions. Nevertheless, it is remarkable that, although every contributor to "Agenda For A Free Society" has criticisms to offer, they all agree that the "Constitution of Liberty" is a monumental work, full of challenging, corrective ideas. Indeed, that these ten authorities should think it worth while to assess Hayek at all, and that his idea should emerge broadly intact from their criticisms, is evidence both of Hayek's impact and of his stature.

TWO GREAT SOCIAL REFORMERS

There are two further parallels here with Adam Smith. First, Adam Smith's view did not win the day without massive attacks from what J. K. Galbraith calls the Old Guard of conventional wisdom. For thirty years or more, the air was full of solemn warnings that the creation of a liberal society would end in ruin.

Secondly, Adam Smith, his followers, and Hayek, have been scourged as the apologists of capitalist exploiters, opponents of social reform, exponents of a harsh laissez-faire. It is true that a hasty reading of the "Wealth of Nations" and of the "Constitution of Liberty" could create the impression that their authors oppose government intervention in principle and propose total freedom in economic activity. But, ironically enough, this is precisely because they are both essentially social reformers. Smith showed the poverty created, impeded, and prolonged, by the restrictive mercantilist institutions and habits of thought, which survived from the 17th and 18th centuries. Hayek exposes the strangling effects (a) on individual liberty, and (b) on the multiplication of wealth, of the jungle of controls, priorities, allocations, permits, and restrictions, that have grown up, following the teachings of Marx and his socialist or communist disciples. Smith was, and Hayek is, concerned with the evils around them. It is, therefore, natural that the emphasis in both is on setting men free. But neither stops there. Neither envisages the government's role as that of a passive onlooker. Both expect the government to be active in promoting reforms, laws, and institutions, to enable a market economy to work, not for the benefits of a few capitalists but for the community as a whole.

Who was it, for example, who insisted on ".... the duty of erecting and maintaining certain public works and certain public institutions, which it can never be for the interest of any individual, or small number of individuals, to erect and maintain, because the profit could never repay the expense to any individual or small number of individuals, though it may frequently do much more than repay it to a great society"? Karl Marx? No, Adam Smith. The anonymous author of the article on the Classical Economists in "Everyman's Encyclopaedia" (J. M. Dent & Sons, 1958) sums up their strength by saying that they made two realistic assumptions: first, that man sought his own interest (and this did not mean merely self-interest but also the interest of those whom he benefitted by his efforts); second, that while the world was getting richer, it was still poor, and that all had to be given incentives to contribute to the common good. Hence the need for machinery that would gear self-interest to the social advantage. "The record of the 19th and 20th centuries," says the Encyclopaedia, "suggests that no system known to man or conceived by him, except a market economy, can, in modern industrial society, achieve these objectives and leave man to live out his life in freedom. The classical economists must be judged not from the interpretations of others, but from their own writings and from the experience of those who have ignored or learned from their teachings."

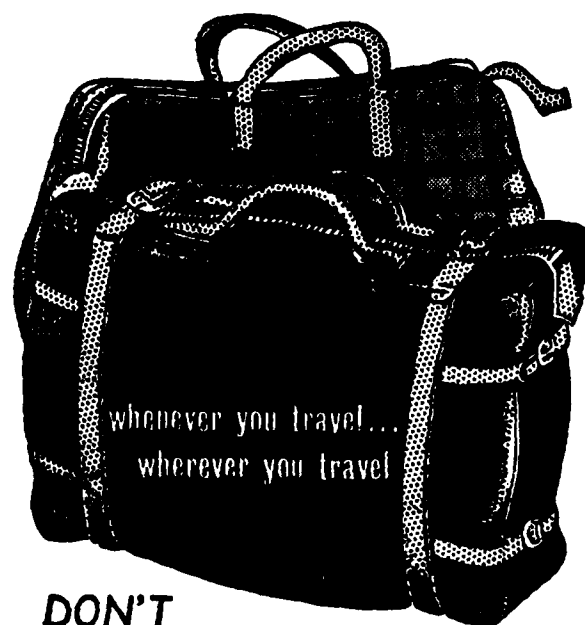
THE BLUDGEON BEHIND SOCIAL JUSTICE

Hayek re-interprets these teachings in the light of post-World War II experience. Professor H. B. Acton of London points out in "Agenda For A Free Society" that Hayek rejects the rationalistic method of consciously reconstructing society in favour of the spontaneous adjustment of free activities to one another through market processes. The arrangements and institutions that so arise are generally better than any that can be

planned by powerful individuals or groups, however wise, because any man or group must be ignorant of many of the relevant facts, and of the consequences of their policies, whereas the adjustments of multitudes of individuals to one another promote a harmony too complicated for any individual to grasp. Hayek contrasts a free society, developing in unforeseeable ways, with a society in which a governing system of priorities and allocations is imposed from above. The latter is the type widely favoured today, although many of its supporters do not realise the extent to which it is essential that the individual must be coerced in order to maintain it. Hayek reveals the bludgeon behind the back of many of those who call for social justice, fair shares, the abolition of inequalities, and so on.

A state based on the principle of individual freedom and the rule of law is not static. It is dynamic, because it allows both the proliferation, and the testing, of many varying and conflicting ideals. Progress is not towards a goal pre-conceived in the minds of some well-meaning men whose vision is necessarily conditioned by their education, limited by the state of existing knowledge,

and subject to fleeting contemporary passions, prejudices, or fashions, but is towards ideals not yet conceived. Any one who has read any history is likely to agree with this. Would the circumstances and problems of 20th century independent India have fitted into the strait-jacket of Plato's 5th century BC Ideal Republic? When, in 1867, Marx proclaimed that capitalism would keep the working classes on starvation wages until they were saved by the revolution, did he foresee that the average industrial wage in the U.K. in 1961 would be Rs. 200 a week? Did he foresee that the Russian revolution would supply powerful arguments to the upholders of free enterprise? So slowly was Russia, which had been hit by World War I far less than most other belligerents, recovering, and so impractical did Lenin find Marx's blue-prints that he introduced the New Economic Policy, allowing a degree of private enterprise. And what about incentives? Did Marx foresee that in the U.S.S.R. of 1961 top people's earnings (exclusive of free transport, houses, and expense accounts) would run between Rs. 40,000 and Rs. 120,000 a year, and that income tax (highest level at present 13 per cent) is to be eliminated by 1965?



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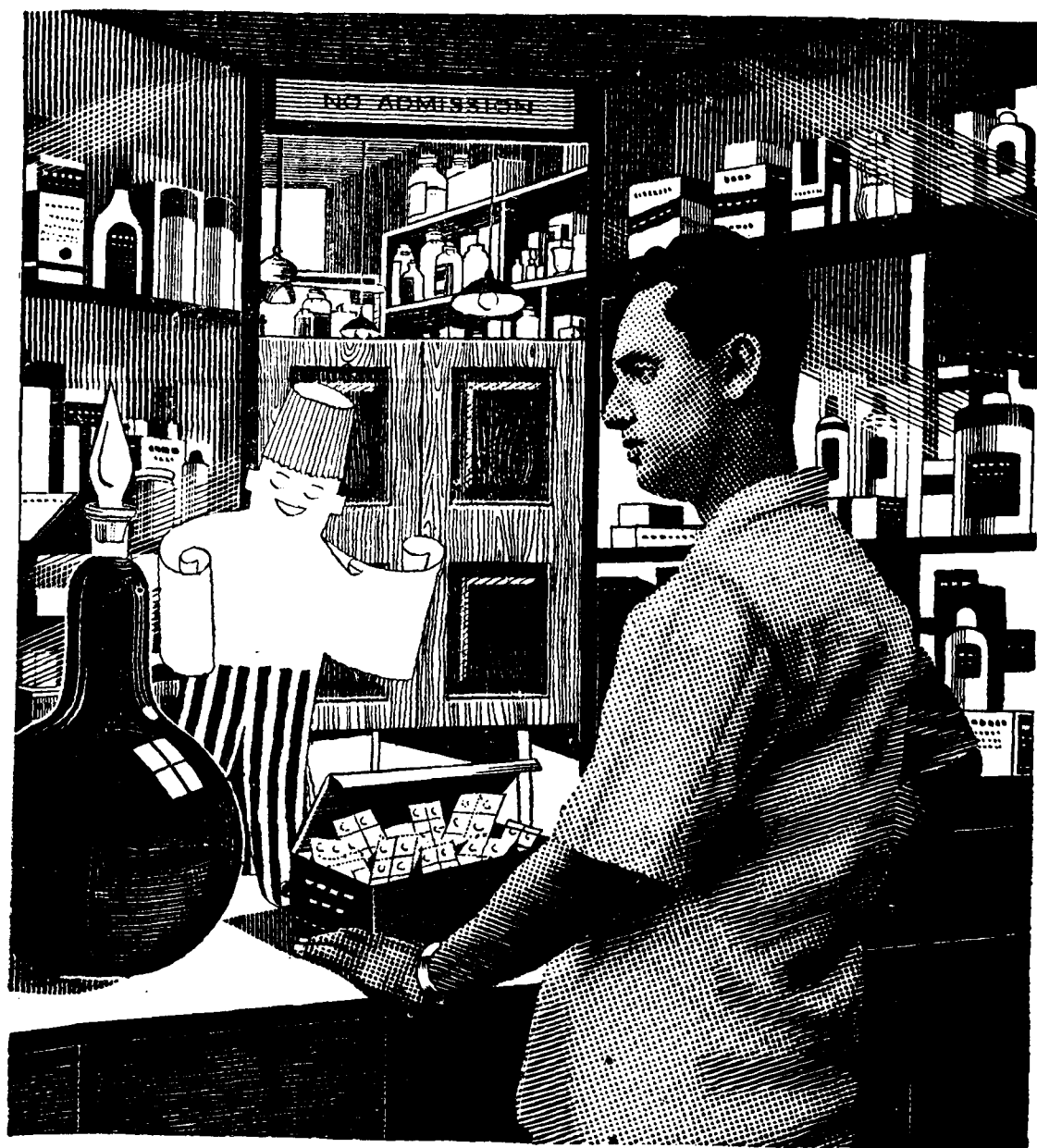
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The European Scene

REGIONAL DEVELOPMENT IN EUROPE

From Our Special West European Correspondent

PARIS, December 18.

LOOKED at from the outside, the Common Market seems to promise West Europeans an increase in their economic power that they will be able to use in providing more effective help to under-developed regions abroad. No doubt that expectation will be justified, but it will be for political reasons: because governments decided that it is urgently necessary to promote development in backward countries that would otherwise be exposed to political instability. It will not be for simple economic reasons, e.g. that expansion in Europe generates a greater capital surplus, which becomes available for more generous development programmes. Because, when it is looked at from the inside, the Common Market promises to create, or exacerbate, inside Europe itself large tracts of relative under-development whose needs will be directly competitive with those of overseas backward countries. The notion that economic progress creates poverty may seem absurd, but in fact it is confirmed by the economic history of most advanced nations. Development takes places in nodes, whose progress sets them further and further ahead of less developed parts of the country; the favoured regions get richer, while the unfavoured regions may progress much more slowly (which is already serious, as setting up grave disequilibrium inside the nation), or may stagnate or may even retrogress absolutely. It is a commonplace that the decadence of South Italy dates from the unification of the kingdom, which created a common market in the peninsula so that capital and labour concentrated in Lombardy, leaving the South to sink into its present squalor.

Inside one political nation, this tendency toward cumulative regional disequilibrium is countered by representative democracy. One of the most important economic effects of that system, in contrast to other forms of governance, is that it gives less developed regions a voice out of proportion to their economic status and even, in federal systems such as those of India, Australia and the U.S.A., out of proportion to their population. Thus there is effective political opposition to the "natural" tendency of economic progress toward unequal regional development. This tendency is much more marked, and meets less opposition, in a process of unification such as the Common Market. Firstly, by breaking down international barriers it coalesces frontier regions which could not exert their maximum "pull" as long as they were divided between nations. For example, the valley of the Rhine has an evident vocation to become the heart of West Europe, but as long as it was split into French and German sectors this vocation was limited by corrective action from Paris and Berlin. If the Rhine valley becomes, as it will in a full Common Market, a single economic unity and if there is no supranational authority to control its hypertrophy, its "pull" could become extravagant. The result could be that the decadence and depopulation of peripheral regions (e.g. South Italy, Brittany and Schleswig-Holstein) are accelerated.

Secondly, democratic regimes which sought, as long as the nation was taken as the economic unit, to maintain some balance between their various regions, tend naturally, as soon as international integration is the task, to think first of balance between participating nations, even at the cost of growing unbalance within the nation. Thus, Rome, Paris and Bonn today are inevitably concerned with protecting the position of Italy, France and West Germany in the Common Market, and if that is best protected by letting their most advanced regions

prosper quickly, they accept the relative impoverishment of peripheral zones. Regional action in favour of those poorer zones can only be financed at the expense of the active zones, and that would mean hampering these latter in the contest with other nations' industries. Alternatively, such regional action would be regarded by other capitals as a subsidy in favour of one nation's industry, and such subsidies are outlawed by the Rome Treaty. Finally, and most obviously, the free movement of labour and capital over the whole six-nation region allows a greater degree of concentration in advanced zones.

The upshot could be that the Common Market would tend — indeed is already tending — to become a long but fairly narrow strip of highly developed activity, running from north-west to south-east and comprising the Belgo-Luxemburg plain, North France, the Ruhr, Lorraine, the Rhone Valley and North Italy. This strip today produces 60 per cent of the Common Market's total product although it covers only one-third of the region's area, and contains half its population. The only major agglomerations that are external to it are West Berlin and the Parisian basin; the former is insecure, and the latter is itself another bad example of excessive concentration which does nothing to correct the balance in favour of backward zones.

The consequences of this unbalance might seem to be the Europeans' concern, but I suggest that they will have an influence on future discussions of assistance for development overseas. Though they are temporarily intoxicated by the first fruits of industrial concentration in the Common Market, democratic politicians cannot long remain indifferent to the impoverishment relative or absolute, of the peripheral zones of their own countries. The longer corrective action is postponed, the more costly it will be, until it is directly competitive with foreign aid programmes. One can envisage the day when the announcement that Bonn is going to build a steel mill in India or Paris a bridge in Senegal will be greeted with violent demonstrations by the populations of stagnant zones in Europe. Already the discrepancies between various parts of Europe are as striking as between Europe as a whole and certain developing nations. If we take as 100 the production of the average citizen of the Common Market, the differences between nations are not too exaggerated: Belgium 128, West Germany 117, France 114, Holland 107 and Italy 61. But if we look to regions within those nations there are some extraordinary differences: Hamburg 186, Bremen and Paris 166, North Italy 100, Schleswig-Holstein 83, Limbourg (Belgium) 82, Corsica 38 and South Italy 26. The inhabitants of these latter zones have a way out that is denied to citizens of under-developed countries; they can migrate to the centres of greater activity, and the obstacles to that migration are falling every month; indeed their movement is being facilitated, for West Germany and France finance the training of illiterate labour in South Italy so that it can find work in North Europe.

But this only resolves the problem for the individual, and then not in the best way. It hastens the decay of his region, adding depopulation to economic stagnation, cuts him off from his native culture and makes him another rootless slumdweller in the inhuman, and probably foreign, city. So it is opposed by the labour movement and by regional organisations, who would prefer to see work brought to the worker in his home province. Besides, by exaggerating the over-development of the favoured central zone it produces conse-

quences there that are just as anti-economic as under-development in the peripheral provinces. Once a certain optimum population density is exceeded, every extra inhabitant costs the collectivity more (in public services, drainage, transport, police, etc.) than if he had found work at home. No matter how unhygienically housed, uncomfortably transported and ill educated he may be, an extra worker in Hamburg, Paris or Milan costs more than an extra worker in a small provincial town. Private industry may realise an economy, but the nation suffers a loss.

Moreover, it is unlikely that the Common Market can maintain the high growth rate of recent years if it continues to concentrate in the central zone. After achieving a 20.8 per cent increase in its gross product between 1958 and the end of 1961, it may find that returns will diminish in the most advanced sectors, and that a comparable average can be kept up only if productivity in the zones so far neglected is stimulated. It is not a matter of choosing between a high average national income that is ill distributed, and a lower income that is better distributed; it is rather that the average will grow faster if it is evenly distributed. In the last generation, Western nations have learned that this is true as between social classes; a wider spread of purchasing power stimulates industry more than an excess of savings in a small class of rich people; at least this is true in nations that have attained a certain level of equipment and have completed the "primary accumulation of capital". It remains to put the same lesson into practice as between geographical regions. An industry that was till lately the "pilot" of the European economies, the automobile industry, is very keenly aware of this fact. Intensified urbanisation promises it much less custom than a regeneration of provincial economies.

The methods that might be used to combat the excessive centralisation that threatens the Common Market

were discussed at a congress in Brussels in the second week of December; its proceedings would no doubt interest those charged with similar questions in India. Participants debated the merits of the two systems that have been used to decentralise industry, both of which have been tried in India at various times. On the one hand, a whole region may be declared deserving of development, and financial or other incentives offered to industrialists who establish themselves anywhere in it; to the extent that this method succeeds, it leads to the dispersion of enterprises, often of small dimensions. On the other hand, particular towns or villages in a backward region may be selected by the administration for conversion into "points of attraction". Schools and other amenities may be built there, factory sites prepared and buildings put up which are then leased or sold to enterprises. This latter method, known in Germany as the *Zentraleorte* Program, has been successful in mitigating the congestion of industrial zones, whereas the regional approach has been preferred in the south of France and Italy. Each has its advocates, but they seem to answer different needs. The creation of "central points of attraction" works when it is a problem of filling in gaps in a generally advanced region, such as West Germany and hence, one would guess, in West Bengal; the other method suits vaster and more backward belts of territory, such as the Italian *mezzogiorno* and, one would guess again, South India. In any event, they are not contradictory but could be combined. European experiments in harmonising regional advance are, then, not only directly instructive to other nations facing similar problems, but will have an influence over European willingness to support development elsewhere. If the Common Market creates, by suction of labour and capital into a central zone, a vast periphery of economic desert, the political arguments in favour of aid for foreign development will meet formidable opposition.

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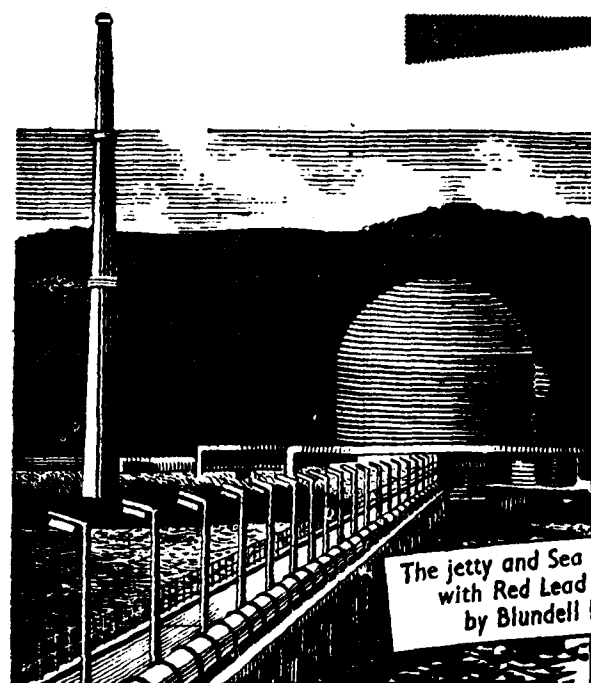
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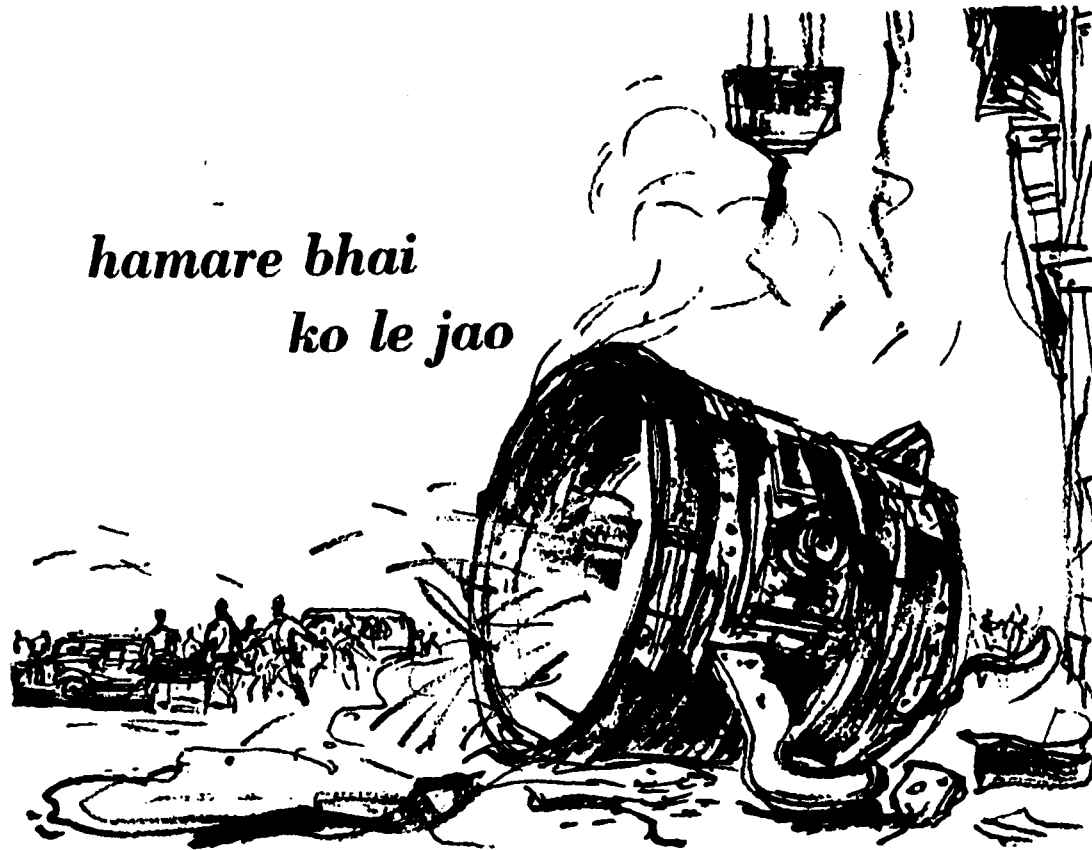
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Economic Report from the U.S.

NEW APPROACH TO TRADE POLICY

By GUY SIMS FITCH

WASHINGTON, December 13.

THE new and bold approach to U.S. trade policies which President Kennedy has now enunciated takes into account a broad range of emerging requirements at home and abroad, with emphasis on strengthening the fabric of the entire free world. What is more, the President now appears determined to present his formal foreign trade recommendations to Congress early next year, which means that he intends to bring this matter to a decision as soon as possible.

At the heart of the President's programme is drastic revamping — he calls it a "replacement" — of the existing Trade Agreements Act. While Mr. Kennedy's specific proposals have yet to be announced, his administration appears to have in mind the granting of brand new tariff-cutting authority to the President. This would include, presumably, authority to negotiate reciprocal tariff concessions with other nations on a category-by-category basis rather than the item-by-item basis required by the existing legislation. This legislation, under which the U.S. has reduced its tariff levels substantially, was first passed in 1934, has been extended and modified a number of times since, and is due to expire next June 30.

Basic to the Administration's new approach is the recognized need to negotiate meaningful trade concessions with the six-nation Common Market, or European Economic Community (EEC), which is in the process of setting up a common external tariff against outsiders, and already represents a prime export market for U.S. goods. By trading cuts, the U.S. would avoid being shut out of that market and would be able to benefit from its expanding potential. That potential would become even greater if and when other European countries, such as the United Kingdom, join the EEC.

It would be a mistake, however, to see this merely as an attempt by the United States to support its export trade. The U.S. officials tend to view the emergence of the Common Market as an opportunity to force a great new partnership between the world's two major trading areas — the United States and expanded EEC — which together contain some 90 per cent of the free world's industrial might. This partnership would be anything but an exclusive grouping working only for the benefit of those directly concerned. Rather, in the U.S. view it would present a new and unparalleled opportunity to strengthen the trade relations and advance the economic progress of all free nations everywhere. This is a cause to which the United States historically has been dedicated, and which it would continue to support through its insistence on non-discriminatory trade relations and the most-favoured-nation principle of granting the benefits of tariff reductions to other trading partners. Also, through this kind of trade partnership and co-operation among the leading industrial nations of the free world, Europe would be able to take up a greater share of the leadership in assisting the economic advancement of developing lands.

In formulating its new foreign trade approaches, the Kennedy Administration is paying close attention to related domestic issues. It is recognized that in accepting the new trade challenge U.S. industry would have to compete both in prices and the quality of its products with industries abroad. This means greater emphasis on efficiency and productivity on holding down costs. Hence, the Administration is urging restraint on both management and labour in wage and price policies. In addition, it has submitted recommendations involving special incentives for business investment in new and modern productive facilities through special tax programmes and through special depreciation allowances on equipment.

In accepting the new trade challenge, the U.S. industry also must recognize that the United States would not only be exporting more, but through reciprocal concessions with other countries and areas also would be importing more. This would enhance the earnings of other countries, which then could be used to buy more U.S. products. It also would make available more of the materials and products required by the U.S. industry, would give U.S. consumers a wide choice of goods at competitive prices, and keep a healthy competitive pressure on the U.S. economy. This undoubtedly would force adjustments — some of them relatively severe, perhaps — on a number of American companies and workers. While meeting these adjustments may be the responsibility, in the main, of the affected business and labour communities, it also is the responsibility of the Government to assist them.

The idea, however, is not so much to protect affected U.S. interests by a wide range of special tariffs that would shut off foreign competition, although some aid along these lines may be needed to help cushion adjustments in severe cases. Rather, it is to facilitate the adjustments to changing conditions through such measures as financial help and training programmes, thereby in effect strengthening the U.S. economic structure while keeping the doors wide open to international trade.

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THE BUSINESS WORLD

Economic Consequences of Goa

By CROESUS

IF the reactions in the markets, especially the Bombay Stock Exchange, are any proof, the action taken by the Government of India in respect of Goa has had a very good reception. However, there is still a sharp conflict of views as to whether India was at all well advised to have taken this type of action. To the Government of India, caught as it was between the pressure of the recent conference on the Portuguese colonies and the polite hints of Britain and America as to the likely repercussions of any military action against Goa, the choice was undoubtedly extremely difficult. Although it might not seem strictly correct to describe the decision of the Government of India either as a cavalier denial of the application of the Gandhian techniques in a tragic manner or as a deliberate election stunt of the party in power, no one can deny that either of these or, perhaps, each in its own way, or, to be even more precise, both to some extent, must have influenced the fateful decision. That India's armed forces have hardly met with any stiff opposition or that there has not been much loss of life consequent on the Goa action, welcome though, is liable to be pressed into service by the critics of the Government of India's decision to malign this country in the eyes of the world. And it cannot be confidently predicted that the Portuguese do not still have something up their sleeves to spring an unpleasant surprise on us. Against this background it would seem that the jubilation and excitement that one notices is somewhat premature. This is not a reflection on any Indian's natural joy and delight at the end of the rule by Portugal on a part of this country that legitimately belongs to us. Nor is it an attempt to minimise the importance of the extremely tactful and able handling of the whole campaign by our armed forces. But it is just to sound a note of caution that we cannot afford to be complacent with a victory that everyone had almost taken for granted, at a time when even some of our most friendly countries are becoming visibly critical, if not actually suspicious, of the bona fides of our foreign policy. The one question that is bound to trouble most thinking people, both here and abroad, today is how other countries similarly placed, e.g. Indonesia, would behave. Taking shelter under the plausible precedent set up by India — however much we may endeavour to disapprove of it — it is not improbable that these countries would precipitate similar action elsewhere, which may lead to a world conflagration, unless the developing situation is carefully watched and skilfully handled by the major powers. But all this is not my domain, I am afraid.

What I am concerned with as a student of economics is the economic consequences of Goa. Goa is not a very big area, being not more than some three thousand sq. miles in extent and having a population of

no more than 8.7 lakhs. But, from the geophysical point of view of the Indian sub-continent, it is strategically situated. And with its fine natural harbour, enormous mineral resources and extensive forest wealth, this stretch of land is undoubtedly a welcome acquisition. Per contra, it is a great loss to Portugal. Although until 1947 Goa was an economic liability, in recent years it has become a great source of foreign exchange to Portugal. Following the intensive and extensive development of the iron and manganese mines and the lucrative contracts for the exports of these ores with countries like West Germany, Goa had almost become the mainstay of Portuguese economy, especially since the disturbances started in Angola and disrupted the economy of that colony.*

It is not possible to estimate the extent of Indian investment in Goa, but, judging from the operations of several well-known Indian companies operating in Goa, such as Chougule and Co., Damodar Mangalji and Co., Salgaokar and Co., it would seem that the Indian stake in Goa is not negligible, although it may not be of such a magnitude as to find a place for itself exclusively or separately in the Reserve Bank's compilations of Indian investments in foreign countries. Similarly, the extent of investment of other countries (other than Portugal) in Goa is anybody's guess, and, as things stand, it is also a bit in the dark to make any attempt at estimating the Portuguese investment in Goa, apart from such ostensible indications as those provided by the Marmagao Harbour, the Goan Railways and other communications for what they are worth. As soon as things settle down, therefore, the most important task of the new administration at Goa should be to take a comprehensive stock of these and other economic facets of Goa.

There is one very important aspect of the Goa action which does not appear to have received adequate attention. This relates to the position of Indians residing in Portuguese territories. Already reports have appeared about the internment of Indians and confiscation of their property in these territories. Compared to the number of these, the number of Portuguese residents in Goa is admittedly very small; similarly, the aggregate value of the properties of Indian settlers in Portuguese territories may be expected to exceed that of the Portuguese residents in Goa by a fairly good measure. This unequal state of affairs would perhaps leave the bargaining lever more in Portuguese hands than in our own. Accordingly, the whole problem of Indian investments in Portuguese territories vis-a-vis Portuguese investments in India needs to be very carefully and tactfully tackled to avoid undue hardships and harassments to our nationals residing in Portuguese territories.

* The export trade figures of Goa that are immediately available reveal that this former colony of Portugal exported last year about 6 million tons of iron ore worth over Rs. 25 crores (2.2 million tons to West Germany, a similar quantity to Japan, nearly 1,00,000 tons to France and 75,000 tons to Italy), half a million tons of manganese ore, cashewnuts and dried fish worth over Rs. 1 crore each, betel nuts worth about Rs. 14 lakhs, canned food worth about Rs. 33 lakhs, bamboos worth over Rs. 1 lakh and coconut worth Rs. 8,000.




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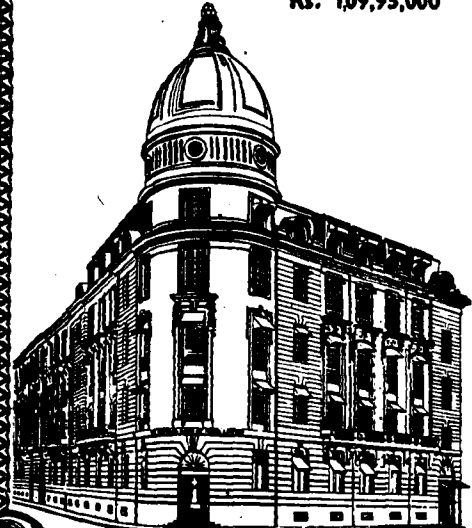
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The Profit Motive in Public Sector

By P. KODANDA RAO

DURING his visit to Madras in October last, the Prime Minister declared that the uplift of the four hundred million people of India could never be left to private enterprise which believed in the "monstrous philosophy of grab and private profit", but should be undertaken by the State. In the same breath he granted that "private enterprise had, of course, its own sphere to develop." It is not obvious how he reconciled himself to tolerate private enterprise with its "monstrous philosophy of grab". The sphere allotted to it in the three Five-Year Plans has not been so small as to be ignored.

Time was when the philosophy of public enterprise was public service, even at a loss, as against that of private enterprise, primarily for profit. But Mr. Nehru has himself abolished the vital distinction. In his speech in the Lok Sabha on August 19, 1961, he asserted that the State was justified in making maximum profits, subject to reasonable prices. Mr. Manubhai Shah, the Minister of Industries, made a similar affirmation. The proviso of "reasonable prices" does not distinguish the State from the private sector, for even the latter professes it, though the customers accuse both of charging unreasonable prices. For instance, many consumers complained that the State Trading Corporation charged monstrous prices for cement and grabbed monstrous profits!

If "grab" is anti-social in competitive private enterprise, it is infinitely more so in monopolistic State enterprise, as it amounts to indirect taxation without legislative sanction or by delegated authority, which is even worse. Even as no Government may budget for more revenue than it needs to meet the expenditure sanctioned by the legislature and may not accumulate surpluses, so also no Government may seek profits through State enterprise. In the discharge of its inalienable duty of ensuring the safety and well-being of all its citizens, the State should keep out of economic activity as far as possible, and control the operation of the private sector in the interests of the consumers who constitute the whole citizenry. If the State itself launches on economic enterprise and seeks maximum profits, like private enterprise, the consumers will have no protector left; they will be exploited by both the sectors. Even as the function of the judiciary is to stand apart and protect the fundamental rights of the citizen from encroachment by the executive, so also it is the function of the State to stand apart and protect the citizen from being exploited by the private sector. The State may undertake economic enterprise only when private enterprise is unavailable or unequal to the task. After pioneering and establishing an enterprise, it should persuade private enterprise to take it over. This was the wise policy followed by Sir Visvesvaraya, than whom there has been no more ardent and competent advocate of industrialism in India. In the pursuit of public service, the State might well prefer loss to profit from its economic activity.

There is another vital difference between State and private enterprise. While the capital for the latter is provided by **voluntary** subscriptions of the investors, the capital for the former is provided by **compulsory**

taxation of the citizens. While the former is free capital, which respects the Fundamental Right of the citizen to invest or not in any particular venture, the latter is conscript capital, which violates it. Public confidence in State enterprise is not enough to attract voluntary capital. The over-subscription of State loans is no proof of confidence of the investing public. It is well-known that most of them are furnished by banks under ill-concealed official pressure. In his speech in Nagpur on October 23, 1961, Mr. S. K. Wankhede, the Finance Minister of Maharashtra, let the cat out of the bag; he threatened with disconcerting frankness that if the commercial banks did not subscribe to Government loans, they would be nationalised!

State enterprise has a very serious political defect from which private enterprise is free. The employees of the former become Government servants, and, as such, are precluded from criticising the actions of the Government, and are thus deprived of a most valuable Fundamental Right of a citizen. When the State represents a political party, Government servants have to serve the party even at the sacrifice of the nation.

Advocates of private enterprise postulate yet another defect of State enterprise; it is inefficiency. As proof thereof, they point to the frequent losses suffered by it. Their philosophy may be thus summed up: Efficiency is a function of profit. Private enterprise is efficient because of its profit motive, while State enterprise is inefficient for lack of it. A comparison between the two is easy because the economic enterprises of both lend themselves to "Profit and Loss" assessment. The State, however, has very many other and bigger functions, like defence, police, education, health, etc. which involve much larger expenditure than its economic activity, but which do not lend themselves to "Profit and Loss" assessment. If efficiency is a function of the profit motive, should the motive be extended to all State activities, or should all of them be handed over to private enterprise to improve their efficiency? Or, should there be a diarchy: profitable, efficient, economic activity to the private sector and non-profitable, inefficient and uneconomic activities to the State?

There is, and there can be, no nexus between efficiency and profit. There are innumerable organisations all over the world which are efficient but which eschew the profit motive. It is desirable that efficiency should be improved in all State functions, irrespective of the profit motive. In the economic sphere, the test of efficiency must be **price** and not **profit**. The paramount consideration should be the interest of the consumer; he must be provided with goods and services at the lowest possible price, even as in the political field the citizen's right to maximum freedom should be the paramount consideration.

The State should not undertake economic enterprise, except as a transition to private enterprise; if it does, it should not seek profit through higher prices to the consumer, but may even face losses through lower prices, subsidised by taxing the richer citizens. While tolerating profit in the private sector, it should limit it to ensure lower prices to the consumer.

Business Notes

Tea

TEA-DRINKING: A HABIT

THE STATISTICS BRANCH of the Tea Board has been, for the last five years, conducting tea surveys mostly in urban areas. The results of the polls conducted in

21 towns in 1960 have just been released providing useful information regarding the consumption of tea in Indian towns.

An analysis of the findings relating to the main urge for drinking tea shows that the chief reason for taking tea is the long formed habit, followed by the refreshing and stimulating qualities of this beverage.

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Among those who did not take tea, the main reason was that they were not habituated, while poverty was an equally strong reason. Other pulls working against the consumption of tea were, competition with such beverages as coffee and milk and avoidance due to medical reasons. In other words, there is ample scope for raising consumption of this beverage in urban areas as and when standard of living rises.

The Statistics Branch has also calculated income elasticity of consumption of tea for all the 21 towns. It has been found that in nearly 60 per cent of the cases, the elasticity of income is above 0.5, indicating that every 10 per cent increase in income is accompanied by more than 5 per cent increase in consumption of tea in terms of money spent, though not in terms of volume. There is significant evidence to show that the rural coefficient is much higher than 0.5. It means that if the objective of 30 per cent increase in national income in the Third Five-Year Plan is achieved, there is every possibility of an increase in consumption by more than 15 per cent during the next five years. To that extent the domestic market will certainly expand, whatever the fluctuations induced by the international factors affecting exports.

Copra

DIFFICULT TIMES AHEAD?

COCOANUT AND COCOANUT products production in the world is largely shared by the eastern and the far eastern countries specially, Philippines, India, Ceylon, Thailand and Australia. Some of the European countries, such as France, Britain and the Netherlands, as also the United States of America, comprise the main bulk consumers of copra. In recent years, while the production of copra has considerably increased, there has been a progressive decline in consumption by the principal importing countries. Similarly, the consumption of coconut oil also has not appreciably recovered fully in these countries. According to the information available from the Food and Agricultural Organization, world production of copra in 1961 is expected to reach the peak level of 1956-57, while the exports are estimated to be within 5 to 10 per cent of the 1956-57 volume. This situation has naturally aggravated the concern of the main producing-cum-exporting countries. To this concern is now added the further anxiety occasioned by the moves that are afoot lately to evolve a common oils and fats policy by the European Economic Community (E.E.C.) and the proposed programmes of the United States of America for soyabean and edible oils and its probable effects on the world market for copra and coconut oil.

All these questions were discussed at length by the Food and Agricultural Organisation group on coconut and coconut products which met at Trivandrum last week. This meeting was attended by all the delegates of the producing, exporting, as well as importing countries. Despite the statement of the exporting countries that the proposed plans and programmes of the E.E.C. and the U.S.A. were as yet in their initial stages, there was considerable concern among all the exporting countries. The only redeeming feature of the deliberations was the assurance of the F.A.O. to study this question before coming to any decision.

Insurance

L. I. C. INVESTMENTS

LIFE INSURANCE has been an important form of personal savings and, in many an advanced country, this sector has been playing, along with other financial institutions, major role in not only mobilizing the community's savings but also in channelling them for sound in-

vestment in the economy. According to an article published in the latest issue of the Reserve Bank of India Monthly Bulletin, life insurance in force in India has increased by nearly 8 times between 1937 and 1960, which compares favourably with the trend in some of the industrially advanced countries. However, the life insurance ratio in India, when compared with the rise in national income at 16 per cent, happens to be still one of the lowest in the world. Thus, whereas the assets of life insurance companies in the U.K. and Canada formed over 55 per cent of the assets of the monetary and the banking system, in India, the corresponding proportion remained at only 13 per cent.

Nevertheless the article proceeds to make the point that the life insurance sector has come to be the most important industrial investor in India, in that it has been able to influence the market for private capital issues, as also government securities, to a considerable extent. This is to be expected by reason of the long-term nature of funds held by the insurance sector. Thus, in India, the proportion of investments in Government and semi-government securities remained around 60 per cent throughout the last two decades, while those of Australia, Canada, Japan, Norway, the U.K., and the U.S.A. has declined considerably after the World War II. On the other hand, over the same period, the proportionate rise in investments in these countries to their total assets in shares and stocks has increased considerably, while, in India, the rise has been to the extent of 15 per cent by the end of 1960 from 2 per cent in pre-war period. This rise, however, was not in tune with the rise in the investments in the gild-edged. This was mainly due to legal limitations in the field of investment. According to the provisions of the Insurance Act of, 1938, as amended in August, 1958, the Life Insurance Corporation has to invest (a) at least 50 per cent of the controlled funds in Government or other approved securities, (b) another 35 per cent should be invested in approved investments, and (c) the balance 15 per cent in other investments. Whatever be the pattern of investment, the first and foremost thing, according to the article is that "a large portion of such funds should be invested in assets which are safe and readily marketable with little or no loss of capital so as to enable the companies to fulfil their contractual obligations to policyholders in full and without delay." It is a matter of opinion whether all these tests would strictly apply in the case of the L.I.C.'s investments.

Machine Tools

GROWTH IN SIGHT

THE RAPID industrialisation of the country during the Third Plan has necessitated the expansion of the existing industries in public and private sectors and have naturally generated a growing demand for machine tools. During 1960, the total value of machine tools produced was worth nearly Rs. 5.86 crores which indicated an increase of more than 40 per cent over the previous year. Mr. S. L. Kirloskar, President of Indian Machine Tool Manufacturers' Association pointed out that the output would have been much higher than that achieved in 1960 had it not been for the fact that most of the manufacturers concentrated their energy on expansion and modernisation of their factories with the object of manufacturing a wide range of modern and more advanced types of machine tools with foreign collaborations. Their efforts naturally will result in improved utilisation of the planned capacity and a substantially rapidly increasing production can be expected in the coming two or three years. In fact during the first half of 1961 alone as much as worth Rs. 3.28 crores graded machine tools were produced showing a better performance.

It was indicated that Indian machine tool manufacturers are making determined efforts to export their

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latest types of machine tools to neighbouring countries to earn foreign exchange. It is good that they realise that it is in the interest of the country as well as industry to strive hard to export a part of their manufactures even if they have to undergo minor sacrifices in the process of competition. There are possibilities of expanding their trade in the neighbouring countries like Australia, New Zealand, Indonesia, Malaya, Ceylon, Iraq, Egypt, etc. One major hurdle they faced was in respect of raw materials though the supply position was gradually improving now. Although, as Mr. Kirloskar pointed out, quantitatively sufficient pig iron was being produced in the country, quality pig iron required for the machine tool industry was still in short supply. It is hoped that the successful implementation of the Third Plan would considerably improve the supply position of the required qualities of iron so that the machine tool industry could flourish.

Heavy Vehicles

DEFENCE MINISTRY'S AVADI PROJECT

THE MINISTRY OF DEFENCE is setting up a Heavy Vehicles Factory at Avadi, near Madras, for which Mr. V. K. Krishna Menon is to lay the foundation stone on December 29. The proposal to undertake the manufacture of track vehicles and other items of heavy engineering equipment required for the Defence Services was approved by the Government of India recently. It is going to be a self-contained unit making all the major assemblies, including the engine, gear-box and suspension units. The well-known British firm, Messrs. Vickers-Armstrongs (Engineers), Ltd., are the main consultants.

The military base at Avadi, the site for the factory, it is pointed out, was set up during the last war to serve units in the South-East Asia Command at an approximate cost of Rs. 80 crores, with an employment potential of about 50,000. The existing defence assets at Avadi, like the ready availability of suitable developed land and railway spurs and roads, and its proximity to a big town would not only reduce the capital expenditure on the project but also mean substantial saving in the time required for the execution of the project, which is a vital consideration. The Madras Government have assured the Defence Ministry of adequate supply of water and power requirements.

The factory and the housing colony will be located in an area of 1,400 acres, out of which about 770 acres of land belonging to the Madras Government have been given free by them. An Artisan Training School for training skilled craftsmen required for the factory started functioning from November 27 last. It has facilities for training 100 craftsmen at a time. A hostel to accommodate 100 trainees has been built by the Madras Government at their cost.

Detailed planning of the factory buildings has been completed in consultation with the collaborators and construction work is due to commence shortly. The factory is expected to employ 2,500 to 3,000 men. Apart

from effecting substantial savings in foreign exchange, the project will create capacity for the production of vital defence equipment.

During the past few years, the Defence Ministry has made great strides to achieve self-sufficiency in a variety of defence equipment, including vehicles. Quite logically, it was considered of vital importance to create additional capacity for the production of a complete range of heavy track vehicles. Dependence upon the purchase of vehicles of this type from abroad not only entailed a very heavy expenditure in foreign exchange but also involved the risk, in an emergency, of the replacements being unprocureable or fresh supplies not materialising. It may, however, be added that it would be more logical for the Defence Ministry, in view of the exchange shortages faced during the Third Plan period, to make use of the capacity available in the private sector in respect of light vehicles. In the running factories it is naturally easy to expand capacity and the private sector would be glad to share the manufacture of defence equipment of routine nature.

Newsprint

NEPA MILLS WORKING AND EXPANSION

THE NATIONAL NEWSPRINT PAPER MILLS LTD., Napanagar, has decided to have its own plant for the manufacture of chlorine and caustic soda. This, it is stated, has been necessitated by difficulties in securing supplies from far off places like Delhi, Bombay and Ahmedabad. The scheme has already been approved by the Government. Orders for the requisite plant and machinery too have been placed.

The company has also under consideration a proposal to step up its capacity from 100 tons to 200 tons per day. The main decisive factor in this regard will be the availability of raw material, the prospects of which are being assessed by the management.

During the five years of the Second Plan, the company appears to have turned the corner and is today contributing its mite in saving the precious foreign exchange for the nation. Supplies of indigenous newsprint to the newspaper industry were stepped up from 9,375 tons in 1959-60 to 13,250 tons in 1960-61. Supplies during the first seven months of the current year, i.e. upto October 31, 1961, amounted to 10,646 tons. The remaining production of about 8.8 thousand tons has been supplied to printers and publishers of textbooks and books of general interest. Though production has been going up, the company has not yet been able to consistently attain the target output of 100 tons per day. On several occasions, of course, production has been even slightly more than 100 tons a day. Attempts are being made to raise output to the target capacity.

The financial position of the company has been steadily improving for the past few years as is evident from the following table:

	1956-57	1957-58	1958-59	1959-60	1960-61
Gross Turnover	106,67,950	129,34,941	228,18,599	235,25,412	246,73,924
Depreciation	38,11,901	35,49,803	32,41,074	31,25,322	29,02,499
Repayment of Loans	Nil	Nil	10,13,752	102,73,000)	25,00,000)
				12,19,219)	11,00,000)
Provision for Taxation	Nil	Nil	1,67,000	Nil	Nil
Net Profit	114,90,670(—)	33,38,114	36,82,758	37,76,279	32,94,035
	(Loss)				

(In rupees)

The entire interest-bearing loans due to the Union and Madhya Pradesh Governments have been repaid by the company. Out of interest-free loans of Rs. 111.19 lakhs, two instalments have been paid, leaving a balance Rs. 88 lakhs. This is to be liquidated in eight equal annual instalments. Adequate provision is also being made for depreciation.

Though the gross turnover in 1960-61 was higher by nearly Rs. 11.49 lakhs, the net profit earned by the company showed a decline of about Rs. 4.78 lakhs, due to increase in cost of chemicals, raw materials, power and steam.

Industrial Finance

B.S.F.C. TO RAISE SECOND LOAN

TO STRENGTHEN its resources, the Bombay State Financial Corporation is entering the market to raise a new loan—the second one since its inception—of Rs. 1 crores. The subscription list will open on January 12, 1962, and close on January 25, unless the loan is fully subscribed earlier. The Corporation reserves the right to retain subscriptions received upto 10 per cent in excess of the loan amount.

The loan bonds are being issued at par in denominations of Rs. 100, Rs. 500, Rs. 1,000, Rs. 5,000, Rs. 10,000, Rs. 25,000 and Rs. 50,000 and are repayable in 10 years i.e. on February 14, 1972. They will carry interest, with effect from February 14, 1962, at the rate of 4½ per cent, subject to income-tax. Payment of interest and repayment of capital are both guaranteed by the Government of Maharashtra.

The Corporation has been in existence since 1953, but its jurisdiction was limited to only the State of Maharashtra after the separation of Gujarat from the former Bombay State in May 1960. Its present paid-up capital is Rs. 2 crores. The first loan it raised in 1957 brought in Rs. 1,13,50,800.

During the financial year ending March 31, 1961, the Corporation sanctioned loans aggregating Rs. 176.2 lakhs to 126 applicants, which included such diverse industries as chemicals, metal products, electrical machinery, textiles, engineering goods, paper and paper products, basic materials, food manufactures, under rubber products and transport equipment. Total loans sanctioned by the Corporation during its eight years of existence to March 31, 1961, amounted to Rs. 6,50,21,500 (Rs. 1,13,88,500 to 172 small-scale concerns, Rs. 5,32,58,000 to 173 medium-scale units and the remaining Rs. 3,75,000 for subscription to the debenture issue of one more concern). Of this, a sum of Rs. 3,27,38,950 had been actually disbursed. The Corporation, thus, had not only used up by that time its paid-up capital, but also the proceeds of its 1957 bonds. It has been now lending out of the sums received by it as repayment of its earlier loans.

The improvement in the working of the Corporation during the recent years is evident from the fact that in 1960-61 it paid dividend out of its profits, keeping the State subvention at the previous year's figure of Rs. 27,59,170.85 nP.

Electricals

GLOBE AUTO'S EXPANSION PLANS

MESSRS. GLOBE AUTO ELECTRICALS LTD., who have already planned to manufacture windshield wipers, ignition coils, distributors and voltage regulators in collaboration with Magneti Marelli of Italy, intend to undertake production of dynamos (both A.C. and D.C.) and starter motors as well. Technical collaboration for this programme has been secured from Electric Autolite Company of Ohio (U.S.A.). An application for the grant of the necessary industrial licence for implementing the plan, as also for approval of the collaboration arrangement, has already been made to the Government.

As a sequel to the contemplated increase in the

company's activities, its present paid-up capital of Rs. 20 lakhs is envisaged to be raised to Rs. 50 lakhs. Half of the new capital is proposed to be offered to the U.S. collaborators in payment for the consultancy fees and import of machinery. The balance Rs. 15 lakhs will be offered to the existing shareholders of the company. Equipment worth nearly Rs. 5 lakhs may have to be imported from Europe. To finance these imports, the company hopes to secure a foreign exchange loan from one of the Government financial institutions.

The total capital outlay on the enlarged expansion plan will be Rs. 1 crores. The capacity for manufacture of dynamos and starters will be 25,000 A.C. dynamos, 25,000 D.C. dynamos and 25,000 starters per annum. Fifty per cent of the components are envisaged to be produced indigenously in the very first year. The ratio of indigenous components is proposed to be stepped up to about 85 per cent during the second year.

The construction of the factory at Mulund, Greater Bombay, is expected to start early next month. Production is scheduled to commence towards the end of 1962. When in full production, the net saving in foreign exchange resulting from the company's turnover in the new fields will be nearly Rs. 100 lakhs.

MANUFACTURE OF TAPE-RECORDERS

INDIA WILL make a beginning in the manufacture of tape-recorders when the Guindy factory of Jupiter Tapes, Madras, is commissioned into production early next year. The programme is to manufacture 10,000 machines per annum. The total capital outlay on the project is estimated at Rs. 7.5 lakhs.

India today imports from the United Kingdom tape-recorders worth nearly Rs. 35 lakhs a year. Production at the Guindy factory in collaboration with M.S.S. Recording Company Ltd., Colnbrook, U.K., should help in reducing the foreign exchange expenditure on these imports to a considerable extent.

Jupiter Tapes hopes to price its machines at Rs. 650 or Rs. 700, which compares quite favourably with the cost of imported machines. The company is already engaged in the manufacture of radio components.

United Carbon

A NEW VENTURE

IN A joint announcement, Mr. C. H. Bhabha, Vice-Chairman of Central Bank of India and Mr. Richard W. French, President of United Carbon Company (Texas) revealed that the Government of India had approved their scheme to form a company which will operate a carbon black plant near Bombay. United Carbon is to be the owner of a substantial part of equity share in the new company but it was outlined that majority interests will be controlled by Indian nationals. Mr. French was of the opinion that participation by nationals in a joint venture contributed to the strength and progress of the company, which evidently was a sound idea. It may be added that United Carbon (Texas) has always been a major exporter of carbon black to India and during 1960 it shipped nearly 50 per cent of all the carbon black used by the Indian rubber industry.

Initial rated capacity in this new carbon black plant is to be at least 30 million lbs. per year. Bombay has been selected as location because two other suppliers are located on the eastern side of the country thus giving a new source of supply on its western coast. At this location United Carbon will be able to provide its customers with prompt and economic delivery. There are to be two other carbon black companies too, that have been granted permission to manufacture and are now building plants in India. Mr. Bhabha pointed out that the Government's forecasts had indicated a need for the third plant and the current demand estimates revealed the fact that the production from these carbon plants will meet the country's needs for some years to come.

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Ref: No. 5386/60-61

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Date: 23.6.1961

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Pumps

PROGRESS AND PROBLEMS

MR. K. K. Jajodia, Chairman, Indian Pump Manufacturers' Association, reviewing the progress of the industry during the last few years indicated that there are at the moment 48 registered units manufacturing various types of power driven pumps with rated annual capacity of 1.18 lakh units. This performance compared quite favourably with the figures given for 10 years before. In 1950, for instance, the output of power driven pumps was nearly 33,000 which has now risen nearly four-fold. There have grown during these years a number of units of small as well as medium scale.

The Planning Commission has fixed the capacity for power driven pumps at 1.84 lakh units for 1963-66 and the demand is also likely to match that capacity. Mr. Jajodia however pointed out that a stage had come when more realistic target had to be fixed keeping in view the demand. He made a reference to the fact that out of 63 manufacturers registered with the Development Wing a good number had not yet started production. This, he felt, caused inconvenience to those already in the line because they could not utilise their capacity to the full.

One encouraging factor in the progress of industry has been that a wide variety of pumps were now being manufactured. For instance, the industry undertook the production of centrifugal pumps—single, double and multi stage—for handling water, reciprocating pumps, tubewell pumps and many other varieties. He however complained that a number of consumers of these pumps imported them while these varieties were available with the indigenous manufacturers. This definitely should be taken note of by the consumers as well as the Development Wing.

Chemicals

MANUFACTURE OF SYNTHETIC MENTHOL

THE CALCUTTA CHEMICAL COMPANY LIMITED has started manufacturing menthol B.P. (synthetic) under a manufacturing licence from the Central Government. The manufacturing process has been evolved indigenously. The plant also has been designed by the company itself.

Though the scale of production is only limited at present, plans are to increase output by effecting some additions to the plant. The company is also negotiating collaboration arrangements with some foreign firms. If these efforts bear fruit, it is hoped to step up output to meet the entire demand in the country.

Menthol B.P. is one of the basic materials for chemical industry and is widely used in medicinal products like pain balm, liniment, embrocation and cough remedies. During the recent past, its use in the cigarette industry has also increased. Hitherto, most of the demand for menthol B.P. was being met through imports. This is the first time that synthetic menthol has been manufactured in the country itself.

Trade

FOREIGN TRADE SEMINAR

UNDER THE auspices of the World Department of the Indian Chamber of Commerce, Calcutta, a two-day seminar on foreign trade problems is to be held in Calcutta towards the end of January 1962. The problems to be discussed are likely to include various aspects of declining share of India's foreign trade in the light of world export trade during the last decade and the pressing need of foreign exchange on a large scale for the implementation of the Third Plan.

There will be three group discussions for this purpose. One group will concern itself with the main export problems of all traditional and non-traditional items and consider ways and means of augmenting exports, in view of India's share in the world export trade falling

from 2.1 per cent in 1950 to 1.1 per cent in 1960. In fact, the value of agricultural commodities and related manufactures actually declined from Rs. 496.5 crores in 1950-51 to Rs. 473.6 crores in 1959-60, the decline in the case of cotton and jute manufactures being from Rs. 250.5 crores to Rs. 180.5 crores in the same period. Another group will dwell on the problems arising from the U.K.'s decision to join the European Common Market. The third group will consider ways and means of saving and earning foreign exchange in the context of the industrial and trade policies and their impact on industrial development.

Triveni Engineering

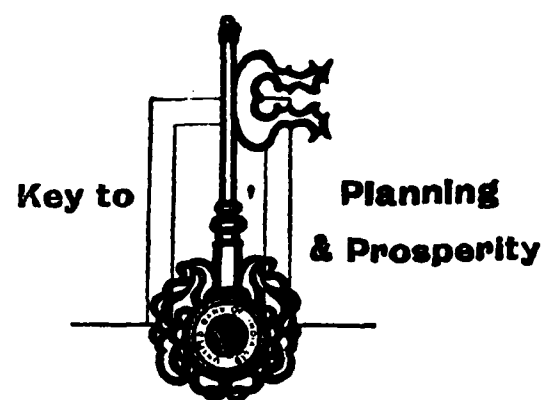
A READY RESPONSE

THE TRIVENI ENGINEERING WORKS LTD., that opened for public subscription its issue of capital on Monday the 30th of October and closed on the 5th November, got the preference issue fully subscribed and the equity issue over-subscribed three times. Allotment has already been made to the applicants. The company is expected to go into production early in 1962 which is a comparatively short period.

The machine tools arranged for the company are amongst the heaviest in the country and will constitute a specialised source for a wide variety of engineering manufacture. The company has negotiated further collaboration for other lines of manufacture of industrial machinery and plant in order to utilise its full three-shift working.

P. N. B.'S NEW GENERAL MANAGER

MR. R. L. TULI, Deputy General Manager of the Punjab National Bank, has been appointed as General Manager of the bank in place of Mr. A. M. Walker. Mr. Tuli has been associated with this bank since 1943 and has served it in different capacities. He has significant experience in the matter of medium-term and long-term advances which would be useful specially at a time when the Reserve Bank of India is urging the big banks in the country to take an increasing part in providing medium-term finance to industry. Mr. Tuli has been instrumental in instituting various incentive schemes for the staff and for the growth of the institution.



Individual well-being is linked with national prosperity and only planned efforts can ensure both in the shortest possible time. And planning, for its success, largely depends on savings, individual as well as national.

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lens and run the gamut
of good taste.

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Woollen Mills Ltd.,
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PROUD ACHIEVEMENT

The J. K. Organisation can legitimately be proud of the fact that it has been the first in various fields of industrial activity in India.

FIRST to manufacture *Calico Prints* in India—J. K. Cotton Spinning & Weaving Mills Co. Ltd., Kanpur.

FIRST to install *Electric Furnace* for manufacturing steel in Northern India—J. K. Iron & Steel Co. Ltd., Kanpur.

FIRST to produce *Baling Hoppers* for use by the Jute and Cotton Textile Industries in India—J. K. Iron & Steel Co. Ltd., Kanpur.

FIRST to manufacture hydraulically operated modern cane crushing mill for small-scale Khandwari sugar units—J. K. Iron & Steel Co. Ltd., Kanpur.

FIRST to produce *Aluminium virgin metal* from Indian Bauxite in India—Aluminium Corporation of India Ltd., Jaykaynagar.

FIRST to produce *Engineers' Files* in India—J. K. Engineers' Files, Bombay.

FIRST to establish *Plastic Industry* in Northern India—Plastic Products Ltd., Kanpur.

FIRST to produce *Heavy Chemicals* in Western India—Eastern Chemical Co., (India) Bombay.

FIRST in the world to produce on a commercial scale *Hydroaliphatic Soda* by Sodium Amalgam Process—J. K. Chemicals Ltd., Thana.

FIRST *Continuous process Rayon Plant* in India to produce *Vicose Rayon* and the first such factory in India to be built up in record time—J. K. Rayon, Kanpur.

FIRST *Nylon Plant* in India—Jaykaylon (under construction), Nara.

FIRST to manufacture *Portable Typewriters* in India—Blackwoods India Ltd., Calcutta.

FIRST *Woollen mill* in India to export woollen goods to Norway and Sweden—The Raymond Woollen Mills Ltd., Thana.

LARGEST *Jute Mill* in Northern India—J. K. Jute Mills Co. Ltd., Kanpur.

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Premier Economic and Financial Weekly

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FROM THE CAPITAL'S CORRIDORS

CAPITAL ISSUES

TWO hundred and fifty-eight companies were granted consent by the Controller of Capital Issues during the period from April 1, 1961 to November 30, 1961. The total capital to which consent was given was Rs. 160.81 crores. They include the following foreign companies:

1. British United Shoe Machinery Co. Ltd., U.K.
2. P. Leiner & Sons Limited, U.K.
3. Carrier Corporation of New York, U.S.A.
4. Whiteley (Rishworth) Ltd., U.K.
5. Massey Ferguson Ltd., Canada, U.K., and/or their subsidiaries.
6. Mississippi Glass Co. Ltd., U.S.A.
7. A.B. Svenska Fullager Fabriken, Sweden.
8. Skefko Ball Bearing Co. Ltd. of Lutan, U.K.
9. Metallurgical Research & Development Co. Inc., U.S.A.
10. Dr. Paul Lohmann, Chemische Fabrik, West Germany.
11. Mitsubishi Electric Mfg. Co. Ltd., Japan.
12. H. Miller and Co. Ltd., of Birmingham, U.K.
13. Mr. Arthur G. Wellman (President, Nichols and Co. Inc., Boston, U.S.A. and other individuals and companies associated with them).
14. Hackethal-Draht-und Kabel-werke, Hanover, Germany.
15. International Finance Corp., Washington, U.S.A.
16. Reichholds Chemicals Inc., New York, U.S.A.
17. United Malleable Mfg. Co. of Ohio, U.S.A.
18. McNally Pittsburg Mfg. Corp. of U.S.A.
19. A. Freidr Flender and Co., West Germany.
20. Siegfried Schumacher K G Stehldrahtwerk, West Germany.
21. Kerabadarf, West Germany.
22. Stevens Paper Mills Inc., New York, U.S.A.
23. EMPACEL of Paris, France.
24. Ledoga S.P.A., Milan, Italy.
25. Scovill Mfg. Co., U.S.A.
26. Tokyo Seiko Kaisha and Moritani and Co. Ltd., Japan.
27. Joseph Lucas (Industries) Ltd., U.K.
28. ASEA, Sweden.
29. Great Lakes Carbon Corp., New York, U.S.A.
30. Air Products Inc., Pennsylvania, U.S.A.
31. Felten and Guilleame Carlwerk Eisen and Stahl A.G., West Germany.
32. Thomas Mouget and Co. Ltd., Yorks, U.K.
33. Robert Jowitt and Sons Ltd., Bradford, U.K.
34. Alfred Wiseman and Co. Ltd., Birmingham, U.K.
35. Robert Bosch G.m.b.H. Stuttgart, West Germany.
36. Dow Chemie A.G., Switzerland.
37. D. Perrie and Co. (London) Ltd., U.K.
38. Von Kohorn International Corp., New York, U.S.A.
39. Phelps Dodge Copper Products International Corp., U.S.A.
40. Enfield Cables Ltd., U.K.
41. Pfizer Corp., Panama.
42. Fisons Limited, U.K.
43. Byrce Berger Ltd., U.K.
44. Raleigh Industries Ltd., of Nottingham, U.K.

45. Powers-Samas Accounting Machine (Sales) Ltd., U.K.
46. Gutehoffnungshette Sterkrade A.G., Oberhausen, W. Germany.
47. Heinrich Koppers G.m.b.H., Essen, West Germany.
48. J.M. Voith G.m.b.H., Heidenheim, West Germany.
49. Kimberly — Clark Corporation, Klisconsin, U.S.A.
50. Parsons and Whittemore Inc., New York, U.S.A.
51. Commonwealth Development Finance Co. Ltd., London.
52. Babcock and Wilcox Ltd., U.K.
53. Vickers Ltd., U.K.

HEAVY ENGINEERING CORPORATION

Further to the review of the working of the Corporation in these columns of the previous issue the plant being erected at Durgapur is scheduled to be completed during the second half of the Third Five-Year Plan and will manufacture 45,000 tons per annum of machinery (valued at Rs. 2,400 lakhs). The project will include foundry capacity expected to produce the following tonnage of heavy castings and forgings:

Grey iron castings	11,000 tons per annum
Steel castings	6,000 tons per annum
Steel forgings	7,000 tons per annum

The full programme of manufacture was announced as follows:

	Tons
Coal cutters	1,715
Loaders	1,371
Conveyors	22,500
Trolley and battery type electric mine locomotives	1,300
Haulages	3,816
Electric winders	1,167
Main axial fans	1,170
Booster fans	50
Pumps	945
Ball mills	—
Sand pumps	72
Automatic gauge keeps for use in vertical shafts	—
Safety detaching hooks	2,000
Light drill rigs for exploration drilling	25
Spare parts	25 per cent of total weight of article.

The plant is expected to go into production by the end of 1963 with the following items:

Centrifugal pumps, Booster fans, Sand pumps, Scraper chain conveyors, Direct and endless haulages, Belt conveyors, Main axial fans.

The manufacture of Winding engines is expected to begin by 1965.

BOKARO STEEL PROJECT

The Government has written off steel production from the fourth Steel Plant at Bokaro during the Third Plan period. The Plan, it will be recalled, had taken into calculation one million tons of steel ingots and 0.35 million tons of pig iron from Bokaro Steel Project. The question of U.S. collaboration had been under discussion for some time and the U.S. Ambassador, earlier this month, had thought of making an announcement in this

regard. But even if this announcement were made by the end of this month, it will take almost two years before orders for plant and machinery are placed for the project. It will thus be seen that it has become humanly impossible for this proposed plant to go into even token production, much less attain full production target, by 1966 as envisaged by the Planning Commission.

INDIAN SHIPPING

The Union Minister for Transport and Shipping, Dr. P. Subbarayan, said in Delhi during the week that he was not certain whether it had been wise on the part of Indian Shippers to have joined the UK conference lines and that he might have to ask them to get out of it at some stage. Inaugurating the Maritime Law Association of India, of which he is the chief patron, he asked the Indian members of the Committee, Sir Ramaswamy Mudaliar and Mrs. Sumati Morarjee, to persuade the conference lines representatives "to see more sense", when dealing with India.

AID TO INDIA

The Deputy Director of the Asian Department of the International Monetary Fund, Mr. Henry Murphy, with his two colleagues arrived in Delhi from Bombay during the week for the annual survey of the Indian economy. While in Bombay, the Mission already had discussions with the Reserve Bank on monetary policy and India's balance of payment position. Discussions in Delhi will largely centre on planning, industrial policy and public finance. The World Bank representative, Mr. Peter Wright left for Washington during the week after collecting the data for discussion by the Aid to India Club meeting, due to be held at Washington on January 24, 1962. Mr. Wright also studied the economics of Koyana Project, which the World Bank proposes to finance. While in India, he also familiarised himself with the development plans of the Bombay Port which had earlier been studied in detail by Mr. Charmichael.

MANGANESE ORE

The Railway Board have decided to allow freight concession on all grades of manganese ore booked to ports for export to foreign countries from January 1, 1962.

The traffic booked from stations situated upto and including 252 kilometres from ports will be charged at the ordinary tariff rate. Traffic from stations situated between 253 and 689 kilometres will be charged at a flat rate of Rs. 14 per ton. Traffic from stations situated at 690 kilometres and more from ports will be allowed a 50 per cent reduction in the classified rate. As at present, no supplementary charges will be levied. No reduction will, however, be allowed in the additional charges leviable like siding charges, port charges, etc.

The concessional tariff rates will apply on the consignor's certifying on the Forwarding Note that the traffic was intended only for export to foreign countries. The new concessional rates will remain in force for a period of one year from January 1, 1962. On the introduction of these rates, the rebate on freight, allowed at present on export traffic in medium and low-grade manganese ore, will be withdrawn.

COAL MINING EQUIPMENT

The following industrial undertakings are either manufacturing or are planning to manufacture Coal Mining Equipment:

ACC-Vickers-Babcock (Private) Limited, are licensed to manufacture Rs. 112 lakhs per annum of coal mining, cement, and other general machinery. Vickers Limited of United Kingdom are collaborating for coal mining machinery.

Barakar Engineering and Foundry Works Limited are licensed to manufacture Haulages (30 to 100 H.P.) in collaboration with Clarke Chapman and Company Limited, United Kingdom. Production has not yet commenced, and the capacity is to be determined on the basis of production to be achieved in the first year.

C. Comens and Sons Limited have received a licence to manufacture 48 Haulage Gears per annum and 6 Conveyors per annum, on single shift basis, and are in production. The factory is in Calcutta.

Dynacraft Machine Company Private Limited with factory at Bombay are manufacturing Belt Conveyors, Roller Conveyors, Bucket Elevators, etc.

Elecon Engineering Company Limited with factory at Goregaon, Bombay, are licensed to manufacture Rs. 12 lakhs per annum Belt Conveyors, Screw Conveyors, Bucket Elevators, etc. on a two shift basis. Production has commenced.

International Combustion India Private Limited, a subsidiary of International Combustion (Holdings) Ltd., London, with factory at Howrah, Calcutta, have received a licence to manufacture Conveyor belt troughing, pulleys assorted (4,000 per annum), and fabricated steel work for conveyors, tressles, gantries, stringers, decking plates, chutes, skirt plates (100 tons per annum).

Jardine Henderson Limited are collaborating with four British companies to manufacture Coalcutters and Gate-end boxes (Anderson Boyes and Co. Ltd.); Belt, Shaker and Scraper chain conveyors (Mining Engineering Co. Ltd.); Winders and Haulage machinery (John Tinsley Ltd.); and Mining electric rotary drills and accessories, Gate-end boxes, Drill bits and rods (Victor Products (Wallsend) Ltd).

Kilburn and Company (Private) Limited in collaboration with two British companies have received licences to manufacture electric and compressed air colliery haulages and two speed colliery haulages (Austin Hopkinson and Co. Ltd.); and Electrically driven open type single and double drum, and endless rope type haulages from 48 H.P. to 150 H.P. (John Mills and Co. Ltd.) Production has commenced on the Electric and compressed air colliery haulages.

Larsen and Toubro Limited with factory at Powai, North Kurla, Bombay in collaboration with Wiegner Maschinen Bau, West Germany, are licensed to make Portable belt conveyors and Hand scrapers, (150 tons per annum on single shift basis.) Production has commenced.

Macneill and Barry Limited in collaboration with Hugh Wood Limited, United Kingdom are manufacturing at Calcutta Chain conveyors. Licence is to the value of Rs. 21 lakhs per annum.

Roberts McLean and Co. Pte. Limited with a factory at Tollygunge, Calcutta, have received a licence and are manufacturing Industrial belt conveyors up to 48 inch width; Industrial package handling elevators in different sizes; Elevators in general including Belt bucket types, Overhead chain conveyors, and Skip hoists valued Rs. 15 lakhs per annum.

Sterling (India) Co. Private Limited are manufacturing at Calcutta in collaboration with T.T. Works Limited, Leicester, Conveyors, including mining type, incorporating electric motors.

BRITISH MINING MISSION'S REPORT

Mr. James Anderson of Anderson Boyes and Company, Limited of the United Kingdom and leader of

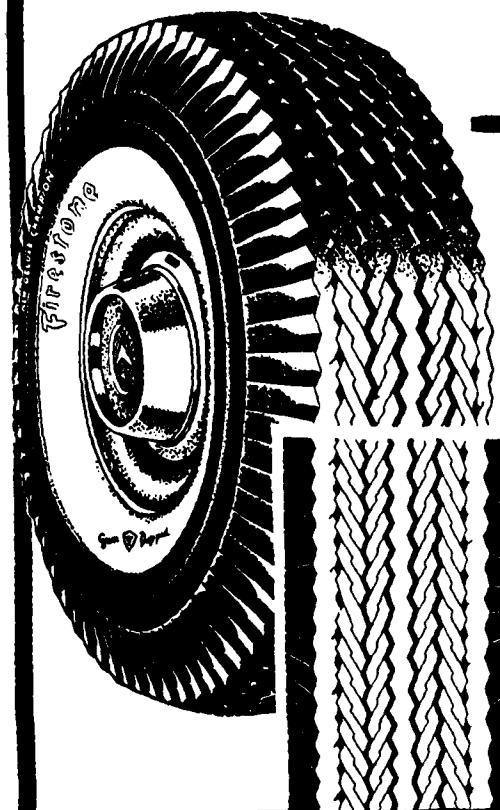
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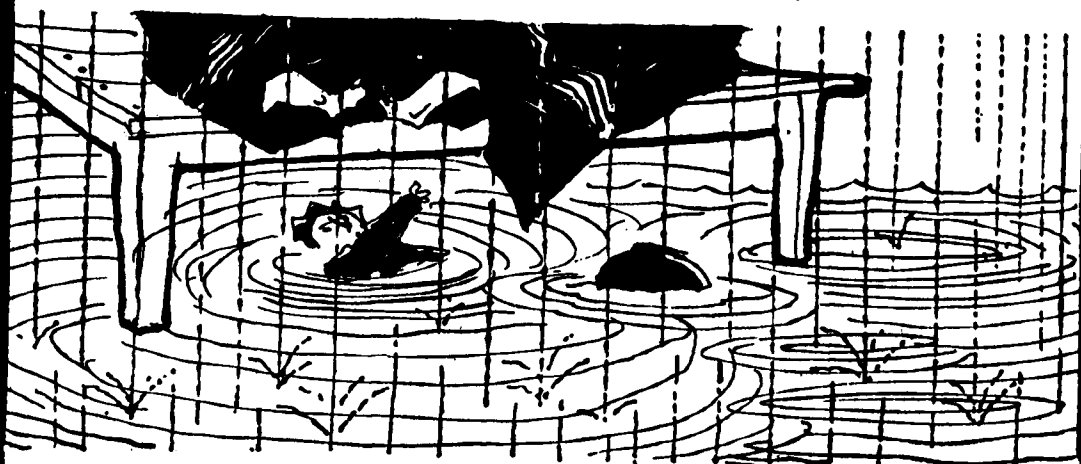
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the British Mining Mission which visited India recently told the Press that the Indian Coal Mining Industry would have to be fully mechanised, if it were to reach the production target of 200 million tons a year by 1971. Mr. Anderson was gratified to know that a number of British firms had succeeded in securing collaboration with Indian companies to undertake the manufacture in India of Coal Mining Machinery. The advantage of this Indo-British partnership, he added, would be that Indian companies would get all the advantage of research and development of their British collaborators. Notwithstanding all these developments, India, according to him, will always have to import some equipment and these imports could easily be channelled through Indian companies having tie up with British collaborators.

The target for coal production by the end of the Third Five-Year Plan (1966) has been set at 97 million tons per annum, an increase of 37 million tons over the Second Plan target. 20 million tons of this additional production is expected to come from the public and 17 million tons from the private sector. The order of development expected of the Industry during the Third Five-Year Plan can be gauged by comparison with the Second Plan figures. In 1955 coal production was 38 million tons; between 1955-60 the private sector was to increase its production by 10 million tons per annum and the public sector by 12 million tons per annum. The rate of increase is to be very nearly doubled during the next five years.

Of the additional production of 17 million tons expected from the private sector 4.87 million tons will be coking coal, 1.12 million tons blendable coal and 10.84 million tons superior grades of non-coking coal. The coking coal will come mainly from the Jharia coalfields, blendable coal from the Raniganj coalfields and non-coking coal also from Raniganj, with small quantities from the Bokaro, Karanpura and Madhya Pradesh coalfields. The major portion (11 million tons) will come from existing mines and the balance from new sinking in existing leasehold areas. The capital investment required to achieve this programme is expected to be Rs. 60 crores with a foreign exchange component of Rs. 28 crores, which is to be covered by the World Bank loan. Private sector collieries have estimated their demands for plant and machinery and their plans are being screened.

COAL FOR STEEL PLANTS

At an inter-departmental meeting held recently, the position regarding the supply of coking coal to the steel plants in the Third Plan was reviewed. The requirements of the steel plants were examined and it was decided that planning for coking coal should proceed on the earlier basis of 16.14 million tons of coal, on dry basis, to be charged to the blast furnaces. The equivalent of this in terms of raw coal is 27 million tons. In addition, there is a demand for 2 million tons by the merchant cokeries.

As regards private sector steel plants, while IISCO were developing their collieries to meet ultimately, their requirements entirely from their own collieries, TISCO were not only looking to Government to supply 0.9 million tons of washed coal from Bhojudih washery, but were asking for more on the ground that their requirements had gone up. It was felt that with the coking coal production subject to serious delays and shortages, TISCO must find their entire requirements of coking coal from their own collieries especially as they were in possession of substantial reserves of coking coal. TISCO were however reluctant to work on account of their apprehension that their raising costs would be high. It was, however, considered that TISCO could raise the necessary coals within two or at the most three years. It was therefore agreed that TISCO should be informed that washed coal from Bhojudih would not be available

to them beyond 1964 and they should make arrangements to produce and beneficiate all the coal required for the Jamshedpur steel plant from their own collieries.

COKING COAL

It is understood that most of British assistance will be used in re-opening the abandoned mines. The present indications are that as against a targeted production of 3 million tons from Sutikdih-Sudamdih mines, only 0.5 million tons is expected to be achieved by the end of Third Plan. In the Sutikdih-Sudamdih area in Jharia, a small area to the north-east of the area already notified is said to contain coking coal of fairly good quality. The Polish experts have confirmed during discussion that if this area could be acquired, it would be possible to obtain coking coal production from this area quickly and in greater quantity. It is proposed to discuss this matter with the present lease holder of the area. Additional coal washeries are to be established to conserve the utilisation of metallurgical grade coal and a public sector network of ropeways is to be constructed in the coalfields to serve private collieries with increased facilities for sand-stowing.

Reserves of coking coal are of the order of 2,800 million tons and are low in relation to known reserves of high grade iron ore. Steps are therefore necessary to conserve the comparatively limited supplies of coking coal. The capacity of washeries set up at Dugda and Bhojudih is to be doubled, 2 new washeries are to be set up at Kathara, two washeries at Karanpura and a further washery in the Central Jharia field, towards the end of the Third Five-Year Plan. In addition a washery is planned as an integral part of the West Bengal coke oven plant at Durgapur. These are expected to cover the requirements of the steel development programme. Additional washeries are to be set up for non-coking coal required by the Railways. Tentatively these are to deal with 7 to 8 million tons in terms of raw coal. A major project for manufacture of coal washeries in India has recently been announced by Bird and Company in collaboration with McNally of the U.S.A. Three non-coking coal washeries are presently being planned for—one at Karanpura, with an input capacity of 2.8 million tons per annum (which is a mixed washery) and the other two at Anuppur and Singrauli, each with an input capacity of 2.5 million tons per annum. A project report for the Karanpur washery has been prepared by the Central Fuel Research Institute, Dhanbad. The Polish Government have agreed to set up this washery under the terms of the Economic Co-operation Agreement of May 1960 between the Governments of India and Poland. A team of Polish experts is presently in India in connection with the preparation of the detailed project report for the Sudamdih mines; the team will also discuss the Karanpura project report with the National Coal Development Corporation's experts in Ranchi. The washery at Singrauli will be an integral part of the development of the Singrauli coalfield, which is proposed to be entrusted to the Technical Co-operation Mission authorities. One Technical Co-operation Mission expert has already arrived and is holding discussions with the National Coal Development Corporation officers. It is only after he has studied the available data that further steps for concluding an agreement with the Technical Co-operation Mission authorities for the Singrauli project will be taken.

Of the 11 million tons of additional production from existing coal mines, 2 million tons is to be achieved without additional equipment by increased use of sand stowing. The Central Government Coal Board is planning to install 7 ropeways in the Jharia and Raniganj coalfields to supply sand for stowing. The total cost of the whole project is estimated at Rs. 18 crores. The contract for the installation of the first ropeway in the Jharia field has been awarded to British Ropeway Engineering Company Limited. Tenders for three rope-

ways for the Raniganj field are under examination by the Government.

Capital investment required for the whole of the public sector over the next five years has been estimated at Rs. 103 crores. No internationally available funds have so far been allocated to this development which, as things stand at present, is therefore likely to be financed from tied sources of purchases to the extent that free foreign exchange is unavailable. East European countries notably Russia and Poland are strongly interested in the public sector expansion plans and it, therefore, seems likely that substantial quantities of equipment will be purchased under rupee payments agreements. A sum of 35 million dollars has been allocated to the Government of India for the first two years of the Third Five-Year Plan. It is expected that \$5 million will be spent on equipment for new mines, \$14 million for replacements, \$2.5 million for spare parts, and the balance for new equipment for existing mines. The World Bank has indicated that a further \$25 million will be made available later to cover the requirements of the remaining three years of the Plan period.

COAL LOADING TARGET

The Government of India have decided to increase the daily coal loading target from 6535 wagons as at present to 6925 wagons next year as a new measure to improve the delivery of coal.

Measures adopted earlier had resulted in despatch of 37.6 million metric tons of coal during the first nine months of 1961 as against 33.9 million metric tons during the corresponding period last year. The steps taken included increase in the rail transport capacity from Bengal-Bihar fields by 200 wagons per day from July last in addition to introduction of movement in block rakes in case of industries having low priorities like brick burning and small-scale industries. The Southern and Western parts of the country are being served now by the rail-cum-sea route via Calcutta port and coal dumps are also being set up at suitable consuming centres by the various State Governments apart from the fact that movement of coal and soft coke by road has been liberalised. It will be recalled that the Government of India has also decided to develop coalfields in Central India during the Third Five-Year Plan period so that the nearby States may get their supplies from these fields and the long haulage from Bengal-Bihar areas may be avoided.

NEW COLLIERY PROJECTS

The National Coal Development Corporation has decided to undertake two new colliery projects — one at Umrer in Maharashtra and the other near Talcher in Orissa. Each will produce over a million metric tons of coal per annum. The Umrer project will be the Corporation's first colliery in Maharashtra. Situated 2 KMs north of Umrer town and 46 KMs from Nagpur on the narrow gauge railway connecting Nagpur and Chanda Fort, the colliery will be fully mechanised and opencast. The total coal reserve has been estimated at 70 million metric tons of which only one half is quarriable. The life of the mine will be nearly 50 years. The overall quality of the coal is expected to be Grade I. Production will start in the second half of 1964 and attain the rated capacity in 1965-66. The estimated capital outlay of the project is Rs. 4,38,80,000 and when working to full capacity the colliery is expected to give an annual profit of nearly Rs. 35 lakhs. Industries in Western and Central India will be able to effect savings in transport charges when this colliery starts production. Umrer's coal will be consumed by the power houses of Maharashtra at Akola and Bhusa-

wal and by the proposed low-shaft iron smelting furnace for smelting the iron ore from Ratnagiri.

The other project, Jagannath Colliery, is almost an extension of the N.C.D.C.'s colliery at South Balanda near Talcher in Orissa. The reserve in the area covered by this project has been estimated at 57.6 million metric tons. This coal has a high ash content, but is suitable for power generation. The life of the mine will be about 30 years. Coal from this fully mechanised open cast mine will be consumed by the new power house which is being set up in Jagannathpur village.

TEXTILE INDUSTRY

The Government of India have decided to license 10,000 automatic looms in units of 500 each as part of the programme of expansion of the textile industry during the Third Plan period. Licences will be issued subject to the condition that 75 per cent of the cloth produced on these looms should be compulsorily exported. Failure to carry out this obligation will entail a penalty which will be related to the short-fall in the export performance. Bonds will have to be executed and bank guarantees will have to be given for the fulfilment of the export condition. For a unit with 500 looms, the matching spindlage will be of the order of 25,000 spindles. Applications for the looms will be entertained only from those who have the matching spindlage. This may be either from out of the available surplus spinning capacity of an existing mill or from the regional quotas of new spindles allotted to the States out of the two million spindles proposed to be licensed during the first two years of the Third Plan. The allotment of the new looms will not be on regional considerations, but will be solely on the basis of the ability of the applicants to discharge their export obligation.

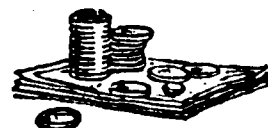


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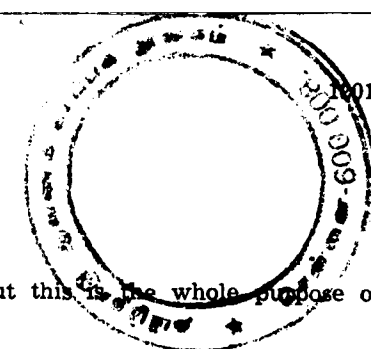
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BOOK REVIEW



PANCHAYAT-I-RAJ

Panchayat-i-Raj: By S. K. Dey: Asia Publishing House: Rs. 7.50.

'Panchayat-i-Raj', Mr. S. K. Dey's new book, might be considered the hard core of India's spacious statements on all that is involved in the creation of new institutions to buttress the needs of India's rural development. In a large sense, Mr. Dey is the true architect of current thinking on the subject. He is generous in his tributes to others and, of course, the century has been marked by much rural effort in a somewhat patchy, if pioneering, manner. Tributes are paid in an interesting chapter of history called "New Pilgrimage" to a wide range of persons, interestingly of all nationalities. Mr. Elmhirst, Dr. Spencer Hatch, Mr. F. L. Bryne, were from Britain, Albert Mayer and Harry Holmes from the United States, Dr. Konisberger, a member of the Narielwala Committee, from Germany and so on. Appropriate tributes are also paid to Rabin-dranath Tagore's work at Santiniketan and Sir V. T. Krishnamachari's outstanding work at Baroda. Nevertheless, it would be the judgment of history that the current thinking on the subject is largely the creation of the Community Development Ministry of which the author is rightly considered the moving spirit.

It has been difficult — and much of this book deals with the problem of transition — to move out of the chrysalis stage before, as Keynes once said, "thought had wings". Mr. Dey is not afraid of projecting himself into the stratosphere. He looks forward, in the last chapter, in a much wider horizon to a tremendous decentralisation of administration in this country and, eventually, to a translation of this concept of decentralisation on to a world scale so that institutions composed of strictly local communities form the central elements of democracy in all countries of the world.

This might look as though it were current Indian thinking but, in fact, Indian democracy has been in practice very different from the pattern which he conceives. His pattern is in his words, a "synthesis" of three institutions "which should work out separately and jointly the destiny of the nation as a socialist society". The three institutions are the Panchayat, the Co-operative and the Village School "on which rests the future of our culture and our democracy." There is to be a progressive increase in "competence from the 'ground' upwards and a corresponding transfer of responsibilities from the Centre to the 'ground'". The State Governments are to be relieved of responsibilities that can be discharged by the Panchayat-i-raj institutions along the line — the Zila Parishad, the Block Panchayat Samiti, Panchayat's Associated Voluntary Institutions and individual families. The Panchayat-i-Raj will thus grow to be "a way of life, a new approach to government as against a unit of Government" (Page 95). It will bring about what the author considers "a link-up all along in terms of the people from the Gram Sabha to the Lok Sabha" — a kind of popular government which will disperse the executive authority all along the line to rid it of its monolithic character, now both an anachronism and a disease. There will naturally be in some circles a horror of a weakening of

authority in Delhi, but this is the whole purpose of the prescription.

In the sense that Mr. Dey is advocating a complete departure from the existing tendency of centralisation in Delhi and the State capitals, he is in truth a revolutionary, although he appears to enjoy the most happy relationship with the source of central power, that is the Prime Minister. He does not, however, deny the paradox that one of the most centralised governments in the world is seeking, because of its anxiety to solve people's problems, some way out of its own passion for power. Reading between the lines, one might argue that the book is, in fact, a criticism of the Government's present performance, whatever its utterances in regard to actual building up of village institutions.

Having made this revolutionary decision that the "wider horizon" must entail much greater delegation to the "ground", Mr. Dey does not think there will be an easy transition to such devolution. He is clear, in fact, that if it takes place quickly, there might be "chaos" and that if the chaos is to be avoided "clearly defined laws must be understood, accepted and honoured". The action on three fronts he suggests is (i) administrative, (ii) representative and (iii) economic. On the administrative front, it will call for an immeasurably higher level of administrative competence in all those employed by the community as its instruments of action. A growing community will inevitably call for a rising level of functioning in its public servants. Free and frank participation in thinking, action and fruit-gathering by the strong and the weak alike will call for the highest of tolerance, understanding and wisdom on the part of the leaders of the community who are the representatives.

On a book, so seemingly idealistic, though in fact cast powerfully in the role of history, opinions may well differ. This is definitely a plunge into cold and somewhat unfamiliar waters. There are some who will argue that it contains too much warmth born of emotional and, even wishful, thinking. "The Eastern Economist" believes, however, that it is cast in the same mould as Gandhian thought. Once the power of the people is appreciated and the possibility of their education to responsibility admitted, the argument of "incompetence" and "dishonesty" can be resolved as Mahatma Gandhi did by using weak instruments under control for great objectives. The course is a long and difficult one. Is that an argument for ignoring its capacity and power?

This is a book which, in somewhat simplified form, should be available in all Indian languages; and, since it is the people in the villages who have to learn this way of life, it would be good if Mr. Dey's philosophy were translated into every language of the Indian Union in simple village textbooks. That is where the new thinking must find its fulfilment. If it cannot find its soil there it will find its soil nowhere, because the towns of India are too far involved in the struggle for economic power for them to appreciate that a multitude of institutions is, in fact, the only way to secure a very large, base for people's participation in their own uplift.

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COMPANY AFFAIRS

NEW ISSUES

Three companies have been authorised to issue bonus shares totalling over Rs. 11 lakhs. Nine companies have been allowed to raise capital through equities amounting to more than Rs. 4 crores. The grand total for all the 12 companies exceeds Rs. 4½ crores. The consent of the Controller of Capital Issues, in all cases, is valid for 12 months.

The Paper Products Limited, Delhi, has been given consent for the issue of bonus shares of the total value of Rs. 8 lakhs on capitalisation of its reserves to a like extent. The company's paid up capital is Rs. 16 lakhs.

A.V. Thomas & Co. Ltd., Kerala, is to issue capital of Rs. 2,35,100 in equity shares of Rs. 10 each to be issued as bonus shares on capitalisation of share premium and reserves to a like extent.

Panama Private Limited, Calcutta, which is engaged in business as dealers in blades and cosmetics has been allowed to issue bonus shares of the value of Rs. 86,250. Its existing paid up capital is Rs. 69,000.

Premier Automobiles Limited is to issue further capital of Rs. 2,40,40,000 divided into 2,40,400 equity shares of Rs. 100 each for cash at a premium of Rs. 10 per share to be offered to the existing shareholders in the ratio of one new share for every three shares held. The proceeds of the new issue will be utilised for setting up a sheet metal plant. The company has a subscribed capital of Rs. 5,63,36,000, all in equity shares of Rs. 100 each.

Ennore Foundries Limited, Madras, is to issue further equity capital of Rs. 60 lakhs. The proceeds will be used for buying plant and machinery from the company's collaborators, Leyland Motors Ltd., U.K.

Papchemi Corporation Ltd., Bombay, a new company, has been authorised to issue capital of Rs. 30,00,000 divided into 30,000 equity shares of Rs. 100 each for cash at par. The capital will be used for manufacturing pulp and paper.

Ghazipur Paper Mills Ltd., a public company, proposed to be registered in Uttar Pradesh, has been given consent for the issue of capital of Rs. 25 lakhs divided into two lakh equity shares of Rs. 10 each and five thousand 9 per cent (taxable) preference shares of Rs. 100 each for cash at par.

The Aluminium Manufacturing Company Private Ltd., Calcutta, has been authorised to issue capital of Rs. 24 lakhs in 24,000 equity shares of Rs. 100 each of which Rs. 5.5 lakhs will be issued for cash and Rs. 18.5 lakhs in repayment of the loan from the British Aluminium Co., Ltd.

The consent has been given on the understanding that the company will convert itself into a public company in 1964 when shares of the value of Rs. 30,00,000 will be offered for Indian participation.

Thanjavur Textiles Ltd., Madras, is to issue equity capital of Rs. 20 lakhs for cash at par. The proceeds will be used for establishing a cotton textile mill in Madras.

Etawah Paper Mills Ltd., a public company, proposed to be registered in Uttar Pradesh, has been given consent for the issue of capital of Rs. 20 lakhs divided into 1,50,000 equity shares of Rs. 10 each and five thousand 9½ per cent (taxable) redeemable cumulative pre-

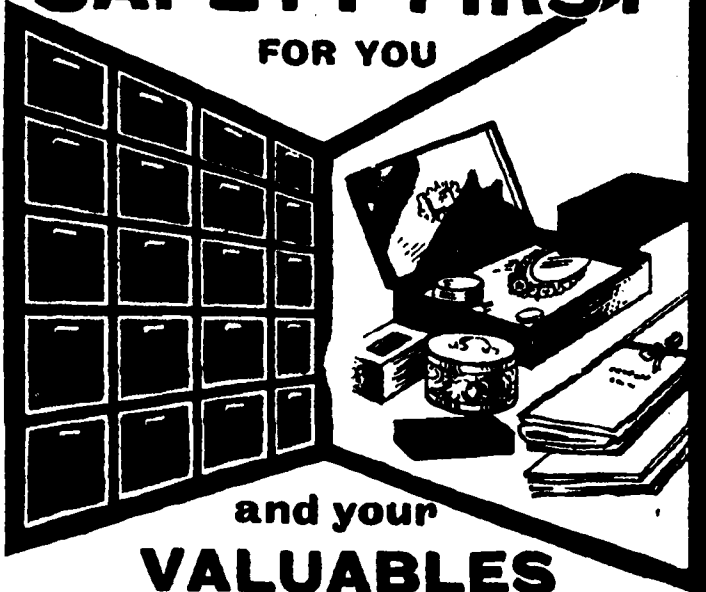
ference shares of Rs. 100 each for cash at par. The Company will manufacture pulp and paper.

National Buildings Construction Corporation, Ltd., Delhi, a Government undertaking has been given consent for the issue of further capital of Rs. 13 lakhs divided into equity shares of Rs. 1,000 each for cash at par. The Corporation which has a paid up capital of Rs. 21 lakhs, is engaged in the construction of buildings, roads and other civil works throughout India.

Adarsh Chemicals and Fertilisers Ltd., Udhna, in Gujarat, has been authorised to issue additional capital of Rs. 12 lakhs in equity shares of Rs. 100 each for cash at par. The new capital will be used for financing the increased cost of the manufacture of superphosphate and sulphuric acid.

Consent was given to 258 companies representing 65 industries. Of these, the highest number of companies for any one industry was 30 representing cotton textile mills. Next came process and manufacture of electrical machinery, apparatus, appliances, etc. which was 21. During the same period, 54 foreign companies participated in the capital issues consented to both in respect of initial and supplementary issues of equity and issue of debentures.

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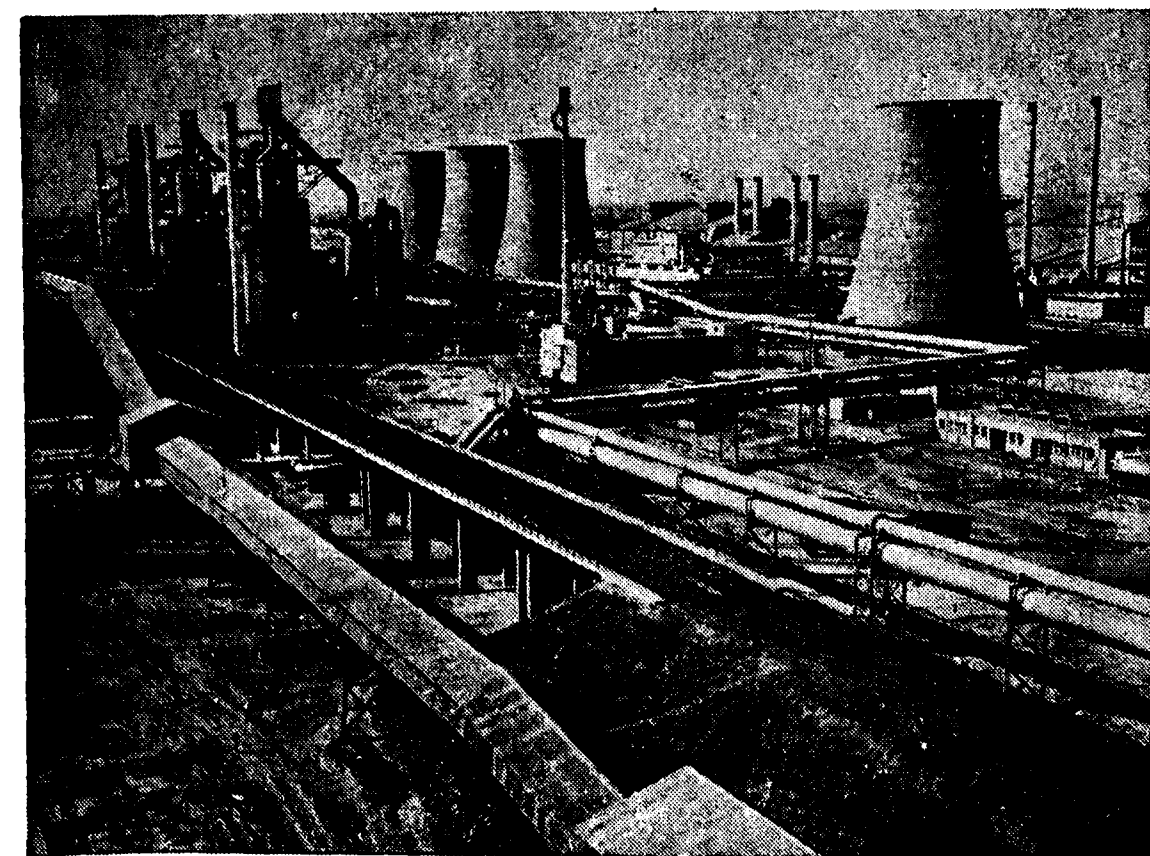
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DURGAPUR STEELWORKS



A general view of Durgapur Steelworks

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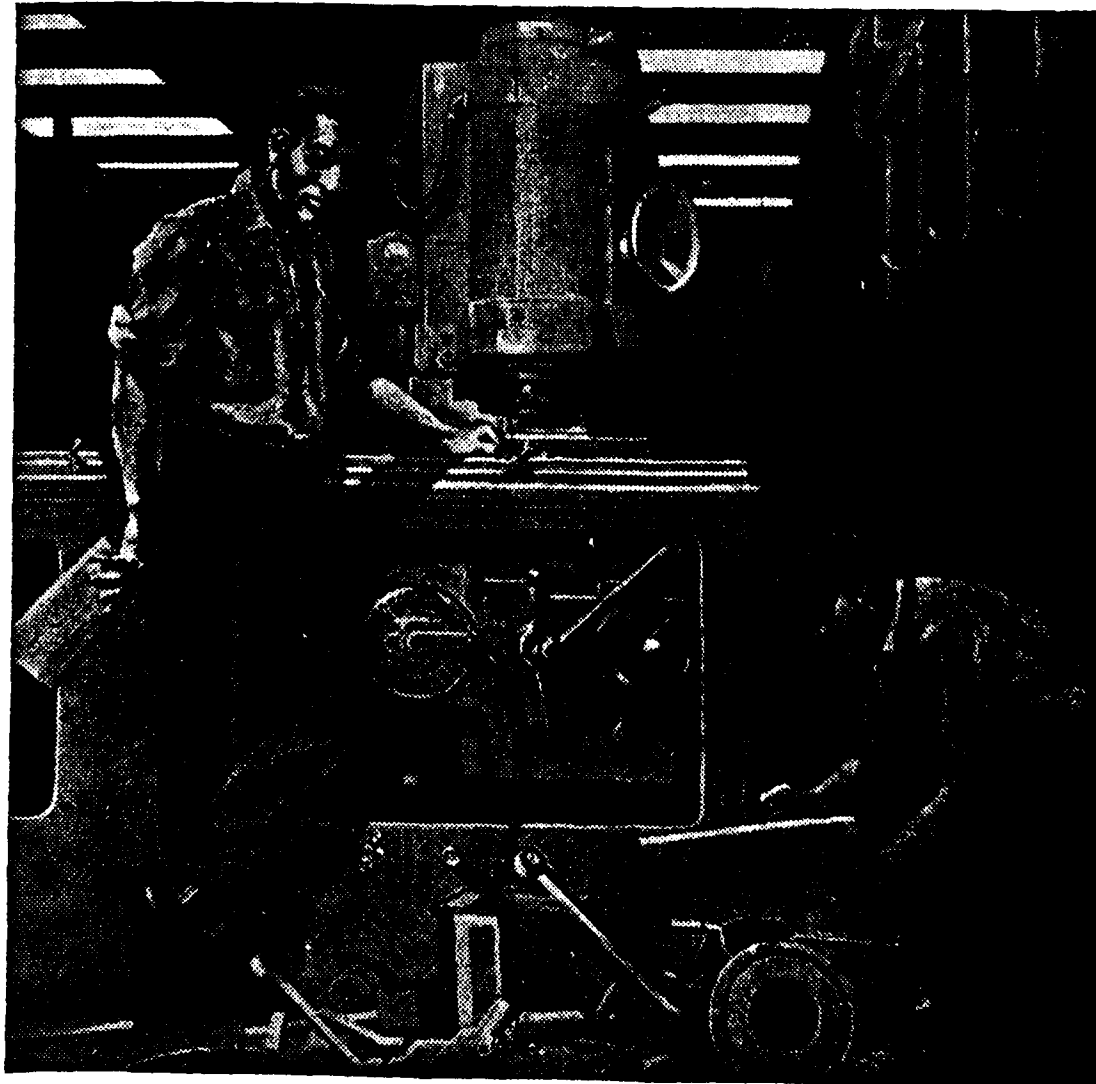
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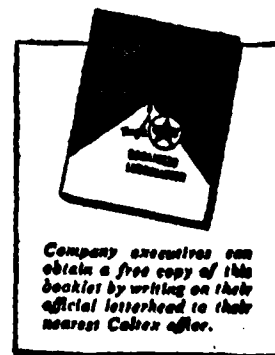


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Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Fuel Power				Manufactures				All Commo- dities
		Food articles & Tobacco	Liquor & Tobacco	Light and Lubricants	Industrial Raw materials	Inter- mediate Products	Finished Products	Total		
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5	
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4	
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9	
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1	
1960-61	..	120.0	110.0	119.6	145.4	130.5	122.8	123.9	124.8	
September	1960 ..	123.9	104.5	119.3	138.7	129.5	121.6	122.7	125.3	
October	" ..	121.8	113.5	119.9	146.6	130.2	123.8	124.7	126.3	
November	" ..	120.2	116.8	120.1	148.0	131.6	124.7	125.6	126.0	
September	1961 ..	121.7	99.7	121.9	138.1	140.6	122.9	125.4	124.6	
October	" ..	120.9	99.5	122.0	135.3	140.3	124.1	126.4	124.4	
November	" ..	120.2	98.3	122.4	136.9	140.2	124.1	126.4	124.2	
28-10-1961	..	121.3	99.5	122.0	135.9	139.5	124.5	126.6	124.7	
4-11-1961	..	121.2	99.2	122.0	136.6	140.0	124.8	126.9	124.8	
11-11-1961	..	120.6	99.2	122.0	136.4	140.3	123.3	126.2	124.7	
18-11-1961	..	120.4	97.0	122.4	138.0	140.5	124.3	126.6	124.5	
25-11-1961	..	118.7	97.0	122.4	136.6	139.9	123.6	125.9	123.2	

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay			Delhi Bengal U.P.		Central Provinces		Madras	E.P.	Bihar	All India	
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi	Calcutta	Kanpur	Nagpur	Jubbulpur	Madras June 1936=100	Ludhiana		Jamshedpur
1939 (Aug.-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1955	322	338	217	120	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	157	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	308	158	384	469	498	163	429	166	173	168
1960	401	420	296	158	397	476	512	165	467	167	166	171
1961 March	404	423	296	163	392	483	488	165	479	169	167	171
April	409	428	296	165	389	471	490	165	482	169	166	170
May	412	431	296	166	389	464	490	166	479	171	166	171*
June	414	433	302	167	389	474	498	166	478	171	167	172*
July	418	437	—	171	406	482	498	166	480	172	168	173*
August	419	438	—	171	410	491	501	—	181	—	—	175*
September	417	436	—	169	410	491	499	—	479	—	—	175*
October	215	434	—	168	—	499	501	—	480	—	—	—
November	—	—	—	—	—	508	—	—	481	—	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT) WEEK ENDED

	8-12-1961			1-12-1961			24-11-1961			17-11-1961		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	121.80	119.20	120.57	123.10	121.35	122.18	123.40	121.25	122.33	124.70	123.30	123.88
Silver (per kilogram)	212.90	210.90	211.67	212.60	209.35	210.83	210.30	208.20	209.21	209.60	207.15	208.65

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES				ASSETS					
	Notes in Circulation	Notes Held in Bank- ing Dept.	Total Notes Issued (a)	Gold & Bullion (b)	Foreign Securities (c)	Total of (b+c) as Percent- age of (a)	Rupee Coin	Rupee Securities	Total Assets	
1956-57	1,475.77	18.75	1,494.52	40.02	545.98	586.00 (117.76)	115.93	755.22	1,494.52	
1957-58	1,529.36	23.18	1,552.53	117.76	329.85	447.41 (683.37)	1,30.08	975.06	1,552.53	
1958-59	1,593.88	19.34	1,613.21	117.76	182.04	299.80 (44.37)	133.99	1,179.42	1,613.21	
1959-60	1,730.90	19.86	1,750.77	117.76	167.62	285.38 (16.30)	131.50	1,333.83	1,750.77	
1960-61	1,863.13	18.94	1,882.07	117.76	134.99	255.75 (13.4)	126.84	1,502.48	1,882.07	
Average of Fridays										
Sept. 1960	1,794.03	16.23	1,810.26	117.76	123.01	240.77 (13.3)	131.80	1,437.70	1,810.26	
Oct. "	1,806.44	16.56	1,823.00	117.76	123.01	240.77 (13.2)	130.36	1,451.86	1,823.00	
Nov. "	1,816.70	18.32	1,835.02	117.76	123.01	240.77 (12.13)	129.70	1,464.55	1,835.02	
Sept. 1961	1,877.38	21.36	1,898.74	117.76	116.86	234.62 (12.36)	126.45	1,537.67	1,898.74	
Oct. "	1,895.94	21.25	1,917.19	117.76	116.86	234.62 (12.24)	126.22	1,556.35	1,917.19	
Nov. "	1,918.47	16.09	1,934.57	117.76	116.86	234.62 (12.13)	123.60	1,576.35	1,934.57	
Week-Ending										
3-11-1961	1,904.26	13.86	1,918.13	117.76	116.86	234.62 (12.23)	124.65	1,558.86	1,918.13	
10-11-1961	1,946.53	18.85	1,965.38	117.76	116.86	234.62 (11.93)	121.92	1,608.84	1,965.38	
17-11-1961	1,920.42	16.22	1,936.63	117.76	116.86	234.62 (12.11)	123.18	1,578.84	1,936.63	
24-11-1961	1,902.67	15.44	1,918.12	117.76	116.86	234.62 (12.23)	124.66	1,558.84	1,918.12	
1-12-1961	1,908.42	9.38	1,917.79	117.76	116.86	234.62 (12.23)	124.34	1,558.84	1,917.79	

BANKING DEPARTMENT

Period	Deposits					Other Liabilities	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Gov- ernment	Other Gov- ernments	Banks	Others	Total									
1956-57	57.52	14.10	52.46	19.73	143.81	91.21	245.02	18.91	5.69	64.77	4.89	85.34	51.82	13.00
1957-58	54.61	11.28	81.00	111.38	258.27	84.36	407.63	23.30	4.81	40.47	32.90	77.91	213.92	14.32
1958-59	57.62	20.80	87.53	118.73	284.67	71.71	441.44	19.41	6.18	25.57	28.23	65.83	284.49	11.73
1959-60	55.50	23.24	78.61	123.48	281.83	83.18	450.01	19.94	15.54	28.97	25.53	88.92	258.90	12.23
1960-61	61.73	21.27	97.30	98.76	279.06	100.33	464.39	19.02	28.71	20.74	38.19	132.78	209.56	15.38
Average of Fridays														
Sept. 1960	67.44	30.27	108.27	92.64	298.61	78.01	461.63	16.32	18.76	20.71	28.88	142.08	222.85	12.03
Oct. "	56.65	28.05	104.94	89.43	279.07	85.39	449.45	16.64	14.98	18.33	29.93	125.78	231.40	12.40
Nov. "	62.29	14.72	100.63	89.46	267.10	97.00	449.10	18.40	10.53	17.49	32.85	120.42	236.36	13.05
Sept. 1961	60.81	26.67	83.71	159.06	330.34	96.02	511.36	21.42	16.73	17.47	49.11	131.54	257.83	17.12
Oct. "	60.23	14.40	81.36	147.41	303.40	95.52	483.91	21.31	37.59	20.06	60.56	135.20	193.80	17.92
Nov. "	60.04	15.34	79.69	147.17	302.24	104.53	491.77	16.15	39.09	24.96	67.47	139.49	184.39	20.24
Week-Ending														
3-11-1961	62.86	17.66	74.17	146.42	301.10	98.80	484.90	13.93	25.22	20.53	63.97	141.82	200.84	18.59
10-11-1961	65.40	10.22	77.65	146.90	300.18	96.58	481.76	18.90	46.85	25.74	65.85	154.70	150.99	18.73
17-11-1961	62.50	11.13	82.83	146.24	302.69	108.17	495.87	16.28	50.29	24.58	73.60	131.85	180.52	18.75
24-11-1961	49.39	22.34	84.12	149.13	304.98	114.58	504.56	15.47	33.99	28.98	66.46	129.58	205.19	24.89
1-12-1961	53.42	15.34	78.16	147.03	293.95	116.22	495.17	9.44	19.76	28.82	66.17	131.03	214.63	25.32

* Average of Fridays. **Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. †Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. ‡Includes cash and short-term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Note+Coins)	Balances (5+6) with Reserve Bank as per-centage of (4)		Advances (8)	Bills Dis- counted (9)	(8+9) Investments counted as per-centage of (4) in Govern-ment Secur-ities in India	
	Demand	Time	Total (2+3)		(5)	(6)			(10)	(11)
1954-55	559.62	351.86	911.55	32.66	53.91	9.50	468.39	84.66	60.68	339.74
1955-56	608.64	407.95	1,016.59	34.64	52.52	8.69	514.37	118.08	63.02	370.71
1956-57	653.34	453.92	1,107.26	36.94	50.23	7.96	626.08	155.56†	71.39	359.35
1957-58	723.89	619.19	1,343.08	39.34	77.55	8.72	723.79	167.83†	66.39	385.54
1958-59	735.93	860.33	1,596.26	40.30	83.99	7.74	766.56	133.58†	56.39	565.14
1959-60	745.83	1,086.79	1,832.62	44.84	75.81	6.58	842.75	144.59†	53.88	725.20
1960-61	794.49	1,155.87	1,950.36	47.04	93.09	7.17	995.75	163.35	59.43	688.52
Average of Fridays										
June 1961	837.02	1,119.91	1,956.93	48.46	79.72	6.55	1,102.90	179.40	65.53	542.17
July 1961	843.35	1,133.99	1,977.34	46.71	88.73	6.85	1,100.57	156.31	63.56	562.78
August 1961	837.73	1,148.50	1,986.23	45.86	83.13	6.49	1,087.85	1,151.04	62.38	589.50
Sept. 1961	839.19	1,142.64	1,981.83	44.78	79.11	6.25	1,076.93	159.71	62.00	609.85
October 1961	844.70	1,138.11	1,982.81	48.54	77.49	6.35	1,062.70	179.75	62.66	615.28
Nov. 1961	840.79	1,142.60	1,983.64	51.38	75.27	6.38	1,049.86	188.68	62.32	616.88
Week Ending										
10-11-1961	836.96	1,135.98	1,972.94	55.10	71.20	6.40	1,056.37	188.94	63.12	610.94
17-11-1961	841.97	1,145.41	1,987.38	50.71	76.69	6.41	1,048.38	188.35	62.23	607.16
24-11-1961	852.15	1,148.33	2,000.48	48.87	79.81	6.43	1,041.19	191.60	61.12	618.68

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Rs. in Lakhs)

Last Friday	Deposit Money with the Public					
	Money supply with the public	Total currency with the public	Total	Demand liab-ilities of banks	Other Depo-sits with Reserve Bank†	Total variation in money supply
(1)	(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1954-55	1,920.63	1,311.77	608.86	599.16	9.71	+126.65
1955-56	2,184.32	1,505.09	679.23	667.22	12.01	+263.69
1956-57	2,312.89	1,556.50	756.39	744.74	11.65	+128.57
1957-58	2,388.83	1,606.60	782.22	762.36	19.87	+ 75.94
1958-59	2,498.76	1,724.53	774.23	754.98	19.25	+109.92
1960-61	2,900.89	2,027.04	873.85	854.89	18.96	+197.76
March 1961	2,910.89	2,027.04	883.85	864.89	18.96	+ 94.33
April "	2,915.44	2,025.80	889.64	870.42	19.22	+ 4.55
May "	2,872.80	2,010.82	861.77	841.53	20.24	- 42.84
June "	2,872.22	1,969.63	902.60	877.78	24.82	- 38
July "	2,808.66	1,937.50	871.88*	850.00	21.15	- 63.56
August "	2,798.36*	1,920.34*	878.03	857.54*	20.49*	- 9.71*
September "	2,776.22*	1,900.58*	875.64*	857.45*	18.18	- 23.19*
October "	2,807.95	1,920.54*	887.41*	869.37	18.04	+ 32.23*

* Provisional

† Excluding balances held on I.M.F. Amount No. 1.
Source: Monthly Bulletin of Reserve Bank.

INDEX NUMBERS OF INDUSTRIAL PROFITS

(Base: 1955 = 100)

Industry	Gross Profits including Depreciation				Profits before tax			
	1956	1957	1958	1959	1956	1957	1958	1959
I. Agriculture & Allied activities	134.0	77.3	92.7	123.6	148.9	71.7	90.9	132.8
1. Tea Plantations	153.5	86.8	108.2	149.4	173.4	81.2	108.5	165.0
2. Coffee plantations	142.1	99.8	97.3	68.2	152.7	100.7	96.2	60.2
3. Rubber plantations	102.2	83.7	90.5	89.6	101.9	80.1	87.8	86.3
II. Mining and Quarrying	100.3	123.2	126.8	122.7	100.6	135.8	143.8	129.9
4. Coal	82.1	109.9	118.0	106.3	72.3	124.7	147.6	116.4
III. Processing and Manufacture—Foodstuffs, Textiles and Products thereof	100.6	74.6	88.6	124.0	99.7	53.9	71.3	131.4
5. Vegetable oil	70.5	48.0	113.5	162.0	59.3	6.8	105.4	197.9
6. Sugar	122.9	131.8	126.4	145.9	126.4	134.8	124.0	156.1
7. Cotton textiles	100.3	50.1	57.8	92.3	103.0	18.3	30.3	83.9
8. Jute textiles	37.9	133.9	207.1	292.2	..	183.2	431.1	684.9
9. Silk and Woollen textiles	124.8	116.3	216.1	281.9	121.7	90.5	148.8	382.8
IV. Processing and Manufacture—Metals, Chemicals & Products thereof	110.0	117.9	131.3	175.4	110.1	102.7	113.0	154.7
10. Iron and steel	96.5	90.5	102.2	144.1	93.8	70.5	63.5	85.2
11. Engineering*	120.7	135.8	142.8	175.3	130.3	128.8	147.5	189.8
12. Chemicals†	118.5	144.2	167.4	249.8	115.0	146.8	174.9	296.0
13. Matches	94.3	93.2	115.5	166.7	93.5	86.3	115.5	173.1
V. Processing & Manufacture—Not elsewhere classified	119.8	123.8	138.0	148.7	122.1	116.0	131.3	139.3
14. Mineral oils	156.4	131.6	123.6	128.1	174.1	134.5	122.7	127.2
15. Cement	91.9	95.2	106.5	119.1	82.5	73.6	76.3	82.4
16. Paper	103.9	119.4	150.3	167.0	90.9	97.8	145.8	156.2
VI. Other Industries	120.0	138.3	138.6	140.1	123.8	137.7	135.2	132.5
17. Electricity generation and supply	95.3	109.1	128.8	140.9	92.3	100.9	114.8	129.6
18. Trading	122.8	140.2	155.5	175.3	124.5	133.6	163.4	191.1
19. Shipping	173.5	204.1	147.3	112.4	253.9	294.6	134.9	21.3
VII. 1001 Public Limited Companies (All Industries)	109.7	101.1	113.0	141.2	112.0	90.4	102.9	138.7
333 Selected Private Limited Companies	119.5	131.3	144.7	165.3	122.6	129.3	157.2	185.3

* (1) Non-ferrous Metals (2) Transport Equipment (3) Electrical machinery and (4) Machinery (other than transport and electrical).

† Basic Industrial Chemicals, (2) Medicines and Pharmaceuticals and (3) Other Chemicals.

.. Denotes that numerator is negative.

Source: Reserve Bank of India.

INDEX NUMBERS OF PROFITABILITY BASED ON THE RATIO OF GROSS PROFITS@ TO TOTAL CAPITAL EMPLOYED

(Base: 1955=100)

Industry	1956	1957	1958	1959
A. Public Limited Companies (All Industries)	93.9	73.7	79.8	96.0
I. Agriculture and Allied Activities..	132.1	68.7	84.8	117.0
1. Tea plantations	159.3	80.2	103.3	145.1
2. Coffee plantations	126.3	84.4	81.4	52.7
3. Rubber plantations.. .. .	97.5	77.6	84.5	82.6
II. Mining and Quarrying	80.5	91.2	90.3	82.3
4. Coal	69.7	95.5	104.5	84.3
III. Processing and Manufacture—Foodstuffs, Textiles and Products Thereof	85.9	53.3	67.7	102.0
5. Vegetable oil	64.5	34.2	93.4	132.9
6. Sugar	109.4	110.6	108.2	120.0
7. Cotton textiles	85.3	28.4	38.8	70.7
8. Jute textiles	..	120.5	207.7	292.3
9. Silk and woollen textiles	101.3	83.8	123.8	241.3
IV. Processing and Manufacture—Metals, Chemicals and Products Thereof	87.8	71.3	71.3	88.7
10. Iron and steel	72.2	42.0	37.0	49.4
11. Engineering*	99.0	91.8	95.9	109.3
12. Chemicals†	100.0	110.0	108.6	152.9
13. Matches	90.8	74.8	102.5	153.8
V. Processing and Manufacture—Not Elsewhere Classified	106.7	90.8	93.3	95.0
14. Mineral oils	150.4	117.3	99.3	106.5
15. Cement	74.1	57.8	54.8	58.5
16. Paper	87.4	79.0	102.5	100.8
VI. Other Industries	104.7	111.0	106.3	100.0
17. Electricity generation and supply	85.3	92.0	97.3	102.7
18. Trading	101.8	112.3	128.1	140.4
19. Shipping	109.8	164.2	83.0	32.1
B. 333 Selected Private Limited Companies	110.0	111.4	130.0	141.4

* (1) Non-ferrous Metals, (2) Transport Equipment, (3) Electrical Machinery and (4) Machinery (other than transport and electrical.)

† (1) Basic Industrial Chemicals, (2) Medicines and Pharmaceuticals and (3) Other Chemicals.

.. Denotes that numerator is negative.

@ Includes profits before tax, interest and managing agency remuneration but excludes depreciation.

Source: Reserve Bank of India

GROWTH OF LIFE INSURANCE IN SELECTED COUNTRIES

Country/Currency Unit	Life Insurance in Force			Ratio of Life Insurance in force to National Income		
	1937 or 1938	1948	1959 or 1960	1937 or 1938	1948	1959 or 1960
Canada (Billion of C \$)	6.54	13.11	46.83	160.7	109.3	178.5
U.S.A. (Billion of \$)	108	201	586	146.7	90.7	149.5
Japan (Billion of Yen)	14	196	6897	70.0	10.0	67.0
U.K. (Billion of £)	3.4	5.2	12.42	70.8	49.1	61.2
Switzerland (Billions of Swiss Francs) ..	4.4	7.8	17.5	N.A.	90.7	58.7
Sweden (Billions of Kronor)	5.4	9.8	32	45.6	34.0	54.7
Belgium (Billions of Belgian Francs) ..	11	57	193	N.A.	20.4	33.7
West Germany (Billions of DM)	27	14	66	N.A.	23.7	30.7
India (Billion of Rs.)	3	7	23	N.A.	8.1	15.9
Italy (Billion of lire)	24	295	2070	18.2	5.0	14.9

SHARE OF LIFE INSURANCE IN FINANCIAL SYSTEM

Country/Currency Unit	Period	Assets of Life Insurance Companies	Assets of Monetary and Banking system	Percentage of (3) to (4)
(1)	(2)	(3)	(4)	(5)
United Kingdom (Billions of £)	1960	6.17	10.03	61.5
Canada (Billions of C\$)	1960	8.86	15.17	58.4
U.S.A. (Billions of \$)	1960	119.58	251.60	47.5
Sweden (Billions of Kronor)	1960	13.68	54.54	25.1
Norway (Billions of Kronor)	1960	4.98	24.30	20.5
Belgium (Billions of B. Francs)	1959	41.7	268.1	15.6
India (Billions of Rs.)	1960	6.22	47.18	13.2
West Germany (Billions of DM)	1960	14.67	200.90	7.3
Japan (Billions of Yen)	1960	702	15,960	4.4

INVESTMENT PATTERN OF LIFE INSURANCE COMPANIES

(Percentage to total assets)

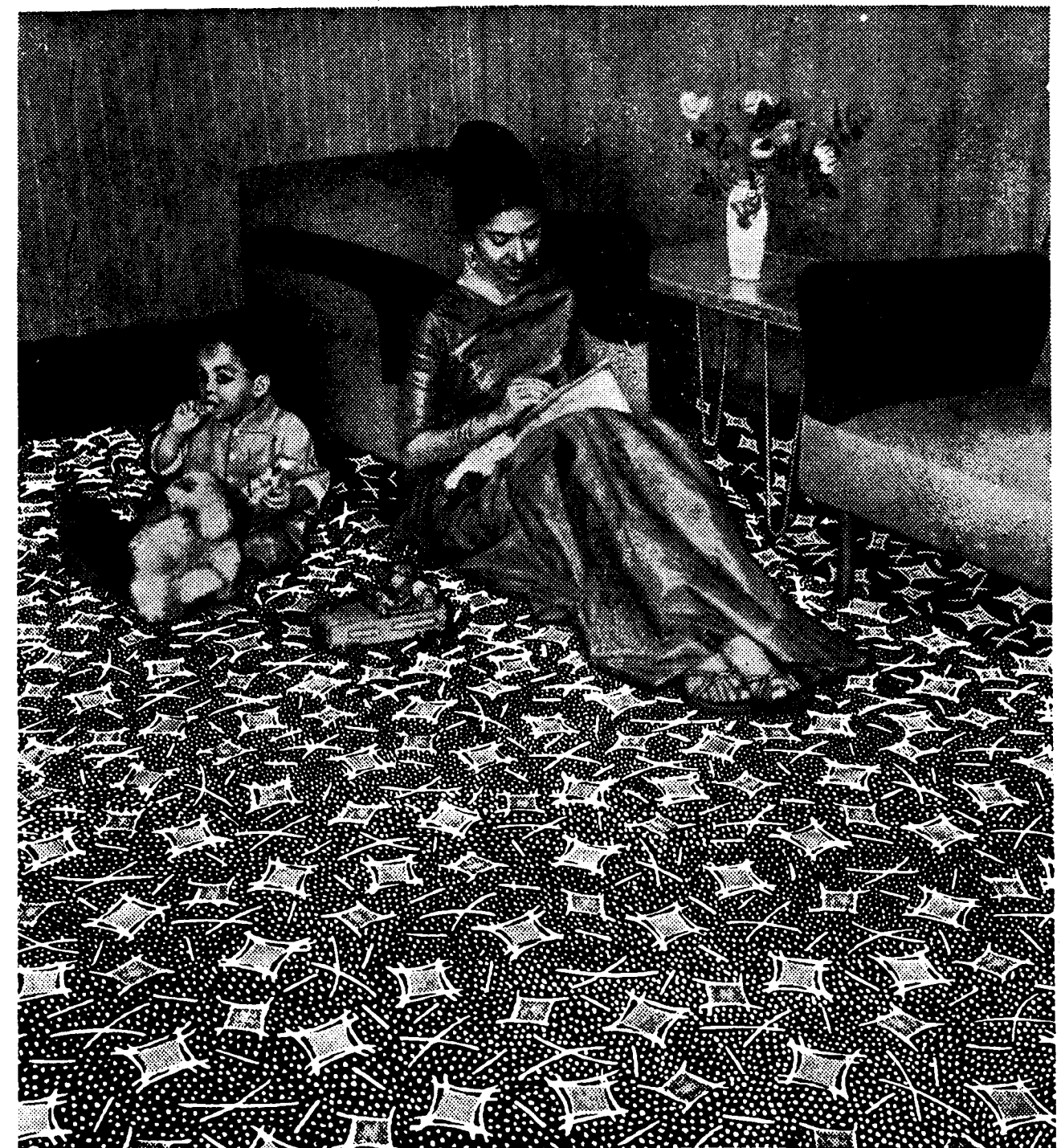
	India	U.S.A.	Canada	U.K.	Sweden	Japan	Australia
1. Investments in Industrial Securities							
At the end of 1945	9.4	24.7	20.4	27.0	1.8	16.5	2.0†
At the end of 1960	14.8	43.7	41.5**	40.3	2.3*	21.7	19.7
2. Govt. and Semi-Govt. Securities							
At the end of 1945	69.7	50.3	61.7	50.1	55.7††	40.2§	72.1†
At the end of 1960	60.7	9.6	5.3	28.7	55.2*††	2.1§	32.8
3. Mortgage Loans							
At the end of 1945	1.0	14.8	7.7	6.6	31.5	..	13.6†
At the end of 1960	1.5	34.9	36.2	14.9	28.2*	..	35.3
4. Loans on Companies' Policies							
At the end of 1945	4.8	4.4	5.1	1.2	N.A.	..	5.0†
At the end of 1960	7.0	4.4	5.0	1.3	N.A.	13.4	3.6
						(49.6)	

NOTE: Figures in brackets relates to ordinary loans in Japan.

†At the end of 1946. *At the end of 1955. ††Municipal loans, bonds and debentures. §Including debentures of Companies. **Including local authority bonds.

Source: Reserve Bank of India.

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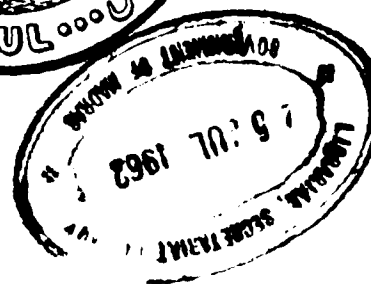
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Poland in India's Third Plan—and Beyond

"THE Eastern Economist" has chosen the subject of Indo-Polish Economic Co-operation for its second Blue Supplement on the relations between the two countries with a set purpose. Some readers will note that its appearance coincides with the first visit to India of Poland's President of the Council of States, Mr. Aleksander Zawadzki. It is right that tribute should be paid to him, and through him, to his country. Few Indians acquainted with Poland's tragic, yet glorious, history can withhold admiration for the courage and endurance that runs like a golden thread through five centuries of trial and tribulation. There are far too few Indians who know this story. It is time that people here recognised that Poland is not the creation of World War II, or a Socialist community alone, or a mere instrument in the tiresome Cold War game. The country, notwithstanding its current limited room to manoeuvre, has a tremendous vitality of its own. Its springs are cultural and spiritual, even deeply religious. Paradoxically, Poland is certainly as much Catholic as it is Communist. Here is a fascinating story of Challenge and Response with the currents always flowing back and forth. Only superficial observers conclude that Poland is in repose. She is vital; and the essence of her vitality is her tradition of questioning even when, as with both Catholicism and Communism, the doctrines both inflexible and unchanging. In a larger sense—whatever the forms—the relentless questioning which goes on in Poland shows that the democratic faith of its people is built not in doctrines but in a way of life.

concerned with economic co-operation directly for the next five years but, in the larger context, for the very long haul. "The Eastern Economist" believes that Poland can be an imaginative and serious partner over many years, recognising that long-period trade arrangements supported where necessary by credits may be the only way in which the economies, hitherto so far apart, can be joined by an enduring and an expanding bond. "The Eastern Economist" endorses strongly the plea made by the Ambassador for Poland in the succeeding article for a consideration of the implications of such long-period co-operation.

Apart from thus assisting in what might be called the philosophy of Indo-Polish economic co-operation over the long haul, the present Supplement deals with those particular industries in which Poland is assisting India's Third Plan. Her pre-eminence in mining and mining equipment is being increasingly recognised. But her place in shipbuilding and in the wide field of capital goods—tractors, heavy machinery and certain sections of steel—have still to be understood. Some glimpse of her new capacity can be had at the annual Poznan fair; but in fact capacity is rising far more rapidly than Indian observers even at Poznan have appreciated. After some initial slowness—largely because of the demands of reconstruction after the terrible mutilation of World War II—Poland is gaining pace. If only this trend can be left to gather force there will, perhaps, be found here, as in Yugoslavia, a Socialist state with a record for performance, which will bring her fame in areas different from the many which fill her romantic past.

The current Supplement is not, however, committed to issues such as these. It is, more prosaically,

Planned Foreign Trade

By **DR. JULIUSZ KATZ-SUCHY,**

Ambassador of Poland in India

THE Editor of "The Eastern Economist," Mr Eric da Costa, has again taken the initiative to present in his publication some features of the development of Polish economy and to review the prospects of Indo-Polish economic co-operation.

This is a most timely initiative. When the first Blue Supplement of "The Eastern Economist" on Poland was published, a new and upward trend in the development of Indo-Polish economic relations was becoming noticeable. Since 1959, this trend became more stable and not only an increase in the volume of trade and the favourable changes of the pattern of trade have been achieved but also some new prospects opened and forms of economic co-operation have developed. Having adopted the non-transferable rupee as a basis of our trade with India, Indo-Polish trade has been considerably raised slowly overcoming the difficulties arising out of the lack of tradition of Polish goods on the Indian market, payment difficulties as well as some necessary formal arrangements.

Indo-Polish trade which started in reality only in 1952, modest in figures and the assortment of goods, shows a steady growth from year to year and includes more and more investment goods such as heavy machinery or equipment produced by Poland previously imported by India from industrially highly developed countries. A new and additional form of economic co-operation between Poland and India was established in 1960, when an Agreement on Economic Co-operation on the basis of a Polish credit to India was signed. The negotiations and discussions on the utilization of these credits have brought to the surface the widely existing potentialities of new possibilities of trade which the present position hardly exhausts. There is every prospect that trade and economic co-operation between Poland and India should develop.

The future development of this economic co-operation between India and Poland should be viewed not only on the basis of yearly lists and agreements and current requirements, but against the background of the economic growth of both the countries and their plans of future progress. The existence both in Poland as well as in India of a national development plan facilitates the planning and the harmonization of bilateral economic relations and setting of long term perspectives for trade and exchanges.

The problems of economic growth form today a very important chapter of the political economy. An ever-increasing flow of literature on this subject reflects the intensity and the urgency of efforts made by the developing countries. Though various theories with regard to economic development are being sponsored and applied, there is a general acceptance of planning as the best policy of development. That arises out of the necessity for the developing countries having limited means to mobilise the maximum human and material resources and to direct the effort into channels necessary to create conditions for reaching the stage of self-sustained economic growth. Planning, however, is a vast and complex subject, a science and an art, requiring learned technicians and skilled economists to analyse the general process of economic activity, their coordination and their inter-connection in order to achieve a balanced growth without the strains and stresses, tensions and upsets, likely to

appear in every process of development. An important field of planned activity must be foreign trade. Next to the internal effort, foreign trade is the most important means of assuring the reality of the plans and development and securing the steady flow of means for the acquisition of the necessary investment goods to be bought from abroad. Foreign trade activity affects the rate and effectiveness of investments and its development accelerates the growth of production and income. A country set upon a road of development cannot afford its foreign trade to be subject to fluctuations and changes on world markets creating new difficulties or increasing the already existing ones. In planning the rate and direction of economic growth of a country, the planning authorities certainly must determine the volume of its foreign trade, the relation between exports and imports, and aim at achieving an equilibrium in the balance of payment. Rapid rate of development may cause not only inflexible demands for large imports, but internal requirements of development may also absorb goods traditionally supplied for exports. When the national economy is seriously dependent on imports of important raw materials, semi-products and investment goods and at the same time has difficulties in the development of its exports, foreign trade can retard the rate of development of a country. Thus, foreign trade has to be planned as any other branch of economic activity if we want to reach a harmonious rate of growth.

The planning of foreign trade seems to give a chance of reaching a more specialised trade which in turn will lead to a more rational use of production resources, greater effectiveness of investment and accelerated growth of national income. It gives a chance of gaining from the new international division of labour and at the same time of limiting the uncertainties resulting from the present situation. This chance is provided by planned economic cooperation based on bilateral and multilateral agreements, on a closer coordination and specialisation in long term agreements and contracts and in a constant study of the changing patterns of production and therefore also of trade.

This is true for both India and Poland.

Therefore, the basis for the future of Indo-Polish relations must be viewed in relation to the plans which India and Poland have embarked upon and their fulfilment in the nearest future. That must provide the basis for increasing Indo-Polish exchange. The industrialisation process which is changing rapidly the face of India and especially the magnitude of the demands for the Third-Five Year Plan creates a better market for the deliveries of investment goods and materials. The problem of finding the planned requirements for imports must be sought in an increase of balanced trade and diversification of India's exports. Poland, while developing her industries, will produce ever-growing quantities of capital goods for export. On the other hand, engaged in an ambitious programme of industrial expansion, Poland is producing a greater volume of heavy industry and equipment, increasing her requirements for both raw materials and machinery as well as various types of consumption articles as a result of full employment and the growing standard of living of the population. This creates not only a firm basis for trade between Poland and India, but also

possibilities and necessities of trade to be planned ahead and even coordinated in the development plans through perspective requirements of certain types of machinery or other products with a specific destination for Indian or Polish market.

The present pattern of trade shows Poland's ability to meet some of the investment needs under the Indian Third Five-Year Plan. The discussions have established our readiness to supply coal mining machinery and coal washing equipment, power generators, heavy machine tools, grain silos, heavy construction machinery, tractors and other investment goods. At the same time Poland's needs make it possible to exceed the traditional line of exports and to accept new raw materials and products produced by the young Indian industry. A significant example is the readiness of Poland to purchase in India textile machinery.

It should be said frankly that Polish trade and credits are not high in absolute figures and could hardly compete with assistance or trade with economically powerful countries. But the importance of those relations lies in the potentiality of providing diversification in the suppliers of investment machinery making it possible to immunize the development process from various conditions, extraneous factors and situations often of a non-economic character. The success of the socialist countries in their ability to offer an alternative market is probably one of the most impor-

tant factors of our times influencing the development prospects and plans of the countries of Asia and Africa.

The existence of plans and of favourable conditions will not increase automatically Indo-Polish economic co-operation. The existence of favourable conditions makes it necessary that a steady effort be undertaken by both sides based on a careful study of plan requirements. Such a trade viewed in long terms and coordinated to planned economic requirement will have a stabilising effect for production levels and price levels and may become an important stage in developing specialisation in production between the two countries in the field of machinery and equipment. This is specially important in view of the existence and activities of integrated and close economic groups on today's world markets. Increase of trade can be connected with the increase of scientific and technical cooperation. Poland is willing to make available her technical knowhow in the fields in which she is well advanced, such as coal mining, ship-building, geological research, certain types of machine building as well as planning techniques.

The fact that both Poland and India are at a stage of rapidly expanding their economy and therefore have numerous needs with regard to planned investments should enable them to take steps in that direction from the point of view of setting in advance the pattern of trade between them. In my opinion, the differences between the social systems do not impede such a co-operation.

Matching of Polish and Indian Plans

By **PROF. DR. WITOLD TRAMPCZYNSKI,**

Minister for Foreign Trade, Polish People's Republic

THE prospects of further expansion of economic relations between Poland and India ought to be examined in the light of the development of these relations heretofore, and of the opportunities opened up by the five-year plans now under implementation in our two countries.

The present year marks in many respects a turning point in Polish-Indian trade. In 1958, the volume of mutual trade between the two countries amounted to less than 50 million hard-currency zlotys, or 60 million rupees; in 1960, it was below 60 million zlotys (72 million rupees); but by the end of 1961, judging from the results attained in the first six months from the contracts signed, we shall have passed the 100-million mark in hard currency zlotys, or 120 million in rupees. In other words, within two years the volume of Polish-Indian trade will have doubled; this means such a dynamic rate of expansion as to make us regard the future development of our trade with great confidence.

Our optimism is all the more substantiated considering, on the one hand, that commodity structure of our trade is changing to the better and, on the other hand, that investment credits totalling 120 million hard-currency zlotys or 144 million rupees (a sum far exceeding the annual volume of our mutual trade so far), allocated by Poland in 1960 for the duration of India's Third Five-year Plan, have not yet been covered by commodity deliveries. It is only in the present year, in 1961, that contracts are being signed within the present agreement. As to the changes in the commodity structure I mentioned above, what I have in view is that

an increasing portion of our exports is taken up by deliveries of complete industrial plants. Thus, over and above the items covered by the credit agreement, Poland has or will have supplied India with a steel-construction works, a face-hardening plant, a fire-resistant materials factory, a rolling mill, an electric counters factory, a motor-cycle factory, and many others. The items enumerated—and there are many more on the export list—are eloquent enough for anybody who realises how essential are deliveries of complete plants for the developing countries. Moreover, an additional number of plants, their estimated worth totalling at least 300 million rupees, will be put up in India owing to credit deliveries from Poland within the next five years.

A significant evolution is also to be noted in India's export lists. At the recent Poznan Fair in Poland we negotiated the purchase of the first batch of textile machines made in India; Poland has already placed her first order. This was by no means an act of courtesy on our part; on the contrary, it was done as a token of recognition of high quality of the goods manufactured by Indian industries and in acknowledgment of the fact that continuous international division of labour implies taking into account the speedy evolution in the developing countries as a result of their industrialisation. There is every reason to expect that Poland will be buying increasing quantities of iron and manganese ores, crude iron, oleaginous fodder, condiments, etc. Incidentally, Poland's imports from India also reveal a dynamic rate of growth. We started practically from scratch; in 1955, Poland bought 3.6 million zlotys (4.32

million rupees) worth of Indian goods, and by 1960 our purchases in India soared to total nine times as much as in 1955.

And now, a glance at the five-year plans of our two countries.

The goal of the five-year plan of socialist development of Poland's economy for the years 1961-1965, now being carried out, is to enhance further growth of Polish industries, particularly the metallurgical, engineering, and chemical industries. It also envisages substantial expansion of Poland's sources of raw materials; along with hard and brown coal these include sulphur and copper, which are the key items in the planned programme for the present five-year period. Farming and cattle-breeding are also expected to rise in production. The following figures may give the readers a notion of the planned tasks in Poland: industrial output is to increase by 52 per cent, agricultural produce by 22 per cent, and national income by some 40 per cent.

The key to such speedy and all-round progress is to be found in mounting efficiency of work, which in turn will be the effect of new technical achievements and latest techniques applied in industrial production. Extension of up-to-date technological processes along with large-scale modernisation of the Polish industry as a whole, is bound to add to the prospects for Poland's exports. It will certainly be of great advantage for those purchasing machinery, industrial goods, and particularly complete plants made in Poland—which, of course, also involves imparting the Polish know-how.

From the point of view of assessing the future of Polish-Indian trade it is worthwhile to know what are the planned tasks as regards raising the living standards of Polish population. Housing is an important aspect of the living standard; housing conditions are going to improve a great deal. Besides, the plan provides for some 23 per cent rise in real wages per one employee; the total individual consumption fund, which in a sense determines the volume of purchases of consumer goods, will increase by some 32 per cent as against 1960. This means continuation of the processes noted in the previous five years, i.e., speedy growth of purchase capacity and living standards. The last five years witnessed a 29-per cent rise in real wages in Poland; simultaneously, production potential was considerably augmented, giving a 59 per cent increase in industrial output and more than 20 per cent in agricultural produce in 1955-1960.

These figures illustrating the economic development of Poland are, I dare say, a convincing corroboration of the conclusion that Poland's export capacity as well as her import needs are going to grow at a speedy rate, which cannot but augur well for the development of Polish-Indian trade.

The same conclusion can be drawn from India's Third Five-year Plan, initiated this year in continuation of the general outline of the previous five-year plans.

India's Third Five-Year Plan envisages a tremendous effort in industrial and mining investments, which are to amount to some 25 to 30 milliard rupees. Considering the very high rate of development of the engineering industry (a five-fold increase is envisaged in the plan), it can be estimated that in the course of the fourth and fifth five-year plans India will be able radically to reduce the foreign component in her new industrial projects. But during the Third Five-Year Plan India's balance of payments is still expected to remain under great pressure of the industrial development programme. To be sure, India does not try to conceal the great difficulties facing her in this respect. Consequently, the ambitious goals of her Third Five-Year Plan

make it imperative to import investment goods from abroad, if possible on credit.

Poland on her part is prepared to expand her deliveries of investment goods on credit. It is worth noticing that, apart from the state-to-state loan mentioned above, Polish foreign trade companies as a rule are ready to grant trade credits when selling complete plants. Credits offered by Poland are, I think, attractive for India as the recipient, in so far as they are self-liquidating. Since the Polish-Indian accounts are in non-transferrable rupees, this means in practice that the credits granted by Poland will be paid by India in commodities, and that every purchase of Polish-made plants ensures additional market for India's exports.

The range of investment goods offered by Poland is to be systematically enlarged within the current five years. The five-year plan now under way in Poland envisages a 57 per cent increase in the output of investment goods. Given the high level of industrial production in Poland, a less than 60 per cent rise in the output of industries manufacturing investment goods will render it possible to more than double their export capacity. By the end of the current five-year period Poland's annual exports of investment goods are expected to reach more than three milliard hard-currency zlotys (3.6 milliard rupees), out of which some 600 million rupees worth of such goods will be delivered to the developing countries.

It is our belief that India should keep her place among the main importers of Poland's investment commodities. A comparison between our respective five-year plans reveals how vast are the prospects of our mutually beneficial co-operation. Polish supplies can be of particular help in coal mining.

For many years now we have specialised in delivering equipment and technical services for the coal industry. India's coal output is expected to rise from 60 to 100 million tons during the current five-year plan, to be doubled again within the fourth five-year plan. This is a gigantic task indeed; it implies putting up a great many collieries, coal washeries and other installations; it also calls for extensive geological research and exploration work, and for speedy training of skilled personnel. We believe that Poland might aid India in all these undertakings; accordingly, we on our part consider the contract on building a group of coal mines, now under negotiation within the credit agreement, as the first—though very important—step on the way of our co-operation in developing India's coal industry. It is our opinion that, as regards its volume and the time span it covers, the said co-operation ought to exceed by far the limits set by the present credit agreement.

However, the emphasis on the possibilities of co-operation in coal-mining must not make us lose sight of other prospects. I mean, in particular, deliveries of Polish equipment for India's iron-ore mines, port installations, tube-wells for irrigation purposes in co-operation with Indian pump-manufacturing industry, and a number of complete plants, especially machine-building factories. Deliveries of Polish ships are open for consideration, with promising prospects in store. Also, technical co-operation is an important matter in itself.

Speaking for myself, it seems obvious that it is quite possible for both sides to double again our trade in the nearest years, especially if we make full use of such instruments for matching our respective five-year plans as long-term agreements, long-term contracts on commodity deliveries, matched contracts, and economic counselling, the latter being facilitated by the fact that long-range planning is the rule in both Poland and India.

India and Poland: the Patterns of Economic Growth

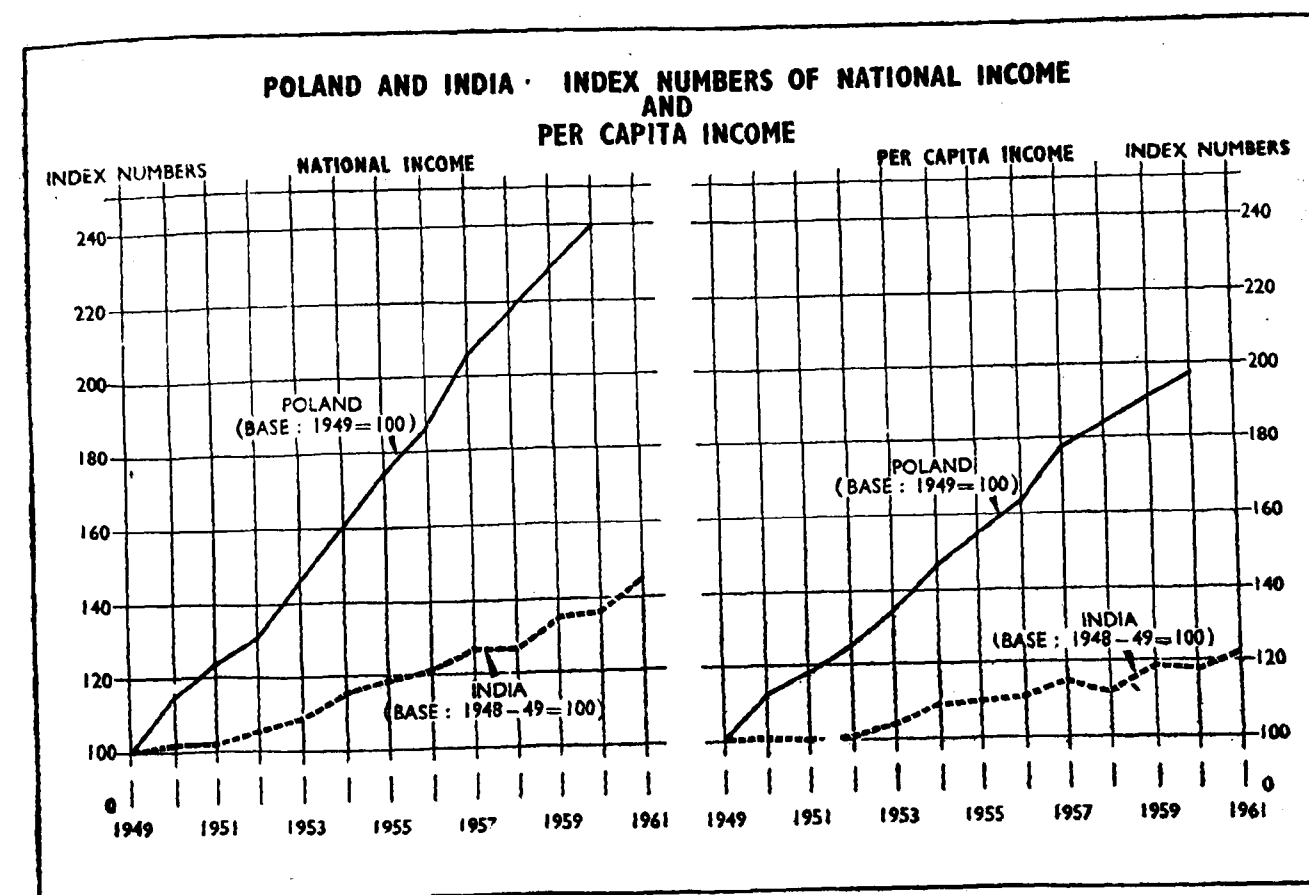
IN the pre-war days, 41 per cent of Poland's national income originated in agriculture. As much as 64 per cent of its working population was engaged in agricultural pursuits. In the case of India (including Pakistan) more than half the national income came from agriculture, animal husbandry and ancillary activities while more than 70 per cent of the population was directly engaged in agricultural activities. Thus, there was a close parallel between these two countries in the pre-war days in so far as the structure of their economies was concerned as it showed heavy dependence in each case on the primary sector.

The end of World War II created problems both for India and Poland though much more for Poland because it was directly hit by the ravages of war which left many a wound to be redressed. The reconstruction activities which started after 1945 made a slow but steady impact on the Polish economy and within five years a great change had already occurred. The percentage of national income originating from agriculture was reduced to nearly 29 of the total while the percentage of the working population engaged in agricultural activities was reduced to 53. This steady process of industrialisation continued in such a way that by 1960 less than one fourth (22 per cent only) of the income came from agriculture while nearly 62 per cent came from industry and building activities.

In the case of the Indian Union the tempo of industrialisation was hastened after World War II but

much of the investment went to replacing the over-worked machinery. The First Five-Year Plan laid the foundation for large-scale industrialisation and the Second Plan made a sizeable impact in the field of industry, raising out 100 per cent in 10 years. Despite this steep rise in industrial production and huge financial investments (which did not fail to cause severe strains in the economy), the share of industry—both large and small—remained as low as ever. Whereas in 1948-49 the share of mining, manufactures and small-scale industries was 17.1 per cent of the total national income, it was almost the same at 16.8 per cent in 1959-60. This is because the relatively vast rate of growth registered under the organised sector of the manufacturing and mining industries was counter balanced by the slow and meagre growth in smaller enterprises.

Thus, it is discovered, that with a continuous stress on heavy and basic industries, the economy of Poland continued to march at a steady rate (in terms of national income and not in the restricted sense of industrial growth) which has however, now slowed down to about 5 per cent per annum. The earlier speedy rates of rise witnessed in Poland were due to the fact that post-war reconstruction activities were intended to take the economy to at least the pre-war level in industry and agriculture; after the attainment of that level, the rate of rise has now come to the same level as planned for India's Third Five-Year Plan.



Exports of Economic and Technical Services and Consultations

POST-WAR international economic co-operation covers more and more branches of economy, science and technique, exceeding largely the framework of conventional trade agreements which, formerly, were limited to the specification of conditions for the exchange of goods, and payments connected therewith.

This expansion of co-operation gives all countries—partners in international trade—much greater possibilities of economic advantages. In the past, trade exchange—in the event the parties were countries of different economic structures (one of them exporting industrial products, the other raw materials)—resulted, especially in the long run, in rather one-sided advantages, higher for the industrialized countries.

DEVELOPMENT TRENDS OF POLISH INDUSTRY

A country offering exports of economic and technical services must really be in a position to ensure a high quality of such exports. In the case of Poland, it is the dynamic development of Polish economy which can, in the first place, ensure a proper implementation of the obligations undertaken; that development has, in the years following the war, considerably exceeded the overall development of economy throughout the world.

The data quoted below will illustrate the rapid development of Polish industry, in comparison with similar results in other countries throughout the world. These data pertain to the increase in production obtained by Poland in several of the basic industry branches.

PRODUCTION OF SOME OF THE MOST IMPORTANT LINES IN POLAND, AS COMPARED WITH WORLD PRODUCTION*

	Production Indices		
	in 1959 1937=100 1949=100		
1. Black coal			
world production in mn.t.	1885.6	145	143
Poland	99.1	274	134
2. Electric power			
World production in bn. k Wh	2099.5	471	247
Poland	26.4	727	318
3. Raw steel			
World production in mn. t.	304.0	224	190
Poland	6.2	420	267
4. Sulphuric acid			
World production in mn. t.	45.144	274	—
Poland	0.610	339	221
5. Cement			
World production in mn. t.	289.0	350	247
Poland	5.3	413	227

* All figures in this table were taken from the 1961 Small Statistical Yearbook, published by the Central Office of Statistics of the Polish People's Republic, Warsaw.

The indices illustrating the increase in production in Poland in the separate lines, are the more emphatic as this country has undoubtedly been among the most heavily devastated, and that not only by war operations, by which Polish industry has suffered twice, but also be intentional damage caused by Hitlerites during the occupation years.

It should be added that, in addition to the industry branches enumerated, which have been developing in Poland much more rapidly than elsewhere in the world, new branches of production were created in this country since the war, the production level of which cannot be compared with the pre-war status, as they were non-existent at that time. One of such branches is, for example, the Polish shipbuilding industry, created in Poland only 11 years ago. Despite the short period of time, the output of that industry was, last year, on the 6th place of the world list.

THE GROWING STAFF OF SCIENTISTS AND TECHNICIANS

The development of industrial production in Poland, which now is more than seven times up on the pre-war level, would not have been possible, had industrialization not been accompanied by the organization of training facilities for a staff of scientists and technical personnel large enough in the new situation. The achievements obtained by Poland in this field are another, and by no means less important, evidence of this country's ability to export technical and economic services.

In the years preceding the war (1937-1938), when the population of Poland was 35 million, 91,600 pupils attended regular vocational schools, and 130,000 more similar schools for working people. In the same year, the number of students in higher technical schools was about 10,000, with about 1,100 graduating every year.

At the present moment (school year 1960-61), with a population of almost 30 million, approximately 730,000 young people are studying in vocational schools. Over the past fifteen years, 930,000 skilled workers graduated from these schools, with another 460,000 trained as semi-skilled workers.

Poland now has 75 higher schools. As regards the number of students per 10,000 inhabitants, it occupies the 6th place in the world. From Poland's 22 higher technical schools, about 9,500 engineers graduate every year. In the past fifteen years, 90,700 engineers graduated from all higher technical schools in Poland. Approximately 90 per cent of Poland's present-day staff of engineers and technicians received their education already in People's Poland. The majority of them have already been in employment for from a few to a dozen or so years, in industrial works, design offices, at construction sites, in research institutes, etc. This means that Poland's staff of engineers and technicians are, in their majority, 30 to 40 years old—an age when one's creative capacities are at their highest.

In 1960, Poland had one engineer for every 80 workers—an index higher than in such economically highly developed West-European countries as Great Britain, France or Italy.

Polish engineers and technicians, who received a sound technical education and a thorough practical training, constitute a factor of importance for technical progress.

All of them, who are working for domestic needs, participate in international trade as well; and that not only indirectly, by preparing and supervising export production, but also directly, by means of exports of technical services. And this role of theirs is steadily expanding.

That export branch of Poland which involves technical services is becoming more and more important for Polish foreign trade. This is why a special Bureau for Exports of Technical Services (BEUT) has been set up some time ago in "CEKOP" Foreign Trade Agency which specializes in exports of complete industrial objects. The general development of political and economic situation—namely the conclusion of trade agreements with Poland by several Asian and African countries, and the growing demand for most various technical services on the part of Poland's trade partners—have, however, made it necessary to reorganize that branch of exports. This resulted in the creation of the "PolSERVICE" Foreign Trade Agency which, as of June 30 last, has taken over the handling of exports and imports of technical, scientific and other services, and also of all matters connected with patents and licences. This agency will—in agreement with all industry Boards—keep records of specialists in all industry branches; it will, moreover, undertake upon request supervision of the implementation by the Polish industry of contracts involving exports of investment equipment.

Exports of Polish technical services involve different activities. First of all, there are consultations, covering different operations such as supply of blueprints, elaboration of production technology, expert examinations, starting of plants, etc. Technical consultations cover all branches of production in which Polish technique has had adequate experience. It embraces, practically, all branches of Polish economy.

The numerous design offices existing in Poland in all specialties as well as departments of higher schools and 75 scientific and industrial institutes, are called to extend export services.

There exist in Poland two basic sections of research institutions taking care of technical progress: the Polish Academy of Sciences and higher school department; secondly—research departments in industrial establishments.

The Polish Academy of Sciences and departments of all higher schools are doing all the fundamental research work, involving invention of new materials or processes, and connections existing between them; while research offices in industry take care of research work which can be applied in production, evidently under consideration of all other factors, both economic and pertaining to organization, essential at large-scale production. Evidently, in practice, both kinds of research work usually intermingle, exceeding the conventionally outlined limits.

Progress in industry calls for employment of specialists, holders of scientific degrees, and also with experience in research work. However, the range and trends of technical progress are limited by economic considerations: It can be realized only if found satisfactory from the point of view of economic calculations. For technique is not an objective in itself; it only is to help to obtain an increase in national income, and an improvement in the financial situation of the country.

The tasks involving the increase in income and the raising in the living standard of the population, are implemented not only by means of investments and modernization of technical equipment, but also by finding out and utilizing all the reserves of the old equipment, by a full and rational utilization of all the means available. Thus, along with technical progress, also progress in organization is an unfailing method for raising the yield of raw materials, materials, machine, equipment and human labour. However, before any changes in organization are made, it is

highly recommended to first ask for the opinion of experienced specialists, consult scientists.

"PolSERVICE", which is to organize exports of technical and economic services, and services involving organizations, has gained co-operation of 18 basic Polish design offices, representing all boards of economy, and the health service board too. Respective agreements have been concluded, among others, with the Marine Engineering Design Office, Marine Institute, Fish Economy Association, etc. Under the agreement concluded with the Marine Engineering Design Office, that Office will supply all blueprints and cost estimates, and also all building and assembly services for the construction of sea harbours.

Some of the above-mentioned services have already been exported to a dozen or so countries. In India, for example, Polish scientists have elaborated for the "Nisco" company plans for the modernization of rolling works. Other negotiations with the same country are now in progress; they involve exports of Polish industrial licences and services for the following industries: textile, machine tools, mining equipment, internal transport equipment (industrial slide bars).

In Iraq, preliminary plans for the construction of a power industry project for Basrah district have been elaborated to orders placed by the Iraqi government; in preparation are plans for the development of the irrigation system in Amarah district.

In Afghanistan, roadbuilding plans were elaborated. To Guinea, Poland has supplied chemical laboratory equipment for geological purposes. Polish specialists are co-operating in that country in geological prospecting for manganese ore, copper, calcium, and other mineral raw materials. Geological research with participation of Polish engineers is also conducted in Mongolia, Ghana and Indonesia.

To Brazil—technical help has been extended at the starting, and then at the operation of sodium works.

Polish services, and consultation work of Polish engineers, are exported not to overseas countries only. In Czechoslovakia, emergency drillings, for finding an outlet for gases in a black coal mine, have been carried out under supervision of Polish specialists; in Yugoslavia, Poland has helped at the elaboration of the technology and technical blueprints for metallurgical works.

An important section of technical services exports are different kinds of works connected with building, city planning, architecture, building structures for residential and industrial building, hospitals, sports developments, ports, etc. We must not fail to mention here that Polish specialists have prepared blueprints for, and cost estimates of several shipyards: in Bizerta (Tunisia), Alexandria (UAR), for Burma and Indonesia.

In Egypt, Polish specialists have designed, and supervised the building of 19 crude oil reservoirs, of from 5,000 to 10,000 cu.m. capacity. All of them have been completed, and turned over for use in May 1960.

In Tunisia, Polish architects have won the first prize in the competition for the elaboration of designs of a new worker settlement for about 1000 houses (district Sidi Fat Amach). In the city of Tunis was organized last April an exhibition of Polish architecture and city-planning, called "Realisations d'architecture polonaise" which has found great favour with the public and the press.

Services of Polish city planners, architects and designers in the field of construction are not limited to planning alone—they also involve supervision of building work.

Poland is also undertaking all technical services in the field of road, railway and water transport. In the branch of power industry, Poland can accept elaboration of designs of hydro-electrical lines, high-and low-tension industrial lines, etc. Moreover, any other services pertaining to utilities: waterworks, sewers, city transportation, etc.

Exports of Polish licences and patents are another important section of services. Transactions in this field have recently been concluded with India. In Calcutta, for example, a new production department will be constructed to a Polish licence in one of the steel works: namely cast-iron cylinder works. To the E.E.C. company in Bombay, Poland has sold a licence for the production of single-phase electrical engines.

We must not fail to mention economic consultations and expert opinions extended by Poland's leading economists at the time of the elaboration of development plans of India, Ceylon, Iraq and other countries. That work has been done by Professors Lange, Kalecki and Pajestka, and was found extremely interesting at home, too. An evidence thereof can, for example, be

the publication in Poland of a book entitled: "Social and economic problems of India", containing enunciations by some distinguished political and economic representatives of India, which has been extremely popular with readers in Poland. In addition to that book, Polish daily and periodical press has carried many articles on the same subject during prof. Lange's stay in India.

Exports of Polish technical thought have a double aspect: on the one hand, they represent sales of services, and constitute thus trade transactions; and on the other—and this is their more important aspect—by consultations, expert opinions and services of its specialists, Poland gains confidence in countries, with which it has but shortly established business relations, for Polish technique, thereby paving the way for prospective exports of Polish-made complete industrial projects and investment goods.

At the present moment, Poland plans to considerably develop exports of services in the field of geology. This branch is especially important for every country which, while undertaking economic development, wishes to find out what its own raw material resources are. Along with this line, Poland also intends to substantially expand its co-operation with abroad in the field of communication systems, and also in the field of city planning, building, and development of the countryside.

Power Industry in Poland and Rural Electrification

THE Polish power industry is extremely dynamic; at the present moment (late in 1960), the rated power of all power plants in Poland amounts to 6315 MW, as against 1668 MW in 1938 (an increase by 3.8 times); production of electric energy has grown more than seven-fold since 1939; right now, Poland produces 29.3 billion kWh, which amounts to about 1000 kWh per capita, attaining standards of Italy and Japan.

The 1961-1965 Five-Year Plan provides for a further increase in production of electric energy, which is to reach 45.5 billion kWh by 1965; this will increase the value of the share of electric and thermal power production in Poland's gross industrial product from 2.1 per cent in 1960, to 2.4 per cent in 1965.

This increase will be possible by the turning over for operation of more production units, generating a total of about 4700 MW. Considering the withdrawal from operation of certain old power plants, this will mean a 70 per cent increase in the overall power of electric plants in this country.

The quantity of electric energy generated by means of the cheaper local fuel—brown coal—is steadily increasing (in 1955, it amounted to 0.7 per cent; in 1960 4.5 per cent); plans for 1965 provide for 30.9 per cent of electric power produced with the use of brown coal.

Also envisaged is a further improvement in exploitation indices: a decrease in the gross consumption of fuel per unit to 0.4 kg/kWh (1949—0.796 kg/kWh; 1955 — 0.588 kg/kWh; 1960 — 0.485 kg/kWh), and decrease in losses in the network to less than 11.2 per cent of the overall quantity of electrical power fed to it.

The number of electrified villages grows in Poland year by year at a very rapid pace. Right after war's end, less than 9 per cent of the total number of Polish villages had electricity. At the present moment, 58 per cent of all villages are electrified.

Plans for the years 1961-1965 provide for the electrification of more than 10,000 villages—this means that up to 80 per cent of all villages in Poland will be electrified by then. Long-range plans, covering the period up to 1980, envisage electrification of more than 90 per cent of farmsteads.

The expansion of power industry investments in rural areas is followed by an increase in the number of farms able to take advantage of all kind of electrical facilities. While, in 1945, a scarce 5 per cent of farms had electricity, today more than 2 million peasant farmsteads are using power, i.e. more than 55 per cent of the overall number of such farmsteads, and almost 5800 state farms (more than 90 per cent of all such farms); moreover, different other units located in electrified villages have electrical installations, namely State Machinery Centres, co-operative farms, flour mills, starch works, potato processing works, schools, stores, etc. It is expected that, by 1965, electrical installations will be set up in another 2.8 million peasant farms, i.e. in about 70 per cent of all farmsteads in Poland, and in almost all state farms (more than 6300). By 1970, the number of users of power installations in the countryside is expected to reach almost 4 million.

Power industry investments in the countryside—at their present level—permit a broad use of different electrical implements. State farms are equipped with all such electrical installations, and are supplied with a sufficient quantity of power to permit them to utilize in full all the mechanical equipment they are expected to have. Similar is the situation of co-operative farms. In all such farms there is at present no need for any expansion of power installations, for even now they are in the position to take advantage of:

complete electrical lighting system of administration premises, farm buildings and yards; electrical drive of threshing machines, fodder

beaters, silo fodder cutters, blowers, and all major mechanical units;

electrical drive of all minor implements, such as chaff cutters, cleaners, sorters, conveyors, washers, etc.;

electrified hydrophore units;

electrification of cow-sheds, electrical milking devices, fans, vacuum cleaners, manure conveyors; electrical drive in farm dairies;

electrification of poultry farms, permitting the use of incubators, breeders, and irradiation lamps; electrification of hot-beds and hot-houses by means of heaters and lamps, and electrical sprayers;

electrification of refrigerated stores;

electrical boilers and, in certain instances, high-capacity, column steam heaters with 10 kW engines; full electrification of residential premises.

If a farm cannot get electrical current from the power network, generators are used; they are also used in all emergencies.

Generators are applied, first of all, for lighting and supplying power for the following:

farms and residential settlements; industrial works, such as flour mills, saw mills; construction sites.

Power-generating units are also highly useful as a reserve power source for feeding electrical wiring in emergencies in hospitals, industrial establishments, and in all other places where an interruption in power supply means danger for human life, may cause material losses, or wherever continuity of operation of the equipment is required.

Poland is now making, or preparing production of different power generating units, from less than 1 kVA, to 250 kVA:

Power of Unit		Tension	Kind of Current
Rated	Actual		
0.625 kVA	0.5 kW	230 V	single-phase
2.5 kVA	2.0 kW	230 V	"
5 kVA	4.0 kW	230 or 400 V	single and three-phase
10 kVA	8.0 kW	400 V	three-phase
20 kVA	16.0 kW	400 V	"
37.5 kVA	30.0 kW	400 V	"
75 kVA	60.0 kW	400 V	"
125 kVA	100.0 kW	400 V	"
250 kVA	200.0 kW	400 V	"

All these units are combined combustion-electrical generators. Smaller units, up to 8 kW, are propelled by gasoline engines; the larger ones—by Diesel engines.

Units under 2 kW are portable; the 4 kW units—transportable; the larger ones—are either transportable or stationary. All transportable equipment comes either with undercarriage, or set up on trailers.

All such units have a complete measurement-and-control equipment, and installation for remote automatic control; they can also be adapted for automatic switching-in. They are supplied together with spare parts and equipment needed for operation, and with an instruction describing their starting and operation.

Work is in progress for adapting generating units for parallel operation.

Poland is also turning out generators which can be operated in tropical countries; work aiming at an improvement of this type of generators will be carried on.

Poland's Machine Tools Industry

THE economic development of a country is reflected by, and depends upon, to a large extent, on the progress it has made in the field of machine tools manufacture. The development of machine tools industry in a country also gives an indication of the advance made by that country in technology. The Socialist countries have taken particular care to foster the manufacture of machine tools in their own lands, firstly, because of the antagonism of some of the Capitalist countries towards them and, secondly, because confronted with general lop-sided development of their economy in the initial stages, they had to take up manufacture of machine tools so that they could have sufficiently large quantities of up-to-date and highly efficient machines to form the base of their industrial growth. The under-developed countries are not without reason fascinated by the charm of building up this basic industry. While planning their programmes of economic development, they have laid great stress on it.

The Socialist countries have started exporting heavy machinery and machine tools only recently. For several years following World War II, the world market for machine tools was dominated by a few Western countries which had escaped the ravages of war. A notable exception to this, however, has been the German Federal Republic whose nationals were far advanced in technical education; Western Germany rapidly built up its heavy machine and machine tools industry practically from shambles, and has again emerged as one of the most important machinery exporting countries of the world. The share of the

Socialist countries of East Europe in the world trade of machines tools is today on the increase as in evidenced by the following table:

TABLE I
EXPORTS OF METAL-WORKING MACHINE TOOLS
FROM PRINCIPAL COUNTRIES
(In \$ million)

Country	1956	1957	1958	1959
German Federal Republic	159.2	209.3	198.4	229.6
U.S.A.	149.3	183.6	173.4	127.4
Switzerland	63.9	68.7	67.2	72.5
Great Britain	66.9	78.6	68.0	63.3
Italy	19.0	24.2	25.2	26.3
France	18.4	22.1	16.2	23.2
Belgium	11.2	11.8	11.8	9.6
Austria	4.1	4.4	4.3	3.4
Japan	2.6	4.1	2.3	2.7
U.S.S.R.	9.9	9.6	18.1	21.2
Poland	6.9	7.8	9.4	9.7

Among the East European Socialist countries, development of machine tool industry in the recent past has been quite rapid in three — the U.S.S.R., Poland and Czechoslovakia. The development in Poland has been far more rapid than in the other two. The total number of machine tools produced in Poland in 1960 amounted to 24,650, as compared with only 3,825 in 1950. This represents an increase of nearly 545 per cent, as against 118 per cent increase in the Soviet Union and 130 per cent increase in Czechoslovakia.

TABLE II
MACHINE TOOLS MANUFACTURE IN
SOCIALIST COUNTRIES†

(Number of items)

Year	Poland	U.S.S.R. Czechoslovakia
1950	3,825	70,597
1955	12,723	117,087
1957	17,111	130,908
1958	19,125	138,290
1959	23,800	145,853
1960	24,650	153,711
U.S.A. (1959)		143,380

† The data pertaining to Poland, the U.S.S.R. and Czechoslovakia includes only metal-working machine tools.

FLASHBACK ON POLAND'S MACHINE TOOL INDUSTRY

The Polish machine tools industry has experienced vicissitudes not unknown in countries which have had to suffer ravages of war. Poland was manufacturing machine tools, and even exporting them, as early as the second half of the 19th century — more precisely about the year 1870. At that time and in the years that followed, quite a large number of industrial works were built up in Poland which besides diversifying its economy, led to considerable advance in technology. Particular role in this field was played by the establishment of large designing offices along with the machine manufacturing plants. These design offices worked out blueprints for new machine tools. One such establishment by the name Gerlach & Pulst was not only known in Poland, but also in the markets abroad to where it exported its high quality products. This Company at that time was considered amongst Europe's best machine tools producers.

The first major setback the Polish machine tools manufacturing industry suffered was in World War I which disorganised the entire industry and led to sharp fall in its output. At the termination of War, however, the industry was again reorganised and a number of

machine tools manufacturing units set up. In the course of time, these scattered enterprises formed a Machine Producers' Association which fostered specialised production of certain standard types of tools. Production started picking up; during the years 1925 to 1938 the output of machine tools in Poland increased to nearly 3 times that the pre-War period. Certain specialised types of machine tools, however, were still being imported by Poland during this period. Some surplus machine tools of indigenous manufacture, of course, were exported.

The outbreak of World War II dealt a death blow to the Polish machine tools industry. Most of its production works were razed to the ground by Hitler's forces; the production machinery installed there was carried away by them. The technology offices and institutes suffered equally.

The cessation of hostilities in the middle of 1940's, however, marked the beginning of a new era in the Polish economy. With the country going Socialist, greater emphasis now came to be placed on the development of heavy machinery and machine tools industry. Favourable climate for the development of this industry was created by going in for a planned economy in which industrial development was accorded a prominent place. The requirements of machine tools at home were determined within a relatively short period and the task of building up the industry on new foundations taken up in right earnest. A Central Machine Tools Design Office was created to guide the studies in new designs. The development was also fostered by supply by the Soviet Russia and the sister Socialist countries, of not only machinery and equipment but also of designs, technological blueprints and technical personnel. Polish technicians and designers were also trained by the Soviet Union during this period.

In the subsequent years, under the Mutual Economic Aid Council's aegis—an organisation composed of Poland, the Soviet Union and the other East European countries — plans were devised aiming at a division of task of designing and production of machine tools in the Soviet Bloc. This co-operation among the East European countries has enabled Poland to again stand on its legs and Poland produces machine tools not only for its domestic consumption, but also for exports to various parts of the world. A notable development in Poland's machine tools industry during the post-World War II period has been effecting of standardisation in the industry which has resulted in increased production at low cost. Further integration in the Polish machine tools manufacturing industry has been effected early this year. The progress achieved by Poland's machine tools industry since World War II is reflected in the following table:

TABLE III
OUTPUT OF POLAND'S MACHINE TOOLS INDUSTRY

	Measurement unit	1937	1949	1955	1959	1960
Overall production of metal-working tools	Items ('000)	4.3	5.4	14.5	23.8	24.6
	Output ('000 tons)	1.7	9.4	27.8	37.0	38.7
Including: cutting tools	Items ('000)	3.8	5.2	12.7	20.8	21.9
	Output ('000 tons)	1.2	8.9	22.9	28.7	30.5
Plastic machining tools	Items ('000)	0.53	0.18	1.8	3.0	2.7
	Output ('000 tons)	0.53	0.55	4.9	8.3	8.3

Exports of machine tools from Poland have also picked up appreciably during 1950's. The number of items exported which stood around only 107 in 1959 have multiplied to 1,852 in 1961; the number of items exported in 1955 was 447 and in 1959 nearly 1519. In 1960, Poland was amongst the first ten on the list of machine tools exporters of the world. Today Poland is in a position to compete successfully with some of the more advanced countries in regard to supply of automatic machine tools, milling-copying machine tools, machining wheel sets for railway, universal milling machines, etc. Poland has also started manufacture of machine tools particularly suitable for tropical countries. Poland's economic plans for 1961-65 provide for production of certain specialised items such as programmed cutting machine tools, automatic lines, single automatic machine tools, machine tool lines, and equipment for plastic processing etc.

In 1960 Poland emerged as a net exporter of machine tools for the first time in its recent history.

Poland's Participation in the Indian Industries Fair 1961

POLAND will participate again in the Indian Industries Fair to be held in New Delhi in November and December this year. Polish exhibits will be displayed in a separate national pavilion, which will be constructed under the supervision of a Polish architect. This year Polish industry will be represented at the Fair on a higher scale than before thus reflecting the increase in the commercial relations between India and Poland.

The following Polish Foreign Trade agencies will exhibit various products of the Polish Industry.

CEKOP:—

Cekop prepares technical designs and technological documentation and exports machinery and plant for complete factories as well as supply technical assistance by supervising erection and by putting the plant into operation. Cekop supply also technical know-how necessary for the manufacturing of new products. In the Pavilion, they are displaying only the models of some Plants as noted below:—

1. Pit-frame
2. Boiler section
3. Foundry
4. Chimney stock
5. Tank Bottom
6. Power House
7. Fan type cold store
8. Samples of Cellular Concrete [Building material]

(At the Seventeenth Annual General Meeting of the shareholders of the Praga Tools Corporation Ltd., Shri S. Ranganathan, Secretary, Ministry of Commerce and Industry and Chairman of the Board of Directors said, among other things, that the company has negotiated and signed an agreement with CEKOP of Poland for the preparation and supply of a Project Report for a unit manufacturing tools of various types. This Project Report is expected to reach the company in a month or two. The Government of India, he said, have already earmarked Rs. 1 crore out of the Polish credit for the use of the company. A second agreement with CEKOP for the supply of machinery under this credit arrangement is under way).

CENTROZAP:—

The main items which will be displayed by the above agency in the Polish Pavilion are given below:—

Model of a mechanized mine, electric boster, percussion drill with complete equip., electric flameproof

The surplus is anticipated to grow; the Polish machine tools industry, it is stated, has orders on hand from abroad until late 1965. Polish machine tools industry's agents are also active abroad to book orders.

Poland's exports of machine tools to India have also picked up in the recent past. The total value of machine tools exported by Poland to this country in 1959 amounted to about 10 per cent of her overall export trade in this line. The number of tools exported amounted to 250. In 1960 the number of machine tools items imported by India from Poland increased to 300 — about 18 per cent of the value of Poland's machine tools exports. Recently, talks have been held between the two countries on the possibility of increasing trade in this line. Though Poland's share in India's imports of machine tools is as yet relatively small (0.02 per cent in 1958-59 and 3 per cent in 1959), it is likely to go up in the years to come because of the rupee payment agreement that governs foreign trade between the two countries.

rotary coal drill, hexagonal tungsten carbide drill rods, prop withdrawer, exploders, isolating oxygen apparatus, self-rescue co-absorber, co-detecting pipes, detecting apparatus, ohmmeter, pneumatic jolt-squeeze moulding machine, electromagnetic drum separator, knock-out grid, portable belt aerator with electromagnetic separator, vibratory screen with electromagnetic separator, rolling mill roll, wheel set, tyres, rail type 90R fragments, indicator benzene mining lamp, turbo-electric compressed air mining lamp.

CIECH:—

CIECH will exhibit the following items:—

Dyestuffs coloured samples of stuffs and fibres, organic chemicals, pharmaceutical products, advertisement-patterns of paints and varnishes, photochemical products, pressed carbon products, inorganic chemicals.

ELEKTRIM:—

In the Polish Pavilion the following items will be displayed by this agency:

Rotary welding sets, battery electric trucks, flame-proof mining transformer station, flame-proof squirrel cage electric motor, oil testing set, link testing ammeter, universal link-testing instrument, lightning arrestors, voltage transformer, single-phase electric meter, single-phase fractional horse power motor, electric motor, rotary welding set, single-phase portable generating set, oil fired furnace with measurement control panel, electric drying oven, neon rail indicators, universal low voltage circuit-breaker, electrical measuring instruments, earth-resistance meter, technical wheatstone bridge, resistance box type, galvanometer, H.P. signal generator, valve isolation meter, out-put power meter, valve coil-meter, regulated autotransformer, cathode ray oscilloscope, T.V. valve ohm-voltmeter, valve millivoltmeter, cathode ray oscilloscope, double beam ray oscilloscope, cells, battery, gasproof alkaline accumulators, fraction cell, telephone sets, selenium rectifier, infrared type, CB private manual branch exchange switchboard, fluorescent lamps, incandescent bulbs, industrial T.V. equipment, amplifier, insulator, ferrit isolator, phase-shifter, local fire alarm equipment, mining signalling equipment.

IMPEXMETAL:—

They are exhibiting the following items in the Polish Pavilion:

Ball & roller bearings, special exhibit set with auxiliary appliances, cylindrical double row roller bearings for railway purposes, double row roller bearings etc.

METALEXPORT:—

They will display the following items:

Carding willow, automatic carding set, helical pump, pumping set, submersible pump, automatic nail making machine, compressor, gas cylinder, cast iron soil pipes and fittings, malleable iron fittings and galvanized, material for tests and accessories for attendance of universal punching & shearing machine, soil pipes, ring spinning frame, hard waste opener, various materials necessary for erection, auxiliary apparatus loom for cotton.

MOTOIMPORT:— Export-Import.

They are displaying the following items:

All-purpose test-bench for testing motorcar electrical equipment, test case, testing apparatus for automobile electrical equipment, armature testing apparatus, condenser tester, flames analyser, tyre compressor, air compressor, lubricating aggregate, spraying guns complete, injector and nozzle testing unit, spack checking and sand plating unit, hydraulic lifting jack, foot operated grease pump, lever operated grease gun, pneumatic grease pump, grinder power tool for brake shoe, cylinder re-boring machine, grinding machine for valve faces, valve seat refacing power tool, cylinder honing machine, special equipment for grinding machines, microbus "Nysa", delivery van "Zuk", motorcycle "Junak", wheeled tractor "Uzus", crawler tractor, plours, disc harrows, mounted multi-purpose implement, Z-5 horse mover, fire pump, parts of cars.

POLIMEX:— Export-Import.

They are displaying the following items:

Universal excavators, stationary free-fall concrete mixer, power bar eropper, power bending machine, pipe

threading machine, vacuum brick press, worm brick press, semi-automatic brick cutter, hydraulic plastic press, universal sheet filter, saturator, aerated carbonised water filter, orangee drum, double roller milk type, pneumatic lifting, free swinging plansifter.

SKORIMPEX:—

In the Polish Pavilion they will exhibit only tyres.

VARIMEX:—

They will display the following items in the Polish Pavilion:—

Industrial sewing machines, optical pirometer, industrial pressure gauges, refrigeration controls, household gas meter chlorator, foot electro dental origine, universal operating table, accessories, dental lathe with chucks, set of medical instruments, P-H meter with millivoltmeter, spectacle trial cases, aciascopy frame keratometer, sterilizer for surgical instruments, shadeless operating lamp, surgical diatemy lancetron, galvanostimulator, photo camera, projector, equipment to projector, episcop, epidiascope instar, projector, amplifier, apparatus for elektroforesis without analyzer, optical instruments, brinells hardness tester, apparatus for measuring deep drawing quality of sheet metal, ultrasonic flaw detector, ultrasonic concretescope, hydraulic press, laboratory distilling apparatus, colorimeter, magnetic stirrer, electric thermostat, accessories, motor-anglecentrifuge, pharmaceutical balance, torsion balance, water bath, universal laboratory stirrer, flat wedge gate valve, oblique acide valve of silunim, Oval wedge gate valve with flange connoction body of cast iron packing of brase pnom, stop valve sereved body of cast iron packing of brase pnom, cast iron stop valve flanged brass packing pnom, cast iron flushing cistern, cast iron foot stand closet, cast iron support stand for bathing stove, workshop tods, analitical balance, automatic analitical balance, semi-microanalitical balance.

Shorter Notes

MINING MACHINERIES

THE MAJORITY of mining machinery manufacture and equipment factories in Poland are operated by the Mining Machinery Union in Byton, grouping 16 mining machinery and equipment factories, 2 drilling equipment factories and 5 power plant equipment manufacturing and repair works. The mining machinery industry is planned to develop at a much higher rate than the mining industry itself, so that increased mining equipment exports will be possible.

Since, apart from up-to-date machine tools, increase in the total production area of the factories in operation is necessary to augment the production capacity of the factories, the following factories have so far been expanded:

1. The Mining Machinery Factory at Niwaka which manufactures loaders, scraper conveyors, winches and hoists with an annual production capacity exceeding 13 thousand tons.

2. The Julian Lenski Mining Machinery Factory at Katowice-Piotrowice with an annual production capacity of 20 thousand tons specialises in the production of coal-cutters, coal-cutting combines, winches and belt conveyors. Opened in 1921, this factory has now been fitted with well-lit spacious production shades and up-to-the-minute machine tools to produce, among other things, the WEN-505 coal-cutter for use in thin seams in difficult geological conditions, the KNB-2 drum type, short wall cutting combine, as well as long wall coal-cutting combines.

3. The Mining Machinery Factory at Rybnik, specialises in the production of scraper conveyors. The

"Grot" conveyor intended for use in haulage galleries and "Slask" armoured scraper conveyor designed for transport of the coal cut from the face are particularly popular.

Among the newly started mining equipment factories, the following deserve mention:

1. Mining Machinery Spares Factory at Oswiecim, manufacturing spare parts for machines of both Polish and foreign make. In addition to spare parts, the factory produces also mining machinery. Much interest had been awakened by the large-diameter drilling machine of WWP-IA type.

2. The T. Zarski Mining Machinery Factory at Piotrkow Trybunalski, specialises in the production of machinery and equipment for mechanical preparation plants of which particularly noteworthy items are: the PA-3, 8-chamber, rotor-type floatation machine for the preparation of coal duff, with a capacity of upto 35 tons of coal duff per hour, and the cascade type, heater-drier with a capacity of up to 25 tons coal duff per hour.

3. The Rescue Equipment Factory at Tarnowski Gory, manufacturing protective respirators, artificial respiration apparatuses, oxygen breathing apparatuses and other rescue equipment.

The production capacity of the factories referred to, with 3-shift-per-day operation, is to reach 400 thousand tons annually; about 4000 machine tools will be operating in the factories, and the quality of the machines and equipment manufactured will be consider-

ably improved. With this end in view, the following measures are being taken:

1. Setting up of specialistic design offices in factories.

2. The extension of the work's prototype departments.

3. Use of high grade steel and other materials to reduce the weight of the machines and equipment manufactured.

4. Wider use of plastics and corrosion-resistant coatings.

Much more exacting quality control with respect to the mining machinery and equipment produced will be ensured due to:

1. Setting up of testing stations for all series-production units;

2. erection, at Piotrkow Trybunalski, of an experimental station for mechanical coal preparation plants;

3. application of a greater number of more up-to-date measuring instruments in the works' technical inspection departments.

In addition to the works discussed above, the production of electrical equipment for use in mines has considerably been developed in Poland. It is worth noting the explosion and flame-proof machines and equipment of Polish production have made a name for themselves in a number of countries the world over.

ELECTRONIC AND TELECOMMUNICATION INDUSTRY IN POLAND

ELECTRONIC and telecommunication industry in Poland has made rapid strides during the last few years. While its development started in 1930, it is the period of the First Five-Year Plan 1956-60 that has brought about a substantial increase in the rate of production. The range of goods manufactured by Polish electronic industry has now become quite wide as new items are being constantly added to it. Whereas in Britain the electronic industry production increased annually by 10 per cent on the average during that period, in Poland a fivefold increase was noted within five years, from 1956 to 1960. The value of all the electronic and telecommunication industry production increased from 1,200 million zlotys to 6,100 million zlotys during this period. The increase was particularly marked in the case of electronic equipment used in the various branches of the economy. Some of the goods manufactured by the Polish electronic industry at present are: radio, television and radio-location equipment, electroacoustic and measurement equipment, and telecommunication equipment transmitters, receivers, radio-telephones and others. Another important group consists of electron tubes generally used in electronic equipment, cathode-ray tubes used in television sets, transmitter tubes for a wide range of frequencies, as well as semi-conductor diodes. Belonging to the same group are transistors and resistors, various types of capacitors, loudspeakers, transformers, ceramic radio parts and ferrite elements. A wide range of lighting lamps as well as machines and metals used in their production constitutes another group controlled by the electronic industry organisation.

It is now gathered that the electronic industry is to start production of radiolocation equipment and transistors for use at sea and electronic computing

machines for statistical offices and larger industrial establishments. It is also to expand the production of automation, control, regulation and measurement equipment, semi-conductor elements and electronic automation devices.

Export potential of the industry is also great. Exports of complete plants cover not only the delivery of the equipment but also full technical and economic consultation and advice, assistance in designing, supervision over the assembly and starting operations, as well as the training of local technical staff.

Telecommunication industry has not remained behind and can well claim an equally good progress. Some of its new factories were built after the War. Its annual production approached 1,500 zlotys in 1960. At its works there are various groups of equipment produced like automatic subscriber telephone exchanges for local and trunk calls, manual telephone exchanges and various types of telephone sets; cable teletransmission equipment, multi-channel telephone and telegraph equipment, industrial control, signal and alarm installations; control and measure equipment and feeding equipment.

The future of the industry is quite bright as Poland possesses high quality materials, highly skilled designers and executors.

THE CHEMICAL INDUSTRY IN POLAND

THE GROWTH of the Polish chemical industry has been quite remarkable. Between 1938 and 1960, the increase in chemical production was more than fifteen-fold. Many novel chemical products are turned out every year by the industry, including new brands of dyestuffs, medicaments, plant protection agents etc. Now the chemical industry has reached a stage that it is turning out polystyrene, synthetic resins, synthetic rubber, synthetic phenol etc.

A major expansion in Polish chemical industry during 1961-65 is planned for large-scale petrochemical production based on domestic resources of natural gas and waste gases supplied in big quantities by crude oil processing plants. Oil gases for syntheses will also be made available by special installations for benzene pyrolysis. The Plan assumes a much quicker development of chemical production than of the entire industrial output. The target for the former is an increase of 109.3 per cent by 1965 over the present level as against an increase of 51.9 per cent for the latter. According to the targets stipulated under the Five-Year Plan, synthetic rubber output will rise by 1965 to 45,000 tons annually, that of synthetic detergents to 9,000 tons, of dye-stuffs to approximately 15,000 tons and of paints and enamels to 181,000 tons. At the same time a major increase in pharmaceuticals production is also stipulated. The production of sulphuric acid (based upon home sulphur supplies), of calcinated and caustic soda, of fertilizers and weed killers is also proposed to be enhanced. Nitrogenous fertilizers will be based entirely on the processing of natural and coking gas.

Present exports value of chemicals is about 60 million U.S. dollars which equals approximately tenfold the pre-war level. It represents also nearly 5 per cent of the entire exports from Poland, with a tendency towards a steady growth. According to the Five-Year Plan, the value of exports would by 1965 be around 110 million U.S. dollars.

COMPOSITION OF INDIA'S FOREIGN TRADE WITH POLAND
(1957-58)

(Rs. '000)

Commodities	Exports		Imports		Exports		Imports	
	1957	1958	1957	1958	1959	1960 (Jan.-June)	1959	1960 (Jan.-June)
Coffee, tea, cocoa, spices and manufactures thereof ..	22,04	28,42	7	5	93,27	5,40	—	—
Textile fibres (not manufactured into yarn, thread or fabrics) and waste ..	1,08	59	3,06	—	9,96	52	—	—
Crude fertilizers and crude minerals, excluding coal, petroleum and precious stones ..	16,58	26,23	—	—	22,67	23,80	—	—
Metalliferous ores and metal scrap ..	70,43	21,30	—	—	30,75	57	5,75	4,75
Animal and vegetable crude materials, inedible n.e.s. ..	5	4	1	8	1,72	1,95	2	—
Hides, skins and fur skins, undressed ..	—	5,55	—	—	6,33	19,64	—	—
Chemical elements and compounds ..	—	—	9,79	6,96	—	—	12,76	51
Dyeing, tanning and colouring materials ..	—	—	7,78	3,70	—	—	8,93	3,77
Medicinal and pharmaceutical products ..	—	—	2,94	2,21	—	—	4,60	3,06
Essential oils and perfume materials, toilet, polishing and cleansing preparations ..	—	3	—	1	89	—	—	—
Explosives and miscellaneous chemical materials and products ..	—	—	16	1,06	—	—	58	27
Leather, leather manufactures, n.e.s. and dressed furs ..	—	1	—	—	20	—	—	—
Wood and cork manufactures (excluding furniture) ..	—	—	19	5	—	—	1	1
Paper, paperboard and manufactures thereof ..	—	—	2,59	16,40	—	—	36,53	18,68
Textile yarn, fabrics, made-up articles and related products ..	2,20	2,68	1,12	4	6,83	2,69	1,42	97
Non-metallic mineral manufactures, n.e.s. ..	3	—	4,80	1,47	1	—	5,24	48
Base metals ..	—	—	3,86,15	70,76	—	—	52,37	15,22
Manufactures of metals ..	—	3	20,94	11,44	—	—	15,27	2,55
Machinery other than electric ..	2	—	28,97	23,05	—	—	62,93	31,66
Electric machinery, apparatus and appliances ..	—	—	63	2,07	—	—	2,49	3,52
Transport equipment ..	—	—	15,11	85,55	—	—	1,76,28	31,57
Pre-fabricated buildings, sanitary, plumbing, heating and lighting fixtures and fittings ..	—	—	4	3	—	—	—	—
Clothing ..	27	2	—	—	—	—	—	—
Footwear ..	—	5,42	—	—	—	—	—	—
Professional, scientific and controlling instruments; photographic and optical goods, watches and clocks ..	7	19	1,27	97	27	1	8,61	4,53
Miscellaneous manufactured articles n.e.s. ..	23	2	1,07	42	5	3	2	1
GRAND TOTAL ..	1,15,43	91,76	4,87,66	2,26,39	3,59,02	1,66,90	4,01,70	1,22,98

THE COMPOSITION OF INDIA'S IMPORTS FROM THE COMMUNIST COUNTRIES
(1957-1960)

(Rs. Lakhs)

Group/Year	USSR	Czechoslovakia	China	Poland	Germany Eastern	Hungary	Roumania	Bulgaria
1. Chemicals								
1957 ..	13.97	34.54	31.10	20.67	34.41	5.75	0.85	8.80
1958 ..	90.95	22.87	222.17	13.94	29.69	5.03	2.12	6.03
1959 ..	105.96	19.83	225.07	34.14	106.18	6.90	26.66	21.09
1960 (Jan.-June)	69.91	42.24	55.74	8.56	20.07	3.92	23.32	11.62
2. Paper & Paper Board								
1957 ..	61.70	5.75	93.52	2.59	6.13	—	—	—
1958 ..	63.53	11.21	88.67	16.40	1.41	—	7.01	—
1959 ..	128.93	8.79	65.69	36.53	2.13	—	17.75	—
1960 (Jan.-June)	53.21	7.70	38.54	18.68	3.67	—	2.19	—
3. Non-Metallic Manufactures								
1957 ..	46.33	30.87	6.26	4.80	1.79	0.14	36.39	0.01
1958 ..	0.29	15.55	5.02	1.47	2.77	0.09	8.30	—
1959 ..	10.85	14.26	7.28	5.24	6.91	0.04	0.93	—
1960 (Jan.-June)	0.14	9.80	2.19	0.48	4.87	—	—	—
4. Base Metals								
1957 ..	1923.75	226.88	74.38	386.15	0.30	9.74	—	0.08
1958 ..	1713.55	239.66	198.75	70.76	0.27	16.07	—	—
1959 ..	1265.73	20.64	51.54	52.37	0.05	47.60	10.91	—
1960 (Jan.-June)	299.83	17.94	26.17	15.22	0.01	7.60	11.42	—
5. Manufactures of Metals								
1957 ..	73.45	28.60	8.32	20.94	2.88	23.24	—	—
1958 ..	121.69	6.14	8.10	11.44	2.10	1.25	—	—
1959 ..	8.26	8.31	11.34	15.27	2.01	81.99	26.39	—
1960 (Jan.-June)	31.68	6.08	3.94	2.55	2.24	1.76	4.54	—
6. Machinery & Transport Equipment								
1957 ..	115.22	243.62	3.76	44.71	8.62	24.56	2.54	3.52
1958 ..	116.16	333.84	9.92	110.67	26.56	27.60	22.46	0.97
1959 ..	116.50	278.50	40.52	241.70	96.38	66.41	29.40	3.73
1960 (Jan.-June)	62.16	231.65	18.45	66.75	44.55	27.75	53.54	0.48
7. Professional, Scientific and Controlling Instruments etc.								
1957 ..	4.44	3.99	1.34	1.27	9.04	0.52	0.04	0.02
1958 ..	7.47	0.76	1.31	0.97	41.45	0.23	—	—
1959 ..	2.02	2.88	3.22	8.61	89.71	6.17	—	—
1960 (Jan.-June)	2.02	2.39	2.16	4.53	48.37	5.29	0.04	0.39
8. Textiles Yarn, Fabrics, Made-up Articles								
1957 ..	0.01	11.72	11.61	1.12	5.86	9.99	—	—
1958 ..	—	4.73	4.43	0.04	2.75	10.36	—	—
1959 ..	0.04	7.07	6.09	1.42	9.25	16.84	—	—
1960 (Jan.-June)	0.03	1.49	3.12	0.97	3.30	17.12	—	—
9. Textiles Fibres (not manufactured into yarn thread or fabrics) and waste								
1957 ..	—	—	15.65	3.06	—	—	—	—
1958 ..	—	—	8.14	—	—	—	—	—
1959 ..	—	—	12.86	—	—	—	—	—
1960 (Jan.-June)	—	—	0.64	—	—	—	—	—
10. Coffee, Tea etc.								
1957 ..	0.81	—	43.77	0.37	—	—	—	—
1958 ..	—	—	43.98	0.05	—	—	—	—
1959 ..	—	—	24.46	—	—	—	—	—
1960 (Jan.-June)	—	—	15.64	—	—	—	—	—
11. Others								
1957 ..	28.52	29.29	96.40	2.28	2.19	2.99	12.47	0.08
1958 ..	57.48	14.20	27.71	0.65	2.28	1.41	0.33	0.01
1959 ..	27.17	12.02	38.34	91.13	0.93	13.48	19.55	0.14
1960 (Jan.-June)	24.10	23.37	30.50	5.24	1.45	6.18	6.81	0.04
12. Total								
1957 ..	2268.20	615.26	486.11	467.66	71.22	76.93	52.29	12.51
1958 ..	2171.12	648.96	528.20	226.39	109.35	62.04	40.22	7.01
1959 ..	1685.48	372.30	486.41	401.70	313.55	239.43	131.59	24.96
1960 (Jan.-June)	543.13	342.66	197.09	122.98	128.53	69.66	101.86	12.53

THE COMPOSITION OF INDIA'S EXPORTS TO THE COMMUNIST COUNTRIES
1957-1960

(Rs. lakh:)

Items/Year	USSR	Czecho- slovakia	China	Poland	Germany Eastern	Hungary	Rumania	Bulgaria
1. Food								
1957	783.46	10.14	269.24	22.04	77.38	1.94	8.72	1.92
1958	1186.40	16.02	4.01	28.42	57.51	6.84	5.31	3.67
1959	1339.27	35.52	0.74	275.58	171.49	8.79	20.89	3.67
1960 (Jan.-June)	619.81	23.44	0.04	91.86	204.08	7.59	26.95	4.42
2. Beverages & Tobacco								
1957	49.91	5.08	0.42	—	—	—	—	—
1958	51.27	2.17	91.31	—	—	—	—	—
1959	73.01	0.72	—	—	—	—	—	—
1960 (Jan.-June)	—	—	—	—	—	—	—	—
3. Crude Materials (Inedible except fuels)								
1957	516.09	322.87	64.60	88.14	29.82	26.39	4.11	0.04
1958	553.40	348.41	153.12	53.71	5.37	53.63	1.51	1.34
1959	918.60	371.47	222.55	74.14	50.53	54.04	61.25	9.79
1960 (Jan.-June)	516.68	311.82	88.96	64.13	50.16	32.31	46.79	4.78
4. Oils and fats (Animal and Vegetables)								
1957	83.68	21.57	0.40	—	6.59	—	38.17	—
1958	100.04	15.80	1.45	—	—	—	35.55	—
1959	92.42	—	7.70	—	3.94	—	106.11	—
1960 (Jan.-June)	30.86	2.72	—	6.33	3.38	—	—	—
5. Chemicals								
1957	6.77	0.11	8.29	—	1.70	—	0.44	—
1958	20.70	0.44	2.09	—	2.98	—	0.23	—
1959	9.61	2.69	3.06	0.89	0.86	—	3.65	—
1960 (Jan.-June)	0.55	0.75	2.26	—	0.33	—	3.48	—
6. Manufactured Goods								
1957	164.93	7.49	2.68	2.23	8.50	—	—	—
1958	339.51	6.12	79.59	2.72	5.13	0.16	8.87	1.97
1959	448.26	7.40	535.19	7.04	7.85	9.15	9.38	10.52
1960 (Jan.-June)	281.26	0.44	336.62	2.89	5.07	0.51	0.01	4.23
7. Machinery & Transport Equipment								
1957	2.49	—	0.17	0.02	—	—	—	—
1958	—	—	3.55	—	—	—	—	—
1959	0.01	—	0.02	—	—	—	—	—
1960 (Jan.-June)	1.04	0.66	—	—	—	—	—	—
8. Footwear								
1957	115.92	—	—	—	—	—	—	—
1958	69.01	—	—	5.42	0.81	—	—	—
1959	127.91	—	—	—	12.89	—	—	—
1960 (Jan.-June)	51.19	—	—	—	28.41	—	—	0.95
9. Others*								
1957	29.88	10.79	23.65	3.12	13.86	1.40	0.37	0.03
1958	11.69	4.39	6.98	1.49	0.49	0.06	0.35	0.18
1959	23.63	4.31	11.27	1.37	2.12	1.36	0.43	0.08
1960 (Jan.-June)	3.72	8.78	13.01	1.89	4.57	0.24	0.51	0.02
10. Total								
1957	1753.17	378.05	369.45	115.65	135.85	29.73	51.81	1.99
1958	2332.02	393.35	342.10	91.76	72.29	60.69	51.82	7.16
1959	3032.72	422.11	780.53	359.02	249.68	73.34	201.71	24.06
1960 (Jan.-June)	1505.11	348.61	440.89	166.90	294.00	40.65	77.74	14.40

* Includes re-exports.

India and Yugoslavia

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Yugoslavia in India's Third Five Year Plan

THE current Supplement on India and Yugoslavia was intended to be issued on the last Friday of this month which happens to be near the Yugoslav National Day on the 29th. The coming of the Indian Industries Fair and the possibility that Indian readers would wish to know more about Yugoslavia when visiting the spacious display in that Fair have prompted earlier publication. "The Eastern Economist" is happy to be able, first, to provide a guide or at least some signposts on a journey of discovery which is essential for all forward-thinking Indian citizens.

It is not that the Indian and Yugoslav political systems are alike or, indeed, that there is a unanimity of views in regard to political "neutralism." The Belgrade Conference failed to show parallelism in respect of immediate policy, and, at the time of writing, the marked differences between India and Yugoslavia in regard to the Berlin situation in which Marshal Tito has endorsed the Soviet line suggests that there are significant differences even in a neutralist approach. There are more radical differences in terms of the democratic structure of thought and its expression. Some would say that there is less political freedom in Yugoslavia, but that there was more economic freedom than in India. Others might argue that the word 'freedom' in the context of overall progress has two components and it is the resultant which determines the volume of total freedom. Is the volume of freedom in India substantially greater than that in Yugoslavia? It is difficult for those who have not lived under the Yugoslav system to give a definite answer.

While doubts might exist here and there—and undoubtedly great differences in philosophy obtain—the quality of Yugoslav performance and, indeed, the spectacular rise in national income in the last five or six years

show that, even if Yugoslavia is not to be copied in detail, she has sources of strength which, for some reason or another, India has not experienced. Few Indians are aware that India's rate of economic progress is less than half that of Yugoslavia: that this rate of economic progress has been achieved in spite of the fact that the country was devastated by war and went through a cold war in which non-economic considerations dominated the location of steel plants as well as other major economic units. At the same time, the old leadership of Yugoslavia was almost wiped away and she has had to build a generation of managers many of whom established themselves well before 35, and have managed to train and enrich comparatively young people by the devolution of responsibilities on a grand and daring scale. These are points which in any comparison between the two countries must show India in a lowlier place. It is not, however, the intention of this Supplement to suggest that the greatest success of Yugoslavia at this time is reason for us to copy the Yugoslav system in every respect. It is, however, to suggest that there are lessons to be learnt in techniques of management, participation and decentralisation, which, while not inconsistent with our political principles, are somehow or another obstructed by economic confusion and, in the last analysis, a lack of human trust and loyalty. The great success of Yugoslavia might in one sense be called technological, because they have exploited modern techniques. But in substance there are human successes providing quality of leadership which might be described as one of the greatest in the world.

Those who have seen this remarkable experiment and have felt the revolutionary character of its operation and its abiding virtues in the creation of human dignity as well as material production are anxious to

share that experience with their fellow citizens in India. "The Eastern Economist" is happy to have received co-operation of high officials of Yugoslavia in regard to factual data, and in particular in regard to the two articles which follow. These articles are particularly commended because they strike the note of balance in the development of an economy and balance is a factor which, it might be contended, has not yet been found in Indian production. All in all, one might also argue

that apart from an understanding of Yugoslavia's tremendous achievements we have a more mundane interest in her progress in that Yugoslav trade with India has doubled in the last two years and is capable of doubling every two years, possibly for the next six years. This is a measure of the new capacity we are finding in one another. It is also a measure of growing understanding and a wish to march together, though not on parallel lines.

Economic Co-operation Between India and Yugoslavia

By **SERGEJ KRAJGER,**

President of the Committee for Foreign Trade of the FPR of Yugoslavia.

I SHOULD like to thank, first of all, the editor of "The Eastern Economist" for his kind decision to devote the columns of his esteemed journal to the economic relations between Yugoslavia and India. This decision comes at an appropriate time considering the forthcoming talks on economic co-operation in New Delhi during which the results achieved so far in the promotion of economic co-operation will be reconsidered and new possibilities explored.

Yugoslavia is one of the countries which was the first to endeavour to establish direct trade relations with India upon her attainment of independence. Furthermore, mutual adherence to the principles of active co-existence and a similarity of view as to what international economic relations should be have provided a firm platform for the development of bilateral economic links and for discovering possibilities for new forms of cooperation. The favourable climate prevailing in political relations has also had beneficial influence on the development of cooperation on the economic and technical plane. The economies of Yugoslavia and India, which are constantly growing and are complementary to a considerable extent, as well, constantly promote not only economic but also all other forms of relations, providing them with a rich material content.

The planned economies of both countries, however, demand a more far-reaching concept and regulation of trade. The existing three-year Trade Agreement, the Agreement on Crediting Capital Investment Construction in India as well as the Agreement on Scientific-Technical Cooperation constitute the first foundation on the plane of the establishment of long-range cooperation between our two countries. This can introduce a valuable element of stability at a time when the integration movements and regional groupings of the highly developed countries are bringing about developments which affect the exports and balance of payments of underdeveloped countries as well as their position in the world market. The results achieved so far in mutual trade and in cooperation in investment construction have already shown that a long-range approach to economic relations is justified. Furthermore, the concept of a long-term approach in mutual relations offers the possibility for a continuous expansion and evolving of new forms of cooperation. In view of this, the present level of Yugoslav-Indian economic relations should not be viewed merely from the point of view of figures, but attention should be also drawn to the rapid growth of trade in the past three years and to the broad spirit in which both sides approach the question of the further strengthening of economic relations.

If we compare the total level of trade in the course of the last five years, we note that the total volume of trade increased from 1.4 billion dinars in 1956 (4.7 million dollars) to a total of 5.8 billion dinars in 1960 (19.4 million dollars). On the other hand, during the

first nine months of this year, trade exchanges have already reached the 1960 level. The foregoing data clearly indicate that the rate of increase of mutual commodity exchanges has exceeded by far the rate of growth of foreign trade both of India and of Yugoslavia. Yugoslav industry has already established itself firmly in the Indian market. It has gained the reputation of a reliable and competitive supplier of industrial and general consumer goods, including complete installation for industrial plants and other equipment. The construction of a number of industrial projects has been undertaken in different parts of India, as for example: filling up of saline lakes in the vicinity of Calcutta; delivery of equipment for the second and the third construction phase of the Barauni thermo-electric power plant; construction of the Durgapur gas pipeline; delivery of equipment and assembly for the Mata-tilla dam and the Yaldhaka and Trisuli hydro-electric power stations; boiler plant and equipment for the Basin Bridge thermo-electric power plant etc. Ten to fifteen new construction sites will be opened in India as a result of the implementation of 40-million dollar credit that the Government of the Federal People's Republic of Yugoslavia has placed at the disposal of the Government of India.

Parallel with this process, Indian exports found their place on the Yugoslav market. In this respect an encouraging growth has been registered both in regard to volume and nomenclature. An agreement has been concluded on long-term deliveries of iron and manganese ore. In addition to traditional Indian exports, which used to consist mainly of primary products, Yugoslavia has begun to import industrial products as well. Such exports have been made possible by the development of Indian industry. Thus, in the course of this year, textiles, linoleum pumps, chemicals and other industrial products have been imported from India.

However, the results achieved thus far in the promotion of mutual trade are far from meeting fully the needs of the two developing national economies or their real possibilities. In this respect it will be necessary to work towards a better familiarization with mutual possibilities and towards the finding of new forms of co-operation. The participation of Yugoslav enterprises at the Indian Industrial Fair 1961, being held in New Delhi, and the participation of Indian firms at Yugoslav fairs will further strengthen useful contacts between the businessmen of the two countries.

Concurrently with the advancement of commodity exchange, we are faced with the necessity of promoting all forms of industrial co-operation. In this sense it will be necessary to develop a far greater activity in the future, because co-operation in industrial production is one of the basic pre-conditions for the successful and long-term development of economic co-operation and trade, being, at the same time one of the most effective

means for overcoming, on the one hand, negative impact of existing integration movements in the world on the development of less developed countries, and, on the other, for introducing profit-yielding mass production. The successful industrial development of India and Yugoslavia provides a sufficiently broad basis for the study of the possibility of establishing closer industrial ties between the industries of the two countries. The exchange of experiences and technological processes as well as assistance in the form of the sending of experts and training of personnel would be one of the initial and very important elements in this respect.

Structural Changes in Yugoslav Economy

By **JANEZ STANOVNIK**

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ECONOMIC DEVELOPMENT is not merely quantitative growth of production. It is first of all a qualitative change in the structure of the whole national economy. The main task of economic development policies is to transform the national economy which has been characterized by low productivity levels, backward technology and low capital formation, into an advanced and thriving national economy.

From the very beginning economic policy in Yugoslavia—like in any other underdeveloped country at the beginning of its economic development—had to face several main "strategic" problems,* as such

- (a) the problem of accumulation;
- (b) the problem of industrial versus agricultural development;
- (c) the problem of allocation of resources between capital goods and civilian consumer goods industries;
- (d) the problem of building up the infrastructure of the country versus building up the commodity production facilities.**

The problem of accumulation of capital for investments has, of course, posed itself primarily in the form of need for a higher rate of accumulation.

* Here the term "strategic" is used in an indirect sense, the same as by Albert O. Hirschman, in his study "Strategy of Economic Development", Yale University Press, New Haven, 1958.

** Concerning Yugoslavia, this problem has been treated in the most comprehensive and systematic way by Dr. Nikola Cobeljic, in his study "Politika i Metodi Privrednog Razvoja Jugoslavije" (Policy and methods of Yugoslav Economic Development), Ekonomska biblioteka NOLIT, Beograd, 1959, while in world literature it has been treated in a study of MIT, Center for International Studies, Investment Criteria and Economic Growth, Cambridge, Mass 1954, and in the recent study of Benjamin Higgins, Economic Development, Problems, Principles and Policies, W.W. Norton and Co., New York, 1959, and Pei-Kang Chang, Agriculture and Industrialization, Harvard University Press, Cambridge, 1949. In the Soviet literature this problem has been particularly elaborated by J. A. Kronrod in his book Socijalisticheskoje Vospriozvodstvo, Gosudarstvennoje Izdatel'stvo Politiceskoj Literaturi, Moskva 1955 and Notkin, Vaprosi Teorii socijalisticeskogo vasproizvodstva, Gospolitizdat, Moskva 1950. See also papers of Polish economists in the symposium published by Ekonomska biblioteka br. 12, Nolit, Beograd, 1960.

The results thus far achieved in the promotion of mutual trade relations, irrespective of their significance, must nevertheless be considered as initial steps towards the realisation of existing possibilities. Their importance lies in that they serve as a proof that economic co-operation, both in the field of trade and in that of economic development of Yugoslavia and India, is in the mutual interests of the two countries and can substantially contribute towards the strengthening of national independence and the overcoming of the legacy of economic underdevelopment.

This need by itself has determined the solution of the question whether accumulation will be formed by the central authorities of the State or if the formation would be decentralized. As the initial stage of economic development required a maximum effort of the whole national economy, no one could have expected that individual decentralized units would by their own decision restrict consumption in order to increase accumulation. In addition, no one could have expected that the individual decentralized units would allocate the expenditure to be financed out of their own capital funds according to their priority projects at this first stage of economic development. This is the reason why during this first stage it was necessary to proceed with compulsory formation and allocation of capital investment funds. Just at the second stage of development, when new stimuli were built in the mechanism of the economy, thanks to a certain number of basic projects, it was possible to decentralize to a large extent the collection and allocation of the accumulation without fearing a decline of the rate of investment. It is precisely here that we may seek the reason for the most characteristic phenomenon of the development of the Yugoslav economy, namely, a continuous tendency towards increasing investments, alongside with a growing decentralization of capital formation and investment.

AGRICULTURE VS. INDUSTRY

In Yugoslav economic policy many problems did not appear in the form of possible alternatives but rather in the form of priority choices. There can be little doubt that continuous economic growth cannot be achieved without raising productivity levels in agriculture. The question which has to be solved is whether an underdeveloped country should start modernizing its farm production, or should the modernization of its agriculture be a process parallel to that of industrial development, or should it adopt the third alternative which consists in delaying agricultural development, for the sake of concentrating all the forces at its disposal on industrial development with the plan to return to the development of agricultural production at a later stage of economic development.

The traditional form of technology on the farms was labour intensive, while modern methods tend to be capital intensive. This, in turn, implies that the introduction of new farming techniques—more particularly in countries plagued by rural overpopulation—shall reduce the labour force necessary to agriculture faster than other branches outside agriculture could absorb it. As a result, technological advance in agriculture will not directly involve an increase in overall national production and income; it rather seems that its most immediate consequence will be the freeing of agricultural labour force and a subsequent pressure on

urban centres. During the first stage of economic development all the possible arguments speak in favour of giving priority to industrial development; industrialization creates new employment opportunities, directly in manufacturing industry and at the same time increases employment opportunities in the sector of services and construction industry; through the industrialization process self-subsistent agriculture is to a large extent being commercialized, diversification of agriculture is being promoted, this being an indispensable prerequisite for achieving a higher level of labour productivity in villages; industrialization helps to organize the production of a series of mechanical and chemical products necessary to modern agriculture; industrialization creates processing facilities for many primary products and helps to increase and stabilize demand from this sector etc.

This is the reason why investment in agriculture remained at a relatively low level, during the first stage of economic development, running up to 1953, while after that period they were rapidly increasing. On the other hand, investment in manufacturing was rapidly increasing, relatively and in absolute figures.*

CAPITAL GOODS VS. CONSUMER GOODS

The problem of choice between investment in production facilities in the sector of capital goods, or in the sector of consumer goods is similar to the one above. A limited domestic market in a relatively backward country cannot serve as a basic promoter, let alone as an allocator of economic resources in order to promote an accelerated growth of the economy.** The task of "strategy" in economic development lies precisely in such allocation policies as regards the resources of the economy which in the long run serve to maximize economic growth. For this reason it is easy to understand that during the first stage, ending 1953, investment in capital goods production facilities amounted to

* During the 1947-1956 period investment in the manufacturing industries, mines and building construction accounted for 62 per cent of total gross investment, while during the same period investment in agriculture amounted to a mere 7 per cent. It is easy to see to what extent this pattern of investment has been overstrained when we compare it with the investment structure of the First Five-Year Plan of the Soviet Union for the period running from 1928-1929 to 1932, when investment in manufacturing industries, mines and building construction absorbed 41 per cent of the total amount of gross investment, while the share of agriculture was 19.1 per cent, See M. Kaplan, Soviet Capital Formation and Industrialization, Rand Corporation, Santa Monica, 1952, Table 7 page 151, or with the investment structure of the First Five-Year Plan of India, where the share of investment in manufacturing industries and mines amounted to 7.6 per cent, compared with 43.2 per cent representing the share of investment in agriculture power and irrigation projects. See Government of India, Second Five-Year Plan 1956, page 21, 22 or with the First Plan of Indonesia where the share of agriculture is 38 per cent, while industry and mines were absorbing 25 per cent of the total amount. See Benjamin Higgins, Indonesia's Economic Stabilization, Institute of Pacific Relations, page 178.

** Ragnar Nurkse, in his study "Problems of Capital Formation in Underdeveloped Countries," Basil Blackwell, Oxford 1953, professes a contrary opinion, which has been exposed to criticisms emanating from Lewis, Singer, Hirschman and others.

† Yugoslav Federal Assembly, Industrijski razvitak Jugoslavije (Industrial Development of Yugoslavia), Kultura, Beograd, 1957, page 9.

23.4 per cent of total gross investment, while investment in consumer goods production facilities was no more than 16.8 per cent of total gross investment. Up to 1956, an important change took place, with a reverse ratio—thanks to the impact of new economic policies inaugurated in 1953. By that time investment in consumer goods production facilities increased to 24 per cent of the total gross investment, whereas investment in the sector of capital goods production declined to 16.1 per cent.†

INVESTMENT IN INFRASTRUCTURE

The same economic thinking also applied as regards investment in the infrastructure of the country. Even in assuming the risk that this may involve a certain disinvestment in public utilities sector, efforts were made to raise to the maximum the degree of utilization of the existing transport system, of housing and trade facilities, in order to free to the largest possible extent the available resources for immediate wealth producing investments.

The pattern of investment in several key periods of the post-war development in Yugoslavia reflects the above strategy, as can be seen from the following table:

STRUCTURE OF GROSS INVESTMENTS DURING THE 1947-1959 PERIOD

Branch of the economy	(In percentages)		
	1947-52	1953-56	1957-60 Estimates concerning the implementation of the plan
Manufacturing industry and mining	56.4	59.1	43.8
Agriculture	7.7	7.0	15.8
Forestry	2.3	1.8	1.5
Building construction	3.4	3.2	3.6
Transportation	26.7	22.9	22.4
Commerce & tourist trade	3.0	5.0	6.5
Artisan trades	0.5	1.0	1.4

A rapid rise of investments in the economy was not immediately and proportionately reflected in the movement of the gross product, neither in the individual branches nor in the economy as a whole. The tempo of maturing of particular forms of investment was rather unequal, although the time series show that the strategy used in the initial period of Yugoslav development policies was instrumental in inducing a rapid acceleration in the growth of national income in the subsequent period.

YUGOSLAV NATIONAL INCOME DURING 1939 - 1960

(In millions of dinars, at constant 1956 prices)

Year	National Income
1939	985.7
1947	968.1
1948	1,149.0
1950	1,132.3
1951	1,232.6
1952	1,055.2
1953	1,269.0
1954	1,315.7
1955	1,455.5
1956	1,449.1
1957	1,781
1958	1,811
1959	2,135
1960	2,420

An unavoidable consequence of the strategy used in framing the development policies, laying stress on the necessity of achieving a maximum increase of national income, was the unequal growth of individual branches of the economy. The changes which have been registered in the structure of national income — as between the individual branches in the economy — reflect, on the one hand, phenomena of temporary disequilibrium caused by policies aiming to promote the long-range development of the economy, while on the other hand, they reflect a long run tendency towards

structural changes which enable the raising of the whole economy to higher productivity levels.

The fifteen-year long process of accelerated economic development of Yugoslavia has brought the national economy to an incomparably higher level than before the war. This development has produced deep changes in the structure of employment. The changes in the structure of national income were even deeper if we consider the fact that during the last fifteen years manufacturing industry and agriculture have changed their respective places in the overall pattern of income.

STRUCTURE OF NATIONAL INCOME ACCORDING TO BRANCHES

(In Percentages)

Branch of the Economy	1939	1949-51	1952-56	1960
Manufacturing industry	26.8	35.8	41.7	43.5
Agriculture	44.3	34.4	29.6	23.9
Forestry	4.6	5.3	3.4	1.7
Building construction	2.5	8.5	6.6	5.5
Transportation	6.6	5.2	5.0	7.8
Commerce	8.1	6.7	8.5	12.6
Artisan Trades	7.1	4.1	5.2	5.0

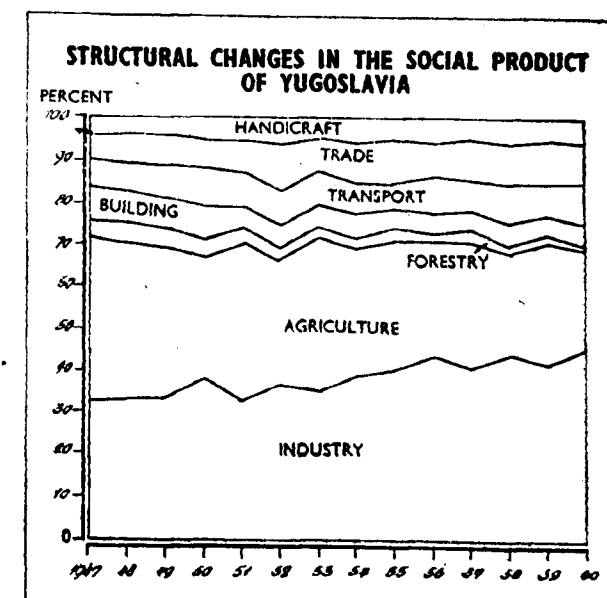
India and Yugoslavia: The Pattern of Growth

THE pattern of expansion of the Yugoslav economy is best illustrated by a study of the national income figures. Between 1947 and 1959 the national income (at constant prices) of Yugoslavia more than doubled. The progress recorded during the last five years was of great significance because the Social Product rose by 80 per cent from 1.55 milliards* of dinars in 1955 to 2.79 milliards* of dinars in 1960. On the other hand, the national income (at constant 1948-49 prices) of the Indian Union rose at a steady rate of about 3 per cent per annum during the last decade. It rose by about 42 per cent from 88.5 billions of rupees in 1950-51 to 125.3 billions of rupees in 1960-61. The tempo of growth is likely to be accelerated during the Third Five Year Plan when a rise of more than 30 per cent is expected to be recorded in five years. It may not represent as high a rate as that recorded in Yugoslavia during the last five years, but considering the prominent part played by agriculture in India's national economy, this is likely to be a no mean achievement.

In the case of Yugoslavia, the growth of national income was predominantly based on industrial production which was designed in the first few years, for repairing the war damages. The foundations for industrial expansion were laid in 1947 and the volume of industrial production has grown four-fold since then. It was the leading role played by industry which accelerated the rate of growth of the Yugoslav economy. It also brought about a great structural change. In the first years after the Second World War, i.e. up to 1950, the share of industry in the Social Product was not more than one-third; between 1956 and 1960, it increased to 45 per cent of the social product. This vast expansion in industry naturally resulted in decreasing the share of agriculture from 40 per cent to 25 per cent of the Social Product during the same period. The contribution of other activities in the national income was considerably smaller, in percentage terms. In any case, transport, trade and handicrafts strengthened their improvement while the contribution from forestry and building declined gradually. In the

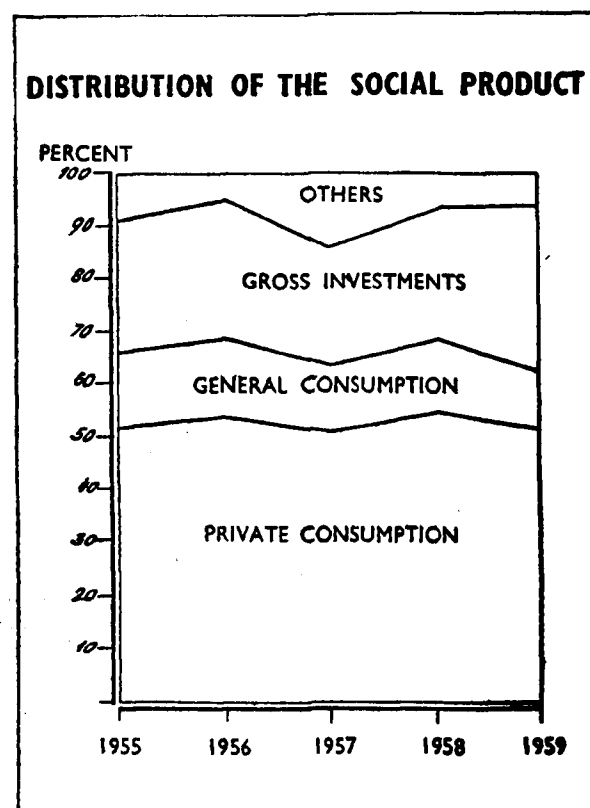
case of the Indian Union, a slow and hesitant structural change has been witnessed during the last decade. The share of agriculture, animal husbandry and ancillary activities was about 49 per cent of the national income in 1950-51. It stood reduced by 3 per cent to 46 per cent in 1960-61. Despite the strident expansion in the organised industrial sector, the percentage share of mining, manufacturing and small industries remained static around 17 per cent of the total during the last decade. Marginal gains were recorded by "other services" and commerce, transport and communications. It is obvious that the fast structural change witnessed by the Yugoslav economy is slow in coming over the Indian economy, and it may need another three to four Five Year Plans to reduce the share of agriculture so as to give greater importance to industry.

One of the important features of the Yugoslav economic development in the post-war period and one of the basic conditions for the spectacular growth and the changes in the economic structure is the relation between investment and personal consumption in the



* Millard = 1,000,000,000.

national income. The rate of investment has been consistently very high and works out at about 30 per cent of the Gross Product. Personal consumption hardly takes more than half of the Gross Product and general consumption some 13 to 15 per cent. On the contrary, the rate of investment in India is not significantly high. In 1950-51, the base year of the First Five-Year Plan, it was estimated that 95 per cent of the national income was consumed while only 5 per cent was invested. During the past decade, the rate of investment has

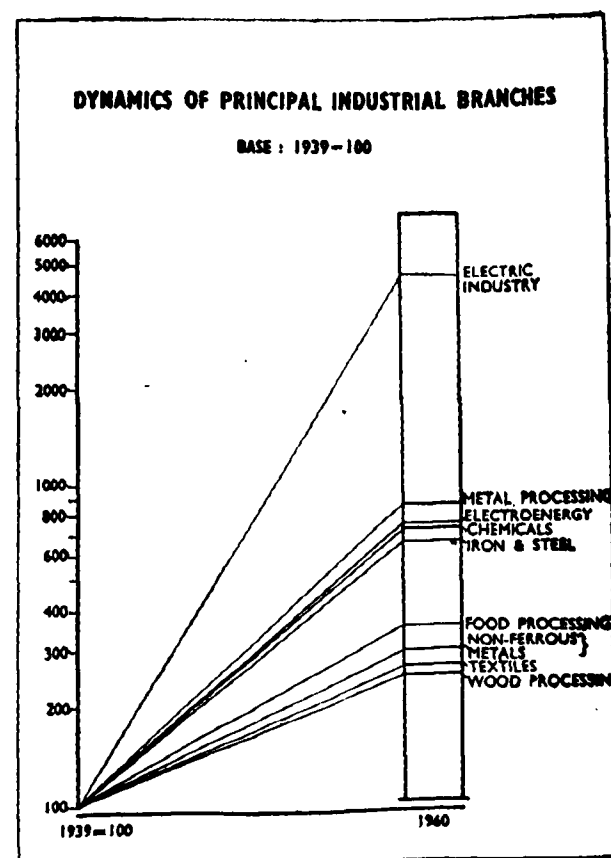


been steadily raised to about 11 per cent of the national income. The gradual stepping up of the percentage of national income invested is likely to lead to an investment of 14 per cent of total national income by the end of the Third Plan. This will be nearly half of the present rate of investment in Yugoslavia. Once over again, it may be stressed that the rate of investment in the Indian Union may not be raised to 30 per cent of the national income because of the heavy dependence of the economy on the primary sector and because of the highly fluctuating performance of the sector. The percentage of investment will be steadily raised during the Fourth and the Fifth Five-Year Plans so as to rise to the level of 20 per cent of the national income. At that stage, it is believed, the economy will have acquired the self-generating capacity for further expansion.

The Yugoslav economy is currently reaping the fruits of this wide distribution of its Social Product in its two basic components, namely, investment and consumption. It is a well-known fact that a relatively higher rate of increase in economic expansion was recorded in countries where private consumption represented proportionately a smaller part of the Social Product. Pointed attention needs to be invited to this practice as it prevailed in Western Germany, Japan and many of the East European countries. Also, maintenance of a high rate of investment leads to a discipline in the social and economic structure of the country so as to enable a full swing in the economy, leading to the development of many inter-connected branches of production and distribution. This automatically results in expansion of the home market and a high rate of growth in productivity.

While in the case of the Indian Union the problem of unemployment continues to become acute from year to year, the Yugoslav economy is placed in a very happy position. Because of its policy of high rate of investment, it is in a position to create new possibilities of employment for the rapidly multiplying Yugoslav population. One of the greatest successes of the Yugoslav economy lies in its capacity to offer employment to about 2,00,000 people yearly which represents quite a high rate of employment growth considering the dimensions of Yugoslav population. The Indian economy, on the other hand, has the capacity to offer possibilities of fresh employment to nearly 1.5 to 2 million people every year while the number of fresh entrants is nearly 3 million per annum. This results in additional unemployment of 4 to 5 million people at the end of every Five-Year Plan.

The fast tempo in industrial production in Yugoslavia is accompanied by an increase in productivity which grew by 19 per cent in the period 1955 to 1960. This order of rise in productivity was achieved during the period under review when industrial employment rose by 40 per cent. Another important feature of the Yugoslav economy is the radical structural change from the production of consumer goods (such as textiles, food etc.) to producers goods. Great efforts were made after World War II to diversify the industrial structure with particular reference to the basic industry. The first results of these efforts could be observed in the early 1950's, but since 1955, basic and capital goods industries have assumed a predominant position. In the case of India, the basic and heavy industries assumed great importance from 1955-56, the base year of the Second Plan. It was in this year that the Indian Government took the vital decision of raising steel output to 6 million tons and cement to 13 million tons. In the case of steel, capacity has currently been raised to 6 million tons though production is still lagging behind. It is believed that the steel factories in the Indian Union will be in a position to turn out steel upto 6 million tons and cement upto 10 million tons during the next one or two years. Thus, a break has been made in the case of the Indian Union for giving greater stress to basic and heavy industries so as to accelerate the growth



of the economy during the Fourth and Fifth Five-Year Plans.

In Yugoslavia, the means of transportation production, electricity, machinery and basic chemical industry recorded a high rate of increase, followed by iron and steel industry, non-ferrous metals production (which represents the basis for further processing of metals) while the lowest rate of increase was realised in the large consumer goods industries. The development of investment goods capacity can be best illustrated (vide graph on page vi) by citing the production figures of some important products. The production of metal and wood processing machinery reached a level of 4,500 tons in 1960-61 as compared to only 84 tons in 1939 and only 1,900 tons in 1952. Production of machinery rose from about 5,000 tons in the pre-war period to 38,000 tons in 1960. The production of building machinery and equipment reached a level of 14,000 tons in 1959 as compared to a production of only 100 tons in the pre-war period. The production of agricultural machinery and tools has also a fascinating story to tell. As against only 1800 tons in the pre-war period, production rose to 23,600

tons in 1960. The means of transportation also recorded a steady growth in production. In 1960, 3,400 railway carriages, 7,300 tractors, 4,600 lorries, nearly 900 buses, 10,500 motor cars and 41,000 motor cycles were built.

Similar results were recorded in electric industry. This industry has a natural disposition for development in Yugoslavia because it is mostly based on domestic raw materials, the other favourable conditions being the constant increase of electric power consumption in Yugoslavia, the increasing demand on the domestic market and the existing traditions which guarantee quality. In 1960, Yugoslavia produced more than 8000 tons of electromotors, more than 10,000 tons of transformers, 42,000 tons of cables, more than 40,000 telephone sets etc. Considerable growth was noted in the production of rolled steel goods which approached the figure of one million tons. The production of railroad tracks came up to 80,000 tons, of plates to 113,000 tons, of thin plates nearly 100,000 tons, seamless tubes 68,000 tons, wire 88,000 tons, drawn wire nearly 70,000 tons etc. Production of rolled copper reached nearly 35,000 tons and of aluminium 40,000 tons.

Indo-Yugoslav Trade: 1947 to 1961

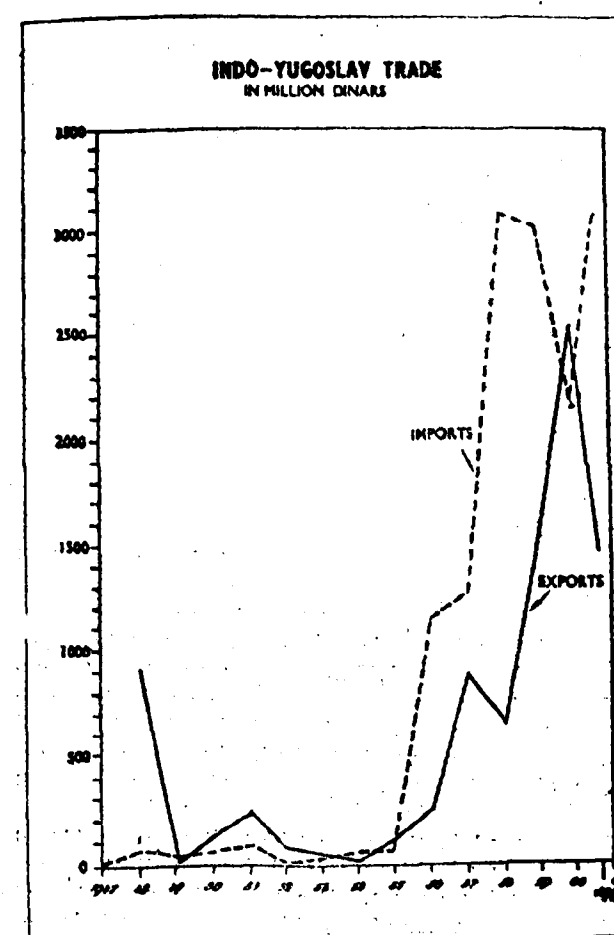
THE trade between India and Yugoslavia developed practically after World War II. Although there was a small exchange of goods before 1939, the volume was insignificant. Even in the post-war period it was not before 1955 that the trade between the two countries developed in a fast tempo. The pattern of growth in trade was rather irregular; India's imports showed a steady upward course while exports were erratic. The long-term growth of trade between the two countries is illustrated in the graph below.

The level of Indo-Yugoslav trade has possibilities of vast expansion; one should expect the level to be raised much higher than the present one. The mere extrapolation of the present trend will not give a true picture of the future course of Indo-Yugoslav

trade. In the course of the past few years, the structure of trade has steadily changed and considerable diversification has already developed. The Indian imports from Yugoslavia in the first phase consisted of metals, especially heavy metal goods and certain investment goods. In due course, capital goods gained greater importance. The place now occupied by imports of equipment from Yugoslavia is an honourable one, while means of transportation such as locomotives, ships, etc., are slowly catching up. On the Indian export list to Yugoslavia, stood mostly the primary products such as food, raw materials, while the processing industry products constituted only a small part. Efforts are currently being made in Yugoslavia to orientate a good deal of exports on to the Indian market in goods in which she is specially interested in view of her industry-biased plans. The Yugoslav Government has given credit facilities so as to accelerate the trade between the two countries. The fulfilment of this credit in itself will provide a vigorous stimulus not only to Yugoslav exports to India but also to Yugoslav imports from India.

The great effort being made in India to develop productive forces puts investment in the fore-front of the trade relations. In Yugoslavia, there is keen awareness of the fact that India's development plans will need industrial machinery and equipment as well infrastructure equipment. It is believed that it is possible for the Yugoslav economy to orientate its exports to India so as to cover most pressing needs of the development plans of the Indian Union. Accordingly Yugoslav iron and steel, processed metal products, engineering goods etc., are finding a ready market in India. This also applies to motor vehicles and other means of transportation. The fact that consumption of electric energy in India is rising from 15 to 20 per cent every year is of great importance because it offers vast opportunities for Yugoslavia to supply electric motors and other electric plants, appliances and electronic equipment. The pattern of Indo-Yugoslav trade from 1958 to 1960 is set out in the table on the next page.

It will be possible in the future for Yugoslavia to offer even some raw materials and semi-finished products which could be absorbed by Indian industry in its normal operation. Besides, the products like semi-manufactures of steel and non-ferrous metals, various plates, rods, wire cables etc. could also be supplied. Finally, chemical products also need to be mentioned



whether in the crude form such as carbides, soda, etc. or in the processed form. It is possible to transact trade in these commodities under the existing conditions. Since living standards in Yugoslavia are rising at a very fast rate, the consumption of such articles as coffee, tea, spices, etc. is also likely to rise. It certainly points to a vast expansion in India's exports of commodities to Yugoslavia. There are vast opportunities in Yugoslavia for raw materials from India such as iron and steel, manganese ore, hides and skins, textiles, cotton, shellac, oils, etc.

The underlying idea in promoting Indo-Yugoslav trade should be to encourage a "distribution of production" so that the export of goods would enrich the structure of both countries' markets. Both the countries might develop—and in fact are developing—identical industrial branches, but the variety of products is so great that large scale co-operation, not competition, is clearly visible. Another basic idea pre-supposes growth of both production and consumption in India as well as Yugoslavia. Plans of expansion exist in both the countries and it is possible that they will be fulfilled, at least in their basic aims. This is equivalent to saying that both the countries will be economically stronger in the future which fact alone warrants a more optimistic approach to co-operation in trade.

Analysing long-term prospects and plans one is able to put one's fingers on many lines which can be successfully explored for leading to a greater exchange of goods between the two countries. One obvious case is that of Yugoslav market for steel. Yugoslavia is developing its iron and steel industry at a very fast rate but its production of steel will not be able to cover its domestic needs in the foreseeable future and the Indian steel production could fill in the gap. It would be of mutual interest to arrange an exchange of products which would cover the deficiencies in the structure of the respective markets. Since Yugoslavia needs raw materials as well such as ores, coal for coking, etc. the Indian Union would play a great part in supplying the Yugoslav market with raw, semi-finished or finished products.

Another symbol of future co-operation lies in the engineering sector where each partner can supply the other with a specific assortment of machinery or equipment and supplementary goods entering into trade. Yugoslavia is currently playing the part of investment goods supplier to India and is considering to enlarge greatly her exports but there is no reason why the Indian Union as well should not increase its exports of capital goods to Yugoslavia.

There is clear evidence to show that the steadily rising standards of living in Yugoslavia coupled with a

diversifying consumption pattern will stimulate exchange of consumer goods as well. Yugoslavia will certainly need more of agricultural products from India. As mentioned earlier textiles could also be exported to Yugoslavia from India. Because of the world-wide fame enjoyed by Indian jute manufactures and cotton manufactures there is a clear possibility of expanding India's exports of these products to Yugoslavia. Also industrial consumer goods of a more durable character could be supplied to Yugoslavia to meet the rising demands of a population which is still inadequately equipped with durables.

IMPORTS FROM INDIA

(Value in thousands of dinars)

	1958	1959	1960
Total Imports	672,173	1,532,317	2,543,369
Of which			
Raw coffee	138,343	368,993	633,847
Iron ore	259,199	636,041	621,131
Manganese ore	125,555	97,032	254,449
Tea	17,424	35,687	89,039
Pepper	30,179	68,812	139,026
Oil cakes	—	79,619	356,416
Cattle hides	—	162,445	106,913
Lamb furs	—	—	130,636

Note: 300 Dinars = 1 U.S. \$ = Rs. 4.76.

YUGOSLAV EXPORTS TO INDIA

(Value in thousands of dinars)

	1958	1959	1960
Total Exports	3,163,018	3,111,426	2,263,184
Railroad tracks	1,163,506	—	586,276
Railroad joints	1,103,852	605,986	—
Bridge construction	329,189	593,073	—
Unplated Seamless tubes	204,471	6,389	408,668
Other elevators	121,577	110,376	—
Rods, wires	40,906	312,920	647,833
Calcium carbide	26,552	—	—
Cargo ships	—	874,440	—
Elements of non-organic bases	—	2,702	—
Steam locomotives	—	109,833	—
Ships	—	128,970	—
Oils and other fats	—	—	37,401

Note: 300 Dinars = 1 U.S. \$ = Rs. 4.76.

Workers' Management in Yugoslavia

THE history of workers' management in Yugoslavia represents the history of one of the most important factors in Yugoslavia's post-war expansion. Looking back upon the experience of the past decade it may be safe to conclude that Yugoslavia formulated the most suitable form of management which enabled her to achieve good results in output and which stimulated the development of productive forces. The theoretical problem of the democratisation of production management was solved, in practice, with the introduction of workers' control. It also resulted in the automatic moral and material stimulation of the direct producers i.e. the workers. The range of other very complicated relations in production was also successfully tackled.

In the first year after the Second World War, when

reconstruction was of paramount importance, the creation of the basis for further development and management in the economy—particularly in industry—required special revolutionary changes. The production plans were mostly centrally decided both for purposes of supplies and distribution while the management of the enterprises looked after the fulfilment of the out-of-the-factory tasks. Thus, the management of the enterprises was nothing more than a transmitting body with rights and duties which were severely limited. As soon as the expansion of productive forces gathered momentum and foundations were laid for the new industrial development—this happened in the early fifties—it was considered that necessary conditions existed for a radical reform of the managing system. For successful execution of the development plans of the enterprises, more indepen-

dence was required. Simultaneously, greater decentralisation was needed to speed up the operations. It was felt that excessive planning from the top was to be avoided; hence a large number of workers were introduced to and mobilised for managing duties.

It was in 1950 when the turning point came and all factories and, in fact, all the economic enterprises were transferred to the working force i.e. the first Workers' Councils were elected. Since then, the system has been constantly improved, diversified and enriched in the light of new experience. The new system was without doubt, unique in the whole world and has rightly provoked considerable interest owing to its achievements. The system of the election of Workers' Councils will need to be described in brief before proceeding further. At the head of each enterprise a Workers' Council is the supreme management body. Its members are all elected by workers and employees of the firm. At least three-fourths of the elected Managing Board must come from workers directly engaged in production so as to prevent bureaucratic tendencies in management. The Workers' Council has its special functions concerning enterprises' basic economic activities such as production plans, sales, supplies, the problem of finance, internal relations in the establishment and distribution of funds. In bigger enterprises of more than 30 workers, a Managing Board is elected as an executive body of the Workers' Council. This body also has its precisely defined functions which are prescribed either by law or which are governed by special rules and regulations of each individual enterprise. While the Workers' Council is a directive body, the Managing Board is an operating body primarily concerned with short-term tasks and problems in the enterprise.

It should be emphasised that with the introduction of workers' management the positions and functions of the director of the enterprise have been fundamentally altered. He is no longer the sole authority of management in the establishment but only the top leader and organizer of the process of production, who directs the business of the enterprise in accordance with the decisions and instructions of the Workers' Council and the Managing Board, and in keeping with the laws and other legal regulations relating to the organization and business of the enterprise. The Workers' Council has its influence on the election of the director for the half of the Producers' Community Council consists of the Workers' Council members. Director is directly engaged in everyday management and operates normally within the limits established by the Law or by specific conditions in the particular enterprise.

In relation to the Workers' Council's organs, he plays a somewhat less important part, but he can put his veto on the Managing Board resolutions if he thinks that they are incompatible with the Law. The same Council is empowered to dismiss the director.

The process of democratization and decentralization did not stop at this, but it evolved even further, Work-

ers' Councils were organised in departments of any big enterprise and recently in the so-called units also.

Accordingly in bigger enterprises the following structure exists:

The supreme managing body—Workers' Council and Department Workers' Council, the operating body—Managing Board, the executive body—the director and department managers. From the start, the new method of management proved to be more elastic, more adjustable to changing conditions and more productive than the old one. It goes without saying that in the first place it was necessary to correct many aberrations, to experiment and the Workers' Council only gradually succeeded in absorbing the difficult task of general management. Only with time was the long-term policy of an enterprise correctly treated, but it must be noted that such a policy presents no more problems for the Workers' Councils, which are becoming more and more competent in deciding upon long-term projects and policy. Particularly the drawing up and fulfilling of the investment policy devolved to a large extent on the Workers' Councils, who were able to display necessary qualities for such management decisions. There was, namely, earlier a tendency with the Workers' Councils to distribute funds to the people in the enterprise in order to raise their standard of living. It was only in the course of time that the idea crystallized that right investment best guarantees the success and progress of an enterprise.

The growth of production with its extraordinary rates can certainly be attributed also to workers' management and the striking of adequate balance between the executive authority and the Council. The recent new regulations concerning the distribution of income will undoubtedly also influence the development of the Workers' Council. The increase in productivity, the development of initiative, the furthering of modern technology, rationalization of the productive processes and the gradual improvement in organizational forms, all are strongly stimulated by the establishment of economic units and Department Workers' Councils. By introducing a greater number of workers in the management bodies very positive results have been achieved in the sense of heightening workers' qualifications, developing efficiency, responsibility and the sense of common collective benefit and progress. The sense of responsibility should be particularly underlined. A constantly growing number of workers come to be directly engaged in management, are facing new problems and must devote their capacities to general considerations. This enlarges their horizon and their qualifications. In this way is secured the basis for selection and quick promotion of individual leading experts and managers which can use their personal qualities developed for the progress of their enterprise and in the last resort of the productive forces in general.

The Yugoslav Machine-Building Industry

SUBSTANTIAL investments have been made in the development of the machine-building industry in the course of the post-war period of the industrialization of Yugoslavia with the aim of manufacturing the types of machinery and equipment urgently needed by the economy. The resources invested and the efforts expended have made it possible to increase production in this sphere by some 18 times as compared to production in 1939.

In addition to a wide variety of mass production machines, transportation facilities and other equipment, the Yugoslav machine-building industry also manufactures a number of made to order units. It is in a

position to manufacture and deliver complete industrial plants for various branches of industry. The Yugoslav machine-building industry is equipped to manufacture very complicated machinery to rebuild old factories, to equip new factories as well as different types of machines for agriculture, transportation, building-construction, commerce, catering etc.

This development of the Yugoslav machine-building industry required the establishment of modern machine designing bureaus and departments.

EQUIPMENT FOR ELECTRIC POWER STATIONS

Complete electric-power station equipment is being manufactured by the machine-building industry. Co-

operation with well-known foreign manufacturers is included here. A group of enterprises manufacturing water turbines, hydro-mechanical equipment boiler systems, steam turbines, various fittings etc. including those manufacturing electric equipment, are in a position to supply complete plants both for hydro-electric and thermo-electric power stations.

Production of water turbines includes the manufacture of Francis, Kaplan and Pelton turbines in all models and sizes as well as small standard turbines of 150 H.P. The manufacturer of steam turbines manufactures condensed stationary turbines, pressure turbines, turbine generating sets, etc. The production of water turbine alone has reached a volume of some 3,000 tons annually.

The steam boiler industry manufactures a wide assortment of boilers of various types, sizes and for different purposes. The following types of boilers are being manufactured for thermo-electric power stations and for other industrial purposes: fire-tube vertical boilers with automatic firing, vertical steam boilers with moving and cascading grate, sectional boilers with mechanical and moving grates, water tube boilers, vertical stationary boilers, locomobile boilers, as well as all others types equipped to use all varieties of fuel. All boilers are of most modern design with a very high co-efficient of fuel. Over 6,000 tons of boilers are produced annually.

MACHINE TOOLS FOR METAL AND WOOD

The machine-building industry has increased its production of machine-tools to a considerable extent in relation to pre-war production. Not only has the volume of production been increased but the assortment of these machines broadened to such an extent that the Yugoslav machine-tool industry has included in its production programme over 100 different machine tools for working metal and over 40 for working wood. The group of metal cutting machine-tools includes universal, production, copying, mechanical, and other lathes, vertical boring mills turret lathes, milling machines, shapers and planers, mortising machines, grinding machines, drill presses, screw cutting machine, tool grinders and other machine tools. Other metal forming machine-tools include frictional and hydraulic presses, hydraulic and spring hammers, sheet metal shears, sheet rolling machines, structural steel cutting machines, etc. The above machine-tools used in metal processing are of the most modern construction, hydraulically powered with built-in automatic mechanism of remote-control.

Many of the machine-tools used for wood-working are also of the most modern design. Within the framework of a wide assortment of the Yugoslav machine-building industry we have: portable circular saw stands, band and swinging saws, circular saws, planing machines, milling machines, chain mortising machines, band cylindrical machines and other grinding machines, combination machines, copying lathes, presses for gluing veneer, gluing machines, knot drilling machine, automatic sharpening machines for saws etc.

MACHINES AND EQUIPMENT FOR THE BUILDING CONSTRUCTION AND MINING INDUSTRIES

The Yugoslav machine-building industry manufactures a wide assortment of machinery, equipment etc. for various purposes in the building-construction and mining industries. Most of these machines and other equipment are manufactured on the basis of the factory's own design and a part of them on the basis of foreign designs and patent arrangements and in co-operation

with foreign manufacturers. The production programmes of manufacturers of building-construction machines are such that they make a complete mechanization of various types and sizes of construction sites possible, that is, the assortment meets the requirements in road building as well as in the construction of building.

The Yugoslav machine-building industry manufactures the following machines for the requirements of the building-construction and mining industries: earth moving machinery, equipment for preparing construction material, working and auxiliary machines on the construction sites and in the mines transportation facilities, lifting facilities, pulling facilities, various pneumatic and other tools etc.

The production programme of earth moving machinery, dredgers, scrapers, bull-dozers, anglo-dozers, sheep-foot rollers, etc. and those used for preparing the building-construction material: concrete and mortar-mixers, crushers, rotary screens, mixers for asphalt etc. For lifting and transporting material, the production programme includes building-construction winches, needle cranes, overhanging cranes, wqif cranes, stationary and mobile transporters, wagonettes, two wheel steel barrows, various sizes of transmission compressors with pneumatic tools, vibrator tampers, metal scaffolds are being manufactured. The industry also manufactures various machines used in road construction. Some of these are steam and motor rollers, asphalt mixing machines, bitumen sprayers, complete finishers for roads, etc.

A large number of machines and equipment used in the building-construction industry are also used in the mining industry. In addition to this manufacturers of mining equipment also manufacture the following machines and equipment exclusively for mining purposes: coal and ore raising equipment, winches, various types of conveyors and elevators, measuring conveyors, automatic narrow gauge tipping wagonettes, crushers, various types of screens, coal washers, pneumatic mining tools, steel supporters and other machines as well as machines and equipment for mining excavation work.

TRACTORS, AGRICULTURAL MACHINES AND IMPLEMENTS

For the requirements of agriculture the Yugoslav machine-building industry is manufacturing in addition to tractors a wide range of other agricultural machines and implements and has thus raised the volume of agricultural production to a considerable extent. From 1949 up to now, several tens of thousands of tractors were manufactured in Yugoslavia. After the completion of new factories tractor production will be increased to 20,000 per year.

The agricultural machines and implements industry has specialized its production to a considerable extent, depending on the type of machine and implement. The volume of production has been increased substantially in this way. Total production in 1960 reached a figure of some 24,000 tons while in 1959 it amounted to only 1,805 tons. After the war over 120 different types of new agricultural machines have been introduced, among which a larger number of the very large and complicated ones such as wheat harvesters, grain elevators, automatic tiers, various kinds of sowers, selectors, threshers, sprayers, etc.

Agricultural machines, equipment and implements are chiefly for tractor traction or operation and only some of them are manufactured for draught animals. Many of the machines are being manufactured as tractor implements and some of them for automatic operation.

The Yugoslav machine-building manufacturers also manufacture the following machines and equipment for land tilling, fertilizing, sowing, repairs, harvesters threshers, cleaning and sorting machines, machines and equipment used in plant protection, fodder preparing machines and implements, various vineyard and fruit sprayers, trailers for transporting agricultural products etc.

PUMPS AND OTHER HYDRAULIC EQUIPMENT

The Yugoslav machine-building industry has achieved much progress in the manufacture of pumps, hydraulic equipment and accessory equipment after the war. Pump production has developed to the various purposes it is to serve, but also a very broad assortment and types, system of production and capacities. Total pump production has reached a volume of several thousand tons annually. The manufacturers production programme includes the manufacture of centrifugal pumps, deep well pumps, propeller pumps, gear pumps, piston pumps, feed pumps, clay pumps and various pumps for the chemical, food-manufacturing and other branches of industry. Furthermore, the Yugoslav machine-building manufacturers make various pumps for the building construction industry, mining, agricultural and other branches. Various types and sizes of field sprinkling equipment with complete accessories are being manufactured within the scope of the same production programme.

HOISTS, CRANES AND VARIOUS IRON AND STEEL STRUCTURES

The Yugoslav machine-building industry has developed capacities for the manufacture of various hoists, cranes and various types of iron and steel structures to a considerable extent. The volume of production of steel structures amounted over 64,000 tons in 1960 alone. Various bridge, portal, winch, port and other hoists and cranes, various bridges, power transmission poles, construction of shops and roofs, various tanks, pipe lines, and other types of welded and rivetted iron and steel

constructions, are being manufactured. In addition to this production of various types of passenger and freight elevators as well as internal transport facilities has increased and developed to a considerable extent.

INDIVIDUAL EQUIPMENT AND COMPLETE PLANTS

A large number of machine-building enterprises manufacture among other things in their vast production programme also individual equipment and complete plants. The manufacturers prepare for this equipment complete designs and complete engineering, including here buildings and other relevant installation for the various industrial plants. Consequently, equipment for the metallurgical industry, metal manufacturing industry, chemical, food-processing, wood-working and other equipment for the various branches of industry is being manufactured to meet the individual requirements.

The following products are being manufactured for the requirements of the metallurgical industry: equipment for open hearth furnaces, charging equipment etc. rolling mill equipment (blooming equipment) rolling mills for steel, tin etc. blast furnace equipment, equipment for foundries, kupo'a furnaces, sand preparation equipment, moulding machines etc. Production for the chemical industry includes among other things equipment for making sulphuric acid, detergents, glue, ferro-chrome and equipment for many other chemical industry products. The machine-building industry is manufacturing equipment for sugar refineries, edible oil refineries, breweries and tin manufacturing of the food-manufacturing industry.

Manufacturing of the Yugoslav machine-building industry are also manufacturing on the basis of the available raw materials complete industrial plants of various capacities. Among the most important we should mention: cardboard factories, ship board factories, leather-dressing plants, complete equipment for the manufacture of steel, aluminium and other constructions as well as other products of the metal-manufacturing industry.

Yugoslavia on the I.I. Fair

By DR. MILAN ALEKSIC

Secretary of the Federal Chamber of Foreign Trade; Director General of Yugoslav Pavilion.

SINCE 1955 when for the first time Yugoslavia participated in the Industrial Fair in New Delhi there has developed a close economic co-operation with India which has advanced parallel with her own economic development. Since then, several agreements have been concluded between the two countries on exchange of goods and on economic-technical co-operation. A number of economic delegations from Yugoslavia have visited India and vice versa. Events like these Fairs have helped businessmen of both countries to get acquainted with the variety and quality of goods of their respective countries and the conditions under which these goods could be purchased. This has given a fresh impetus in expanding trade between the two countries. It is for this reason that Yugoslavia participated in the Industrial Fair at Bombay two years ago and India in the Zagreb Fair.

Yugoslav businessmen attach great importance to this year's Fair at New Delhi. They regard it not only as a big international display of industrial development, but more important as a first hand opportunity to them to view India's rapid industrial development in the past few years and study in this context the vast possi-

bilities of the export of her goods. It gives them also an opportunity, though naturally on a more restricted and modest scale, to show to their Indian counterparts the development and variety of products Yugoslavia's economy offers and which can promote and strengthen their trade relations to mutual advantage. Here, in the Yugoslav Pavilion, the Indian visitor will see 150 Yugoslav enterprises represented. It will enable them to get acquainted with a variety of machines, tools for craftsmen, products of the electro-industry, engines for ships and different types of vehicles, machines and tools for agriculture, chemical and pharmaceutical products and last but not least articles of everyday use.

Yugoslavia's participation in this Fair will not be restricted to a mere display of her products but will be followed by visits to the Fair by a large number of Yugoslav businessmen. This will enable them to see for themselves the products of Indian industry, rich and varied, and which will surely result in an increase of trade between India and Yugoslavia to their mutual benefit. Yugoslav businessmen will come to the Fair with the slogan "We want to sell in order to buy, the more we sell, the more we can buy and vice versa".

Shorter Notes

LOOKING AHEAD

It is anticipated that an increase of about 10 per cent per annum in the national income of Yugoslavia will be maintained in the next five years. This should make it possible to ensure, alongside an estimated population growth from 18,904,000 in 1961 to 19,821,000 in 1965, an increase in the average national income per capita from 138,000 dinars (Rs. 2208) to nearly 222,000 dinars (Rs. 3552) for the same period.

The Five-Year Plan of Economic Development of Yugoslavia (1961-1965) foresees an accelerated development of the entire economy resulting in a further rapid development of the social services so as to raise the standard of living all round. According to the estimates of the Plan, total industrial production in 1965 will increase by 65 per cent as compared to 1960. These estimates are quite realistic in view of the fact that industrial production in Yugoslavia has increased 2.8 times in the last eight years and 4.5 times since 1939. The rise in agriculture will be somewhat smaller than in industry, which is likely to be about 50 per cent for the five-year period with the two-year average of 1959 and 1960 as base. It is hoped that between 1961 and 1965 inclusive, the country's economy will employ an average of some 177,000 new persons each year of which the majority will be absorbed in industry. It is estimated that the ratio between agriculture and industry will be 57.6 per cent to 42.4 per cent in favour of the non-agricultural population in 1965. Special attention is also being given to remove regional economic disparities.

It is expected that Yugoslavia will expand her foreign trade to a considerable extent in the next few years. This particularly applies to her trade with Latin American, Asian, and African countries. The total volume of foreign trade may increase by approximately 75 per cent in the next five years. The role of finished industrial products—particularly metal, chemical and food-manufacturing industry, shipbuilding and the electric industry—will constantly increase in exports, while imports of production materials and raw materials will also likewise be increased. The constant decrease in imports of agricultural products and finished industrial articles will make possible a considerable improvement in the balance of trade and a gradual reduction of the payments deficit with foreign countries, which should be completely eliminated by 1965.

One of the characteristics of the Yugoslav Five-Year Plan is the setting aside of considerable material resources for the development of social services such as hospitals and other health institutions, apartments, theatres, cinemas, education, and housing.

YUGOSLAV INDUSTRY TODAY

Rapid growth in Yugoslav industry has changed the character of her economy which was predominantly agricultural two decades ago. This fact is amply borne out by the structure of her exports where agricultural products, raw materials and semi-finished goods have been steadily replaced by finished industrial products such as tractors, ocean-going vessels, electric motors, equipment for hydro-electric and thermo-electric power plants.

The fourth Five-Year Plan (1960-65) is characterized by a more balanced development and increased investment in those sections of economy which have up to now lagged behind in relation to industrial development. Even then in these years industry retains a high rate of growth of thirteen per cent annually. A sizeable increase in production is expected in the iron and steel industry, which produces the bulk of semi-finished goods. In 1960 the production of pig iron was one million tons. The production of other metals too has been quite encouraging.

A number of chemical industry projects have been constructed in various parts of the country in the course of recent years. A huge chemical industry project was put in Loznica, Serbia—a viscose factory with annual production of about 3,000 tons of silk yarn and 16,200 tons of acetate fabrics. At the end of 1960, a new cellulose factory was put into trial operation in Banja Luka (Republic of Bosnia and Herzegovina) which will annually produce about 40,000 tons of sulphate cellulose for the production of viscose. By expanding and completing its production capacities, the output in this factory would later be increased to 60,000 tons of cellulose annually. The average annual growth of production in the chemical industry was nearly twenty per cent in the last four years. In view of sizeable capital investments in the coming years, it is considered that this industry would retain its high rate of growth.

The automobile industry too has achieved outstanding results in recent years. In 1960, Yugoslavia manufactured over 3,500 motor trucks, 570 motor buses, 12,000 motor cars and service vehicles, 40,000 motor-cycles, 4,500 trailers, etc. as well as 15,000 internal combustion engines and several thousand tons of spare parts.

In order to ensure the anticipated pace of industrial production, the supply of energy is being expanded considerably in the Five-Year Plan (1960-65). Twenty-one hydro-electric and thermo-electric power plants, when put into operation will doubly increase the total production of electric energy from 8,800 Mw/h in 1961, to 17,500 Mw/h in 1965. In the same period, the production of coal will increase from 22.8 to 35 million tons, and crude petroleum from 900,000 to 2.2 million tons.

DIRECTION OF YUGOSLAVIA'S FOREIGN TRADE

(Million Dinars)

	Exports		Imports			Exports		Imports	
	1959	1960	1959	1960		1959	1960	1959	1960
Total	142 995	170 080	206 156	248 195	Indonesia	4 304	3 550	239	200
Europe	109 469	131 603	137 781	182 595	Iraq	333	478	1 037	704
Austria	6 289	9 025	7 898	11 231	Israel	1 022	1 321	1 496	1 382
Belgium	1 411	1 383	1 823	2 632	Malaya	10	3	1 510	2 369
Czechoslovakia	4 918	7 713	6 946	7 927	Pakistan	340	605	480	473
Denmark	381	457	702	1 334	Turkey	569	961	528	712
Fed. Rep. of					Other countries	2 502	2 713	2 910	3 668
Germany	13 437	15 267	28 932	37 029	Africa	7372	10219	6167	15653
France	3 471	2 631	4 204	8 301	Algeria	444	345	0	48
German Dem. Rep.	8 000	13 919	8 661	11 199	Morocco	183	196	291	911
Greece	4 319	5 759	1 939	2 398	Union of South Africa	27	79	558	1318
Hungary	3 919	6 116	9 469	10 985	United Arab Rep.	4379	6378	3175	10776
Italy	17 316	22 544	19 189	28 488	Other Countries	2339	3221	2143	2600
Netherlands	1 844	1 791	4 017	4 306	North America	10306	11866	42671	28072
Poland	10 157	6 603	6 081	11 367	Canada	124	222	604	925
Sweden	1 126	1 481	2 310	2 576	USA	9344	11477	42004	26574
Switzerland	3 025	2 448	3 998	5 379	Other countries	838	167	63	573
United Kingdom	10 216	13 034	10 637	13 623	South America	1854	2810	4571	4652
USSR	14 154	15 915	17 288	17 170	Argentina	578	592	1850	1610
Asia	13 978	13 556	12 110	13 140	Brazil	357	1712	1017	2008
Burma	1 373	1 319	1 612	929	Uruguay	320	234	1200	420
China	413	348	766	159	Other countries	599	272	504	614
India	3 112	2 258	1 532	2 544	Oceania	16	26	2856	4083

COMPOSITION OF INDIA'S TRADE WITH YUGOSLAVIA

(Rupees thousands)

Items	1957		1958		1959		1960 (Jan.-July)	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Food:								
Coffee, tea, cocoa, spices and manufactures thereof	2,83	—	26,76	—	63,15	—	79,67	—
Feeding stuff for animals (not including unmilled cereals)	—	—	—	—	12,38	—	35,46	—
Crude materials, inedible, except fuels—								
Hides, skins and fur skins, undressed	—	—	237	—	40	—	646	—
Oilseeds, oilnuts and oil kernels	—	—	—	—	—	—	398	—
Textile fibres (not manufactured into yarn thread or fabrics) and waste	65	—	28	—	104	—	45	13
Crude fertilizers and crude minerals, excluding coal petroleum and precious stones	10	—	20	—	20	—	118	—
Metalliferous ores & metal scrap	6767	4	4482	—	5718	—	6247	—
Animal and vegetable crude materials, inedible, n.e.s.	18	3	50	20	2,39	20	91	27
Animal and Vegetable Oils (not essential oils) fats, greases and derivatives	2,36	—	7,49	—	—	—	—	—
Chemicals								
Chemical elements and Compounds	—	12,65	—	5,67	—	11,70	41	8,55
Medicinal and pharmaceutical products	—	69	—	98	—	1,69	—	84

COMPOSITION OF INDIA'S TRADE WITH YUGOSLAVIA — (Contd.)

(Rupees in thousands)

	1957		1958		1959		(1960 (Jan. to July)	
Item	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Explosives and miscellaneous chemical materials and products	—	14	—	4	—	9	—	—
Manufactured Goods Classified Chiefly by Materials								
Leather, leather manufactures, n.e.s., and dressed furs	1	—	71	—	27,05	—	24,54	—
Wood and cork manufactures (excluding furnitures)	—	9	—	—	—	—	—	—
Paper, paperboard and manufactures thereof	—	11	—	38	—	12	—	25
Textile yarn, fabrics, made-up articles and related products	328	17	8,74	2	4,48	2,85	23,43	18,50
Non-metallic mineral manufactures, n.e.s.	—	44,65	1	33,80	—	—	1	—
Silver, platinum, gems and jewellery	—	—	—	—	—	—	7	—
Base metals	—	128,76	—	96,46	—	126,22	—	177,38
Manufactures of metals	—	17,59	—	60,72	2	57,96	—	3,08
Machinery & Transport Equipment								
Machinery other than electric	—	7,70	—	5,74	2,84	27,42	158	17,86
Electric machinery, apparatus and appliances	—	4,50	—	8,98	—	2,94	—	12,75
Transport equipment	—	25,27	—	10,42	—	11,26	—	1
Miscellaneous manufactured articles								
Prefabricated buildings; sanitary, plumbing, heating and lighting fixtures and fittings	—	3	—	—	—	—	—	—
Clothing	20	—	2	—	23	—	—	—
Professional, scientific and controlling instruments, photographic and optical goods, watches and clocks	2	5	—	1,72	12	1,01	1	15
Miscellaneous manufactured articles, n.e.s.	37	4	11	—	34	1	14	1
Miscellaneous Transactions and Commodities, n.e.s.								
Postal Packages	31	16	84	2	10	1	3	—
Live animals, not for food	—	—	—	—	—	—	22	—
Returned goods and special transactions	56	10	45	11	38	28	7	36
Grand Total	78,56	243,39	97,43	225,18	174,91	244,17	243,16	240,53

INDUSTRIAL PRODUCTION IN YUGOSLAVIA

		1939	1958	1959	1960
Electric Energy					
Total	mill. kwh	1,173	7,356	8,106	8,928
Hydro	"	566	4,300	4,708	5,984
Thermo	"	607	3,056	3,398	2,944
Coal					
Coal — total	('000) t	7,032	18,986	21,107	22,713
Hard	"	1,410	1,208	1,298	1,283
Brown	"	4,312	8,377	9,122	9,629
Lignite	"	1,310	9,401	10,687	11,801
Coke oven coke	"	—	1,030	1,070	1,083
Crude Petroleum					
Production	('000) t	1	462	592	944
Processing	"	(97)	1,114	1,176	1,288
Iron & Steel Metallurgy					
Iron ore	('000) t	667	1,997	2,095	2,200
Pig-iron	"	101	748	863	972
Steel — total	"	235	1,119	1,299	1,442
Open hearth steel	"	232	1,044	1,197	1,322
El steel	"	3	75	102	120
Rolled products	"	151	744	861	972
Drawn products	"	3	37	45	48
Non-ferrous Metallurgy					
Blister copper	('000) t	42	34	35	36
Electrolytic copper	"	12	30	32	35
Refined lead	"	11	84	85	89
Zinc	"	5	31	32	36
Aluminium	"	2	22	19	25
Mercury	tons	378	423	460	485
Rolled copper products	('000) t	0.6	26	27	33
Ferro-alloys	"	12	32	40	47
Non-metals					
Refractory material	('000) t	19	132	146	163
Electroporcelain	tons	188	4,332	4,927	5,998
Cement	('000) t	894	1,967	2,220	2,398
Ceramics for const.	"	2	24	24	28
Flat glass	mill. sq. m.	2	6	6	8
Blown glass	('000) t	11	41	54	61
Ceramics for household use	tons	742	4,966	5,689	6,094
Manufacture of Metal Products					
Iron castings	('000) t	28	141	159	192
Steel castings	"	2	17	20	23
Industrial machinery	"	5	30	34	44
Agricultural machinery	"	2	18	21	24
Tractors	numbers	—	5,189	5,919	7,309
Wagons	"	—	2,292	2,923	3,422
Trucks	"	—	4,089	3,716	4,564
Cars	"	—	2,936	4,431	10,461
Motorcycles	('000)	—	8	25	41
Bicycles	"	—	107	135	191
Manufacture of Electrical Machinery and Products					
Rotating machines mw		4.3	350	384	610
Power transformers	('000) kva	0.0	1,335	1,624	2,082
Insulated conductors	('000) t	0.6	33.4	46.0	56.5
Radio receivers	('000)	—	259	250	239
Bulbs-standard	Millions	3	11	8	10
Thermic apparatus	tons	48	4,420	6,628	7,060
Manufacture of Chemicals and Chemical Products					
Sulphuric acid	('000) t	23	125	128	130
Calcined soda	"	22	77	92	89
Caustic soda	"	14	42	48	48
Copper sulphate	"	13	13	16	14
Manufacture of fertilizers	"	71	295	300	266
Artif. fibres	"	—	9	17	18
Soap	"	13	30	511	541
Building Material					
Bricks	millions	380	1,072	1,194	1,369
Roofing tiles	"	170	198	220	229
Manufactures of Wood					
Sawn conifers	('000) cu.m.	1,542	1,189	1,361	1,448
Sawn hardwood	"	380	705	780	873
Veneer	"	5	26	36	46
Plywood	"	13	33	46	61
Furniture, fancy	('000) suites	14	102	143	152
Bentwood, furn.	('000)	(250)	1,195	1,225	1,199
Parquet	('000) cu. m.	14	47	52	68
Matches	('000) cases	37	73	93	85
Wood Pulp, Cellulose and Paper					
Mechanical wood pulp	('000) t	10	49	52	54
Cellulose	"	28	99	109	155
Writing paper & newsprint	"	19	67	68	75
Other paper	"	16	52	58	67
Cardboard	"	13	26	31	37
Manufacture of Textiles					
Cotton yarn	('000) t	19	45	47	51
Woollen yarn	"	6	17	17	21
Cotton fabrics	mill. sq.m.	110	219	229	256
Woollen fabrics	"	12	33	38	45
Rayon fabrics	"	14	16	17	19
Knitwear	('000) t	1.8	5.7	6.7	7.9
Stocks & stockings mill.	pairs	23	33	36	42
Ready made underwear	mill. sq.m.	5	25	26	27
Ready made clothes	"	1	12	14	17
Manufacture of Leather & Footwear					
Sole leather	('000) t	7.6	10.8	10.7	11.6
Upper leather	mill. sq.m.	2.2	4.3	4.9	5.4
Leather footwear total	mill. pairs	4.2	10.4	12.3	15.0
Heavy	"	0.4	0.5	0.4	0.5
Civilian	"	2.4	6.9	8.6	10.8
Miscellaneous	"	1.3	3.0	3.3	3.7
Manufactures of Rubber Products					
Rubber footwear	mill pairs	5.2	12.6	13.3	14.9
Motor car tyres	('000)	8	145	191	391
Bicycle tyres	"	276	673	702	903
Food Manufacturing Industries					
Sugar†	('000) t	108	180	234	248
Canned vegetable	tons	876	9,477	12,503	20,246
Canned meat	"	1,328	16,244	23,827	32,685
Canned fish	"	3,223	12,041	12,497	16,545
Edible oil	('000) t	21	41	46	52
Soap concentrat.	tons	—	1,183	1,588	2,166
Bonbons and choc.	"	5	23	24	31
Tobacco Manufactures					
Fermented tobacco	('000) t	17	53	37	35
Cigarettes	"	6	18	19	20
Forest Exploitation†					
Sawing logs	('000) cu.m.	3,471	2,874	3,113	3,875
Pitwood	"	350	500	488	547
Sleepers	"	78	33	40	33
Pulpwood	"	330	626	824	985
Fuelwood	"	2,161	2,242	2,267	2,478
Tanning wood	"	80	111	135	151

† Calendar year.

† The figures relating to the industrial exploitation of forest cover only cutting being executed by enterprise specialized in this line and by so called forest administration which, besides the cutting is engaged in the extension and protection of forests.

PER CAPITA INDUSTRIAL PRODUCTION IN YUGOSLAVIA

			1939	1957	1958	1959	1960
Electric energy	Kwh	..	72	342	404	439	478
Coal	Kg.	..	432	987	1,044	1,144	1,217
Crude Petroleum	"	..	0	22	25	32	51
Crude Petroleum Processing	"	..	6	57	61	64	69
Crude Steel	"	..	14	58	62	70	77
Cement	"	..	55	109	108	120	128
Sulphuric Acid	"	..	1.4	6.8	6.9	6.9	7.0
Soap	"	..	0.8	1.8	1.6	1.8	1.7
Paper and Cardboard	"	..	2.6	6.7	7.1	7.5	8.3
Cotton Fabrics	Sq.m.	..	7	11	12	12	14
Stock and Stockings	Pair	..	1.4	1.8	1.8	2.0	2.2
Footwear	"	..	0.6	1.1	1.3	1.4	1.6
Edible Oil	Kg.	..	1.3	1.8	2.3	2.5	2.8
Cans	"	..	0.3	2.0	2.1	2.6	3.7
Sugar	"	..	7	12	10	13	14
Woollen Fabrics	Sq.m.	..	0.8	1.8	1.8	2.1	2.5

INDICES OF INDUSTRIAL PRODUCTION IN YUGOSLAVIA
(Base: 1939 = 100)

			1947	1957	1958	1959	1960	Plan 1961
TOTAL	..	..	121	311	345	391	450	508
Electric Energy	..	..	124	530	624	687	757	839
Coal	..	..	115	218	226	250	265	287
Crude Petroleum	..	..	88	1,042	1,174	1,389	1,853	2,292
Iron & Steel Metallurgy	..	..	123	489	536	610	685	759
Non-ferrous Metallurgy	..	..	91	235	253	267	300	318
Non-Metals	..	..	127	322	349	391	450	500
Manufacture of Metallic Products	..	..	153	525	593	706	863	953
Manufacture of Electric Products	..	..	222	2,486	3,030	3,727	4,622	5,255
Manufacture of Chemical Products	..	..	120	422	517	659	744	843
Building Material	..	..	133	270	307	342	393	465
Manufactures of Wood	..	..	106	172	184	222	256	302
Paper	..	..	108	312	331	361	433	549
Textiles	..	..	124	199	217	235	268	317
Leather and Footwear	..	..	132	201	220	255	307	336
Rubber Products	..	..	139	307	326	367	463	558
Food Manufacture Industries	..	..	131	257	266	309	364	296
Tobacco Manufactures	..	..	111	161	230	179	177	144

The Coal Industry

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The Crisis in Coal

IN this cold season in Delhi there is a severe shortage of coal with prices at their peak. This itself might have been an excuse for a Blue Supplement, but in fact, the subject has been chosen for much more important reasons. At the present time, the shortage of coal is acute in almost every portion of the country and the shortage of particular varieties with low ash content is severe in all the steel plants. Naturally industrial costs are continually being raised by the low quality of coal used in all smelting operations. It is obvious that the paper figures in tons of coal production do not tell the whole story of the thermal energy which is short of immediate requirements. There is also the long period of growth ahead for which very inadequate provision has been made.

'The Eastern Economist' believes that the coal target in India's Third Five-Year Plan, even if it constituted only fairly good coal with low ash content, would be an inadequate one. Now that thermal units are being added in the power stations, naturally coal requirements will be greater. But apart from this the estimation of coal industrywise has been done on what might be described as a rule-of-thumb basis. With the high ash content there is a very real danger of India's engineering industries losing many of the export advantages which they should naturally possess.

At this time of shortage of good coal the incentives for the production of the maximum quantity of good coal have been reduced by a series of quite unne-

cessary handicaps. One of these relates to the shortage of explosives; another to the absurdity by which equal priority seems to be given for the movement of bad, as well as of good, coal. Finally,—and so much in economic discussion rests on incentives—the price of coal available to coal owners required to open out new mines is sadly deficient in terms of average profits available for other industries.

This Blue Supplement attempts to present in a series of articles a comprehensive picture of the handicaps which weigh on the coal industry at this time. Naturally the picture is an incomplete one. What is needed at the present time is a recognition that an emergency exists in this industry, which can only be dealt with by emergency directives designed to remove handicaps to the extent physically possible. Coal policy, like so much else, rests in Delhi on the leisurely movement of files while immediate decisions are required.

If this Blue Supplement could do something to inform the Indian public of the tremendous challenge presented by the coal situation it will serve its purpose. It is hoped, at a future date, to make a much more elaborate survey of particular proposals so far as the coal washeries are concerned, improved transport arrangements, and above all, a price structure which will break the worst of the difficulties that have now made coal India's problem industry.

The Pattern of Growth: 1925-60 With Projections to 1965-66

DURING the last three and a half decades, the energy requirements of India have grown enormously. Coal has always played a dominant role in India's energy picture and, currently, it provides nearly four-fifths of the total. In the last two decades, in particular, the rise in coal output has been very much steeper. This may be illustrated with reference to production figures (page iii). In 1925, India's total output was not more than 20.9 million tons. On the eve of the World War II in 1939, it has risen to 27.8 million tons only indicating a slow rate of rise of around 2.0 per cent per annum. During the War, the production remained almost static; by 1947 it had risen to 30.2 million tons only. The era of independence which started in 1947 brought with it new visions of economic growth; the foundations of the Five-Year Plans were laid in 1951 when production had not exceeded beyond 34.4 million tons. The First Five-Year Plan placed the demand at 39.0 million tons and there was success upto 38.4 million tons. The Second Five-Year Plan pitched the target of production at 60 million tons, three-fourths of which was assigned to the private sector and one-fourth to the public sector. The total production for the fiscal year April 1960 to March 1961, was 54.6 million tons. Whereas the private sector almost achieved its target of 45 million tons, the shortfall was mostly due to the failure of the public sector collieries.

The historical rate of growth of the coal industry witnessed during the last three and a half decades at around 4 per cent per annum is absolutely out of tune with the dynamic growth in demand due to the vast expansion envisaged in Indian industry. The spacious industrial expansion planned for the next five years envisages an increase of more than 60 per cent in 5 years or a little above 12 per cent per annum. By carefully correlating the plans for expansion of the industrial structure of the economy with pressures on the supply of coal, the Planning Commission has fixed the target at 97 million tons of coal in 1965-66. Thus, additional production envisaged in relation to the Second Plan target is 37 million tons. Since there was a shortfall of the order of five million tons in the Second Plan, the absolute increase will have to be of the order of 42 million tons. The private sector in this additional target is expected to add nearly 17 million tons (page iii). On the other hand, the share of the public sector has been placed slightly higher at 20 million tons out of which the N.C.D.C. is expected to contribute 17 million tons and the Singareni collieries are anticipated to increase output by 3 million tons. These targets are likely to put a great strain on our capacity to expand and unless the tempo of expansion is accelerated right from the beginning, the targets may turn out to be 'academic'. It will, indeed, be unfortunate if the gap between the actual performance and the target fixed turns out to be high because it cannot fail to be reflected in slowing the tempo of industrialisation of the Indian Union during the next five years. Already, there are indications of a slack in the production pattern of this vital industry in the first five months of the Third Five-Year Plan.

PRODUCTION OF COAL (A Comparative Study)

('000 metric tons)

Period	1959	1960	1961
April	4,048	4,453	4,540
May	4,079	4,421	4,599
June	3,876	4,222	4,182
July	3,922	4,058	4,166
August	3,811	4,204	4,370
TOTAL	19,736	21,344	21,851

The production of the five-month period from April to August is compared for the years 1959, 1960 and 1961. It will be seen that the total volume of production in 1959 during this period was 19.7 million tons; it rose to 21.3 million tons in 1960 recording a rise of 1.6 million tons. Unluckily, the corresponding figure for 1961 at 21.9 million tons shows a rise of 0.6 million tons only — nearly, one third of the rise registered in 1960. Thus, it is clear that the first year of the Third Five-Year Plan may not record a sizeable improvement and this has rightly caused concern in the country.

Quite a severe controversy was carried on in the press recently regarding the failure of the transport system in carrying the output of the coal industry. It was stated by N.C.D.C. officials and even the private collieries that the railways were not able to provide sufficient wagons as a result of which stocks at the pit-heads started accumulating. The fact is clearly brought out in the table below:

STOCKS IN RELATION TO PRODUCTION

('000 metric tons)

Period	1960			1961		
	Production	Stocks at pit-head	Ratio of (2) to (1)	Production	Stocks at pit-head	Ratio of (5) to (4)
	(1)	(2)	(3)	(4)	(5)	(6)
January	4,182	2,739	0.65	5,137	3,886	0.76
February	4,365	3,018	0.69	5,225	4,808	0.92
March	4,434	3,117	0.70	5,524	5,567	1.01
April	4,453	3,272	0.73	4,540	5,423	1.19
May	4,421	3,546	0.80	4,599	5,375	1.17
June	4,208	3,578	0.85	4,182	5,129	1.23
July	4,058	3,556	0.88	4,160	4,581	1.10
August	4,204	3,306	0.79	4,370	4,023	0.92

Whatever the merit in this sweeping argument, it needs to be stated that the problem of transport must be examined in detail in terms of pressures on certain regions in the country. This particular aspect of the problem has been analysed carefully in a separate article by Mr. O. S. Murthy, Director of Planning, Railway Board. The conclusion which emerges from a study of this article is that both the coal industry — whether in the private sector or in the public sector — and the railways will have to work in close collaboration if serious bottlenecks in this vital sector of the economy are to be averted in the coming years. Railways will have to double their capacity by providing about 12,000 wagons in 1965-66 against the present level of 6,000 wagons if all the fresh loads offered by the industry are to be lifted without any serious dislocation.

The pattern of this industry is conditioned not only by the transport problem but also by other factors such as increased supply of power and easy and efficient availability of explosives. The price factor is also an important element and the recent increase in coal prices as well as the assistance under the subsidy schemes have failed to meet the legitimate demands of industry. All these shortcomings must be set right so that they do not act as brakes in its expansion.

LONG-TERM PRODUCTION OF COAL: 1925 TO 1966

(In million long tons)

1925:	20.87	1939:	27.77	1951::	34.43
1926:	20.96	1940:	29.39	1952:	36.30
1927:	22.05	1941:	29.47	1953:	35.98
1928:	22.64	1942:	29.44	1954:	36.88
1929:	23.42	1943:	25.51	1955:	38.23
1930:	23.82	1944:	26.13	1956:	39.43
1931:	21.75	1945:	29.17	1957:	43.50
1932:	20.16	1946:	29.71	1958:	45.34
1933:	19.79	1947:	30.15	1959:	47.06
1934:	22.06	1948:	30.13	1960:	51.78
1935:	23.02	1949:	31.69	1960-61:	54.64
				(Actual)	
1936:	22.61	1950:	32.30	1960-61:	60.00
				(Target)	
1937:	25.04			1965-66:	97.00
1938:	28.34			(Target)	

THE BREAK-UP OF THE ADDITIONAL PRODUCTION TARGET OF COAL IN THIRD PLAN

1. Share of Public Sector	20	million tons
(i) By N. C. D. C.	17	million tons
(ii) By the expansion of Singareni collieries	3	million tons
2. Share of Private Sector	17	million tons
(i) As coking coal	4.87	million tons
(ii) As blendable coal	1.12	million tons
(iii) Superior grades of non-coking coal	10.84	million tons

Coal Transport by Rail

By: O. S. MURTHY, Director, Planning, Railway Board

THERE is, at present, widespread dissatisfaction on account of the non-availability of coal in adequate quantities of the requisite grades at various consuming centres throughout the country. In analysing the contributory causes of such a situation, there is a general tendency to over-simplify this vastly complex problem. It is not always remembered that coal has all along been in short supply, more so under the impact of rapid industrialisation. Consequently, coal, like any other commodity in short supply that cannot be had freely at will, has to be distributed under a system of priorities and control. Another equally important fact which has to be borne in mind is that in giving effect to this policy of control over coal, its production, allocation, and movement have to be planned in advance to meet the essential demands in the country. Before coal, therefore, reaches the prospective consumer there are three main problems to be solved. Firstly, the coal of the grade and quality required has to be produced in sufficient quantities. Secondly, the consumer must have an allocation in terms of the prevailing priority schedule designed in the overall interest of the country's economy. Thirdly, the coal has then to be moved from the centres of production to the consumers as allocated by the Coal Controller's Organisation which functions under the Department of Fuel in the Ministry of Steel, Mines and Fuel.

The production of coal by itself is a difficult task. Enormous quantities, reckoned in millions of tons, have to be mined over widespread areas. There is also the question of different qualities of coal in the various seams that are met with in the mines.

As regards the allocation to different consumers, the Coal Control Organization has the unenviable and complex task of apportioning coal from different sources to various consumers bearing in view not only the grade and qualities of the requirements of the consumers, but also varying raisings of the collieries concerned. The variations of coal production run through the full range of coal dust to metallurgical coal. The Coal Control Organization has also to keep in view the proximity of the sources of supply to the consuming centres.

After these two important stages have been covered, the next stage is that of movement. It is unfortunate

that the movement aspect of the problem has drawn unduly disproportionate share of public criticism which attributes the coal shortage to inadequate rail transport. Transport of coal to the public mind is easy to visualise but in making a fair assessment of the availability of transport, one must guard against the usual tendency of considering only one component of the movement question, viz. the weight of the commodity lifted or the number of wagons loaded to the neglect of the other two equally important components. These are, first, the distance the commodity is carried, and second, the route over which it moves. To have a correct appreciation of the service performed by the Railways, we have, therefore, to consider not merely the tons of coal lifted but also the ton-miles or tonne-kilometres carried. Even this additional dimension of the movement aspect does not take into account the limitations set by route capacities. Thus a movement planned over one route cannot be transferred to another saturated route even when both operations involve equivalent quantities of ton-miles. This is why an appraisal of the Railways' performance must not be based on merely the total number of wagons loaded in a coal-field but should take into account the distance and route aspect of the movement. In other words, the comparison should be between the pattern of movements executed against the pattern planned or set for the Railways to execute.

The target of coal traffic at the end of the Second Five-Year Plan envisaged the movement from Bengal-Bihar coal-fields of 1,434 wagons a day to the steel plants and 3,596 to all other consumers. The actual performance since October 1960 up to the end of March 1961 (i.e. the end of the Second Plan) has been that the demands of steel plants have been fully met and for other consumers 3,717 wagons have been loaded daily. In terms of the units in which Railways' service is normally reckoned viz. ton-miles, they achieved, on the coal front, during the last year of the Second Plan, a performance of 6 per cent higher than their allotted task. At present the Railways are meeting in the Bengal and Bihar coalfields not only the full demands of steel plants but also the increased planned target of 3,796 wagons per day for consumers other than steel plants. In the outlying coalfields, the coal demands are being met in full. These movements have been achieved under the handicap of a substantial drop in the loading of wagons on Sundays and holidays. It will be appreciated that transport installations are

geared to work throughout the 24 hours of a day and every day in the week. If any part of it remain unutilised on any particular day, it is a dead national loss. During the last six months, the average coal loadings on week days and on Sundays were as below:

Month	Week Days	Holidays/Sundays
June ..	5,754	5,264
July ..	6,000	5,555
August ..	6,456	5,430
September ..	6,301	5,504
October ..	6,149	5,012
November ..	6,373	5,425

These figures highlight the fact that had the loading been uniform throughout the week, the coal movement could have been stepped up by at least an additional one million tons per annum.

In the press and on several platforms, there has been a frequent mention of the Railways having undertaken to move 5,000 wagons from Bengal-Bihar coalfields and of their failure to achieve this. This is based on the fallacious assumption that the transport capacity unutilised by the steel plants could be readily diverted to other consumers. As explained earlier, this adjustment is not possible as the movement has to take place over saturated routes. It would be appreciated that carriage of 5,000 wagons of coal from Jharia and Raniganj coalfields to nearby areas of Asansol and Calcutta is quite a different proposition from carrying these 5,000 wagons or a major part of it to the destinations in Gujarat and Rajasthan or to consumers more than a thousand miles away.

In support of the criticism that the Railways have not fulfilled their part in the planned development of coal, the rising stocks at pit-heads are often quoted. It is, however, not realised that every year the months of December to April constitute the busy season at which peak production of coal is achieved. This is also the busy season for the movement of other goods for the railways and so, every year the pressure of December-April period has to be cleared later. It is the accumulation of January to April that is available for movement in the subsequent period, July to October. This pattern is apparent from year to year over a long period in the past. While this general pattern is apparent during the year 1961 also, as seen from the figures given below, a significant fact is that since April of this year, rail transport movement has exceeded availabilities from the current production so that the stocks have been steadily going down:

STATEMENT SHOWING THE PRODUCTION OF COAL AND THE PIT-HEAD STOCKS

Month	Total Coal Production (m. tonnes)	Pit-head Stocks (m. tonnes)
January ..	5,136	3,886
February ..	5,225	4,808
March ..	5,524	5,567
April ..	4,540	5,423
May ..	4,599	5,375
June ..	4,182	5,127
July ..	4,160	4,580
August ..	4,369	4,023
September ..	4,592	3,776

It will be seen further that even in September, the stocks were lower than in January last and there has, doubtless, been some further reduction since then by the end of November.

The movement of coal by the Railways during the Second Plan and subsequent period has, therefore, to be viewed not against the background of the unsatisfied demand of consumers, which has certainly outstripped the planned production as well as transport, but against the overall rail transport policy of the nation. Is the nation to allocate and consume, for the movement of coal, the costly commodity of 'ton miles', produced by the Railways at enormous expense, even for irrational and uneconomical moves? Or should it be so regulated as to achieve the best results in the interests of the economy of the country as a whole? Situated as we are with limitations on resources, men and materials, which inevitably necessitate orders of priority in furtherance of planned development, there can only be one answer. The answer is that transport facilities should be planned and developed on sound economic, rational lines and the available transport of the nation should be utilised in the most economical way.

The most economical way of utilising the rail transport resources of the country would be to feed its various regions from the nearest coalfields. For instance, Singareni coalfields are ideally situated in this respect for meeting the demands of coal in the South. Similarly, a rationalised way of movement would be to supply coal to consumers in Central and Western India from Pench and Chanda and Central India coalfields, Bengal and Bihar coalfields catering to needs of the steel plants and consumers in the Eastern and Northern parts of the country. Another aspect of rationalised movement is that carriage by rail of coal beyond a distance of 850 to 900 miles is uneconomical and is warranted only as a last resort if no other means of transport could reach the consumer. For consumers all along the coast and near the coastal regions in the Southern and Western parts of the country coal from Bengal-Bihar coalfields could be carried through coastal colliers. Accordingly, it has been planned that in the first instance, coastal shipping be allotted the task of carrying two million tons of coal to consumers in the South and in the West. With the growth of coastal shipping to meet the fuller needs of these parts and with the development of a rationalised planned movement of feeding the consumers in the Central, Western and Southern India from nearby coalfields, 800 wagons which are now sent to these consumers via Moghalsarai would be available to meet the additional demands for coal in Punjab and U.P.

It has been suggested in some quarters that the Railways should develop reserve capacity well ahead of transport requirements to forestall any possible shortfalls in the movement of coal. In a planned economy where there are several sectors competing for limited resources, it is clearly impossible to achieve such an abundance of transport facilities. Even for developing the limited additional capacity for movement of one million tons of coal from Bengal-Bihar coalfields over long distance to destinations in Southern and Western India would require a fleet of nearly 1,500 wagons and 20 locomotives involving an expenditure of about Rs. 5 crores. In addition to this, as the routes from Bengal-Bihar coalfields to these destinations are already saturated, additional line capacity work such as doubling etc. would have to be taken up. These works would need about Rs 15 to Rs. 20 crores depending upon the route which is selected for such movement. On the other hand, the movement of 1 million tons of coal by sea, even if it is arranged by purchase of new colliers, would involve a capital outlay of about Rs. 5 to Rs. 6 crores. If it is arranged with second-hand colliers, the initial investment would be very much less.

Taking a long-term view of the problem of movement of coal to Central and Western India and to ensure that irrational movements are avoided, the Railways have undertaken to provide capacity and move all coal that is produced in the outlying Central India Coalfields, and limit the movement of coal from Bengal-Bihar coalfields to quantities planned in advance. Also, as a long-term measure, the Government has decided that a major portion of the movement of coal should be organized in heavy block trains to major consumers and to coal dumps in important consuming centres. Without such movement, which would ensure quick and scheduled moves of these heavy trains, the task set for the Railways would be practically impossible of achievement.

One important factor which has a vital bearing on the utilisation of available transport for coal is the wastage that occurs because of having to move unbeneficiated coal which often contains a large percentage of inert material. As an instance, in the case of Railways, who rank very high in the priority scheduled for allotment of coal and who consume nearly 30 per cent of the total production, it has been estimated that their transport needs could be reduced by about 18 per cent

or 3 million tons per annum if beneficiated coal in grades required is made available to them. The setting up of washeries for beneficiating non-coking coal is, therefore, a very important and necessary step for making the best use of available transport.

The Railways are only a link between the producer of coal and the consumer. They do not control the production, the quality or the source from which the commodity emanates; nor do they make the allocations according to prevailing priorities to the various consumers. In their role as carriers, they have fulfilled the tasks set for them during the Second Plan and will continue to provide the transport on a planned basis during the Third and subsequent Plans. They cannot, however, be expected to meet all unanticipated upsurges in demands of coal consumers or be in a position to meet readily any major revisions in the anticipated patterns of the coal movements. In the overall planning of coal transport in the country, adequate regard must be paid to tie up the supply sources of various regions in the country to the nearest available coalfields in order to maximise the transport output within assigned resources.

Ash Content and Washeries

INDIA'S current coal problem has three dimensions—shortage of production, movement bottlenecks and high ash content. Elsewhere in this Blue Supplement the first two issues have been discussed at length. The purpose of this article is to assess the situation in regard to the ash content in coal, which has contributed to not an inconsiderable extent to the acuteness of present-day coal crisis.

Though the ash content in Indian coal has been going up gradually, but steadily, for the last two or three decades, its impact on the industrial costs in the country has begun to be felt only recently. This is because the demand for coal had not been moving up so fast before the Second Plan period and the necessity of resorting to raising of inferior coal had not been felt so acutely. With restrictions placed on raising of coking coal in 1952 and other high grade coals in 1953, with a view to conserve none-too-plenty reserves of metallurgical coal, the position has deteriorated appreciably in the past few years.

The increased ash content in coal started affecting the steel industry nearly three years ago and since then this has formed the theme of the speeches of the TISCO and IISCO chairmen. The other major industries have felt the impact during the last one and a half years when supplies of high grade coal had to be directed to meet the demands of the public sector steel plants. Railways efficiency too has suffered in the recent past due to supplies of coal with high ash content. Experts opine that for every one per cent increase in the ash content above 15 per cent, coal requirements of railways go up by 2 to 2.5 per cent and those of other industries by about 1.5 per cent. In the case of metallurgical industry, every one per cent increase in ash content leads to about 4.6 per cent reduction in steel output. If the ash content rises to over 20 per cent, the penalty is even higher.

The high ash content in coal affects industrial costs not only by increasing coal requirements, but also affecting the operational efficiency of an industrial unit. The consumer has to pay not only more for his additional coal requirements (including the rail freight and various taxes), but may have to incur unnecessary expenditure on repairs and upkeep of his boilers and furnaces. At the present level of 52 million tons coal consumption with high ash content, the country, it has been estimated

by experts, consumes about 5 to 6 million tons more than what is warranted. The movement of this additional quantity, it is estimated, has involved over 12,000 wagons which could have gone a long way in alleviating the distress caused by non-availability of rail transport for movement of other goods traffic.

Much improvement can obviously be effected in industrial costs and movement of coal if the ash content is reduced through beneficiation. It is a pity that adequate attention was not paid to this crucial problem under the Second Five-Year Plan which called for setting up of four central washeries. This would have raised the washing capacity in the country to 11.63 million tons of raw coal. Up to the end of the Second Plan, however, only 6.03 million tons capacity had been established, thus leaving a deficiency of 5.60 million tons. Only one washery at Kargali has been commissioned into production so far. Of the other three, the one at Dugda may start supplying washed coal shortly. The Bhojudih washery is envisaged to be commissioned towards the end of next year, and the Pathardih washery in 1963.

With the strident increase in consumption of coal that is envisaged under the Third Five-Year Plan, the need for washing coal assumes all the greater significance. Already the Government has started thinking in terms of stepping up the coal target from 97 million tons to about 110 million tons, to move which herculean efforts will be required to be made by the railways. But to keep the strain on transport to the minimum, it will only be appropriate that the ambitious programme of coal washing that has been drawn up for the five years to 1965-66 is completed expeditiously. The Plan envisages setting up of additional washing capacity to the tune of 12.7 million tons in terms of raw coal to meet the requirements of the steel industry alone. This capacity is proposed to be achieved by doubling the capacity of the Dugda and Bhojudih washeries, setting up of two washeries at Kathara with a capacity of three million tons; another two at Karanpura to wash 3.5 million tons and one washery at Ramgarh with a capacity of three million tons. There are also plans to set up a capacity of 7 to 8 million tons for washing non-coking coal required for use by the railways. Some energetic action seems to have been taken to fulfil these targets according to schedule; negotiations have already been started for securing technical assistance from

Russia and Poland for setting up the Karanpura and Ramgarh washeries. But only time will show whether administrative delays will make it possible for these targets to be fulfilled. Washing of non-coking coal, according to the Plan documents, is a comparatively difficult task and data on the washability characteristic

Relief from Substitutes

THE output of coal as planned during the Third Plan period and the demand for it are very precariously balanced. There can hardly be two opinions that the expectations of the output being realised are only broad estimates, whereas the full magnitude of the demand has not been assessed. Even so, with such rough data as have been accepted for the coal development programme, the outlook is one which would persistently demand a careful watch and a continuous process of adjustment and readjustment. In this process ample attention will need to be paid to maximizing the use of alternative fuels as a relief to the intense pressure on the output of coal. In this article the major outlines of this problem of the need for relief and the directions from which the relief can possibly be expected to come certain important substitutes are discussed in a general manner.

It would serve little purpose to ignore the fact that the programmes of expansion of coal production in the Second Plan could not be fulfilled and there was a shortfall in the output by 5.38 million tons below the target of 60 million tons. The private sector collieries have fulfilled their part of the programme, but the deficiency has come essentially from the public sector. An attempt has been made in defence of the public sector to stress the accelerated rate of output achieved at the fag-end of the period and explain it in terms of annual rates. Even this plea cannot disguise the fact of the shortfall. It is true that the necessary investment has been made for installing the capacity to raise the full order of output of 60 million tons, but at the same time it is equally true that there is the undesirable distinction between installation of capacity and the extraction of the targeted quantity of coal. The consequence of this underfulfilment in the Second Plan will be that the burden for the Third Five-Year Plan in the coal sector will be increased proportionately.

For the Third Plan the target in the last year has been fixed at 97 million tons, which means that excess production of 37 million tons will have to be achieved. Add to this the shortfall of over five million tons which occurred in the Second Plan and the actual increase which will have to be recorded in the Third Plan comes to 42 million tons. Out of 37 million tons excess production as included in the exclusive target of the Third Plan, the private sector collieries account for about 17 million tons. This figure is based on an examination of the programmes which they have prepared and there is no element of exaggeration in them because they are prepared to undertake even a greater responsibility given the permission to exploit the resources without the present restrictions of policy. The public sector has to share the burden of producing 20 million tons out of the additional production. Unlike the private sector, which has to exploit the existing collieries as well as those situated nearby, the public sector has to fulfil its assignment by working a substantially large number of new mines in the areas already taken up and, what is significant, in the virgin areas. This involves not only a good amount of investment but considerable initiative, enterprise and other managerial resources required for exploitation of this type. It would be premature to be confident that the public sector will rise to its full share of responsibility. Then there also remains the question of making the shortfall of 5.38 million tons left over in the Second Plan.

of these coals are yet to be properly collected. The coal crisis may, thus, aggravate further in the next two or three years. To ward off this danger, the Government will do well to give some incentive to coal producers to enable them to go in for beneficiation of this vital energy producing material manually.

India's reserves of coking coal are limited and there is the utmost necessity to conserve them by undertaking measures which are discussed elsewhere in this Blue Supplement. It is somewhat paradoxical that a grade-wise classification of the output actually obtained and also envisaged in the Third Plan shows that the superior grades of coal account for by far the highest proportion of total output. Thus, in the Third Plan, out of the total output of 97 million tons, Grade I, coal will account for 44.28 million tons, whereas Selected A and Selected B coals will account for 12.05 million tons and 18.87 million tons respectively. The inferior qualities will account for the remaining quantity of over 21 million tons. This maldistribution grade-wise in the output underlines the necessity of blending coking coal and giving the top priority in the consumption of the higher qualities to the requirements of the steel plants and the merchant cokeries. This priority is a matter of familiarity and it was attempted in the Second Plan also. But it did not work satisfactorily. For instance, it was agreed that the railways should turn to partial use of the non-coking coal for their locomotive requirements over a phased programme, but it actually transpired that the essential consumers for whom the coking coal was to be allotted did not absorb all the quantities produced and a surplus was left over which was offered to the railways. It is possible that some of the essential consumers did not develop the anticipated capacity, whereas some others must have suffered from handicaps of railway transport. Whatever the cause, the quantity of superior coal which the railways were asked to take over were as high as 5 million tons in 1957, but towards the end of the Second Plan they were brought down to 1.5 million tons.

A 'post mortem' into the causes of this failure is not necessary in this context. But here it is vitally important to note that coal and transport have got a very intimate correlation and the problem of substitutes for relieving the pressure on the demand for coal have also to be considered in their direct bearing on the transport capacity too. This can be explained more explicitly with reference to the programmes for the freight traffic expansion of the railways during the Third Plan. The magnitude of additional freight traffic which the railways will have to carry during the Third Plan has been put at 91 million originating tons. This target is expressed in the most unsatisfactory terms and it would not help either the railways or the consumers to know what precisely is the additional capacity that will be required and what is the readiness of the railways to satisfy that transport capacity. The scientific assessment of the traffic load ought to be made in terms of ton-miles and not in originating tons. Neither the railways nor the Planning Commission have attempted this in the Third Plan. It is significant that out of 91 million originating tons, as high a proportion as 40.5 million tons is attributed to the movement of coal.

Now the most significant aspect of coal transport is that by far the largest concentration of our coal resources has been in Bengal and Bihar coalfields, whereas the consuming ends are far flung in the North, South and West. Its meaning is quite plain. It is that the average lead for coal transport cannot be presumed to be the same as the average lead for the overall traffic which may be assumed in the Plan, but it will certainly rise as high as 2½ times as much as the average lead.

The average lead of traffic in the Second Plan rose to 354 miles from 292 miles in the First Plan, but no estimate for the Third Plan has been made by the Planning Commission or the Railway Ministry because of the present insufficiency of data as regards the location of new industries and the directions of the density of traffic. Nevertheless, coal transport will take a heavy toll of the capacity of the railways and this in turn will increase the requirements of the railways for the consumption of coal.

In order to reduce the demand of the railways for coal consumption for steam traction, programmes of electrification have been drawn up. Electrification in the Third Plan is to extend over 1,100 miles, its specific object being to relieve congestion in high density traffic areas with which steam traction cannot cope. But a pronounced peculiarity of the location of the routes to be electrified is that they are all concentrated in the steel and coal belt. The only new electric railway line to be opened, as at present planned, is from Mughalsarai to Kanpur. This will bring partial relief to steam traction. But it will be seen from the concentration of the programmes of electrification in the steel and coal belt that electrification will not bring any mentionable relief to the railways in their consumption of coal. It would, therefore, appear that whenever transport bottlenecks occur, from whatever causes, the special pool of diesel locomotives, maintained to prevent in the crisis of industrial capacity being put out of commission, will have to be expanded. But this substitute of diesel locomotives, in turn, raises the question of foreign exchange expenditure. Nevertheless, the overriding need to take coal where it is required also gives priority to the allocation of foreign exchange for the procurement of diesel locomotives. It would thus appear that so far as the railways are concerned, in their consumption of coal there is not much scope for any substitute for the reason that sufficient allowance has been made for electrification and dieselisation in assessing the overall requirements of coal in the Third Plan.

Likewise, an allowance has been made for the generation of thermal power from the use of lignite in the Neiveli project. This is an integrated project which comprises, besides lignite exploitation, an establishment of a thermal power plant with a capacity of 250 M.W., a fertilizer plant, a biquetting and carbonisation plant and a clay washing plant. There are programmes of increasing the capacity of the thermal plant by 150

M.W., but the whole lignite project has been planned in such a tight setting that it would be difficult to expect any additional relief from this source to coal than what has been assumed.

The real relief would appear to proceed in some modest measure from the substitution of oil as an alternative fuel to coal. This fact has been well-recognised in the text of the Third Plan and it has been specifically emphasized that industrial consumers in Western and Southern India should consider in earnestness a switch-over to the uses of oil in place of coal. To what extent oil as a substitute for coal can be a commercial proposition has been demonstrated in a convincing way by the change to the consumption of oil by a number of engineering units situated around Calcutta, where, ostensibly, the need for such a switch-over is far less urgent than it is in the remote regions of Western and Southern India. It is certainly a revelation that the Calcutta engineering undertakings should find it advisable to use oil in place of coal. This one instance is quite enough to bring home the feasibility of giving relief to coal by greater use of oil.

At the present time the Ministry of Steel, Mines and Fuel is giving consideration to this question and it has appointed a three-man committee to estimate the requirements of industries in Gujarat for crude oil which can be supplied from the newly discovered oil-fields in Ankleshwar. Side by side with it also there is the question of a greater utilisation of furnace oil by the industrial plants. The question of prices of these oils on which a greater stress is being laid now is one of the important factors in the change-over. The Ministry apparently was taking a very stiff attitude in demanding the price for the furnace oil at a level of 1.5 times as much as the landed cost of coal in those remote areas, but since then its attitude is softening. Then there is also the question of bringing the oil prices to a rational level by a reduction in the excise duty. It ought to be recalled that oil will be a substitute for coal other than the very low grade coals which is another reason why its potentialities should be investigated. The question need not be confined within narrow limits, as is being done by the Ministry at the present time. There is great force in the demand of the All-India Coal Consumers' Association for the appointment of a special commission to go into this question exhaustively and recommend a scheme for the substitution of oil.

Trends in Prices

THE fact that the selling price of coal at the moment is comparatively unremunerative when put against the rising costs of the industry has more than once been brought to light. This fact was brought before the Mazumdar Tribunal which was set up in 1954 to look into the wages and other emoluments of the workers. The All-India Industrial Tribunal (Colliery Disputes) published in 1957 awarded along with a rise in wages a rise in coal prices to an extent of Rs. 3 per ton. But that increase did not prove sufficient and subsequently the coal producers, in view of the rising labour costs due to various tribunal awards and the compensations that were to be paid by the collieries, urged for higher prices. It was their complaint that the coal industry was never granted adequate increases in the price of coal to the extent it required to implement labour awards. Their complaint was genuine enough, because their operating costs — apart from the labour costs — due to increases in prices of stores, plant and equipment, new rates of electricity charges, various types of cesses and increases in railway freights, had risen beyond the bearing capacity of the industry.

This question assumed acute dimensions and the Coal Prices Revision Committee had to be constituted in May 1957 to make recommendations to the Govern-

ment in respect of necessity of increasing the prevailing prices of coal. It was made clear that the report was to be submitted within two months but the Committee submitted its report after nearly two years. It was only towards the end of August 1959 that a price increase of half a rupee per ton for different grades of coal above grade III in the Bengal, Bihar and outlying fields was announced by the Government against an increase expected by the industry of the order of nearly Rs. 4 per ton. Thus, in spite of all these efforts on the part of the industry, the price of coal has not kept pace with the inflationary tendencies that have prevailed during the last few years. It has naturally kept the industry in a comparatively disadvantageous position. The table on page xii gives, in some details, the prices that prevailed at certain periods between 1955 and 1961. It is interesting to note that the price of the specific quality of non-coking coal (column 1) that was selling at Rs. 18.37 per ton in the middle of 1956 was priced at Rs. 21.37 towards the middle of 1961. Similarly the price of non-coking coal of steam quality (column 4) increased only from Rs. 19.4 to Rs. 22.37 during this period. This rise of nearly 11 per cent could be considered comparatively mild when it is known that the general price index has moved up during this period by nearly 30 per cent.

An important factor that is responsible for persistently higher costs is the fact that coal industry has a long history and its capital block at the moment needs rehabilitation. The current prices of capital replacement being very high, it is evident that the depreciation reserves cannot suffice the total needs for rehabilitation. This rising cost of capital replacement has to be observed in the context of the fact that out of the additional production in the private sector of 18 million tons in the Third Plan, about 7 million tons will be from new mines and 11 million tons from expansion of existing ones. Thus both capital replacement and fresh investments will be of a substantial order. It is certain that the capital costs will be of the order of Rs. 80 crores of which Rs. 28 crores will be foreign exchange component. It is necessary that the coal industry should be able to finance a part of the replacements. The possibility of a reasonable rise in prices of

coal cannot, therefore, be ruled out and in fact will be necessary for the industry to finance fresh investments. Thus, in the present circumstances the price of coal may have to be raised.

There are a few more factors which may operate as additional pressures on prices. For instance, the additional coal output from deeper mining may become necessary, which is a comparatively costlier process. Another factor which will be causing pressure on the coal price will be the Government's decision to levy 2½ per cent royalty on the f.o.r. price of coal raised from areas leased prior to October 1949. In addition to this larger stocks of coal at the pitheads — about 4 million tons at present — which are generally financed from borrowed capital tend to increase the costs and naturally the price. In the coming years, in view of the difficulties of transport, pitheads will have to have higher stocks which will again be a pressure on prices.

Shorter Notes

IN view of the development plans of the Government to raise the output of coal steeply, the question of mechanization of coal mines has assumed special importance. It is true that the coal mining industry suffers from low productivity as compared to the performance of mines in advanced countries but the average output per man hour per shift has taken a slow but steady upward course since 1952, as showed in the Table below:

Year	Average Output Per Man shift
1952	0.36
1953	0.36
1954	0.38
1955	0.39
1956	0.40
1957	0.42
1958	0.42
1959	0.43
1960	0.45

It will be seen that between 1952 to 1960 the average output per manshift has risen from 0.36 tons to 0.45 tons—a rise of 25 per cent in 8 years. This works out to a little more than 3 per cent per annum and is indeed quite encouraging. It, however, needs to be stressed that this increase in productivity has been attained by increased expenditure on plant and machinery. The Reserve Bank's analysis of 47 companies shows that in the brief span of four years from 1955 to 1959, the addition to plant and machinery was of the order of Rs. 4.04 crores. Gross investment in plant and machinery in the case of 47 companies was Rs. 15.77 crores in 1955 and rose by 25 per cent in four years. In other words, all the increment in productivity has been attained, by and large, through greater capital investments.

In order to bring India in line with other coal producing countries, it is of paramount importance that India should change its mining methods, particularly in respect of transporting and loading of coal right from the face of the mine to the railway siding. Both these are being done mostly with the help of cane baskets. Several mechanical methods have been tried successfully in other countries and there is no reason why they should not be adopted in this country as well. For example, Armoured Flexible Conveyor Belts have been successfully used in the U.K. Besides, the Bord and Pillar system at present commonly practised in the Indian mines, though saves the cost of stowing which, it may be noted, has been made compulsory for conservation purposes, is not economical and efficient. It has been demonstrated in other countries that it is more economical to use long wall method which, it is understood, also makes supervision, ventilation, transport and load control easier. It is true that this system cannot be adopted without difficulty in the old mines but it will be a good thing if it is introduced in

the new mines. All these changes call for greater safety measures and to achieve this, one of the methods that has been suggested is that of dust suppression by the infusion of water which has also proved economical in other countries.

There is an erroneous impression in the mind of the labour in the country that mechanization is likely to render some labour redundant. This is indeed far from the truth. The target of production for coal in the Third Plan has been raised by 60 per cent. The introduction of mechanisation will certainly need the present labour force and substantial additions as well, though the workers will have to be trained in the use of new machinery. It should not be forgotten that labour can be given higher wages only by raising their productivity. Mechanisation alone holds out the promise of a quick rise in wages through increased productivity.

INDIGENOUS MANUFACTURE OF COAL MINING MACHINERY

The need for manufacturing coal mining machinery in India cannot be over-emphasized. One of the reasons given for the fall in the monthly output of coal since April last is the non-availability of spare parts and components of mining machinery. The World Bank has granted a loan of \$35 million for the first two years of the Third Plan to the private sector for the coal mining industry to finance their imports from abroad. It is understood that \$5 million will be for equipment for new mines, \$14 million for replacements, \$2.5 million for spare parts and the rest for new equipment for existing mines. But the distribution of this amount has been left to the Government of India, who will make final allocations to various mining companies after screening their applications.

The answer to the problem of the coal mining industry lies in the indigenous manufacture of the mining machinery and components. Such a step will not only make India less dependent on foreign imports but save her the much needed foreign exchange. The Third Plan envisages the setting up of a mining machinery manufacturing plant at Durgapur but the project will be ready only by the end of 1965-66. The British Mining Mission which visited India recently has shown interest in collaborating with Indian firms to manufacture mining machinery in the country. Other countries, such as the USA, Poland and Hungary have also evinced interest in collaborating for the manufacture of coal mining machinery. A dozen firms are already manufacturing or are planning to manufacture coal mining equipment. That makes a good augury for the coal mining industry.

STATE-WISE PRODUCTION OF COAL:1950 — 61

(Million metric tons)

Period	W. Bengal	Bihar	Assam	Andhra	Maharashtra	M. Pradesh	Orissa	Rajasthan	Total
1950	9.115	17.771	0.399	1.182	0.411	3.534	0.382	0.020	32.814
1951	9.800	18.885	0.474	1.226	0.423	3.650	0.490	0.034	34.982
1952	10.504	19.894	0.502	1.397	0.375	3.998	0.467	0.046	36.883
1953	10.389	19.396	0.491	1.293	0.314	4.219	0.498	0.035	36.555
1954	10.773	19.462	0.504	1.455	0.318	4.393	0.534	0.031	37.470
1955	11.520	19.734	0.552	1.495	0.352	4.594	0.562	0.029	38.838
1956	11.472	20.410	0.576	1.644	0.417	4.905	0.613	0.025	40.062
1957	13.893	21.443	0.589	1.951	0.634	5.132	0.540	0.018	44.200
1958	14.474	22.163	0.573	2.150	0.672	5.479	0.542	0.012	46.065
1959	15.198	22.730	0.650	2.266	0.685	5.639	0.620	0.024	47.812
1960	16.468	22.051	0.663	2.517	0.788	6.307	0.776	0.042	52.612
1961									
January	1.485	2.561	0.061	0.221	0.074	0.647	0.083	0.004	5.136
February	1.478	2.670	0.063	0.216	0.069	0.633	0.090	0.006	5.225
March	1.531	2.821	0.066	0.216	0.076	0.684	0.123	0.007	5.524
April	1.453	2.150	0.065	0.205	0.074	0.513	0.074	0.006	4.540
May	1.481	2.195	0.066	0.210	0.074	0.498	0.069	0.006	4.599
June	1.324	1.936	0.063	0.212	0.074	0.489	0.079	0.005	4.182

TRENDS IN PRODUCTION OF COKING COAL

(In million tons)

Period	Production of Coal of Grade					Production ceiling fixed for the year	Total Despatches
	Sel. A.	Sel. B.	Gr. I.	Gr. II	Total		
1952	2.212	5.543	—	—	7.755	8.020 (a)	7.353
1953	2.150	5.024	3.673	2.894	13.741	15.182	12.860
1954	2.182	5.028	3.659	2.745	13.614	14.378	12.889
1955	2.093	4.900	3.699	2.663	13.355	14.386	12.677
1956	2.164	5.063	4.124	2.463	13.814	15.000	13.372
1957	2.344	5.242	4.628	2.866	15.080	16.700	14.333
1958	2.344	4.969	4.817	3.028	15.158	18.200	15.019
1959	2.067	4.480	5.151	2.868	14.566	18.400	13.951
1960	2.345	4.006	6.076	2.617	15.044	19.200	13.793
1961							
Jan.	0.222	0.364	0.669	0.267	1.522	19.200	1.115
Feb.	0.216	0.341	0.683	0.259	1.499	19.200	1.228
March	0.234	0.369	0.700	0.236	1.539	19.200	1.267
April	0.212	0.296	0.658	0.255	1.421	19.200	1.246
May	0.219	0.319	0.621	0.204	1.363	19.200	1.023
June	0.199	0.277	0.592	0.190	1.258	19.200	1.194

(a) Output of coking coal of selected grade was pegged from the year 1952 and that of other grades from the year 1953 onwards.

PRODUCTION OF COAL IN PUBLIC AND PRIVATE SECTORS: 1950-60

(In million metric tons)

Period	Private Sector	Public Sector			Total (1 + 4)
		N.C.D.C.	Singareni	Total (2 + 3)	
	(1)	(2)	(3)	(4)	(5)
1950	28.9	2.6	1.2	3.8	32.8
1951	30.6	3.1	1.3	4.4	35.0
1952	32.1	3.3	1.5	4.8	36.9
1953	32.0	3.2	1.4	4.6	36.6
1954	32.8	3.0	1.5	4.5	37.4
1955	34.4	2.9	1.6	4.5	38.8
1956	35.3	3.0	1.7	4.7	40.1
1957	38.8	3.4	2.0	5.4	44.2
1958	40.2	3.7	2.2	5.9	46.0
1959	41.0	4.6	2.3	6.9	47.8
1960	44.0	6.1	2.5	8.6	52.6

**ADDITIONAL COAL PRODUCTION PROGRAMME
IN THIRD PLAN**
(In Public and Private Sectors)
Field-wise Break-up of the Targets
(Million Tons)

Fields	Coking	Blendable	Non-coking	Total
Bengal-Bihar:				
Raniganj	0.35	1.62	8.66	10.63
Jharia	5.84	—	—	5.84
Bokaro	1.68	—	0.33	2.01
West Bokaro	0.50	—	—	0.50
Ramgarh	1.50	—	—	1.50
Karanpura	—	—	0.42	0.42
Madhya Pradesh:				
Pench-Kanhan	—	—	3.43	3.43
Bisrampur	—	—	2.50	2.50
Charcha-Jhilimili	—	0.50	0.50	1.00
Singrauli	—	—	2.50	2.50
Korba	—	—	1.50	1.50
Maharashtra:				
Kamptee	—	—	1.50	1.50
Orissa: Talcher				
—	—	—	2.00	2.00
Andhra Pradesh:				
Singareni	—	—	3.00	3.00
TOTAL	9.87	2.12	26.34	38.33

EMPLOYMENT TRENDS

Average Daily Number of Workers Employed

Period	Underground	Open Working	Surface	Total
1952	182,353	29,148	129,237	341,738
1953	181,973	28,866	126,957	337,796
1954	181,280	28,547	122,583	332,320
1955	187,593	30,161	122,861	340,615
1956	187,068	29,823	116,499	333,390
1957	200,192	33,880	115,604	349,676
1958	208,205	40,973	114,721	363,899
1959	208,651	41,204	114,285	364,140
1960	217,046	48,069	115,161	380,276
1961				
Jan.	232,681	58,856	120,637	412,174
Feb.	238,490	62,596	123,655	424,741
Mar.	226,680	59,259	117,105	403,044
Apr.	226,118	51,502	117,375	394,995
May	221,734	52,181	115,660	389,575
June	217,217	50,130	124,648	391,995

PRODUCTION OF COAL DERIVATIVES:
1950 — 1960

(In thousand metric tons)

Year		Soft Coke	Hard Coke		Total Hard Coke
			Collieries Coke Plants		
1950	..	1,307.1	142.4	301.0	443.5
1951	..	1,291.2	108.3	285.2	393.6
1952	..	1,322.8	113.2	281.1	394.3
1953	..	1,510.3	130.6	279.5	420.1
1954	..	1,574.0	160.1	256.8	417.0
1955	..	1,675.1	261.3	253.5	514.8
1956	..	1,678.4	269.9	259.4	529.3
1957	..	1,749.2	292.1	291.9	584.0
1958	..	1,814.0	374.2	307.9	682.1
1959	..	1,810.1	356.4	427.3	783.6
1960	..	1,816.0	204.2	481.5	685.7
1961					
Jan.	..	156.8	15.5	45.1	60.6
Feb.	..	154.5	17.3	41.5	58.8
March	..	152.9	20.1	43.8	63.9
April	..	140.4	20.1	47.8	67.8
May	..	135.7	22.0	46.2	68.3
June	..	136.5	21.5	46.8	68.3

STOCKS IN RELATION TO PRODUCTION

('000 metric tons)

Period	Production	Stocks at Ratio of stocks	
		Pit-head	to production
January 1960	4,182	2,739	0.65
February	4,365	3,018	0.69
March	4,434	3,117	0.70
April	4,453	3,272	0.73
May	4,421	3,546	0.80
June	4,207	3,578	0.85
July	4,123	3,556	0.86
August	4,204	3,300	0.79
September	4,212	3,163	0.75
October	4,339	2,931	0.68
November	4,638	3,015	0.65
December	5,099	3,458	0.68
January 1961	5,136	3,886	0.76
February	5,225	4,808	0.92
March	5,524	5,567	1.01
April	5,540	5,423	1.19
May	4,599	5,375	1.17
June	4,182	5,129	1.23

DESPATCHES OF COAL BY RAIL TO VARIOUS INDUSTRIES: 1951-61

('000 metric tons)

	Monthly Average						
	1951	1955	1956	1957	1958	1959	1960
Railways	897	1,040	1,128	1,237	1,242	1,256	1,360
Electric Supply Companies	198	249	268	289	333	347	430
Iron and Steel	318	301	288	310	363	501	655
Cement Factories	100	135	148	165	186	200	205
Cotton Mills	136	146	152	162	152	142	152
Jute Mills	42	41	39	36	33	23	26
Engineering Works	28	30	29	30	41	45	43
Paper Mills	42	50	51	54	53	55	64
Chemical Industries	15	22	48	81	85	87	80
Indian Bunkers	216	160	178	170	155	131	133
Brick Burning	114	170	192	168	250	108	116

Total Despatches (including Miscellaneous) 2,474 2,789 2,960 3,190 3,416 3,513 3,865 4,131

STATEWISE QUOTA AND DESPATCHES OF COAL DURING 1960

(Figures in wagons)

State	Quota		Despatches**		Percentage of despatches to quota.	
	Central	States	Central	States	Central	States
Andhra	40,380	24,046	31,127	18,871	77.1	78.5
Bihar	321,480	48,970	193,093	39,286	60.1	80.2
Delhi	19,356	31,530	22,985	16,522	119.4	52.4
Gujarat*	87,560	17,616	60,453	11,724	69.0	66.5
Himachal Pradesh	156	484	—	42	—	8.7
Kerala	1,056	764	465	427	44.0	55.9
Kashmir	—	868	—	20	—	2.3
Madras	44,268	7,436	36,291	4,919	82.0	66.2
Maharashtra*	46,008	20,567	27,287	17,250	59.3	83.9
Madhya Pradesh	149,904	24,524	87,584	16,666	58.4	68.0
Mysore	29,460	3,933	16,597	2,174	56.3	55.2
Orissa	60,600	9,668	41,751	4,152	68.9	42.9
Punjab	41,700	51,435	24,766	28,335	59.4	55.1
Rajasthan	42,336	6,350	24,572	5,286	58.0	83.2
Tripura	192	240	62	414	32.3	172.5
Uttar Pradesh	77,484	90,606	59,057	49,590	76.2	54.7
West Bengal	261,984	111,403	277,648	74,603	106.0	67.0
Bombay	66,784	19,092	40,132	12,847	60.1	67.3
Export and Bunker	75,440	—	60,669	—	80.8	—
Railways	817,440	—	730,903	—	89.4	—
TOTAL	2,183,612	470,441	1,735,559	303,668	79.6	65

* Figures are for Eight months from 1st May, 1960 when the State was formed. Figures for the previous period are shown under Bombay State.

** Estimated at the rate of 22 tons per wagon.

THE INDUSTRIAL DESPATCHES OF COAL BY RAIL (IN TONS) DURING THE YEAR 1960
AGAINST ACCEPTED DEMAND EXCEPT ASSAM

Name of Industries	Total Despatches	Accepted demand for despatches by Rail during the year 1960	Name of Industries	Total Despatches	Accepted demand for despatches by Rail during the year 1960
Export	1,342,205	1,659,689	Distilleries	96,215	167,504
Bunker	131,328	212,850	Glass works	278,131	427,227
(Dumps	91,148	..	Potteries	173,994	260,160
XX/Industries (			Rubber works	56,944	73,166
(Naval stores	2,788	..	Enamel works	12,302	27,512
Steel works	7,740,151	9,484,721	Leather works	9,993	16,171
Coke ovens	453,528	594,300	Soap works	12,771	15,079
Coal washeries	289,865	178,544	Match factories	2,964	4,206
Ordnance factories	129,210	165,916	Cotton mills	1,799,206	2,270,007
Defence services	77,031	46,287	Jute mills	307,757	485,443
Railways	16,060,596	17,864,169	Woollen mills	68,320	99,998
Port & Dock Railways	146,431	198,574	Ginning & Press factories	111,990	237,164
Steamer services (Central)	224,767	333,434	Starch factories	30,885	41,825
Steamer services (States)	13,575	28,818	Silk mills	304,000	336,409
Public utilities (Power)	5,073,498	6,618,455	Domestic soft coke	1,697,359	2,230,795
Public utilities (Gas works)	199,698	223,465	Hospitals	3,792	8,508
Public utilities (Water works)	79,027	129,398	Jails	3,923	11,307
Cement factories	2,419,486	3,252,817	Educations	8,902	17,684
Copper works	35,487	58,101	Ice factories	10,675	37,005
Refractories	85,409	157,847	Sugar mills	153,767	214,881
Paper mills	749,715	900,996	Food processing factories	134,037	204,722
Tea garden	121,844	99,468	Edible oil mills	266,391	433,136
Engineering & Foundries (Central)	142,717	287,925	Dairies	4,575	6,560
Engineering & Foundries (States)	359,466	732,584	Tobacco manufacturing	23,781	31,446
Re-rolling mills	200,188	367,757	Tobacco curing	176,711	283,143
Tramways workshop	337	526	Brick works (Civil)	915,813	..
Small-scale industries	266,857	497,615	Government requirements	141,671	2,729,848
Iron ores	11,302	17,100	Community Development project	81,434	..
Mica works	789	5,521	Grow More Food	167,429	626,460
Lime works	205,384	366,482	Brick works (Railways)	19,262	119,500
Other chemicals (including heavy chemicals)	948,152	1,134,443	Miscellaneous	153,534	331,848
			TOTAL	44,870,457	57,366,516

STATUTORY PRICE OF COAL : 1956-61

(Rs. per ton)

	Run of mine, dust coal and slack coal				Steam coal, rubble and smithy			
	Selected 'A' Grade	Grade I	Grade II	Grade III-A	Selected Grade 'A'	Grade I	Grade II	Grade III-A
Non-coking coal July 1956	18.37	16.50	15.37	14.75	19.44	17.56	16.44	15.75
Coking coal	18.56	16.69	15.56	14.75	19.62	17.75	16.62	15.75
Non-coking coal July 1957	19.87	18.00	16.87	16.25	20.94	19.06	17.94	17.25
Coking coal	20.06	18.19	17.06	16.25	21.12	19.25	18.12	17.25
Non-coking coal May 1958	20.62	18.75	17.62	17.00	21.69	19.81	18.69	18.00
Coking coal	20.81	18.94	17.81	17.00	21.87	20.00	18.87	18.00
Non-coking coal April 1959	20.37	18.50	17.37	16.75	21.44	19.56	18.44	17.75
Coking coal	20.56	18.69	17.56	16.75	21.62	19.75	18.62	17.75
Non-coking coal April 1960	21.68	19.81	18.68	17.56	22.75	20.87	19.75	18.56
Coking coal	21.87	20.00	18.87	17.56	22.93	21.06	19.93	18.56
Non-coking coal June 1961	21.46	19.62	18.50	17.40	22.51	20.66	19.56	18.38
Coking coal	21.64	19.80	18.69	17.40	22.69	20.85	19.73	18.38

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